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INTELLECTUAL PROPERTY: A LEVER FOR ECONOMIC GROWTH

PUTTING A VALUE ON IP

COLLECTIVE MANAGEMENT IN THE CARIBBEAN:
Achieving Results

World Intellectual Property Organization

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What is Intellectual Property?

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WIPO has updated and revised its popular “What Is?” series of leaflets as a single booklet, “What is Intellectual Property?” The booklet covers the same seven topics as the leaflets, providing concise definitions of intellectual property, patents, trademarks, industrial designs, geographical indications, copyright and related rights as well as a description of the work of the World Intellectual Property Organization. The new format should prove to be more convenient for intellectual property offices and other readers, and will serve as a single primer on the basics of IP. The booklet is now available in the all six official languages, free of charge, from the Marketing and Distribution Section at the address on the back cover.

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INTELLECTUAL PROPERTY AS A LEVER FOR ECONOMIC GROWTH

"Our imagination is the only limit to what we can hope to have in the future". *– Charles F. Kettering, (1876-1958) prolific inventor and co-owner of more than 140 patents.*

Kettering's words are ringing true for the leaders of an increasing number of countries seeking to strengthen their economies through the power of innovation. His sentiments could be a rallying cry for those countries attempting to leverage their national resources, not only of the traditional kind (flora, fauna, minerals) but also those human resources that are the building blocks of the new global economy – creativity, ingenuity and invention.

In his recent book "Intellectual Property – A Power Tool for Economic Growth", WIPO Director General Kamil Idris underscores how these resources – when transformed into intellectual property – can become valuable and powerful assets or "tools" that, when used to full effect, can boost national wealth creation and enhance social and cultural well-being.

His message to policymakers is clear. Once they have

- recognized the potential in the innovative power of their country's people;
- taken active steps to encourage it;
- put in place a firm legal framework to protect the IP deriving from it; and
- developed strategies and policies to exploit the commercial and social benefits to be had from the IP assets thus created

then – as Kettering would no doubt have put it – by nurturing the imagination of their citizens they will have given them the gift of the future. Policymakers who act on this message will, in the words of the United Nations Millennium Declaration, be working to "create an environment… which is conducive to development", one of the major goals of that Declaration.

This is a broad view of the WIPO vision of the IP landscape for developing countries. But what of the details? What are the practical elements needed to turn such a vision into reality? Certain actions are key for countries to effectively identify and leverage value from their IP assets. These include exploiting national strengths when forming a strategy for IP creation – for example, long-standing skills in irrigation; rich, indigenous bio-diversity (often linked to traditional healing methods); or strong musical and artistic traditions.

Once such strengths are identified, countries must ensure security and confidence for potential backers/investors in IP development and commercialization through an efficient, well-functioning national IP system. They must support the education and training necessary to create a supply of skilled professionals in areas such as R&D, law and marketing. They must provide funding and other support for the creation, protection and commercialization of IP assets (in particular, recognizing the important role of small and medium-sized enterprises), and assist in the development of national skills in negotiating agreements associated with IP assets (for example, for transfer, licensing, or joint venture development). Countries must also work to create partnerships (domestic and international, and public and private) that enhance innovative activity and increase the creation of viable IP and its exploitation. Attracting foreign involvement at this level can also result in significant technology transfer and inflow of know-how and training.

The best way to illustrate how these elements contribute to a healthy, dynamic and productive IP environment is to examine concrete examples that illustrate an effective and creative use of the IP system, and to explore how this affects economic health and social well-being. This goes beyond the direct creation of financial return and useful or even life-saving products, and includes aspects such as job creation, the strengthening of national identity and pride, creative fulfillment, and the stemming of the flow of trained professionals (the lifeblood of any economy) abroad.

In the coming months the WIPO Magazine will feature a series of such stories from different countries on different continents – and concerning different types of IP – that will examine the factors leading to their success and the benefits obtained from the experience. This issue contains the first part of an article that looks at leveraging the IP system in Africa. The article will be continued in the next issue.

Courtesy ILO/Deloche

Tapping the innovative power of a resourceful continent

The examples of successful innovative endeavor used in this series have been triggered by a wide variety of catalysts, ranging from the attributes of a thorny plant growing in a stone-dry land, to the knack of turning a readily available fruit into a marketable delicacy, to the need to stop the advance of a deadly virus and to ease the plight of sufferers from a painful genetic disease.

These last two examples, which will be examined in this issue, show the way in which national innovative activity can be spurred by the need to find commercially viable solutions to specific problems – often disease-related, and in this instance, with important implications for public health. They concern initiatives in Kenya and Nigeria, respectively, to find a possible anti-HIV vaccine and develop a treatment for the extremely painful, potentially life-shortening sickle cell disease.

Anti-HIV vaccine developed in Kenya

Kenya is attracting much world attention through the Kenya AIDS Vaccine Initiative (KAVI), which has produced a drug aimed at preventing infection with HIV, due to be tested on up to 10,000 healthy volunteers next year in the final phase of clinical trials. With the support of the Kenyan government and financial backing from the International AIDS Vaccine Initiative, scientists from the universities of Nairobi and Oxford (the British Medical Research Council) formed a partnership to work on the project after scientists noticed that a high-risk segment of the population in Nairobi was proving consistently immune to HIV infection and set out to explore why.

This partnership resulted in a potential new vaccine against HIV on which patent applications have been filed in numerous countries. After an initial misunderstanding over the ownership of IP rights in the invention, a new partnership agreement was signed giving the three participating bodies joint ownership in the patent and including an understanding that (according to a reported joint press statement) the partners will "use their ownership to help ensure that if the vaccine proves effective it will be made available at reasonable prices to Kenya and other developing countries."[1]

Not only has the project resulted in a joint stake in an important IP asset (patents) that could result in considerable financial return to the country, it has also leveraged national innovative thinking to work towards finding a solution to a problem that causes extreme human suffering and puts a tremendous strain on the social fabric of affected countries.

The national experience gained from the project, including the lessons learned from the misunderstanding over IP ownership, has had the added advantage of emphasizing the importance of IP awareness at all stages of any scientific endeavor. Nicholas Biwatt, Kenya's Minister for Tourism, Trade and Industry, has been quoted as saying, "…my advice to local researchers is to include matters of intellectual property rights from the launch of any collaborative research agreements or memorandum of understanding."

Some of the positive factors deriving from the project (and contributing to the development process) include:

- sensitization to IP issues and the need to ensure adequate protection of potential IP assets;
- creation of possible future income from actual joint ownership of the IP asset;
- contribution to national infrastructure and human resource development (for example, the means to meet required international standards for carrying out a vaccine trial had to be built from scratch in the country);
- increased prominance for the country as a player in global R&D resulting from a project of such worldwide importance;

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[1] *The research being carried out is for the HIV strain dominant in Kenya. However, Dr. Job Bwayo, team leader of KAVI has said that "If this works, it can be used as a prototype to be modified in the laboratory for developing vaccines for other subtypes of HIV."*

- increased attractiveness of domestic research possibilities (through, among other things, the safeguarding of the IP rights in new discoveries) helping to curb the temptation for scientists to leave the country to conduct research abroad.

A new drug developed from native plants in Nigeria

Sickle cell disease is a painful hereditary disorder that strikes particularly hard in Nigeria, where an estimated 100,000 children are born with it every year. Nigerian scientists at the National Institute for Pharmaceutical Research and Development (NIPRD), working with a traditional medicine practitioner, have developed and patented a new treatment which is said to be a breakthrough in dealing with the disease. Sickle cell disease is also prevalent among the African-American population of the United States of America, affecting an estimated 1,000 newborns every year.

An exclusive license for commercial production of the drug (developed from native plants) in Nigeria and for global marketing has been negotiated with US-based Xechem International, Inc. The government has been quoted as stating that this was done to ensure mass production of a drug that will bring relief to thousands of Nigerians and other sufferers around the world. The disease affects life expectancy and its symptoms include extreme pain, severe infections, and organ damage, including kidney failure and heart attacks. Observers have noted that the agreement between NIPRD and Xechem, which ensures that the country keeps a stake in the further development and global use of its traditional medicines, could be a model for other countries. The agreement with the foreign commercial development company took place after efforts to find a local company willing to take on the task failed.

Charles Wambebe, who led the NIPRD during the development phase of the drug, said that greater recognition was needed in developing countries of the value of research and of the fact that investment in research does not necessarily produce immediate returns. Ramesh Pandey, head of Xechem, urged developing countries to "look at your strengths" and likened the biodiversity of Nigeria and many other developing countries to gold, particularly in the light of increasing global interest in, and demand for, herbal-based products. Pandey's company will not only undertake the commercialization of Nicosan™ (Xecham's name for the non-toxic, phyto-pharmaceutical product originally developed under the name of Niprisan™), but will also take the drug through the US Food and Drug Administration approval process.

Benefits to the country from this research include:

- use of the IP system to leverage financial and social benefits from the country's natural resources, in this case its rich biodiversity;

- increased sensitization to the potential value of well-channelled IP creation;
- experience in customized R&D to address a specific domestic problem, resulting in the likely improvement of the quality of life for the many Nigerians (and others) suffering from the disease;
- further experience in using IP assets in the most efficient and effective way possible;
- potential income stream in the form of royalties and other revenue flowing from the agreement with Xechem;
- training and technology transfer associated with the agreed production of the drug in Nigeria (by Xechem Pharmaceuticals Nigeria);
- the spin-off benefit of associated job creation.

These two cases from Kenya and Nigeria vividly illustrate the potential benefits – social, economic, and otherwise – of developing and exploiting national assets through the skillful use of the IP system. In the next issue, the WIPO Magazine will explore more case studies from Africa and examine the importance of partnerships and public awareness in such endeavors.

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To order a copy of "Intellectual Property– A Power Tool for Economic Growth" please visit the WIPO electronic bookshop at *www.wipo.int/ebookshop*

IP AND BUSINESS

VALUATION OF INTELLECTUAL PROPERTY: WHAT, WHY AND HOW

What is the Value of Intellectual Property?

Business Week's 2003 annual rankings of top brands finds Coca-Cola at the top once again - valued at US$70.45 billion. The second- and third-placed brands are Microsoft at US$65.17 billion and IBM at US$51.71 billion. The Apple brand name, at number 50, is valued at US$5.55 billion. These sums are not only huge on their own, but they often represent as much as 70 to 99 percent of the total market capitalization of the company as well.

In the last ten years, smart companies have effectively used the intellectual property (IP) system to create, extract or leverage the value of most of their intangible assets by developing and executing IP asset management strategies. However, the number of such companies worldwide is rather small. A study conducted in 1997 concluded that the majority of firms in the United Kingdom do not undertake a formal valuation of their IP assets.[2] Another study showed that even in the USA, 76 percent of the 226 Fortune 500 companies surveyed did not assign value to their intangible assets in their annual reports.[3] Conventional wisdom tells us that small and medium-sized enterprises (SMEs) could only be worse off in this respect.

Why Undertake Valuation of IP Assets?

The valuation of any type of asset, including an IP asset, helps its owner to decide as to the most cost-effective way in which that asset may be used, protected, insured, sold, leveraged or exchanged in the market place. Most activities relating to planning, negotiating or managing business relationships or transactions require information on the value of the IP assets of a company. These activities include:

Licensing - Before a company makes an agreement to license IP (see WIPO Magazine May-June 2003), it must know as accurately as possible the true value of the IP assets involved in the arrangement. Without knowing the value of the IP assets being licensed, neither party can know if it has really entered into a 'win-win' deal in financial terms. A good IP valuation helps a prospective licensee to compare the financial terms of a proposed licensing deal offered by a particular technology supplier with those of alternative suppliers.

Mergers and Acquisitions - The increasing contribution of intangible assets, in particular IP assets, to the overall market value of enterprises has sharpened the focus on IP issues in merger and acquisition (M & A) transactions. In-depth knowledge of the relative importance of the IP assets of the enterprises involved will contribute to the success or failure of the M&A. Therefore, each party submits to the other(s), after signing mutual confidentiality or non-disclosure agreement(s), an **IP due diligence report**, which essentially provides a detailed picture of IP assets of the party.

Cost Saving - Recognizing the importance of IP assets, many companies have embarked upon systematic identification and documentation of their IP assets. This process leads to follow-up measures, such as legally protecting these IP assets. Like any other asset, maintaining IP assets has costs and benefits. Maintenance of some types of IP assets could be prohibitively expensive, especially if those assets are not providing, and are not expected to provide, more benefit than the cost incurred on maintaining them for the remaining period of their legal or business life. IP valuation helps firms identify IP assets in their portfolio whose inherent value has diminished below a benchmark value. For IP assets used in the non-core business activities of an enterprise, or those whose strategic importance has decreased, IP valuation may provide enough information to do a cost-benefit analysis to decide whether to continue maintaining the asset, license it, or allow it to lapse.

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[2] *Bosworth, Derek. L, March 2003, The Importance of Trade Marks to Capital Raising and Financial Performance- Lessons for SMEs*
[3] *ibid*

profit institution can make more effective use of the assets. A valuation of the donated IP asset would be needed to enable tax authorities to calculate the amount of tax reduction the donating enterprise should receive.

Joint Venture or Strategic Alliance - IP valuation is equally important when two or more companies come together to establish joint ventures or enter into a strategic alliance. The valuation of IP assets enables the parties entering into these types of arrangements to know and appreciate the value of the other party/parties. IP valuation would also assist the parties to fairly determine the respective share of ownership of a new company if the alliance or joint venture leads to the formation of a new entity.

Sale or Purchase of IP Asset - As the IP assets of a company may be identified, segregated, and sometimes completely uncoupled from other assets, such IP assets can be sold/purchased independently of the business to which they are related. It would, therefore, be useful to objectively estimate a fair value of the IP asset to be sold/bought. IP valuation provides a good working estimate for the parties involved to make informed decisions.

Litigation Support - The business world is witnessing an increase in IP infringement cases. Among other things, such cases seek to analyze the damage caused and estimate the value that the owner of the IP right should be paid. Knowledge of the value of an IP right that has been infringed may be crucial in influencing the IP owner's decision on the course of action to be taken. Valuation of IP assets may also be required to support litigation in other situations such as bankruptcy, breach of contract, death of principal, divorce, and minority stockholder rights.

Collateralization and Securitization - Banks in some countries have started accepting IP assets as collateral for granting loans. IP ownership also plays a positive role in influencing the decision of a venture capitalist for investing in a start-up company. In such cases, a sound calculation of the value of IP assets is a prerequisite.

As the importance of IP assets is growing, newer ways are being found to profit from ownership of IP assets. Securitization is one of them. It refers to the pooling of revenue-generating assets, and issuing securities backed by them. Through the securitization of IP assets it is now possible to raise, in a few countries, a bank loan without loosing control over the securitized assets and with more reasonable terms, including repayment over a longer period of time, than is possible by traditional methods. Of the reported securitizations of IP the major ones have been in the United States and were based on the future music royalty streams of a portfolio of songs of recording artists. David Bowie was the first; others include James Brown, Ashford & Simpson, and the Isley Brothers.

Corporate Valuation for Shareholders - As shareholders become increasingly aware of the contribution of IP assets to the market value of companies, they are beginning to take more interest in news about IP assets owned or licensed by their companies. Therefore, corporate managers are expected to inform shareholders of the value of IP assets of their companies and how they are leveraging or monetizing such assets.

How is IP Valuation Done?

The valuation of IP assets is possible only if such assets can be specifically identified and clearly segregated from other assets used in the business. Even so, IP assets are and will always remain hard to appraise – that may be why many consider IP valuation to be as much art as science. IP valuation is a conscious process aimed at determining the monetary value of underlying IP asset(s) and is based on existing methods used in the valuation of tangible property.

The **Income Approach** focuses on the consideration of the income-producing capability of the underlying IP asset and is suitable for the valuation of patents, trademarks and copyrights. It estimates the present value of a stream of revenue that would result from the use of the underlying IP asset during its **economic life**, which may differ from the duration of its IP protection. It is the most popular IP valuation method. It has two main variations:

- i) Relief from Royalty Method

If a company owns an IP asset, say a trademark, using this method it has to determine the royalty rate if it were to buy or license the trademark from someone else. Having so determined the royalty rate, usually based on "market" experience or through the use of rules of thumb in the relevant industry, the company proceeds to calculate the amount of money, in present value, that it was "relieved" from paying if it had to buy or license the IP asset. Though this is arguably the most convenient method for establishing the market value of IP assets, it has its shortcomings, which includes not providing the full value of the IP asset especially when such an IP asset is not to be licensed exclusively to one party (but non-exclusively to many parties).

- ii) Incremental Income Method

This variant of the income approach has two sub-variants, the first is the discounted future incremental income approach/method. This requires forecasting year-by-year future streams of incremental income, resulting from the use of underlying IP assets, and then discounting those into present value. For example, this would mean segregating the additional gross income from increased sales revenue or savings from expense reductions in operations, as in the case of a trademark that allows a company to obtain higher sales prices for certain products or a manufacturing patent that reduces material usage, respectively. The second sub-variant is the capitalization of incremental income approach/method. This variant focuses on actual income generated through the use of the IP asset and uses such information as an indicator of future potential annual growth. The resulting figure is then divided by a "capitalization rate".

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The **Market Approach** is based on comparing the value of sales of earlier similar/comparable IP assets in the market. To make such comparisons, there must be an active public market, an exchange of comparable properties, and easy access to price information. Unlike the income approach, this method is seldom used in the valuation of IP primarily because there is rarely an active market in which relevant information is readily available. The approach has a second variant that uses a 'standard' or 'established' range of royalty rates in that sector of industry or business, which may be more readily available in the market. Such royalty rates may be obtained spontaneously or compiled over a number of years. Though seldom used, this approach may be useful, when relevant information is available, to check the accuracy of other approaches.

The **Cost Approach** seeks to establish the value of an IP asset by calculating the cost that a company would incur if it were to develop a similar asset either internally or acquire it externally. The cost may be related to reproduction (reinstatement) or replacement of the IP asset. There are many practical challenges in determining what costs to include or exclude. The cost approach provides a useful indicator especially in the case of IP assets whose future economic benefit are not yet evident. Even so, as a stand-alone method, it is the least used of the three methods as cost and value are usually not the same. In most cases this method is considered suitable only as a supplement to the income approach (if the valuation is not for bookkeeping purposes only). A good reason not to rely solely on this approach is that the valuation so obtained generally bears no relation to the true, fair or real valuation of the asset being valued; that is, the historical cost of developing a specific IP asset or its reproduction/ replacement cost has generally no direct correlation with the future revenue potential of the IP asset.

New Valuation Approaches

Apart from these three main approaches, there is an emerging trend of treating IP assets, in particular patents, as **options** are treated in the capital markets. An option can generally be defined as a right, but not an obligation, to purchase or sell an underlying asset whose price is subject to some form of random variation at or before a specified time. The main reason for this new trend is that patents have more or less similar characteristics as options and hence the numerous efforts to develop options-based valuation approaches for patents. The application of option-pricing methods to real options involving innovation, and by implication patents, is thus by no means a straightforward task.

Most of the existing IP valuation option-based methods are derived from the **Black-Scholes options-pricing model**. Many IP valuation service providers have proprietary options-based IP valuation methods. This indicates that the use of option-based methods is still evolving.

There are a number of basic and practical problems in applying the options-based approach, so many other valuation approaches are being examined in academic circles, such as 'stock market-based methods' and 'patent renewal data-based methods'. Until more accurate valuation methods emerge, it seems the income-based approach, with its variants, is likely to remain the mainstay of the art and science of valuation of IP assets. However, whenever feasible, more than one type of valuation approach should be employed to obtain more reliable and fair IP asset valuations.

For more information on various practical aspects of the IP system of interest to business and industry, please visit the website of the SMEs Division at *http://www.wipo.int/sme/en/case_studies/index.htm.*

The next article in the IP and Business series will explore franchising.

COLLECTIVE MANAGEMENT IN THE CARIBBEAN: ACHIEVING RESULTS

Recorded music is part of a US$50 billion market worldwide. Earnings in the Caribbean music industry - still considered an emerging sector - is several hundred million US dollars annually. Industry analysts estimate that earnings for Jamaica alone could be as high as US$350 million - 25 percent of the worldwide income from recorded reggae music. Jamaica accounts for a rising share of global music sales and Trinidad is the undisputed leader in the global market for Caribbean carnivals and the recorded music they inspire (for more information see *www.oas.org*).

The Caribbean Island states have a competitive advantage in the cultural music industry. Musical genres such as calypso, merengue, reggae, salsa, soca, son and zouk have been part of the Caribbean export to the rest of the world since the 1920s. However, as reported in a study by the Organization of American States (OAS) in June 2000, "The region's music industry, in spite of its perceived success, has had long-standing problems in relation to local airplay, manufacturing distribution, marketing copyright protection (e.g. piracy) and royalty collections. These problems relate to the fact that the region has spawned great artists and music without putting in place the requisite level of infrastructure to facilitate growth in the cultural industries. The result has been a context of low local value-added (material), a shallow industrial infrastructure, weak export capabilities and external control."

Courtesy Rituals Music

Brother Resistance

The Caribbean music industry needs a strong copyright system and its own copyright collective management societies to promote the full exploitation of local music, by local creators, in order to reach its full potential in the global music industry. Jamaica and Trinidad and Tobago established national collective management societies years ago; however, until WIPO undertook a Regionally Focused Action Plan (RFAP) to create the Caribbean Copyright Link (CCL), collective management of copyright was essentially carried out by local agents of the British music Performing Rights Society (PRS). Now, several years into the project, local rights owners have a greater stake in their own collective management systems and are beginning to reap greater economic reward from their works.

Impetus for a Regional System

The impetus to develop collective management of copyright and related rights in the Caribbean region came out of a series of meetings organized by WIPO in July 1997 in Port-of-Spain, Trinidad and Tobago, with the Caribbean ministers responsible for intellectual property and the heads of the intellectual property offices. Following these meetings Caribbean ministers requested WIPO "in liaison with governments of the region [to] undertake a study regarding a regional approach to the collective management of copyright in the Caribbean region based on minimizing operating costs at the national level." WIPO acted on the request, carrying out a series of fact-finding missions in the region and preparing a feasibility study on regional collective management in the Caribbean.

Ministers from the region achieved broad consensus on the feasibility and desirability of a regional approach to collective management in June 1999 and recommended that work along the lines of the proposals made in the study should commence immediately. WIPO prepared a business plan for

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1. TC Brown
2. Mishach
3. Jason Joseph (Bachelor)
4. Jeff Elva (Mighty Pe'lay)

Photos Vincent Lewis/WMS

Courtesy Ambassador's Calypso Tent

the implementation of a regional system, which was examined from the technical and financial point of view by the newly created Caribbean Regional Committee on Collective Management of Copyright and Related Rights (Regional Committee) in late 1999.

A Plan of Action

The WIPO Copyright Collective Management Division (CCMD) together with the Cooperation for Development Bureau for Latin America and the Caribbean (LAC) prepared a Regionally Focused Action Plan (RFAP) for collective management of copyright and related rights in the Caribbean. The objective of the RFAP was to assist the Caribbean Island States in their efforts to establish a regional infrastructure, including national collective management organizations and a modern self-financing regional collective management system. The first stage of the proposed system was planned to cover collective management of musical works. The project design, however, was made flexible enough to address at a later stage other categories of works and rights, which can be managed collectively, such as reprographic rights, related rights, photographic works, etc. The plan's concept incorporated elements of the WIPO Digital Agenda, in particular, rights management information and technological measures of protection, as provided for in the WIPO Copyright Treaty (WCT) and WIPO Performances and Phonograms Treaty (WPPT).

In May 2000 members of the Regional Committee from Bahamas, Barbados, Jamaica, Saint Lucia, Suriname and Trinidad and Tobago met in Nassau, Bahamas, to examine several items linked to the implementation of the project. These included the various steps to be undertaken to set up the regional center Caribbean Copyright Link (CCL), a decision on its location, the putting in place of collective management systems at the national level and their relations in supporting CCL, and an examination of the plan of activities prepared by WIPO to achieve this aim (see WIPO Magazine June 2000). Four months later, the Caribbean ministers responsible for intellectual property from Antigua and Barbuda, Bahamas, Barbados, Dominica, Grenada, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname and Trinidad and Tobago adopted a resolution requesting that WIPO continue providing assistance for the completion of the installation and operation of the hardware and software components for the regional system of collective management. They also requested assistance to set up their own national collective management organizations, which would join the CCL at a later stage.

Cooperation with SGAE

PRS, the British music performing rights society that operated in the Caribbean, started its progressive withdrawal from the region in 2001. As effective collective management organizations that meet the requirements set by the International Confederation of Societies of Authors and Composers (CISAC) are set-up in the region, PRS is expected to gradually cease all its activities related to the collective management of copyright in the Caribbean.

To assist the Caribbean societies to meet these requirements, WIPO concluded a cooperation agreement with the Spanish authors' society (SGAE) within the implementation of the Caribbean RFAP. SGAE was then in the process of developing collective rights management software that would permit operation on a regional basis for its activities in Latin America. This system, called *Sistema de Gestion de Sociedades* (SGS), was subsequently installed at the four founding collective management organizations of the CCL, namely COSCAP (Barbados), JACAP (Jamaica), HMS (Saint Lucia) and COTT (Trinidad and Tobago) through WIPO financing. The CCL was established in August 2000 to work as a regional hub and provide back-office services to these four societies.

Rituals Music is a Trinidadian record label operating in the Caribbean

Courtesy Cyan Studios, Port of Spain, Trinidad

Photo taken at the last CCL Board meeting in Port of Spain, Trinidad and Tobago.

SGS is made up of several integrated modules, which together perform all the necessary collective management functions, including performing rights licensing, collection, mechanical rights licensing, documentation of works and rights owners, distribution of royalties and statistics and report generation for management and staff use. A module for documenting and managing audiovisual works is currently in development. Most importantly, SGS incorporates all the latest data and data exchange standards established by CISAC and used by CISAC member-societies worldwide. WIPO financed SGAE training courses in the use of SGS for the staff of the four Caribbean societies and CCL.

Setting Up the Regional Center

WIPO also contributed to the complete setting up of the regional center. The CCL server will support the existing copyright societies, and any future ones that will be established in the region, to carry out their collective management operations. The server is currently located in Madrid where it is managed, along with the Internet-based network connecting the societies, by the SGAE-SGS development team.

CCL operates with one full-time staff from an office in Port of Spain, Trinidad and Tobago. It does not license works or collect royalties. Its tasks are to implement and maintain documentation standards and quality across the region for all incoming data; to deliver regional documentation to all societies in the world and to other regional or international data centers; maintain the functionality of the regional data network, carry out royalty distribution processing operations; and assist national societies to identify unmarked works and performances.

CCL has recently applied for and obtained International Standard Work Code (ISWC) agency status from CISAC. This is an important development since CCL can now assign a unique identification number, that is internationally recognized and applied by CISAC member-societies, to each musical work entered into the regional database by the CCL member-societies. These work codes will permit societies worldwide to identify the works of Caribbean composers and authors and will go a long way to ensuring that they are paid the royalties that are due to them from foreign performances and record sales. The codes also serve to isolate works that may be subject to underlying conflicts and ensure that such conflicts can be resolved on a timely basis.

Progressively, CCL, through its Board members, could be expected to conduct regional and international negotiations of all types and to develop and implement regional policy with respect to intellectual property legislation and related regulations, rights administration and market development for regional intellectual property rights owners.

The original RFAP called for societies to be created in other countries of the region and for them to join CCL so as to strengthen its financial base, technical architecture and regional functionality,

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contribute to building a comprehensive data base of Caribbean works and add weight to its role *vis-à-vis* the member societies of CISAC. To reach these objectives, WIPO is continuing to assist other Caribbean countries to develop their own independent authors' society and to join the regional system. The latest example is Antigua and Barbuda, where the Antigua and Barbuda Copyright Organization (ABCO) is being formed.

Better Conditions for Rights Owners

The project to date has led to a significant increase in the transfer of collective management know-how to Caribbean nationals, which inevitably leads to improved access to economic rewards for rights owners. As of May 2003, over 1,550 Caribbean composers, authors and publishers were represented by their national societies. The number of Caribbean works included in the regional database now stands at 30,000 and is increasing steadily.

Caribbean societies now have online access to over 1.3 million foreign works for their daily operations. The foreign works database will soon increase to over 3 million works when the latest edition of the Works Information Database (WID) is loaded onto the system.

GROWTH IN MEMBERSHIP OF CARIBBEAN SOCIETIES

Society	2000	2002
COSCAP (Barbados)	69	167
COTT (Trinidad and Tobago)	439	796
HMS (Saint Lucia)	76	145
JACAP (Jamaica)	88	242

Impressive developments have also occurred in the field of licensing despite strong resistance from some users in several countries to paying for the use of protected national and foreign works, as well as problems arising from the emergence of a competing collective management organization in one territory. In 2002, COSCAP issued 355 annual licenses, which represents an increase of approximately 27 percent over the previous year. HMS issued 118 more licenses in 2002 than in 2000.

An important outcome of the project is that, for the first time, as a result of building the database of Caribbean regional works, a significant share of royalties generated in the Caribbean is being paid to local authors and composers for the performance and recording of their works in the region. The efforts of the four societies have resulted in a significant increase in the income collected from licensees in the region. Slightly more than US$2 million were collected in 2002. This increase is also reflected in the royalties that are being distributed to rights owners. For the year 2002, COSCAP processed nearly US$250,000 for distribution to rights owners, HMS some US$75,000, and JACAP some US$250,000. The 2002 COTT distribution will take place in August 2003; however their figures for 2001 were an impressive US$500,000. One cause for concern is that the societies' administrative costs remain high when compared to those of the established societies in Europe and North America.

The success of the Caribbean collective management project has opened the doors to similar RFAPs for other regions in the world, for instance for countries in Central America. It has further demonstrated the need to continue efforts in order to establish societies in countries of the region where rights owners do not receive any royalties, and to have these new societies joining the CCL. Enterprises such as these can help reap economic benefits for the rights owners and encourage them to create more works. The entire region should gain from the process and the world at large will benefit from greater access to the rich varieties of Caribbean music. (For more information on this project contact *info@wipomail.com*.)

INTELLECTUAL PROPERTY OFFICE AUTOMATION ASSISTANCE

Arab Region meeting on IP automation

Intellectual property offices (IPOs) around the world are facing demands from the IP community for more efficient management of their services, in order to reduce the time and cost for granting rights as well as to improve the quality of search and examination of patents, trademarks, and industrial designs. As many of the IPOs in developing countries still operate their IP services manually, they are experiencing difficulties in coping with these demands and the growing backlog of IP applications. As a result, the IPOs are placing a high priority on automating their office rules and procedures. They have realized that automation is no longer just an option; it is a necessity in order to respond effectively to the needs of their users. They are turning to WIPO for advice and assistance.

In response to this critical need of its Member States, WIPO established the IP Office Automation (IPOA) program in 2002 to focus on the automation assistance provided to developing countries, least developed countries and countries in transition.

The initiative takes a global and harmonized approach in deploying and sustaining automation solutions for IPOs and collective management societies for copyright and related rights across all regions. This new approach has provided concrete deliverables to the Member States: promotion of more comprehensive automation solutions, cost-effective and timely assistance using tested and proven methods; inter-regional harmonization; and alignment with international standards and best practices.

Automation of Administrative Processes

In 2002, automation assistance activities were carried out in 54 Member States and ranged from providing technical guidance and oversight to full deployment of automation solutions. Depending on the needs of specific offices, these solutions include IT infrastructure, software for automation of the business and administrative processes of an IPO, creation of national databases of intellectual property records, and capacity building of intellectual property office staff.

Included in these activities is the launch of IPO automation pilot projects in six countries in the English-speaking region of Africa. More than 25 automation projects in total were initiated in the past year across all regions, of which 12 were successfully completed. Automation assistance to three collective management societies resulted in a significant increase in their distribution of royalties to owners of musical rights.

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Meeting participants from the Arab Region

The patent, trademark and industrial design registration services offered by IPOs around the world are very similar, but the legal systems behind them often create differences in the registration process. Within a region however, the IPOs tend to have similar IP legislation; thus WIPO's building-block approach uses a standard system that can be quickly tailored to the specific IPO's national requirements. Frequently, standard systems are feasible for use in more than one region.

Currently WIPO uses two standard IPO automation systems:

- the WIPO IP Automation System (IPAS) for patents, trademarks and industrial designs, owned by WIPO and currently being deployed in the Latin American and Caribbean region and the African region; and,
- the Automated IP Management Software (AIPMS) for patents, trademarks and industrial designs, licensed by WIPO for use in the Arab region.

Focus on the Arab Region Software

The Arab region serves as a good example of this strategy. WIPO has fully deployed the AIPMS system for seven countries in the Arab region with ten more IPOs in the process of implementing the system. The Cooperation for Development Bureau for Arab Countries at WIPO, realizing the problems faced in the region in the field of automation, took the initiative several years ago to develop the AIPMS system for the Arab IPOs. The basic system, developed by a WIPO consultant, was first tested and refined at the IPO in Oman before being deployed in other offices. One of the developers of AIPMS was hired by WIPO as a regional IT consultant to carry out the customization, deployment, training and ongoing support of AIPMS in the region.

The design of the system has many advantages, one being the use of common building blocks that reduce deployment costs and time. As the system is continually enhanced, the upgrades for the region can be downloaded from the Internet and installed by the regional IT consultant. A technical support structure has also been established to respond to the ongoing queries and requests from IPOs: first-level support is provided on-site by the IPO trained staff; second-level support is provided by the regional IT consultant; and third-level support is provided by the WIPO developer of the system. Most problems are resolved by the second level and rarely have to be referred to the WIPO developer.

In June 2003, WIPO organized the first workshop on IPO automation in the Arab region to build on these successful deployments and bring the IPOs in the region together to share their experiences on the use, operation, support and enhancement of the AIPMS system. Representatives from 13 Arab States actively participated in the workshop and gave valuable feedback that helped WIPO evaluate the progress made to date and further improve the quality of its automation assistance. One significant result of the workshop was the creation of a discussion group using WIPONET to continue the automation discussions online.

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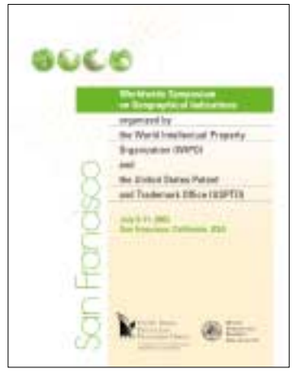
WORLDWIDE SYMPOSIUM ON GEOGRAPHICAL INDICATIONS



The Ninth WIPO Worldwide Symposium on Geographical Indications was held from July 9 to 11 in San Francisco, California, in cooperation with the United States Patent and Trademark Office (USPTO). The purpose of these events, organized on a biennial basis by WIPO, is to increase awareness of the importance of the protection of geographical indications (GIs), including its benefits, its interface with other intellectual property rights and its international trade dimension. The latter topic was discussed, in particular, at the San Francisco symposium, as could be expected two months prior to the World Trade Organization (WTO) Ministerial Conference in Cancun, Mexico, where the issue of GIs is also expected to be addressed.

The San Francisco symposium consisted of two days of presentations and discussion and a one-day technical visit to the California wine country, organized by the USPTO. Some 27 speakers and moderators addressed 160 participants from 40 countries. Four intergovernmental organizations (IGOs) and six non-governmental organizations (NGOs) were also represented. This high turnout is a sign of the great interest GIs are currently generating among administrations and producers. (The complete symposium documentation is available at *www.wipo.int/meetings/2003/geo-ind/*.)

The Importance of GI Protection

Product differentiation is an important means to attract customers. In this connection, along with trademarks, geographical indications (GIs) have a vital role to play in conveying to the consumer a product's added value, which may consist of a certain quality or other characteristics that make the product in question more attractive among competing products on the market. GIs protect the collective goodwill that products acquire thanks to the quality, reputation or other characteristics that they derive from their geographical origin, be it due to natural or human factors, or a combination of both, prevailing in the production area. The resulting uniqueness of the products justifies protection of the GI in question against improper and other unauthorized use.

While this function of trademarks and GIs may have wide recognition, in practice, not all commercial operators around the world would seem to apply the marketing tool function of trademarks and GIs to the same extent. If we look at companies from developing countries, in particular, the low number of their trademark registrations in export markets would appear to justify this conclusion. In respect of GIs, moreover, many countries have only recently taken the necessary steps to incorporate this form of intellectual property into their economic policies.

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The symposium provided an opportunity for all stakeholders to present their views and opinions, and to make suggestions on how the issue of GIs could be tackled in a manner that takes into account the legitimate interests of producers and consumers around the world. Panelists and moderators offered interesting inside views of what various constituencies are expecting from an international protection regime for GIs.

A wide range of producers from around the world enabled the participants in the symposium to gain a better understanding of how relevant production lines and supply chains function and of the importance of the use and protection of GIs in this regard.

GIs on the International Negotiating Table

The assessment as to whether geographical names are considered and protected as geographical indications (GIs) may well differ from country to country. The fact that some geographical names are used and protected as GIs in some jurisdictions, whereas in other jurisdictions they are deemed to constitute generic product descriptions, has generated extensive debate for many years. WIPO and its predecessor organizations have, for well over a century, been involved in multilateral discussions concerning GIs, starting out with the negotiation and adoption of the Paris Convention on the Protection of Industrial Property of 1883, stretching over the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods of 1891 and the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration of 1958, to various attempts between the 1970s and the early 1990s to adopt mutually acceptable solutions for the protection of GIs.

Protection of GIs is characterized by the existence of a variety of different legal concepts. Those concepts were developed in accordance with different national legal traditions and within a framework of specific historical and economic conditions. They have a direct bearing on important questions such as conditions for protection, entitlement to use and scope of protection. As work in the WTO under the TRIPS (The Agreement on Trade-Related Aspects of Intellectual Property Rights) built-in agenda on GIs and discussions in WIPO's Standing Com-mittee on the Law of Trademarks, Industrial Designs and Geographi-cal Indications (SCT) over the past couple of years has shown, unfair competition actions have always been available in most countries to deal with the misappropriation of GIs, but have equally proved to require additional systems aimed at providing the necessary transparency through ex ante recognition of what precisely is protected and how.

The TRIPS Agreement, adopted at the conclusion of the Uruguay Round of Multilateral Trade Negotiations as part of the Marrakech Agreement Establishing the WTO of 1994, lays down a number of provisions concerning the protection of GIs, including provisions calling for further work by WTO Members in this area of intellectual property. As agreed at the last WTO Ministerial in Doha, Qatar, in 2001, the upcoming Ministerial in Cancun, Mexico, is bound to address issues concerning these provisions, the interpretation of which has proved to be a complicated and delicate matter.

NEXT STEPS FOR INTERNATIONAL PROTECTION OF TRADITIONAL KNOWLEDGE

The WIPO Magazine has featured a series of articles in recent issues highlighting the work of the WIPO Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore (IGC). This month's article reports on the most recent meeting of the IGC, which took place in Geneva from July 7 to 15.

The WIPO General Assembly is expected to set directions for the Organization's work on traditional knowledge (TK), folklore, and genetic resources when it takes up the question of the future mandate for the IGC at its September, 2003 meeting. The IGC has already laid down a solid basis in this area, and this has raised the question of what concrete outcomes can now be achieved. The IGC's initial mandate was as a forum for discussion, and it has explored many pressing policy issues in depth, but has also overseen the development of practical tools and mechanisms to support TK holders, custodians of traditional culture, and indigenous and local communities in identifying and promoting their interests in relation to the IP system.

Participants at the IGC's July meeting broadly agreed on the need for immediate steps to safeguard the interests of communities who have developed and preserved TK and traditional cultures. The IGC's work also strengthened understanding of the legal and practical aspects of addressing concerns about inadequate recognition and protection of TK and cultural expressions. In the forefront have been the concerns of communities whose cultural identity and spiritual integrity can depend on how their TK and cultural expressions are used and disseminated, and the need to enhance the participation of local and indigenous communities in the international debate affecting their interests.

As its mandate is due for renewal, the IGC at its recent session debated its future direction extensively, especially how it should move beyond its initial mandate towards more definitive results. A general sense was shared among participants that the IGC could produce concrete results within the next two years, and should focus on the international aspects of its mandate. But unresolved differences remained on what form and legal status these results should take. Some felt that the urgency of the needs expressed meant that a legally binding international instrument should be concluded by 2005; others called for recommendations and principles that would strengthen international consensus in the short term and leave open the possibility of legally binding outcomes in future. Several NGO participants urged greater international recognition of the customary laws and knowledge protocols that apply within indigenous communities, the subject of a study commissioned by the IGC. Many also called for enhanced involvement of indigenous and local communities in the debate.

Traditional Knowledge Protection

The IGC worked towards greater clarity of the possible practical approaches and policy options for legal protection of TK. A composite study on TK protection (WIPO document WIPO/GRTKF/IC/5/8) explored how to define and protect TK, and options for specific, or *sui generis*, protection of TK. An expert panel reviewed several *sui generis* mechanisms, highlighting the practical and legal mechanisms developed in Costa Rica, Nigeria, Peru, the Philippines, Portugal, the United States and Zambia. An extensive series of surveys, case studies and analysis of legislation was also tabled, ensuring that future work is founded on a rich understanding of existing approaches and the costs and benefits of different policy options.

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Genetic Resources and TK – Defenses Against Ill-Founded Patents

A key concern has been how to ensure that TK and genetic resources are not the subject of illegitimate patent claims. The IGC's work has already initiated changes to core elements of the patent system, such as the International Patent Classification (IPC) and international search and examination under the Patent Cooperation Treaty. The International Plant Genetic Resources Institute briefed the IGC on the 'SINGER' database (System-wide Information Network for Genetic Resources), which provides data on genetic resources held in trust internationally. This database is now linked to a WIPO online portal established to help patent examiners take greater account of existing TK and genetic resources when assessing the validity of patent claims. The IGC also reviewed an extensive technical study prepared for the conference of parties of the Conference on Biotechnical Diversity (CBD), on the question of disclosure within patent applications of genetic resources and TK used in inventions (WIPO document WIPO/GRTKF/IC/5/10).

Protection of Expressions of Traditional Culture and Creativity

A composite study on the legal protection of expressions of traditional culture (or folklore) (WIPO document WIPO/GRTKF/IC/5/3) provoked extensive debate over policy choices – for instance, the concern of many indigenous communities about the way the public domain is conceived in the established Intellectual Property (IP) system. TCEs such as songs or designs might be considered under IP law to be in the public domain, when in fact customary law or spiritual restrictions on its use may well still apply from the indigenous perspective. Talks have moved to a detailed, practical phase, aimed at finding workable solutions. WIPO provides assistance with national and regional systems for TCE/folklore protection, and is preparing a "WIPO Practical Guide on the Legal Protection of Traditional Cultural Expressions."

Documentation of TK

Indigenous and local communities in many countries are documenting their TK and associated biological resources, for a host of reasons – for example, to preserve TK for future generations. But many worry that the very process of documentation can undercut the interests of TK holders. Unless the right steps are taken in advance, documented TK can more readily be accessed, disseminated and used without authorization, which is sometimes contrary to customary laws and practices. To help address these concerns, WIPO is developing a toolkit for managing the IP implications of documentation of TK and biological resources (WIPO document WIPO/GRTKF/ IC/5/8).

The toolkit will show how documentation can take place as the community chooses, without placing the documented material in the public domain, so that communities can retain control over their TK and limit access, for cultural, spiritual, legal or commercial reasons. Indigenous and local communities are to be extensively involved in the development of this toolkit. Many indigenous communities view documentation of TK with skepticism, and several participants expressed the desire that the toolkit would not encourage documentation. But if a community does choose to document their TK, for whatever reason, the toolkit will help ensure the community's own interests are protected, and TK is not inadvertently put into the public domain. ◆

The WIPO documents mentioned in this article are available at *www.wipo.int/globalissues/igc/documents/*.

THE PCT SYSTEM – THE WORLDWIDE SYSTEM FOR SIMPLIFIED FILING OF PATENT APPLICATIONS

The Patent Cooperation Treaty (PCT) simplifies and reduces the cost of obtaining international patent protection.

Pursuing patent protection in many countries is expensive. It is estimated that between 10 and 30 percent of patent applications filed abroad are dropped because technical developments have superceded the invention or because there is no market for the invention in a particular country. Applicants are therefore best served when they can delay the major patent costs - such as filing fees in multiple national patent offices, fees for translations into various languages, and fees for local agents in multiple countries - until they have a better sense of the value of their invention.

Taking the PCT route to patent protection abroad requires the filing of a single international patent application. Filing such an application postpones the above-mentioned foreign patenting costs for up to 30 months in all PCT Member States—18 months longer than the traditional patent system based on the Paris Convention. As part of the PCT process, extremely valuable information is received in the form of an international search report and, if requested, an international preliminary examination report. Both of these reports provide clear indicators on the chances of successfully pursuing the patent application abroad.

Armed with this information and having made strategic use of the extra time afforded by the PCT, an applicant is in a better position to decide whether to pursue multinational patent protection and, if so, in which of the PCT Member States.

The success of the PCT can be measured by the remarkable increase in applications from 1,297 in its first full year of operation (1978) to 114,048 in 2002. The number of Contracting States has also steadily grown from 18 in 1978 to 122 on October 30, when Botswana's accession will come into effect.

In order to continue to be a versatile tool in the hands of the international industrial property community and to refine and improve the services it offers, the PCT system undergoes a constant reform process. In January 2004, several major PCT reforms will enter into force offering certain applicant-friendly changes, including a new fee structure.

For further information, please consult the PCT website at *www.wipo.int/pct/* or contact the PCT Information Line by telephone at (+41 22) 338 83 38, fax: (+41 22) 338 83 39, e-mail: *pct.infoline@wipo.int*

Highlights of amendments to the PCT Regulations applicable as from January 2004

- Introduction of an enhanced international search and preliminary examination system.
- Introduction of a streamlined designation system.
- Introduction of a "flat" international filing fee, replacing the current basic fee and designation fee.

Dark blue areas represent PCT membership

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CASE STUDY:
"Patenting the PCT"

Ask any inventor about the biggest stumbling block facing protection of his invention worldwide and you will get the same answer: cost. "It's a double-edged sword," says Australian patent attorney Justin Simpson. "To get sufficient financial backing to protect their idea, inventors will often reveal a prototype of their creation to a large, cashed-up company. But by doing so, they will actually eliminate their own ability to patent the invention – and lose out anyway."

The Sydney-based attorney had long harbored a suspicion that there had to be an easier – and cheaper – way to get the ball rolling on international patent protection. Especially since some aspects of the work in filing patent applications internationally are relatively simple. "I thought, there must be a way to do this online," says Mr. Simpson. "After all, once you've filed your international patent application [under the Patent Cooperation Treaty (PCT)], the actual process of entering the National Phase in your designated countries is just a matter of filling out the right forms, paying a fee and lodging them with the right patent office."

So Mr. Simpson set about using his computer science background to develop an Internet-based solution. His system allows the user to complete the transaction of entering the national phase at the end of the PCT international phase, before the patent offices of the countries designated in the PCT application, in one easy step.

PCTFILER

Once he had designed his system for handling the administrative tasks of preparing and filing National Phase applications, Mr. Simpson took his own advice and applied for a patent on his system. "It was the first thing I did," he said. A partnership under the name of "PCTFILER" is now the exclusive licensee of PCT Application No. PCT/AU01/01353, entitled "System and method of attracting and lodging PCT National Phase applications". The international application defines a number of inventions, including:

1. A method and system for lodging a PCT national phase patent application with a patent office.
2. An interface for receiving PCT national phase filing instructions; and
3. A computer system for sending an e-mail to a patent attorney, inviting them to enter the national phase through PCTFILER.

Prospects for the eventual patentability of Mr. Simpson's PCT-related invention look very bright; an International Preliminary Examination Report (IPER) has confirmed that the 74 claims examined appear to be novel and inventive in light of the known prior art.

Using PCTFILER

In order to use the PCTFILER system, PCT applicants must go online, enter the PCT application number and select the designated states in which they would like to enter the national phase. PCTFILER's automated system then generates the correct forms for the chosen countries and sends them electronically to the PCTFILER partner attorney in each country. The forms are then printed and filed in that country's patent office by the registered attorney for that jurisdiction.

PCTFILER currently offers national phase filing services in Australia, Brazil, Canada, India, New Zealand, Singapore, South Africa, the United Kingdom, and the United States of America as well as regional phase filing services before the European Patent Office. Mr. Simpson has plans to extend the service in the near future to Germany, Israel, and Japan and later to China and Indonesia.

He hopes that the system will one day become even more automated, thus eliminating the need for physical printing of each application. "For an industry that constantly deals with innovation, many patent offices still do things in a remarkably old-fashioned way," said Mr. Simpson. "Patent attorneys are in the business of new technology. We know that, our clients know that and they expect us to use technology in our business. And if it saves them money, they like that too."

Mr. Simpson recognizes that his system can be successful because the initial national phase entry transaction for any designated state is typically a straightforward matter. However, he acknowledges that the subsequent prosecution of a patent application in the national phase before a particular national or regional patent office can be more complex, thus requiring the specialized knowledge and skills of an experienced local patent attorney.

Where translations are required for national phase entry, PCTFILER's partner attorneys worldwide are ready to translate all the relevant documents, using their specialist technical knowledge, at highly competitive prices. The international network of PCTFILER attorneys is also available to handle the national phase prosecution, but applicants and inventors can choose any attorney they like.

Reduced cost

What is the biggest benefit of the PCTFILER system? Reduced costs. Mr. Simpson claims that by his calculation PCTFILER charges, on average, are less than half the fees currently charged by other patent attorneys for the same work. "I believe you shouldn't have to pay prohibitive fees to protect your invention on the world stage," said Simpson. "After all, a company's intellectual property is often its most valuable asset. That's why it's crucial to have adequate protection. PCTFILER makes it more affordable to enter the national phase in more of the PCT designated states, and that can only be a good thing for inventors."

For more information, visit *http://www.pctfiler.com*

"To get sufficient financial backing to protect their idea, inventors will often reveal a prototype of their creation to a large, cashed-up company. But by doing so, they will actually eliminate their own ability to patent the invention – and lose out anyway."

DEVELOPMENTS AT THE ARBITRATION AND MEDIATION CENTER

Established in October 1994 to facilitate the resolution of commercial disputes involving intellectual property through private

Photo: Marika Van Der Walt

Participants at the Workshop for Mediators held in June

procedures as an alternative to court litigation, the WIPO Arbitration and Mediation Center has recently seen an increase in the number of arbitrations and mediations filed under the WIPO Rules. WIPO arbitrations and mediations have been conducted in the English, French and German language and have involved parties from Austria, China, France, Germany, Hungary, Ireland, Israel, Japan, the Netherlands, Panama, Spain, Switzerland, the United Kingdom and the United States of America. The Center has issued, in several languages, a new version of its publication containing the WIPO Mediation Rules, WIPO Arbitration Rules, and WIPO Expedited Arbitration Rules, including a simplified schedule of fees.

Disputes Submitted to WIPO Arbitration and Mediation

The subject matter of the proceedings administered by the Center includes both contractual disputes, such as trademark coexistence agreements, patent licenses, software licences, distribution agreements for pharmaceutical products and research and development agreements, and non-contractual disputes, such as patent infringement.

One recent example of a WIPO case concerned a publishing house that entered into a contract with a software company for the development of a new web presence. The project was to be completed within one year and included a clause submitting disputes to mediation and, if settlement could not be reached within 60 days, to expedited arbitration in accordance with the WIPO Rules. After 18 months, dissatisfied with the developer's services, the publisher refused to pay, threatened rescission of the contract and asked for damages, leading to a WIPO mediation.

In another WIPO case, a software developer had registered a trademark in certain countries. A manufacturer of computer hardware based elsewhere had registered a comparable mark in a number of other countries. Both companies had been engaged in legal proceedings in an effort to prevent the other from registering or using its mark in the jurisdictions in which that other company had not yet obtained such rights. To facilitate the use of their respective marks worldwide, the parties entered into a coexistence agreement containing a WIPO arbitration clause. When one party's trademark application was refused because of a risk of confusion with the mark held by the other party, the party seeking to register its mark initiated a WIPO arbitration.

In these and other cases submitted to it, drawing from its list of over 1,000 independent intellectual property and alternative dispute resolution specialists from over 70 countries, the Center appoints arbitrators and mediators with specific expertise in the technical and legal issues at stake. Many of these WIPO neutrals have attended WIPO-organized dispute-resolution workshops. On June 26 and 27, and again on June 30 and July 1, the Center held its popular annual Workshop for Mediators in Intellectual Property Disputes. The next event will take place on October 20 and 21 of this year in Geneva, when prominent arbitrators will teach at the WIPO Workshop for Arbitrators.

Domain Name Dispute Resolution Services

In addition to its activities in arbitration and mediation, the Center is recognized as the leading provider of Internet domain name dispute resolution services, administering procedures that provide trademark owners with efficient remedies against the bad-faith registration and use of domain names corresponding to their trademark rights.

The Center was the first domain name dispute resolution service provider to be accredited by the Internet Corporation for Assigned Names and Numbers (ICANN) and the first to receive a case under the Uniform Domain Name Dispute Resolution Policy (UDRP). Since the filing of the first case in December 1999, the Center has administered over 5,000 UDRP cases. The Center also assists the registration authorities of country-code top level domains, administering, as of July 2003, cases for 33 national domains in all regions of the world.

WIPO's activity in the domain name field is truly global. The parties to WIPO domain name cases have come from over 110 countries, the procedures have been administered in ten languages, and the domain names have concerned a variety of scripts. Examples of domain names disputed in WIPO cases include <marlboro.com>, <thomas-cook.tv>, <juliaroberts.com>, and <恒生指數.com>.

In addition to its UDRP cases, which mostly concern the *.com*, *.net* and *.org* domains, the Center has processed over 15,000 cases under specific dispute policies for the start-up phase of the new domains *.info* and *.biz*, bringing the total number of WIPO domain name cases to more than 20,000.

New Online Index to Domain Name Decisions

The Center's recently launched online Index of WIPO UDRP Panel Decisions assists parties to a dispute, decision-making panelists and the general public to attain easy access to the growing jurisprudence under the UDRP. As such, this popular new WIPO service represents a major contribution to the transparancy of UDRP procedures and the consistency of their outcome. The Index, which is available free of charge, covers all WIPO UDRP decisions, including those most recently issued. It features two search functions: "Search by Domain Name Categories" (e.g., entertainment, luxury items, telecommunications) and "Legal Index", which allows an extensive search of decisions by substantive and procedural legal issues (e.g., deliberately misspelled trademarks in domain names, domain name use by authorized distributor, burden of proof). The Index also allows combined function and keyword searches, search by case number, domain name, and text of decision.

The Index is available at the Center's website, *http://arbiter.wipo.int*, which regularly receives over one million hits per month. In

Panel discussion on domain name diputes at the INTA Conference held in the Netherlands in May

addition to domain name dispute resolution, the Center's site presents full information on its activities in the area of intellectual property arbitration and mediation, including programs and registration forms for the Center's workshops.

CREATIVE PLANET - GIAN MARCO, SINGER-SONGWRITER

A key element of WIPO's outreach program is the Organization's work in creating a broader awareness among the general public of the value of intellectual property and the role played by the IP system in encouraging and rewarding creativity. As part of this effort, WIPO is producing a series of short films for television called *Creative Planet*. The series explores, through portraits of artists, musicians, inventors, designers, and other creators, how the creative process works for them, how they view their own creative efforts, and how the intellectual property system has helped them achieve success.

Several pilot films have been produced in six minute versions for broadcast on national and international television networks. Shorter one-minute versions will be produced as well. The subjects include, among others, a medical doctor in Nigeria who has invented and patented a blood transfusion device used in local hospitals, a Tunisian glass artists, and a Swiss watch designer.

The WIPO Magazine is highlighting some of the subjects of the films with photographs and excerpts from their stories. This month's feature looks at Peruvian singer and songwriter Gian Marco. The singer, who is reaching international popularity well beyond his native country, has touched many hearts with his love songs. However, his words sting when he moves to the topic of intellectual property piracy. The songwriter speaks out frankly on the illegal copying and sale of his works as well as that of other creators. He has even written a song about the problem. While his discussion of the creative process is introspective, the words he uses to describe piracy are hard hitting. The following are quotes from Gian Marco, in which he discusses his work and the challenges he faces.

On his inspiration

One night, I grabbed my guitar and I suddenly realized that the world had changed for me. That the meaning of life had changed. That I was born to be on stage, any stage, be it in the limelight or not, in front of lots of people or just a few…

My goal was to say… things, as humanly as possible. I talk about falling in love and falling out of love, I talk about life, behavior and human nature… Sometimes I feel I can break the invisible armor that prevents us, many of us, from seeing who we really are. My message is very human: I combine everyday-life with poetry.

I was born in Peru. I am extremely proud of being Peruvian and I want to be famous on a global scale, like any other artist! We, musicians, creators, we are all a little crazy, we have a strong will to pass on to others everything we have inside, to dive into a different atmosphere…

On the Creative Process

Creativity is impossible to learn. We are born with it; we just have to find it. Creativity lies within us – WE ARE creativity. It means learning to see ourselves and to see others, learning to see things which others cannot see. Creativity knows no limits. Creativity is always with us, provided we grab its hand and take good care of it!

On Music Piracy

I don't think there's a single person on Earth who would say: "I'll sing for the love of singing and I'll live off that love." You have to earn a living!

As time passes by, the opportunity to sell records decreases – not only for me, I am new to the international market, but first and foremost for those who are still to come. That's why I say that the record industry is in mortal danger. Because if we don't fight piracy, the record industry will die.

When I see people selling pirate CDs on the streets, I ask myself lots of questions. I tell myself that those people are committing a crime. It's almost like being robbed. These are my songs, my records, and I feel robbed every day, because someone is fiddling with a product which has cost me a whole year of work and quite a few sleepless nights! And today, that product lies in the hands of unscrupulous people who simply do not care about that.

Faced with that plague (of piracy), I feel powerless, because you can't stop it, unless we all start considering piracy as a real threat. For the time being, piracy boils down to a mere comment: "Oh, piracy, it's terrible! And this, and that…!"

I have had singles from new CDs released before the CDs were even released… singles that weren't even planned. So, I think the only way to survive as an artist is to either fight to sell a sufficient number of discs or to do what artists are doing around the world: live from live concert performances and forget about disc sales.

The only chance for the music industry is to make sure that the organizations that defend copyright continue to exist.

◆

NEWS ROUNDUP

WIPO Welcomes Accession by U.S. to Madrid System

WIPO Director General Kamil Idris welcomed the accession by the United States of America to the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, a pact that greatly facilitates and reduces the costs for the registration of trademarks in multiple countries. WIPO received the instrument of accession of the U.S on August 2.

"The U.S. accession to this key Treaty is an important and positive development for both U.S. trademark holders as well as nationals of other countries that are party to the Madrid Protocol and opens up new commercial opportunities for all concerned," said Dr. Idris. "The accession of the United States to this agreement will make the system of international trademark registration more inclusive and will offer businesses and individuals in both the United States and elsewhere a simple, affordable and efficient way of obtaining and maintaining their trademarks," added the Director General.

The Protocol will enter into force in respect of the U.S. on November 2, 2003.

Promoting IP in the Great Lakes Region

The countries of Africa's Great Lakes Region, Burundi, the Democratic Republic of Congo and Rwanda, were the focus of a WIPO seminar, held in Bujumbura, Burundi, from July 8 to 10, to promote intellectual property. The three countries will be joining the free trade zone of the Common Market for Eastern and Southern Africa (COMESA) as of January 1, 2004; the seminar was viewed as an opportunity to expand their knowledge of the intellectual property system. The countries are also in the process of reviewing and updating their intellectual property system to better serve stakeholders as well as to meet international norms.

The seminar's goal was to promote intellectual property in general and, more specifically, the Patent Cooperation Treaty (PCT) and the Madrid and Hague systems for the protection of trademarks and industrial designs to which none of the countries is party. COMESA, with whom WIPO has recently signed an agreement for cooperation, is an important ally in the Organization's efforts to promote intellectual property in the region. The seminar highlighted the importance of having the right intellectual property tools to face the challenges of economic integration as well as the overall global market.

There is a growing awareness in these countries of the importance of intellectual property as a driving force behind technological innovations and economic development, especially as it relates to the promotion of small and medium-sized industries. The presence of Mr. Charles Karikurubu, Minister of Trade and Industry of Burundi, and a number of high-level representatives of the public and private sectors from the three countries among the 50 participants underlined this fact.

French Delegation Visits WIPO

Photo: Mercedes Martinez Dozal

The French delegation with WIPO Assistant Director General Geoffrey Yu

The growing economic and cultural importance of the copyright industries as well as on-going and future areas of cooperation between WIPO and France in the field of copyright and related rights were the focus of discussions of senior officials of the Organization and a high-level delegation of the French Government on July 4.

Senior representatives of the French Minister for Foreign Affairs (MAE) and of the Minister of Culture met with copyright specialists at WIPO to discuss issues relating to several aspects of WIPO's work, including the protection of audiovisual performances, the protection of broadcasting organizations, *sui generis* protection of databases, the implementation of the WIPO "Internet Treaties" (WIPO Copyright Treaty and the WIPO Phonograms and Performances Treaty) in France and in the European Union Member States, as well as the promotion of cultural diversity and collective management. The meeting participants stressed the need to generate greater public awareness of and respect for copyright and related rights at a time when digital technologies have boosted cross-border exploitation of protected works.

The meeting also took stock of bilateral cooperation, in particular through the Fund-in-Trust agreement between the French Government and WIPO, which is designed to support WIPO's cooperation for development activities specifically in the field of copyright and related rights, and is implemented in cooperation with the MAE. Positive results have already been achieved, for example the Subregional Seminar on a Concerted Strategic Approach to Certain Questions Related to Collective Management, Cultural Industries and the Fight against Piracy in West Africa which took place last December in Bamako, Mali, in cooperation with the Agence Intergouvernementale de la Francophonie (AIF).

WIPO and the French representatives agreed that further collaboration between the Organization and France should be pursued with a view to promoting copyright and related rights.

SCHEDULE of Meetings

OCTOBER 2 TO 10
GENEVA

Committee of Experts of the IPC Union (Thirty-third session)

The Committee of Experts will continue its work on IPC reform, and will consider proposals of the IPC Revision Working Group with regard to the preparation of the eighth edition of the IPC (IPC-2005).

Invitations: As members, the States members of the IPC Union; as observers, States members of the Paris Union, who are not members of the IPC Union, and certain organizations.

OCTOBER 20 & 21
GENEVA

Workshop for Arbitrators

An annual event for all parties interested in WIPO arbitration procedures.

Invitations: Open to interested parties, against payment of a fee.

OCTOBER 22
GENEVA

Domain Name Panelists' Meeting

The meeting is being held to provide panelists with information on the latest developments in the Internet dispute resolution cases and procedures.

Invitations: Restricted to WIPO domain name panelists.

OCTOBER 23 & 24
GENEVA

Workshop on Domain Name Dispute Resolution

An event for all parties interested in WIPO Internet domain name dispute resolution.

Invitations: Open to interested parties, against payment of a fee.

NOVEMBER 3 TO 5
GENEVA

Standing Committee on Copyright and Related Rights (Tenth session)

The Committee will continue its discussions on the protection of broadcasting. It will also follow up on discussions of its future workplan.

Invitations: As members, the States members of WIPO and/or the Berne Union, and the European Community; as observers, certain intergovernmental and non-governmental organizations.

NOVEMBER 6 & 7
GENEVA

Ad Hoc Informal Meeting on the Protection of Audiovisual Performances

The meeting will discuss and explore the possible renewal of the dialogue on the protection of audiovisual performances.

Invitations: All interested Mermber States and intergovernmental and non-governmental organizations.

NOVEMBER 6 & 7
GENEVA

Seminar on the Madrid System of International Registration of Marks

This Seminar, in English, aims at increasing awareness and practical knowledge of the Madrid system amongst actual and potential users, whether in industry or in private practice. A special program item will be devoted to the recent accession of the United States of America to the Madrid Protocol.

Invitations: Registration is open to all interested persons, subject to the payment of a registration fee. Government officials of Member States are exempted from the payment of the registration fee.

NOVEMBER 10 TO 14
GENEVA

Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications (SCT) (Eleventh session)

The Committee will continue its work on the revision of the Trademark Law Treaty (TLT) and on other issues, on the basis of the results of the tenth session.

Invitations: As members, the States members of WIPO and/or the Paris Union; as observers, other States and certain organizations.

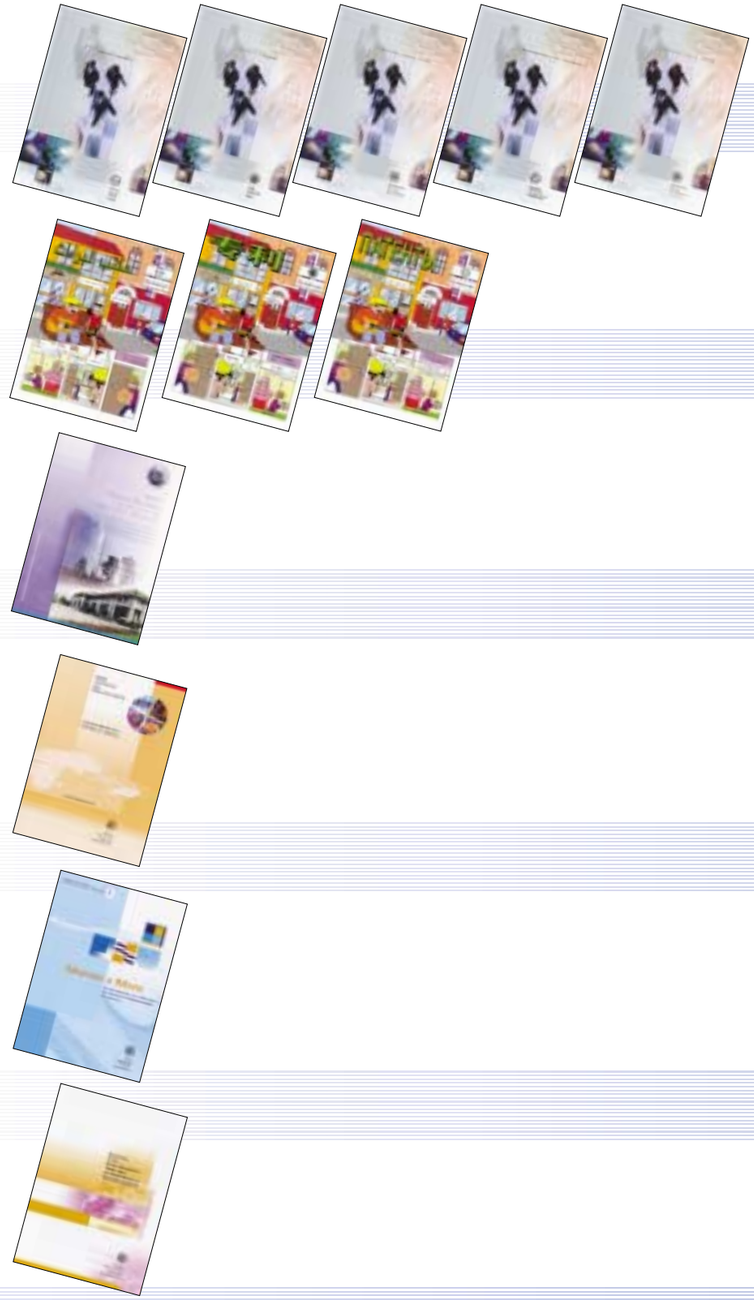
NOVEMBER 17 TO 21
GENEVA

Working Group on Reform of the PCT (Fifth session)

The meeting will consider proposals for the reform of the PCT system.

Invitations: As members, the States members of the PCT Union and the International Searching and Preliminary Examining Authorities under the PCT; as observers, all States members of the Paris Union which are not members of the PCT Union and certain organizations.

NEW PRODUCTS



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