

WIPO/REG/IP/GUZ/02/2(a)

ORIGINAL:English

DATE:July2002



MINISTRY OF SCIENCE AND
TECHNOLOGY



WORLD INTELLECTUAL
PROPERTY ORGANIZATION



JAPAN PATENT OFFICE

STATE INTELLECTUAL PROPERTY
OFFICE (SIPO)

WIPO ASIAN REGIONAL SYMPOSIUM ON THE IMPORTANCE OF THE INTELLECTUAL PROPERTY SYSTEM FOR HIGH-TECH INDUSTRIES

organized by
the World Intellectual Property Organization (WIPO)
in cooperation with
the Ministry of Science and Technology of the Government of
the People's Republic of China,
the State Intellectual Property Office (SIPO) of
the People's Republic of China,
the Guangdong Bureau of Science and Technology
and the Guangdong Intellectual Property Administration
and with the assistance of
the Japan Patent Office (JPO)

Guangzhou, China, July 10 to 12, 2002

MAIN ELEMENTS OF THE INTELLECTUAL PROPERTY (IP) SYSTEM; RECENT
DEVELOPMENTS AND EMERGING POLICY ISSUES; PRACTICAL IP ISSUE
SINCE DEVELOPING A BUSINESS PLAN FOR A HIGH-TECH ENTERPRISE

Document prepared by the International Bureau of WIPO

BASIC NOTIONS OF INTELLECTUAL PROPERTY

INTRODUCTION

1. The objects of intellectual property are the creations of the human mind, the human *intellect* hence the expression “intellectual” property. In a somewhat simplified way, one can state that intellectual property relates to pieces of information which can be incorporated in tangible objects at the same time in an unlimited number of copies at different locations anywhere in the world. The property is not in those copies but in the information reflected in those copies. Similar to property in movable things and immovable property, intellectual property, too, is characterized by certain limitations, for example, limited duration in the case of copyright and patents.

2. Today, the expression “intellectual property” is used even more broadly, to refer to all creations of the human mind. Article 2(viii) of the Convention Establishing the World Intellectual Property Organization does not define intellectual property as such, but gives the following list of the subject matter protected by intellectual property rights: literary, artistic and scientific works; performances of performing artists, phonograms, and broadcasts; inventions in all fields of human endeavor; scientific discoveries; industrial designs; trademarks, service marks, and commercial names and designations; protection against unfair competition; and “all other rights resulting from intellectual activity in the industrial, scientific, literary or artistic fields.”

3. The most direct source of protection for intellectual property is national laws. Other sources include legal instruments of regional bodies composed of groups of countries (such as the directives of the European Union), bilateral and plurilateral agreements among countries which contain provisions on intellectual property (such as the North American Free Trade Agreement), and multilateral agreements, such as the Berne Convention and the Agreement on the Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement), concluded under the Uruguay Round of negotiations under the former GATT, now the World Trade Organization (WTO).

THE TWO BRANCHES OF INTELLECTUAL PROPERTY

4. Intellectual property has been divided into two branches, namely “industrial” property, which protects inventions, trademarks, etc., and “copyright,” which protects literary and artistic works as well as creations in the field of so-called “related rights.” While other types of intellectual property also exist, for present purposes it is helpful to explore the distinction between industrial property and copyright in terms of the basic difference between inventions and literary and artistic works.

5. Inventions may be defined (in a non-legal sense) as new solutions to technical problems. These new solutions are ideas, and are protected as such; protection of inventions under patent law does not require that the invention be represented in a physical embodiment. Protection accorded to inventors is, therefore, protection against any use of the invention without the authorization of the owner. Even a person who later makes the same invention independently, without copying or even being aware of the first inventor’s work, must obtain authorization before he can exploit it.

6. Literary and artistic works include books, music, works of the fine arts such as paintings and sculptures, and technology-based works such as computer programs and electronic data bases. Unlike protection of inventions, copyright law protects only the form of expression of ideas, not the ideas themselves. The creativity protected by copyright law is creativity in the choice and arrangement of words, musical notes, colors and shapes. Copyright law protects the owner of property rights in literary and artistic works against those who “copy” or otherwise take and use the form in which the original work was expressed by the author.

INDUSTRIAL PROPERTY

7. Industrial property is sometimes misunderstood as relating to movable or immovable property used for industrial production, such as factories, equipment for production. Typically, the creations to which industrial property relates are inventions and industrial designs. (Simply stated, inventions are solutions to technical problems, and industrial designs are aesthetic creations determining the appearance of industrial products.) In addition, industrial property includes trademarks, service marks, commercial names and designations, geographical indications (indications of source and appellations of origin) and the protection against unfair competition. Here, the aspect of intellectual creations — although existent — is less prominent, but what counts here is that the object of industrial property typically consists of signs transmitting information to consumers, in particular, as regards products and services offered on the market, and that the protection is directed against unauthorized use of such signs which is likely to mislead consumers, and against misleading practices in general.

8. The expression “industrial” property may appear not to be entirely logical because it is only as far as inventions are concerned that the main segment of the economy that is interested in them is *industry*. Indeed, in the typical situation, inventions are exploited in industrial plants. But trademarks, service marks, commercial names and commercial designations are of interest not only to industry but also and mainly to commerce. Notwithstanding this lack of logic, the expression “industrial property” has acquired a meaning which clearly covers not only inventions but also the other objects just mentioned.

9. In the hall of the WIPO headquarters building, there is an inscription in the cupola whose text tries, in a few words, implicitly to define intellectual works. It also tries to convey the reasons for which intellectual works should be “property,” that is, why their creators should enjoy advantages secured by law. Finally, the inscription invokes the duty of the State in this field. Naturally, the inscription makes no claim to legal exactitude. Its intent is to stress the cultural, social and economic importance of protecting intellectual property.

Inventions

10. As has already been said, inventions are new solutions to technical problems. This is not an official definition. Most laws dealing with the protection of inventions do not define the notion of inventions. However, the WIPO Model Law for Developing Countries on Inventions (1979) contained a definition which reads as follows: “‘Invention’ means an idea of an inventor which permits in practice the solution to a specific problem in the field of technology.”

Patents

11. Inventions are characteristically protected by patents, also called “patents for invention.” Every country which gives legal protection to inventions — and there are more than 140 such countries — gives such protection through patents although there are a few countries in which protection may also be given by means other than patents, as will be seen below.

12. The word “patent” is often used in two senses. One of them is the document that is called “patent” or “letters patent.” The other is the content of the protection that a patent confers.

13. First of all, let us deal with the first sense of the word “patent,” that is, when it means a document.

14. If a person makes what he believes is an invention, he, or if he works for an entity, that entity, asks the Government — by filing an application with the Patent Office — to give him a document in which it is stated what the invention is and that he is the owner of the patent. This document, issued by a Government authority, is called a patent or a patent for invention.

15. Not all inventions are patentable. Generally, patent laws require that, in order to be patentable, the invention must be new, it must involve an inventive step (or it must be non-obvious), and it must be industrially applicable. These three requirements, sometimes called the requirements or conditions of patentability, have been incorporated in Article 27.1 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (“the TRIPS Agreement”).

16. The conditions of novelty and inventive step must exist on a certain date. That date, generally, is the date on which the application is filed. However, in a certain case it will not matter if the conditions no longer exist on that date. That case is regulated in the Paris Convention for the Protection of Industrial Property (“the Paris Convention”) and concerns the situation where the application of a given applicant concerning a given invention is not the first application of that applicant for that invention, but a later application by the same applicant (or his successor in title) for the same invention. For example, the first application was filed in Japan and the second in France. In such a case, it will be sufficient that the conditions of novelty and inventive step exist on the date on which the first (the Japanese) application was filed. In other words, the second (the French) application will have a *priority* over any applications filed by other applicants in France between the date of the first (Japanese) and the second (French) application, provided the period between the two dates does not exceed 12 months. Because of such priority, the advantage thus assured to the applicant is called “right of priority.”

17. It is customary to distinguish between inventions that consist of products and inventions that consist of processes. An invention that consists of a new alloy is an example of a product invention. An invention that consists of a new method or process of making a known alloy is a process invention. The corresponding patents are usually referred to as a “product patent,” and a “process patent,” respectively.

18. Now, to the other sense of the word “patent.” The protection that a patent for invention confers means that anyone who wishes to exploit the invention must obtain the authorization

of the person who received the patent — called “the patentee” or “the owner of the patent” — to exploit the invention. If anyone exploits the patented invention without such authorization, he commits an illegal act. One speaks about “protection” since what is involved is that the patentee is protected against exploitation of the invention which he has not authorized. Such protection is limited in time. According to Article 33 of the TRIPS Agreement, the term of protection must not end before the expiration of a period of twenty years counted from the filing date.

19. The rights (the protection) are not described in the document called a “patent.” Those rights (that protection) are described in the patent law of the country in which the patent for invention was granted. The patent law of Members of the TRIPS Agreement has to comply with Section 5 of Part II of the said Agreement which sets out, in its Article 28, the exclusive rights conferred by a patent. The other provisions, relating to patents, of the said Agreement deal, *inter alia*, with patentable subject matter, conditions on patent applicants and the reversal of burden of proof in respect of process patents. The rights, usually called “exclusive rights of exploitation,” generally consist of the following:

- in the case of product patents, the right to prevent third parties from making, using, offering for sale, selling or importing the product that includes the invention; and
- in the case of process patents, the right to prevent third parties from using the process that includes the invention, and to prevent third parties from using, offering for sale, selling or importing products which were made by the process that includes the invention.

20. It has been mentioned earlier that, if anyone exploits the patented invention without the authorization of the owner of the patent for invention, he commits an illegal act. However, as already stated, there are exceptions to this principle, because patent laws may provide for cases in which a patented invention may be exploited without the patentee’s authorization, for example, exploitation in the public interest by or on behalf of the government, or exploitation on the basis of a compulsory license. A compulsory license is an authorization to exploit the invention, given by a governmental authority, generally only in very special cases, defined in the law, and only where the entity wishing to exploit the patented invention is unable to obtain the authorization of the owner of the patent for invention. The conditions of the granting of compulsory licenses are also regulated in detail in laws which provide for them. In particular, the decision granting a compulsory license has to fix an adequate remuneration for the patentee, and that decision may be the subject of an appeal. It should be noted that the TRIPS Agreement, in particular in its Articles 27.1 and 31, establishes a number of obligations with respect to the use of a patented invention without the authorization of the owner of the patent. Members of that Agreement have to comply with these requirements the most important of which no longer permits the grant of compulsory licenses on the ground of failure to work or insufficient working of an invention if the protected product is lawfully imported into the territory of the Member concerned.

21. In conclusion, it can be stated that, among the means by which inventions are protected, patents are by far the most important. However, protection of inventions as utility models deserves mention.

Utility Models

22. Utility models are found in the laws of a limited number (about 20) of countries in the world, and in the OAPI regional agreement. In addition, some other countries (for example, Australia and Malaysia) provide for titles of protection which may be considered similar to utility models. They are called “petty patents” or “utility innovations.” The expression “utility model” is merely a name given to certain inventions, namely — according to the laws of most countries which contain provisions on utility models — inventions in the mechanical field. Utility models usually differ from inventions for which ordinary patents for invention are available mainly in three respects: *first*, in the case of an invention called “utility model,” either only novelty but no inventive step is required or the inventive step required is smaller than in the case of an invention for which a patent for invention is available; *second*, the maximum term of protection provided in the law for a utility model is generally shorter than the maximum term of protection provided for a patent for invention; and *third*, the fees required for obtaining and maintaining the right are generally lower than those applicable to patents. Moreover, in certain countries there is also a substantial difference in the procedure for obtaining protection for a utility model: this procedure is generally shorter and simpler than the procedure for obtaining a patent for invention.

Industrial Designs

23. Generally speaking, an industrial design is the ornamental or aesthetic aspect of a useful article. Such particular aspect may depend on the shape, pattern or color of the article. The design must appeal to the senses or sight. Moreover, it must be reproducible by industrial means; this is the essential purpose of the design, and is why the design is called “industrial.”

24. In order to be protectable, an industrial design must, according to some laws, be new and, according to other laws, original. The requirements of novelty or originality have been incorporated in Article 25.1 of the TRIPS Agreement.

25. Industrial designs are usually protected against unauthorized copying or imitation. Under Article 26.3 of the TRIPS Agreement, the duration of protection available shall amount to at least 10 years. Members of the said Agreement are also obliged to ensure that requirements for securing protection of textile designs, in particular in regard of any cost, examination or publication, do not unreasonably impair the opportunity to seek and obtain such protection.

26. The document which certifies the protection may be called a registration certificate or a patent. If it is called a patent, one must, in order to distinguish it from patents for invention, always specify that it is a patent for industrial design.

Intellectual Property In Respect Of Integrated Circuits

27. The question of the type of protection to be given to the layout-design, or topography, of integrated circuits is relatively new. Although prefabricated components of electrical circuitry have been used for a long time in the manufacture of electrical equipment (for example, radios), large scale integration of a multitude of electrical functions in a very small

component became possible only a few years ago as a result of advances in semiconductor technology. Integrated circuits are manufactured in accordance with very detailed plans or "layout-designs."

28. The layout -designs of integrated circuits are creations of the human mind. They are usually the result of an enormous investment, both in the terms of highly qualified experts, and financially. There is a continuing need for the creation of new layout -designs which reduce the dimensions of existing integrated circuits and simultaneously increase their functions. The smaller an integrated circuit, the less the material needed for its manufacture, and the smaller the space needed to accommodate it. In -designs are utilized in a large range of products, including articles of everyday use, such as watches, television sets, washing machines, automobiles, etc., as well as sophisticated data processing equipment.

29. Whereas the creation of a new layout -design for an integrated circuit involves an important investment, the copying of such a layout -design may cost only a fraction of that investment. Copying may be done by photographing each layer of an integrated circuit and preparing masks for the production of the integrated circuit on the basis of the photographs obtained. The high cost of the creation of such layout -designs, and the relative ease of copying, are the main reasons for the protection of layout -designs.

30. Layout-designs of integrated circuits are not considered industrial designs in the sense of the laws providing for the registration of industrial designs. This is because they do not determine the external appearance of integrated circuits, but, rather, the physical allocation, within the integrated circuit, of each element having an electronic function. Moreover, layout-designs of integrated circuits are not normally patentable inventions, because their creation usually does not involve an inventive step, although it requires a great amount of work by an expert. Further, copyright protection may not apply if it is determined, under national law, that layout -designs are not copyrightable subject matter. Due to the uncertainty surrounding the protection of layout -designs, national, regional, and international efforts focused on the question of what type and scope of protection would be appropriate.

31. On May 26, 1989, under the auspices of WIPO, the Treaty on Intellectual Property in Respect of Integrated Circuits was adopted at Washington, D.C., United States of America. The Treaty has not entered into force but its substantive provisions have, to a large extent, been adopted in the TRIPS Agreement. The main features of the protection mandated under the Treaty can be summarized as follows.

32. A layout -design is defined in the Treaty as the "three -dimensional disposition, however expressed, of the elements, at least one of which is an active element, and of some or all of the interconnections of an integrated circuit, or such a three -dimensional disposition prepared for an integrated circuit intended for manufacture." Such a layout -design is considered protectable under the terms of the Treaty if it is the result of its creator's own intellectual effort and is not common place among creators of layout -designs and manufacturers of integrated circuits at the time of its creation.

33. The protection required under the Treaty, as modified in the TRIPS Agreement, is the prohibition, for a period of at least ten years, of the performance of the following acts, without the authorization of the holder of the right:

- (i) reproducing, whether by incorporation in an integrated circuit or otherwise, a protected layout -design in its entirety or any part thereof, except the act of reproducing any part that does not comply with the requirement of originality; and
- (ii) importing, selling or otherwise distributing for commercial purposes, a protected layout -design or an integrated circuit in which a protected layout -design is incorporated.

34. The manner in which these rights in a layout -design are to be secured is not mandated by the Treaty. Thus, a Contracting Party is free to implement its obligations under the Treaty through aspecial law on layout -designs (a solution which is more and more frequent), or its law on copyright, patents, utility models, industrial designs, unfair competition or any other law or a combination of any of those laws.

35. Contracting Parties are free to provide that registration of a layout -design is a prerequisite to protection.

36. The rights in layout -designs provided for under the Treaty are subject to three exceptions. Firstly, a third party is able to perform any act with respect to a layout -design for the purposes of evaluation, analysis, research, or teaching. Secondly, a third party may copy a layout -design or part thereof in order to prepare a second, original, layout -design. According to the Treaty, such a second layout -design is not to be regarded as infringing rights held in the first layout -design. Thirdly, a third party may perform any act in respect of a layout -design that was independently created.

Trademarks

37. Any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark. Such signs, in particular words including personal names, letters, numerals, figurative elements and combinations of colors as well as any combination of such signs, shall be eligible for registration as trademarks (TRIPS Article 15.1). Most countries require that trademarks for which protection is desired be registered with a government authority. The protection that laws give to a trademark consists essentially of making it illegal for any entity other than the owner of the trademark to use the trademark or a sign similar to it, at least in connection with goods for which the trademark was registered or with goods similar to such goods without the authorization of the owner. The TRIPS Agreement sets out, in its Article 16, the rights conferred on the owner of a trademark and the protection to be given in respect of well -known marks.

38. The TRIPS Agreement also deals, *inter alia*, with the protectable subject matter, the term of protection, the requirements of use as well as licensing and assignment.

Trade Names

39. Another category of objects of industrial property is “commercial names and designations.”

40. A commercial name or trade name — the two expressions mean the same thing — is the name or designation which identifies the enterprise. In most countries, trade names may be registered with a government authority. However, under Article 8 of the Paris Convention for the Protection of Industrial Property, a trade name must be protected without the obligation of filing or registration, whether or not it forms part of a trademark. Protection generally means that the trade name of one enterprise may not be used by another enterprise either as a trade name or as a trademark or service mark and that a name or designation similar to the trade name, if likely to mislead the public, may not be used by another enterprise.

Geographical Indications

41. Finally, among commercial designations there are also geographical indications.

42. The TRIPS Agreement (Articles 22 to 24) establishes certain obligations as regards the protection of geographical indications, which are defined therein, for the purposes thereof, as “indications which identify a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin.” The notions of “indications of source” and of “appellations of origin,” which are used in the Paris Convention, encompass geographical indications as defined by the TRIPS Agreement.

43. An indication of source is constituted by any denomination, expression or sign indicating that a product or service originates in a country, a region or a specific place (for instance, “made in...”). As a general rule, the use of false or deceptive indications of source is unlawful.

44. An appellation of origin is constituted by the denomination of a country, a region or a specific place which serves to designate a product originating there, the characteristic qualities of which are due exclusively or essentially to the geographical environment, in other words to natural and/or human factors. The use of an appellation of origin is lawful only for a certain circle of persons or enterprises located in the geographical area concerned and only in connection with the specific products originating there (for instance, “Bordeaux”).

Protection Against Unfair Competition

45. The last object of the protection of industrial property is the protection against unfair competition. Such protection, required under Article 10 *bis* of the Paris Convention, is directed against acts of competition that are contrary to honest practices in industry or commerce. The following in particular constitute acts of unfair competition in relation to industrial property: all acts of such a nature as to create confusion with the establishment, the goods or the industrial or commercial activities of a competitor; false allegations in the course of trade of such a nature as to discredit the establishment, the goods or the industrial or commercial activities of a competitor; and indications or allegations the use of which in the course of trade is liable to mislead the public as to the characteristics of goods.

46. The protection against unfair competition supplements the protection of inventions, industrial designs, trademarks and geographical indications. It is particularly important for the protection of know-how, that is: technology or information which is not protected by a patent but which may be required in order to make the best use of a patented invention.

47. The TRIPS Agreement contains, in its Article 39, provisions on the protection of undisclosed information (trade secrets). In the course of ensuring effective protection against unfair competition as provided in Article 10 *bis* of the Paris Convention, Members of the TRIPS Agreement are required to provide natural and legal persons the possibility of preventing information lawfully within their control from being disclosed to, acquired by, or used by others without their consent in a manner contrary to honest commercial practices so long as such information:

- (a) is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;
- (b) has commercial value because it is secret; and
- (c) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.

COPYRIGHT

48. The next part of this presentation will explain the general structure of copyright law, and will be divided into the following sections: (1) the *works* protected by copyright; (2) the *rights* granted to the owner of copyright; (3) *limitations* on such rights; (4) *duration of copyright*; (5) *ownership and transfer* of copyright; and (6) *enforcement of rights*.

Protected Works

49. Article 2 of the Berne Convention reads in part as follows:

“The expression ‘literary and artistic works’ shall include every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression, such as books, pamphlets and other writings; lectures, addresses, sermons and other works of the same nature; dramatic or dramatico-musical works; choreographic works and entertainments in dumb show; musical compositions with or without words; cinematographic works to which are assimilated works expressed by a process analogous to cinematography; works of drawing, painting, architecture, sculpture, engraving and lithography; photographic works, to which are assimilated works expressed by a process analogous to photography; works of applied art; illustrations, maps, plans, sketches and three-dimensional works relative to geography, topography, architecture or science. Translations, adaptations, arrangements of music and other alterations of a literary or artistic work shall be protected as original works without prejudice to the copyright in the original work. Collections of literary or artistic works such as encyclopaedias and anthologies which, by reason of the selection and arrangement of their contents, constitute intellectual creations shall be protected as such, without prejudice to the copyright in each of the works forming part of such collections.”

50. From this provision, it may be seen that copyright applies to “every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression.”

The expression “literary and artistic works” is a general concept to be understood, for the purposes of copyright protection, as including every original work of authorship, irrespective of its literary or artistic merit.

51. All countries which are members of the Berne Union, and many other countries, provide protection under their copyright law to the categories of works contained in the preceding list, which illustrates and gives examples of what is meant by the expression “every production in the literary, scientific and artistic domain.” The list is not intended to limit the modes or forms of expression which are protected by copyright law. It is not an exhaustive list. Other modes or forms of expression of works in the literary, scientific and artistic domain, not included in the list, are protected also by many copyright laws.

52. Computer programs are a good example of a type of work which is not included in the list contained in the Berne Convention, but which is undoubtedly included in the notion of a “production in the literary, scientific and artistic domain” within the meaning of Article 2 of the Convention; indeed, computer programs are protected under the copyright laws of a number of countries, and under the TRIPS Agreement. A computer program is a set of instructions which control the operations of a computer in order to enable it to perform a specific task, such as the storage and retrieval of information. A computer program is produced by one or more human authors but, in its final “mode or form of expression,” it can be understood directly only by a machine (the computer), not by humans. Another example of a type of work not listed in Article 2 of the Berne Convention, but which is clearly included in the notion of a creation “in the literary, scientific and artistic domain,” is multimedia productions. While no acceptable legal definition has been developed, there is a consensus that the combination of sound, text and images in a digital format which is made accessible by a computer program, embodies an original expression of authorship sufficient to justify the protection of multimedia productions under the umbrella of copyright.

Rights Protected

53. Earlier in this lecture, it was noted that there are three kinds of property -- movable property, immovable property and intellectual property -- and that the most important feature of property is that the owner may use it exclusively, i.e., as he wishes, and that nobody else can lawfully use it without his authorization. When we say that the owner of property can use it “as he wishes” we do not, of course, mean that he can use it regardless of the legally recognized rights and interests of other members of society. For example, the owner of a car may use it “as he wishes,” but this does not mean that he may drive his car recklessly and create danger to others, nor that he may disregard traffic regulations.

54. Copyright is a branch of intellectual property. The owner of copyright in a protected work may use the work as he wishes, and may prevent others from using it without his authorization. Thus, the rights granted under national law to the owner of copyright in a protected work are normally “exclusive rights” to authorize others to use the work, subject to the legally recognized rights and interests of others.

55. There are two types of rights under copyright, economic rights, which allow the owner of rights to derive financial reward from the use of his works by others, and “moral rights,” which allow the author to take certain actions to preserve the personal link between himself and the work. Moral rights will be discussed later in this presentation.

56. The next question which we must examine is what is meant by “using” a work protected by copyright. Most copyright laws state that the author or owner or rightsholder has the right to “authorize or prevent” certain acts in relation to a work. Such acts include the following: reproduction of the work (making copies); public performance of the work; broadcasting or other communication to the public of the work; translation of the work; and adaptation of the work.

(a) *Right of reproduction and related rights*

57. The right of the owner of copyright to prevent others from making copies of his works is the most basic right under copyright. For example, the making of copies of a protected work is the act performed by a publisher who wishes to distribute copies of a text-based work to the public, whether in the form of printed copies or digital media such as CD-ROMs. Likewise, the right of a phonogram producer to manufacture and distribute compact discs (CDs) containing recorded performances of musical works is based, in part, on the authorization given by the composers of such works to reproduce their compositions in the recording. Therefore, the right to control the act of reproduction is the legal basis for many forms of exploitation of protected works.

58. Other rights are recognized in national laws in order to ensure that the basic right of reproduction is respected. For example, some laws include a right to authorize the distribution of copies of works; obviously, the right of reproduction would be of little economic value if the owner of copyright could not authorize the distribution of the copies made with his consent. The right of distribution is usually subject to exhaustion upon first sale or other transfer of ownership of a particular copy, which means that, after the copyright owner has sold or otherwise transferred ownership of a particular copy of a work, the owner of that copy may dispose of it without the copyright owner's further permission, for example, by giving it away or even by reselling it. Another right which is achieving wider and wider recognition, including in the TRIPS Agreement, is the right to authorize the rental of copies of certain categories of works, such as musical works included in phonograms, audiovisual works, and computer programs. The right of rental is justified because technological advances have made it very easy to copy these types of works; experience in some countries has shown that copies were made by customers of rental shops, and therefore, that the right to control rental practices was necessary in order to prevent abuse of the copyright owner's right of reproduction. Finally, some copyright laws include a right to control the importation of copies as a means of preventing erosion of the principle of territoriality of copyright; that is, the legitimate economic interests of the copyright owner would be endangered if he could not exercise the rights of reproduction and distribution on a territorial basis.

59. There are some acts of reproducing a work which are exceptions to the general rule, because they do not require the authorization of the author or other owner of rights; these are known as “limitations” on rights. The subject of limitations on rights will be discussed later in this presentation, but it bears mention here that an area of major concern at present relates to the scope of a limitation, traditionally present in copyright laws, which allows individuals to make single copies of works for private, personal and non-commercial purposes. The emergence of digital technology, which creates the possibility of making high quality, unauthorized copies of works which are virtually indistinguishable from the source (and thus a perfect substitute for the purchase of, or other legitimate access to, authorized copies), has called into question the continued justification for such a limitation on the right of reproduction.

(b) *Rights of public performance, broadcasting and communication to the public*

60. Under numerous national laws, a “public performance” is considered any performance of a work at a place where the public is or can be present, or at a place not open to the public, but where a substantial number of persons outside the normal circle of a family and its closest social acquaintances is present. On the basis of the right of public performance, the author or other owner of copyright may authorize live performances of a work, such as the presentation of a play in a theater or an orchestral performance of a symphony in a concert hall. Public performance also includes performance by means of recordings; thus, musical works embodied in phonograms are considered “publicly performed” when the phonograms are played over amplification equipment in such places as discotheques, airplanes, and shopping malls.

61. The right of “broadcasting” covers the transmission by wireless means for public reception of sounds or of images and sounds, whether by radio, television, or satellite. When a work is “communicated to the public,” a signal is distributed, by wire or wireless means, which can be received only by persons who possess the equipment necessary to decode the signal. An example of “communication to the public” is cable transmission.

62. Under the Berne Convention, authors have the exclusive right of authorizing public performance, broadcasting and communication to the public of their works. Under some national laws, the exclusive right of the author or other owner of rights to authorize broadcasting is replaced, in certain circumstances, by a right to equitable remuneration, although such a limitation on the broadcasting right is less and less common.

63. In recent years, the rights of broadcasting, communication to the public and public performance have been the subject of much discussion. New questions have arisen as a result of technological developments, in particular digital technology, which has produced what is referred to as the “convergence” of telecommunications and computer technology. These developments have blurred the legal distinctions between the traditional forms of making works available to the public by incorporeal means, such as broadcasting, communication to the public and public performance. Discussions will continue in an effort to adapt the legal definitions of such to new technological and commercial realities.

(c) *Translation and adaptation rights*

64. The acts of translating or adapting a work protected by copyright also require the authorization of the owner of rights. “Translation” means the expression of a work in a language other than that of the original version. “Adaptation” is generally understood as the modification of a work to create another work, for example adapting a novel to make a motion picture, or the modification of a work to make it suitable for different conditions of exploitation, e.g., by adapting an instructional textbook originally prepared for higher education into an instructional textbook intended for students at a lower level.

65. Translations and adaptations are works protected by copyright. Therefore, in order to reproduce and publish a translation or adaptation, authorization must be obtained from both the owner of the copyright in the original work and of the owner of copyright in the translation or adaptation.

66. In recent years, the scope of the right of adaptation has been the subject of discussion, because of the increased possibilities for adapting and transforming works which are

embodied in digital format. With digital technology, manipulation of text, sound and images by the user is quick and easy; discussions have focused on the appropriate balance between the rights of the author to control the integrity of the work by authorizing modifications, on the one hand, and the rights of users to make changes which seem to be part of a normal use of works in digital format, on the other hand.

(d) *Moral rights*

67. The Berne Convention requires Member countries to grant to authors: (i) the right to claim authorship of the work (sometimes called the right of “paternity”); and (ii) the right to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the work which would be prejudicial to the author’s honor or reputation (sometimes called the right of “integrity”). These rights, which are generally known as the moral rights of authors, are required to be independent of the economic rights and to remain with the author even after he has transferred his economic rights. It is worth noting that moral rights are only accorded to human authors; even if someone else is the owner of economic rights in a work (for example, a film producer or a publisher), only the individual creator has moral interests at stake.

Limitation on Rights

68. The first limitation is the exclusion from copyright protection of certain categories of works. In some countries, works are excluded from protection if they are not fixed in tangible form; for example, a work of choreography would only be protected once the movements were written down in a dance notation or recorded on videotape. In some (but not all) countries, moreover, the text of laws, court and administrative decisions are excluded from copyright protection.

69. The second category of limitations on the rights of authors and other owners of copyright concerns particular acts of exploitation, normally requiring the authorization of the owner of rights, which may, under circumstances specified in the law, be done without authorization. There are two basic types of limitations in this category: (1) “free uses,” which are acts of exploitation of works which may be carried out without authorization and without an obligation to compensate the owner of rights for the use, and (2) “non-voluntary licenses,” under which the acts of exploitation may be carried out without authorization, but *with* the obligation to compensate the owner of rights.

70. Examples of free uses include the making of quotations from a protected work, provided that the source of the quotation, including the name of the author, is mentioned and that the extent of the quotation is compatible with fair practice; use of works by way of illustration for teaching purposes; and use of works for the purpose of news reporting. In respect of a free use for reproduction, the Berne Convention contains a general rule, rather than an explicit limitation: Article 9(2) provides that member States may provide for free reproduction in “special cases” where the acts do not conflict with normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the author. As noted above, numerous laws contain provisions allowing reproduction of a work exclusively for the personal, private and non-commercial use of human individuals; the ease and quality of individual copying made possible by recent technology has led some countries to narrow the scope of such provisions, including through systems which allow certain copying but incorporate a mechanism for

payment to owners of rights for the prejudice to their economic interests resulting from the copying.

71. In addition to specific free uses enumerated in national laws, the laws of some countries recognize the concept known as “fair use” or “fair dealing”, which allows use of works without the authorization of the owner of rights, taking into account factors such as the following: the nature and purpose of the use, including whether it is for commercial purposes; the nature of the work used; the amount of the work used in relation to the work as a whole; and the likely effect of the use on the potential commercial value of the work.

72. As noted above, “non-voluntary licenses” allow use of works in certain circumstances without the authorization of the owner of rights, but require that compensation be paid in respect of the use. Such licenses are called “non-voluntary” because they are allowed in the law, and do not result from the exercise of the exclusive right of the copyright owner to authorize particular acts. Non-voluntary licenses were usually created in circumstances where a new technology for the dissemination of works to the public had emerged, and where the national legislator feared that owners of rights would prevent the development of the new technology by refusing to authorize use of works. This was true of two non-voluntary licenses recognized in the Berne Convention, which allow the mechanical reproduction of musical works and broadcasting. It should be noted, however, that the justification for non-voluntary licenses is called increasingly into question, since effective alternatives now exist for making works available to the public based on authorizations given by the owners of rights, including in the form of collective administration of rights.

Duration of Copyright

73. Copyright does not continue indefinitely. The law provides for a period of time, a duration, during which the rights of the copyright owner exist. The period or duration of copyright begins from the moment when the work has been created, or, under some national laws, when it has been expressed in a tangible form. The period of duration continues, in general, until some time after the death of the author. The purpose of this provision in the law is to enable the author’s successor to benefit economically from exploitation of the work after the author’s death.

74. In countries which are party to the Berne Convention, and in many other countries, the duration of copyright provided for by national law is, as a general rule, the life of the author and not less than 50 years after his death. The Berne Convention also establishes periods of protection for works in respect of which the duration cannot be based on the life of a single human author, for example, an anonymous, posthumous and cinematographic works. It should be noted that a trend exists in certain national laws toward lengthening of the duration of copyright. For example, a directive of the European Union requires that, as from July 1, 1995, the duration of copyright under the national laws of the member States be fixed at 70 years following the death of the author.

Ownership and Exercise of Copyright

75. The owner of copyright in a work is generally, at least in the first instance, the person who created the work—that is to say, the author of the work. There are exceptions to this general principle, including in the Berne Convention, which contains a set of rules for

determining initial ownership of rights in cinematographic works (Article 14 *bis*). Also, certain national laws provide that, when a work is created by an author who is employed for the purpose of creating that work, then the employer, not the author, is the owner of the copyright in the work. As noted above, however, moral rights always belong to the individual human author of the work, whoever may be the owner of economic rights.

76. The laws of many countries provide that, whoever is the initial owner of rights in a work, all economic rights may be transferred (moral rights, being personal to the author, can never be transferred). Transfers of copyright may take one of two forms: assignments and licenses.

77. Under an assignment, the owner of rights transfers the right to authorize or prohibit certain acts covered by one, several, or all rights under copyright. An assignment is a transfer of a property right; thus, if all rights are assigned, the person to whom the rights were assigned becomes the owner of copyright.

78. In some countries, an assignment of copyright is not legally possible, and only licensing is allowed. Licensing means that the owner of the copyright remains the owner but authorizes someone else to carry out certain acts covered by his economic rights, generally for a specific period of time and for a specific purpose. For example, the author of a novel may grant a license to a publisher to make and distribute copies of his work, and, at the same time, he may grant a license to a film producer to make a film based on the novel. Licenses may be exclusive, which means that the owner of copyright agrees not to authorize any other person to carry out the licensed acts, or non-exclusive, which means that the copyright owner may authorize others to carry out the same acts. A license, unlike an assignment, does not generally convey the right to authorize others to carry out acts covered by economic rights.

79. Licensing may also take the form of collective administration of rights. Under collective administration, authors and the owners of rights grant exclusive licenses to a single entity, which acts on their behalf to grant authorizations, to collect and distribute remuneration, to prevent and detect infringement of rights, and to seek remedies for infringement. An advantage to authors in authorizing collective administration lies in the fact that, with multiple possibilities for an unauthorized use of works resulting from new technologies, a single body is capable of ensuring that mass use takes place on the basis of authorizations which are easily obtainable from a central source.

Enforcement of Rights

80. The Berne Convention contains very few provisions concerning enforcement of rights, but the evolution of new national and international enforcement standards has been dramatic in recent years, due to two principal factors. The first is the galloping advances in the technological means for creation and use (both authorized and unauthorized) of protected material, and in particular, digital technology, which makes it possible to transmit and make perfect copies of any "information" existing in digital form, including works protected by copyright, anywhere in the world. The second factor is the increasing economic importance of the movement of goods and services protected by intellectual property rights in the realm of international trade; simply put, trade in products embodying intellectual property rights is now a booming, worldwide business. The TRIPS Agreement contains detailed provisions on the enforcement of rights, is ample evidence of this new link between intellectual property and trade. The following paragraphs identify and summarize some of the enforcement

provisions found in recent national legislation, which may be divided into the following categories: conservatory or provisional measures; civil remedies; criminal sanctions; measures to be taken at the border; and measures, remedies and sanctions against abuses in respect of technical devices.

81. *Conservatory or provisional measures* have two purposes: first, to prevent infringements from occurring, particularly to prevent the entry of infringing goods into the channels of commerce, including entry of imported goods after clearance by customs; and second, to preserve relevant evidence in regard to an alleged infringement. Thus, judicial authorities may have the authority to order that provisional measures be carried out without advance notice to the alleged infringer. In this way, the alleged infringer is prevented from relocating the suspected infringing material to avoid detection. The most common provisional measure is a search of the premises of the alleged infringer and seizure of suspected infringing goods, the equipment used to manufacture them, and all relevant documents and other records of the alleged infringing business activities.

82. *Civil remedies* compensate the owner of rights for economic injury suffered because of the infringement, usually in the form of monetary damages, and create an effective deterrent to further infringement, often in the form of a judicial order to destroy the infringing goods and the materials and implements which have been predominantly used for producing them; where there is a danger that infringing acts may be continued, the court may also issue injunctions against such acts, failure to comply with which would subject the infringer to payment of a fine.

83. *Criminal sanctions* are intended to punish those who willfully commit acts of piracy of copyright and related rights on a commercial scale, and, as in the case of civil remedies, to deter further infringement. The purpose of punishment is served by the imposition of substantial fines, and by sentences of imprisonment consistent with the level of penalties applied for crimes of corresponding seriousness, particularly in cases of repeat offenses. The purpose of deterrence is served by orders for the seizure, forfeiture and destruction of infringing goods, as well as the materials and implements the predominant use of which has been to commit the offense.

84. *Measures to be taken at the border* are different from the enforcement measures described so far, in that they involve action by the customs authorities rather than by the judicial authorities. Border measures allow the owner of rights to apply to customs authorities to suspend the release into circulation of goods which are suspected of infringing copyright. The purpose of the suspension into circulation is to provide the owner of rights a reasonable time to commence judicial proceedings against the suspected infringer, without the risk that the alleged infringing goods will disappear into circulation following customs clearance. The owner of rights must generally satisfy the customs authorities that there is *prima facie* evidence of infringement, must provide a detailed description of the goods so that they may be recognized, and must provide a security to indemnify the importer, the owner of the goods, and the customs authorities in case the goods turn out to be non-infringing.

85. The final category of enforcement provisions, which has achieved greater importance in the advent of digital technology, includes *measures, remedies and sanctions against abuses in respect of technical means*. In certain cases, the only practical means of preventing copying is through so-called “copy-protection” or “copy-management” systems, which contain technical devices that either prevent entirely the making of copies or make the quality of the copies so poor that they are unusable. Technical devices are also used to prevent the reception of

encrypted commercial television programs except with use of decoders. However, it is technically possible to manufacture devices by means of which copy - protection and copy - management systems, as well as encryption systems, may be circumvented. The theory behind provisions against abuse of such devices is that their manufacture, importation and distribution should be considered infringements of copyright to be sanctioned in ways similar to other violations.

RELATED RIGHTS

86. This part is dedicated to the subject of what are also called “neighboring rights,” or more correctly, “rights neighboring on copyright.” In the TRIPS Agreement, the expression “related rights” is used to refer to the same rights. The purpose of related rights is to protect the legal interests of certain persons and legal entities who either contribute to making works available to the public or produce subject matter which, will not qualify as a “work” under the copyright systems of all countries, express creativity or technical and organizational skill sufficient to justify recognition of a copyright -like property right. The law of related rights deems that the productions which result from the activities of such persons and entities are deserving of legal protection in themselves, as they are “neighbors” to the protection of works of authorship under copyright. Some laws make clear, however, that the exercise of related rights should leave intact and in no way affect the protection of copyright.

87. Traditionally, related rights have been granted to three categories of beneficiaries: performers, producers of phonograms and broadcasting organizations. The rights of performers are recognized because their creative intervention is necessary to give life, for example, to musical works, dramatic and choreographic works, and motion pictures, and because they have a justifiable interest in legal protection of their individual interpretations. The rights of producers of phonograms are recognized because their creative, financial and organizational resources are necessary to make recorded sound available to the public in the form of commercial phonograms, and because of their legitimate interest in having the legal resources necessary to take action against unauthorized uses, whether it be through the making and distribution of unauthorized copies (piracy) or in the form of unauthorized broadcasting or communication to the public of their phonograms. Likewise, the rights of broadcasting organizations are recognized because of their role in making works available to the public, and in light of their justified interest in controlling the transmission and retransmission of their broadcasts.

88. The first organized international response to the need for legal protection of the three categories of related rights beneficiaries was the conclusion, in 1961, of the Rome Convention, or more specifically, the “International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations.” Unlike most international conventions, which follow in the wake of national legislation and are intended to synthesize existing laws, the Rome Convention was an attempt to establish international regulations in a new field where few national laws existed at the time. This meant that most States would have to draft and enact laws before adhering to the Convention. Since the adoption of the Convention in 1961, a large number of States have legislated in matters related to the Convention, and a number of others are considering such legislation; indeed, the laws of many such States exceed the minimum levels of protection established by the Convention. While there is a widespread view that it is out-of-date and in need of revision or replacement by a new set of international norms in the field of related rights, the Rome Convention remains the international benchmark for protection in this field: for example, the

European Union has required that all its Member States adhere to the Convention, and it was the basis for inclusion of provisions on the rights of performers, producers of phonograms and broadcasting organizations in the TRIPS Agreement (even though the level of protection are not the same).

89. The rights granted to the three beneficiaries of related rights in national laws areas follows, although not all rights may be granted in the same law. *Performers* are provided the right to prevent fixation (recording), broadcasting and communication to the public of their live performances without their consent, and the right to prevent reproduction of fixations of their performances under certain circumstances; the rights in respect of broadcasting and communication to the public may be in the form of equitable remuneration rather than a right to prevent. Due to the personal nature of their creations, some national laws also grant performers moral rights, which may be exercised to prevent unauthorized uses of their name and image, or modifications to their performances which present them in an unfavorable light. *Producers of phonograms* are granted the right to authorize or prohibit reproduction, importation and distribution of their phonograms and copies thereof, and the right to equitable remuneration for broadcasting and communication to the public of phonograms. *Broadcasting organizations* are provided the right to authorize or prohibit rebroadcasting, fixation and reproduction of their broadcasts. Under some laws, additional rights are granted: for example, in the countries of the European Union, producers of phonograms and performers are granted a right of rental in respect of phonograms (and, in respect of performers, audiovisual works), and some countries grant specific rights over cable transmissions. Under the TRIPS Agreement, likewise, producers of phonograms (as well as any other right holders in phonograms under national law) are granted a right of rental.

90. As in the case of copyright, the Rome Convention and national laws contain limitations on rights allowing, for example, private use, use of short excerpts in connection with the reporting of current events, and use for teaching or scientific research, of protected performances, phonograms, and broadcasts. Some countries allow the same kind of limitations on related rights as their laws provide in connection with protection of copyright, including the possibility of non-voluntary licenses.

91. The duration of protection of related rights under the Rome Convention is 20 years from the end of the year (1) the fixation (recording) is made, in the case of phonograms and performances included in phonograms; (2) the performance took place, as regards performances not incorporated in phonograms; or (3) the broadcast took place, for broadcasts. In the TRIPS Agreement, the rights of performers and producers of phonograms are to be protected for 50 years from the date of the fixation or the performance, and the rights of broadcasting organizations for 20 years from the date of the broadcast. It is to be noted that many national laws which protect related rights grant a longer term than the minimal contained in the Rome Convention.

92. In terms of enforcement of rights, remedies for infringement or violation of related rights are, in general, similar to those available to owners of copyright described above, namely, conservatory or provisional measures; civil remedies; criminal sanctions; measures to be taken at the border; and measures, remedies and sanctions against abuses in respect of technical devices.

93. Finally, a word should be said concerning the relationship between the protection of related rights and the interests of developing countries. The largely unwritten and unrecorded cultural expression of many developing countries, generally known as folklore, may be

protected under related rights as performances, since it is often through the intervention of performers that they are communicated to the public. By providing related rights protection, developing countries may also provide a means for protection of the vast, ancient and invaluable cultural expression which is a metaphor for their own existence and identity, indeed, the essence of what separates each culture from its neighbors across the frontier or across the world. Likewise, protection of producers of phonograms and broadcasting organizations helps to establish the foundation for national industries capable of disseminating national cultural expression within the country and, perhaps more important, in markets outside it; the enormous current popularity of what is called "world music" demonstrates that such markets exist, but it is not always the case that the economic benefits from the exploitation of such markets return to the country where the cultural expressions originated. In sum, protection of related rights may serve the twin objectives of preserving national culture and providing a means for commercially meaningful exploitation of international markets.

94. The interest of developing countries in the protection of related rights goes beyond the protection of folklore, and into the realm of international trade and development. Today, the extent to which a country protects intellectual property rights is increasingly and inextricably bound together with the range of possibilities available to that country to benefit from rapidly expanding levels of international trade in goods and services protected by such rights. As an example, the "convergence" of telecommunications and computer infrastructures, referred to above, will result in international investment in many sectors of developing country economies, including but by no means limited to intellectual property, and those countries with poor records concerning, or a lack of political commitment to, the protection of intellectual property rights will simply be left out of the picture. Protection of related rights, thus, has become part of a much larger picture, and is a necessary precondition to participation in the emerging system of international trade and investment that will characterize the 21st century.

PRACTICAL IP ISSUES IN DEVELOPING A BUSINESS PLAN FOR A HIGH-TECH ENTERPRISE

95. Intellectual property (IP) is an important asset of any business, especially a high-tech business in a knowledge-driven, competitive environment for business. In this age of information and communication technologies, and especially in high technology or technology-enabled industries, a company is worth as much as the intellectual property that it has properly protected, managed and leveraged as part of its overall business strategy. Much before creating a website or advertising a business, an entrepreneur should consult with an intellectual property attorney to ensure that his/her initial investment is protected and that all necessary and useful intellectual property interests are asserted and properly managed. In fact, a clear focus on IP issues should begin with the business plan itself.

96. The following list is an overview of the key points/questions relating to IP that must be considered while preparing a business plan, especially for setting up a high-tech enterprise, be it in an incubator or outside it.

(a) How important are IP assets to the success of your enterprise/business?

- Is your enterprise/business dependent for its commercial success on IP assets, whether owned or licensed? Will the new product or process provide a unique competitive

advantage and associated barrier to entry for competitors? What is the value proposition? What problem are you solving and why is the product worth purchasing? Is the product or service scalable? Will it revolutionize an industry? Can the Intellectual Property be secured, providing additional differentiation and competitive barrier to entry? In other words, is your business strategy linked to or based on your IP strategy?

- On what types of IP assets is it dependent? Give a complete list of such assets and describe, for example, the scope and status of any patents that have been filed/granted, and the extent to which the business relies on know-how and the steps that will be taken to protect it;
- What competitive advantage does your IP assets provide to your enterprise/business? Assess how IP adds value to your customers and contributes to your competitive edge. To do so, consider all patents, industrial designs, trademarks, trade names, geographical indications, domain names, copyright and related rights, and trade secrets that you own or are licensed to use.

(b) How do you plan to protect your IP?

- What kind of intellectual property protection can or should you seek? Do your patents, trademarks and industrial designs go far enough to protect those aspects which determine your business' success?
- If you commercialize your IP (regardless whether in-house or with a partner), do you have arrangements maintaining the confidentiality of your IP?
- If you commercialize your IP (regardless whether in-house or with a partner), do you have arrangements securing the ownership of your IP?
- If you outsource part of your business activities, do you have contracts in place that ensure your IP rights over the outsourced work and prohibit others from taking advantage or commercializing your product without your prior agreement?
- What protectable trade secrets and confidential business information do you have? (See Annex: Checklist for the identification of potential trade secrets)
- To what extent is your secret information known outside your business?
- To what extent is your secret information known by those involved in your business?
- What measures are taken or planned to guard the secrecy of the information?
- What is the value of your secret information to your business or to your competitors?
- How easy or difficult is it for others to properly acquire or duplicate the secret information?

(c) What is the status of your IP portfolio?

- When was your IP created?

- Who created it?
- Is it registrable? For example, trade names and trademarks are also very important for high tech enterprise. In fact, many entrepreneurs spend a great deal of time and money creating awareness of a trade name or trademark only to learn too late that someone else has the prior legal right to use that name/trademark. You may hire a service to conduct a search to be sure the name or the trademark (or a deceptively similar one) that you propose to use is not already being used or owned by someone else in the domestic or export markets of interest to you.
- If so, is it registered? Does it need to be renewed? If yes, then when is it due for renewal? For example, have you registered or plan to register your business name and trademark(s)/service mark(s) with the appropriate government agency?
- To what extent is your IP currently being used, is potentially useful, or of no use to your business?
- What other intangible assets do you have? Consider franchises, licenses, distribution agreements, publishing rights, covenants not to compete, secret information, valuable customer lists, information databases, computer systems software, core technology, know-how, marketing profile, management expertise, distribution network, technical skills, etc.

(d) Do you know enough/all about your competitor's IP strategies and IP portfolios?

- Have you conducted appropriate IP searches (such as Patent, Trademark, and/or Design search) at the appropriate times?

Do you gather or plan to use IP information/databases for obtaining competitive intelligence on your competitors? By searching patent, trademark and design registers, you can gain detailed technical information about a competitor's operations and products. You can use this information to assess whether there is likely to be a market for your products/services. In addition, an IP search allows you to verify whether you can protect your IP, whether you are infringing another party's IP and whether others are already infringing your IP.

- Are there any barriers to entry your competitor's market, e.g., patents, customer loyalty, investment, etc.?

(e) Do you own all IP that you need, or do you have to rely partly or wholly on IP assets owned by others?

- Do you own the IP you are using? Can you prove it? Do you have the contracts and other proof that a court of law would require? Identify any potential third-party claims on your IP (for example, industrial sponsors or contract research clients)
- Do you have signed agreements with key personnel, contractors, consultants or other external suppliers which assign any IP they develop when working for you, to your business? For example, if you used external contractors to write and design your

marketing and promotional material, did their contracts specify who owned the IP that was created?

- Indicate whether access will be required to third party IP in order to exploit your idea. Have you been granted the license(s) you need for the use of IP, which is not owned directly?

(f) Do you have an IP policy and IP strategy for your enterprise/business?

- How do you currently manage your IP assets?
- What plans do you have in place to commercialize your IP assets?
- Do you have a special marketing strategy? Do you plan to export? If so, have you used or plan to use a regional or international filing mechanism (of WIPO) for Patent, Trademark or Design applications?
- Have you assessed or plan to assess the potential to commercialize some or all of your IP assets partly or wholly through licensing and/or selling them?
- Is your IP policy and strategy adequate? Review it from a current and future perspective, and assess against benchmarks. Have you conducted or plan to conduct in house and/or an independent IP audit periodically?
- How far have you considered taxation and incentives issues associated with the commercialization of your IP? There may be taxation-related requisites (such as registering) to the commercialization of IP. The taxation treatment of revenues/expenses resulting from the commercialization of your IP can differ widely from the accounting treatment. There may be government financial assistance measures associated with IP and its commercialization.
- Do you have a staff education program that covers the management and protection of your IP assets? In particular, have you included or plan to include a confidentiality/non-disclosure clause and a non-compete clause in the employment/hiring agreement with some or all of your employees?

Do you plan to use your IP assets as security or collateral for a loan, or to create a tradable security in the securities market?

Has valuation been done of your IP assets? If so, by whom, how and when? Will this be repeated periodically? Was this done independently? If so, by whom? Provide details.

[End of document; Annex follows]

Annex: Checklist for the Identification of Potential Trade Secrets

(Resource: WHAT IS A TRADE SECRET? TRADE SECRET AUDITS: PARTONE, R. Mark Halligan, Esq., [mhalign@execpc.com](mailto:mhallign@execpc.com) <http://seamless.com/trade/feedback.html>, <http://seamless.com/trade/feedback.html>)

A. Technical Information/Research & Development

Proprietary Technology Information
Proprietary Information Concerning Research and Development
Formulas
Compounds
Prototypes
Processes
Laboratory Notebooks
Experiments and Experimental Data
Analytical Data
Calculations
Drawings - All Types
Diagrams - All Types
Design Data and Design Manuals
Vendor/Supplier Information
R&D Reports - All Types
R&D Know - How and Negative Know - How (i.e., what does not work)

B. Production/Process Information

Cost/Price Data
Proprietary Information Concerning Production/Processes
Special Production Machinery
Process/Manufacturing Technology
Specifications for Production Processes and Machinery
Production Know - How & Negative Know - How

C. Vendor/Supplier Information

Vendor/Supplier Information
Cost/Price Data

D. Quality Control Information

Information Concerning Quality Control
Quality Control Procedures
Quality Control Manuals
Quality Control Records
Maintenance Know - How & Negative Know - How

E. Sales&MarketingInformation

ProprietaryInformationConcerningSales&Marketing
SalesForecasts
MarketingAndSalesPromotionPlans
Sales CallReports
CompetitiveIntelligenceInformation
ProprietaryInformationConcerningCustomers
ProprietaryCustomerLists
CustomerNeedsAndBuyingHabits
Know-HowConcerningTheManagementOfCustomerConfidence
ProprietarySalesAndMarketingStudiesAndReports

F. InternalFinancialInformation

ProprietaryFinancialInformation
InternalFinancialDocuments
Budgets
Forecasts
ComputerPrintouts
ProductMargins
ProductCosts
OperatingReports
ProfitAndLossStatements
ProprietaryAdministrativeInformation

G. InternalAdministrativeInformation

InternalOrganization
KeyDecisionMakers
StrategicBusinessPlans
InternalComputerSoftware

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