

WIPO/IP/VMT/02/3

ORIGINAL: English

DATE: May 2002



MINISTRY FOR ECONOMIC SERVICES OF MALTA



WORLD INTELLECTUAL
PROPERTY ORGANIZATION

WIPO NATIONAL SEMINAR ON INTELLECTUAL PROPERTY AND SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs)

organized by
the World Intellectual Property Organization (WIPO)
in cooperation with
the Industrial Property Office and the Small Business and Crafts Directorate
Commerce Division
Ministry for Economic Services of Malta

Valletta, May 28, 2002

MANAGING INTELLECTUAL PROPERTY ASSETS FOR ENHANCING THE
COMPETITIVENESS OF SMALL AND MEDIUM-SIZE ENTERPRISES (SMEs); WIPO
PROGRAM FOR ASSISTING SMEs

Document prepared by the International Bureau of WIPO

TABLE OF CONTENTS

I. MANAGING INTELLECTUAL PROPERTY ASSETS FOR ENHANCING THE COMPETITIVENESS OF SMALL AND MEDIUM-SIZE ENTERPRISES (SMES).....	3
A. BUSINESS ENVIRONMENT.....	3
B. COMPETITIVENESS OF AN INNOVATION-DRIVEN ECONOMY	4
C. ENHANCING THE COMPETITIVENESS OF MALTESE SMALL AND MEDIUM-SIZED ENTERPRISES (SMES)	4
D. INSTITUTE FOR THE PROMOTION OF SMALL ENTERPRISE (IPSE) IN MALTA.....	6
E. BUSINESS PROMOTION ACT' (BPA) OF MALTA	6
F. BASIC INFORMATION ABOUT SMES IN MALTA.....	7
G. ENCOURAGING ENTREPRENEURSHIP TO ENHANCE COMPETITIVENESS: ROLE OF GOVERNMENT	8
H. ROLE OF THE IPRS SYSTEM IN NURTURING AN INNOVATION-DRIVEN ECONOMY.....	9
I. ROLE OF THE IPRS SYSTEM IN SUSTAINING COMPETITIVENESS OF INNOVATIVE SMES	9
J. USING IP ASSETS FOR DEVELOPING BETTER OR NEW GOODS OR SERVICES	11
(a) <u>Patents</u>	11
(b) <u>Patent Information</u>	13
(c) <u>Trade Secrets</u>	14
(d) <u>Copyright and Neighboring Rights</u>	15
(i) <u>Copyright</u>	15
(ii) <u>Neighboring Rights or Related Rights</u>	16
(iii) <u>Collective Management Organizations</u>	17
(iv) <u>Collective Administration of Rights in Malta</u>	18
(v) <u>SMEs as Users/Owners of Copyright</u>	18
(vi) <u>Civil Remedies for Infringement of Copyright in Malta</u>	19
(vii) <u>Criminal Sanctions for Infringement of Copyright</u>	19
(viii) <u>Sui Generis Rights under the Copyright Act of Malta</u>	20
K. USING IP ASSETS TO MARKET BETTER OR NEW GOODS OR SERVICES	20
(a) <u>Trademarks</u>	21
(b) <u>Industrial Designs</u>	22
L. MALTESE LAW ON IPRS IN INTERNATIONAL TRADE (CROSS-BORDER MEASURES)	23
M. BECOMING AND REMAINING COMPETITIVE IN THE GLOBAL MARKET ARENA.....	25
N. E-COMMERCE, INTELLECTUAL PROPERTY AND COMPETITIVENESS OF SMES.....	27
II. WIPO'S STRATEGY FOR SMEs	28
A. THE SMEs WEBSITE OF WIPO	30
B. OVERALL AIMS OF THE SMEs WEBSITE.....	30
C. COLLECTION OF "BEST PRACTICES".....	31
D. SELECTED CURRENT ACTIVITIES OF WIPO'S SMEs DIVISION	35
III. AREAS FOR POSSIBLE FUTURE COOPERATION BETWEEN MALTA AND WIPO.....	36

I. MANAGING INTELLECTUAL PROPERTY ASSETS FOR ENHANCING THE COMPETITIVENESS OF SMALL AND MEDIUM-SIZE ENTERPRISES (SMES)

A. Business Environment

1. We begin by noting a few relevant recent trends affecting the growth of business and industry worldwide. The accelerating pace of technological change and the removal of trade barriers are creating in some cases regional and in others an increasingly integrated global marketplace. In other words, the distinction between domestic and regional or international markets is disappearing. Key factors of production are able to move to wherever the business environment is most attractive. Services now account for almost two-thirds of GDP in advanced industrial countries. It is no longer possible to draw an absolute distinction between goods and services. A large part of the value-added in the goods-producing sector is attributable to service-based activities. New or original knowledge is central to the 'new economy' as the knowledge component of many goods and services is increasingly more valuable than the materials, physical labor, or capital that went into them. Companies use new or original knowledge to develop marketable new technologies, improve their products and services, or enhance their internal operations. The multi-dimensional technological revolution has reduced the relative importance of size as a determinant of competitive advantage. Automated manufacturing systems and process controls have made shorter production runs as cost-effective as longer ones. While markets have globalized, at the same time markets are fragmenting as customers and consumers become more demanding and particular about what they want. Emerging new high technologies are making it possible to customize goods and services to meet highly specific user or customer requirements. In the past the changes that took centuries to introduce are now compressed into decades and, in some cases, into a few years. A growing number of radically new technologies are coming on-stream while product life cycles are shortening. The new information and communication technologies have greatly facilitated the creation of new types of goods and services, new modes of local, national and international collaboration, and greater degree of multi-disciplinary team work for conceiving and developing new ideas, and launching and marketing new high-tech goods and services.

2. In such an environment as described above, a country's research and development (R & D) effort and its capacity to innovate is a prime determinant of higher productivity, competitiveness and success in today's knowledge economy. Publicly and privately funded R & D efforts have a unique contribution to make to the innovation process, both as the source of highly qualified people and as the wellspring of new ideas, products and processes. Therefore, strategic investment in the national innovation system is the best means for ensuring that citizens of Malta, as elsewhere, have the tools needed for taking full advantage of the opportunities presented by the knowledge economy. In most of neighboring Europe, as elsewhere, the leading edge industries, such as informatics, telecommunications, nanotechnology, new or advanced materials, pharmaceuticals, biotechnology/agri-food and aerospace, have been built on new or original knowledge and the high quality of personnel produced by their universities.

B. Competitiveness of an Innovation-Driven Economy

3. On 23rd November, 2000 in his closing speech on the occasion of a seminar on Intellectual Property rights (IPRs) organized by the Malta Chamber of Commerce, the Hon'ble Mr. Edwin Vassallo, Member of Parliament, and Parliamentary Secretary, Ministry of Economic Affairs, Malta, made two major observations, namely that "The future of industry in Malta, be it in the Hi-Tec sector or in the artisan field, lies in competition and innovation." The second one is as follows: "School-leavers at secondary or tertiary level - the traders and businessmen of tomorrow - have practically no instruction whatsoever on intellectual property rights. Educators need to encourage creativity and the entrepreneurial spirit whilst making students aware of IP rights. Discussions between the Industrial Property Office, IPSE, METCO, MDC and the Malta Council for Science and Technology need to be intensified as must be the dialogue with the interested parties who, I venture to say, should interact more even between themselves - not just to hear experts but to hear each other."

4. Encouraging creativity and innovation in schools, universities, industry, business and government provides the basis for creating useful new or original knowledge for harnessing nature to develop unique value in new goods, services, systems and institutions for meeting in a better way the existing needs and fulfilling the unending new needs of consumers, users, business, industry and the society as a whole. Discovering or creating new or original knowledge is a greater challenge than accessing, sharing and using the existing stock of knowledge of mankind. The preceding statement does not imply that there are insignificant challenges in managing and sharing the existing knowledge of mankind. If timeliness is the essence of competitiveness then better use of information and communication technologies becomes another area of strategic importance that needs focussed attention for encouraging information and knowledge sharing and team work for a sustainable rise in productivity, higher economic growth, greater wealth creation and more widespread prosperity.

C. Enhancing the Competitiveness of Maltese Small and Medium-Sized Enterprises (SMEs)

5. With the near universal acceptance of the relevance, usefulness and pre-eminence of the market-based economic development models, especially in the second half of the 20th century, and more so 1990s onwards, policy makers in national governments and decision makers in the private sector and civil society worldwide have increasingly begun to recognize the importance of small and medium-sized enterprises (SMEs) in the private sector as engines of sustainable national economic growth, job creation and exports. The rising star of the SMEs sector contrasts with the recently diminished role of the public sector as a provider of jobs, income and sustainable economic competitiveness in most countries worldwide.

6. Mr. Michael C Bonello, Governor of the Central Bank of Malta began his address to the Malta Chamber of Commerce National Competitiveness Conference, which was held in Qawra in October 2001, by stating that "That competitiveness is the key to survival is a maxim that applies as much to firms as to national economies." Later on, during his address, he also made the following observations:

7. "Most business activities in Malta are thus inevitably exposed to the full force of international competition. Producers for the domestic market face import competition while export-oriented firms face an ever-tougher competitive environment as new countries enter

the global market-place. In the export-oriented sector, there is a predominance of foreign direct investment that often provides the technical and marketing expertise which is a prerequisite for success. A loss of competitiveness would thus be doubly damaging. In the first instance, there would be a drop in domestic output in favour of imports and a contraction in export revenues. In the longer term, as Malta became a less profitable location, there would be a decline in new foreign investment and a consequently negative impact on growth prospects.”

8. “The only viable option is to compete successfully in the global market-place. I believe that this objective should be approached by pursuing a virtuous triangle of mutually-reinforcing policies:

- (i) Increasing the amount of resources available in the economy and the efficiency with which they are employed, by cutting costs and raising productivity;
- (ii) Focusing on the market niches in which we can excel;
- (iii) Ensuring the best international market access for our products and services.”

9. Since 1971, Malta has benefited from an Association Agreement with the European Union. This arrangement enables industrial products (except for textiles, which are subject to quota) to enter the EU exempt from payment of customs duty or from any quota restrictions, subject to rules of origin. Government is presently seeking an even closer rapport with the EU through the realization of a Free Trade Zone, which will result in the gradual and complete liberalization of bilateral trade. The Association Agreement and the fact that some 75% of Malta's exports go to the EU emphasize Malta's close relations with Europe. Maltese goods are also eligible for the US, Canadian and Japanese GSP Schemes. In spite of these preferential measures, it is clear that in an increasingly open trade environment, particularly with the dismantling of protective import levies on manufactured goods and Malta's commitments in the framework of the WTO, the domestic-oriented SMEs in Malta face a number of challenges in their ability to compete in the regional (EU) and the international markets. These are related, in particular, to quality competitiveness, size, and lack of inter-linkages in Malta's industrial set-up, and the limited amount of R & D being undertaken in Malta. Most of these firms were established prior to the late eighties when government policy shifted from import substitution towards export-led growth. These issues highlight the importance of restructuring for industrial enterprises, which is reflected in Malta's industrial policy. In addition, foreign direct investment over the past years does not seem to be enough to accommodate the gradually expanding labor force.

10. As such, the promotion of the international competitiveness of industry is one of the more important elements of the government's policy for industrial development. The White Paper entitled ‘Prosperity in Change - Challenges and Opportunities for Industry’, which is based on Article 157 of the Treaty on European Union, serves as a framework for the adoption of an industrial policy document for Malta as required by the *acquis communautaire*. This White Paper, published in December 1999, provides a strategic overview for future industrial development and looks at the principal issues involved, namely attracting additional foreign direct investment, expanding export activity, developing high value-added sectors, generating new employment opportunities and promoting joint ventures.

11. As a result, creating a suitable enabling economic environment for the growth of SMEs has become a key policy focus for Malta, and more so in view of Malta's interest in closer economic ties and possibly eventually joining the EU as a full member. SMEs in the

applicant/candidate countries for accession to the European Union, such as Malta, have to attain a certain level of competitiveness at the time of accession in order to be able to cope with the competitive pressure and market forces within the European Union. Without a competitive local business and industry, accession of Malta to the EU may not provide any meaningful regional market access for goods and services of SMEs located in Malta. The Maltese government has adopted an industrial restructuring programme designed to improve the competitiveness of certain sectors. Maltese SME policy seems to be in line with the principles and objectives of EU enterprise policy. The government has also defined a strategy aimed at increasing the competitiveness of SMEs. The main elements of this strategy include the establishment of a 'Small Business Efficiency Unit' as the coordinating focus; the launching of a 'Business Incubator Centre' within IPSE; the establishment of a 'National Crafts Council'; and the publication of a policy document on 'Entrepreneurship Development'.

D. Institute for the Promotion of Small Enterprise (IPSE) in Malta

12. The Institute for the Promotion of Small Enterprise (IPSE) was set up during 1997 in Malta as a one-stop shop to provide direct assistance to the SME sector and promote entrepreneurship in Malta. IPSE has launched assistance schemes aimed at small and medium-sized enterprises to stimulate and support the formation of such organizations, to facilitate the restructuring of existing enterprises, and to enhance their international competitiveness. The IPSE aims to:

- (i) assist the restructuring of SMEs with a view to meet the challenges of international competition;
- (ii) encourage start ups and strengthening management capabilities, business cooperation, innovation and access to capital;

13. To fulfil its mission, and to be able to meet the diverse requirements of its clients, the IPSE has developed close working relationships with Service Partners operating in the public and private sectors. The Service Partners are specialists in their field of operation and are officially accredited to carry out IPSE business.

E. Business Promotion Act' (BPA) of Malta

14. On the 30 January 2001, Act IV of 2001 entitled "An Act to amend the Industrial Development Act, Cap. 325" was published in the Government Gazette. Most of the provisions of this law have come into force on the 1 November 2000. This new law has renamed the 'Industrial Development Act' (IDA) as the 'Business Promotion Act' (BPA). The BPA makes provision for the introduction of new incentives and schemes for the promotion of business in Malta, shifting the focus from "industries" to "businesses". Whereas incentives under the IDA were linked to exports, the new incentives in terms of the BPA are targeted towards those enterprises which have a high value added or those which have a high employment potential.

15. The BPA introduces greater scope and flexibility to the incentives available for the promotion of business and covers a much wider range of qualifying sectors and activities than before. The 'qualifying activities' are summarized below:

- (i) Electronic and telecommunications equipment, semiconductors and other components and products.
- (ii) Software development including installation, implementation & support and training.
- (iii) Machinery and engineering
- (iv) Fabricated metal products
- (v) Rubber and plastic items
- (vi) Pharmaceuticals and medicinals
- (vii) Medical, precision and optical instruments and equipment
- (viii) Production of audio-visual productions including films, advertising programmes or commercials and documentaries.
- (ix) Jewelry and related articles
- (x) Repair, improvement and maintenance of aircraft, yachts, motor boats, turbines, gantry cranes and their equipment
- (xi) Biotechnology
- (xii) Waste treatment and recycling
- (xiii) Research and development

16. In the SMEs context, it is heartening to note that, under the BPA, for tax purposes R & D expenditure is deducted at 20 per cent, and the tax on profits re-invested in projects approved by the Malta Development Corporation is reduced by 19.25 per cent. These two incentives could help local innovative SMEs in a big way. The BPA provides subsidy for training costs from 35% to 80% of cost, depending on the size of the company. The investment tax credit for SMEs is 65% instead of 50% for larger enterprises.

F. Basic Information About SMEs in Malta

17. Regulation 3 (1) of the Business Promotion Regulations of 1st November 2000 (Legal Notice 135 of 2001), issued under the BPA, define micro, small and medium sized enterprises in Malta. In each case, the definition relates to employment levels (10, 50, 250 employees, respectively) and the annual balance sheet totals or the level of annual turnover. For actual assistance under different government programs, the definitions may vary. For example, for the Enterprise Formation and Growth Programme of IPSE it considers only those companies that employ 15 or fewer workers.

18. In December 1999, there were a total of 23,660 enterprises in Malta, with only 46 companies employing more than 200 persons. Also, 94.7 per cent of total establishments are categorized as micro enterprises, 4.3 per cent as small enterprises, while the share of medium-sized firms amounted to 0.9 per cent.

19. At a sector level, about 64 per cent, i.e., a majority of the micro units fall within the services sector. There is a strong representation of micro enterprises in the wholesale and retail trade, transport, community and business services, personal services and the catering and recreation business sub-sectors. The share of micro enterprises in construction stood at 97.3 per cent, with 51 small, 7 medium-sized and 1 large establishment.

20. In manufacturing, micro firms account for approximately 90 per cent of the total. The manufacturing industry consisted of 19 large establishments, 78 medium-sized enterprises and 319 small firms, while there were 3,677 micro firms. The agriculture and fisheries industry practically consists only of very small firms.

G. Encouraging Entrepreneurship to Enhance Competitiveness: Role of Government

21. While following this strategy the government has to first ensure that Malta's business environment is as supportive of entrepreneurship as possible. It has to also ensure that its support for SMEs is appropriate to the new competitive environment. One of the key ways in which the government can help is to focus on the timely provision of vitally needed information, knowledge and expertise. By working closely with engineering and business/management schools, SME support and financing institutions, banks, chambers of commerce, federations of industries, SME/management consultants, and the SMEs for which the information is intended, government can assist in developing, disseminating and providing teaching/training in the kind of information, knowledge and expertise SMEs need to improve their competitiveness. This includes creating policies, institutional mechanisms and information to help with:

- (i) Human Resources Development: A career in business increasingly requires a commitment to lifetime learning – ongoing training for both managers and employees. Government can assist by promoting the creation of university-industry links, business networks, by sponsoring exchanges of business, scientific and technical information, and by strengthening and supporting the role played by teachers, trainers and private sector SME advisors/consultants and management consultants.
- (ii) Benchmarking Performance: Successful SMEs continuously compare their performance with that of their competitors, learn from the difference, and strive to bridge the gap. Government can help by working with business intermediaries to develop diagnostic tools and assemble benchmarking information that allows for inter-firm and transnational comparisons, self-evaluation, and ongoing improvement.
- (iii) E-Government for Improved Access to Government Services: Government can give SMEs better access to its ongoing programs and services. By making it easier to find out what programs are available and who is eligible on a government web site dedicated to SMEs, government can save small businesses valuable time. It can also act as an electronic clearing house for information on other sources of assistance, including private sector experts, educational and training institutions, and investors and companies interested in partnering.
- (iv) Research and Development: In a world of technological intensity and rapid change, SMEs will need to keep up with innovation worldwide. Governments can help them find and implement state-of-the-art technologies by supporting the creation of technology databases, research networks, and a system of referrals to technical advisers. A special mention needs to be made of business, technical and legal information contained in patent documents, about which some more information is provided later on in this document.

22. While government has an important role in gathering and packaging information, business networks operated by business for business can best deliver it. The government can encourage creation of the network. It can support networks by providing a comprehensive set of business-related materials – publications, tapes, planning guides, and directories.

H. Role of the IPRs System in Nurturing an Innovation-Driven Economy

23. In this highly competitive information or service sector oriented economy, creating and maintaining an economic environment conducive for creativity, innovation, knowledge creation and effective management of such new or original knowledge or technology has become a top priority for governments, civil society, and enterprises, so as to spur national economic development and strengthen international competitiveness. For most enterprises, big, medium or small, a core concern is how to remain ahead of their existing or future competitors. They may do so by introducing radically new goods or services, but that is a rarity. Often all it takes is to make a small improvement to the quality of existing goods or services as compared with those of the competitors. The next challenge is to successfully manage the production, distribution and marketing so as to maintain consistent quality while mass producing it for its timely availability to customers in the marketplace. Another challenge to be met is in communicating the message of consistent high quality of the products or services to the consumers or users for that alone would enable the country, region or enterprise to develop long-term customer loyalty. To make new or improved goods or services, maintain consistent quality and communicate effectively with the consumers, forward-looking countries, regions and enterprises invariably make effective use of new and/or original knowledge.

24. In a country, region or enterprise, such useful new or original knowledge is created by itself or obtained from others, sometimes free but generally, on payment of a fee, or by entering into various types of contractual relationships such as outsourcing, sub-contracting, licensing, franchising, partnerships, collaborations, joint ventures and strategic alliances. These contractual relationships and alliances may involve multiple stakeholders from the enterprise sector, be they big, medium or small, from research-based universities and from publicly funded research and development institutions. Often the government through its policies, support institutions, programs, and activities facilitate this collaborative process at the institutional, local, provincial, and international levels. As a result this network of relationships amongst stakeholders increasingly involves countries, institutions and enterprises in a number of countries worldwide, depending on the degree of complementarity and potential for synergy in jointly creating newer, better and safer goods or services for the domestic, regional or global marketplace. Knowledge sharing in an environment of "co-competition" strengthens the individual members of such alliances or clusters. This process can be facilitated by improving the policy and business environment for technology development and transactions in and between countries, institutions and enterprises. In the knowledge economy, the intellectual property system provides the primary means for doing so.

I. Role of the IPRs System in Sustaining Competitiveness of Innovative SMEs

25. A basic question that needs to be addressed is as to how the performance of SMEs in the marketplace could be enhanced through the effective use of intellectual property (IP) system. In other words, how does the IP system contribute to the competitiveness of SMEs at the enterprise, sectoral and national levels. Before elaborating on this issue, it is clarified that for the purpose of this presentation, competitiveness is defined as "the ability of SMEs to face the challenges related to selling of their goods or services in the marketplace".

26. SMEs are at the heart of economic well being of most nations and any action aimed at enhancing their competitiveness has the potential of not only securing existing jobs and

creating new ones, but also of creating, owning and sharing the fruits of economic wealth by the majority of the population in every country and thereby improving the quality of the lives of the majority in every country. A key tool that could be used to achieve this goal is the intellectual property rights system. Unfortunately, most recent studies on the use of the intellectual property rights system by SMEs as part of their business strategy show that most SMEs in most countries worldwide do not use the IP system effectively, if at all.

27. There are several reasons why most SMEs, even in countries where the overall IP legal regime and IP institutions are considered to be well established, do not effectively use the intellectual property system; some of the important reasons are as follows:

- (i) Perceived lack of relevance of the IP system;
- (ii) Perceived high cost and complexity of the IP system;
- (iii) Inadequate or lack of awareness on the usefulness of IP system;
- (iv) Lack of qualified human resources to use the IP system; and
- (v) Infancy or underdevelopment of the IP system in some countries (i.e., where the national IP legislations have not been updated so as bring these in line with current or modern IP legislations based on current international standards in the field of IP) and/or poorly functioning institutions meant for registering/granting, managing, administering and enforcing different types of IP rights.

28. These are real obstacles to the proper and effective use of the IP system for achieving the full potential of SMEs. The use of IP assets in the overall business strategy of an enterprise could significantly improve the competitiveness position of an enterprise be it an innovative or high-tech SME or a more traditional SME, including a retail shop.

29. All other things being considered, the competitiveness of an enterprise is increasingly determined by the manner in which it handles new and existing knowledge, be it as a user or generator of such knowledge. At the macroeconomic level, there is increasing acceptance worldwide of the central role played by technological progress in economic growth of a country. Technological progress is dependent on the use of new or original knowledge. As mentioned earlier, we are now witnessing a paradigm shift where the source of competitiveness of a firm is moving towards knowledge-based factors of production and marketing, while the traditional sources of competitiveness such as location of a firm, cheap labor, abundant natural resources are taking the back seat.

30. In fact, competitiveness in agriculture, mining, industry and business are all being driven by new technologies that are making everything knowledge-intensive and high-tech. Increasingly, it is incorrect to talk of agricultural commodities any more; even petroleum products are no longer commodities to be merely extracted or mined and used as such or with some refining. A huge amount of value is added after the extraction of the raw output of mining by using various types of high technologies, leading to not just better products but also newer and newer products which are often produced or contributed to by SMEs. High technology has even obliterated the borderline between agriculture and industry in more ways than one. We talk of SMEs in the agro-biotech sector as today genetically engineered micro-organisms and living things, such as plants, insects and animals, have become factories that produce products like pharmaceuticals and yarn, apart from designer crops and animals. Bringing risky new technologies to the market requires investments that would not happen without a system that provides a mechanism for a limited period of exclusivity for such knowledge intensive products in the marketplace. The IP system provides the mechanism for

doing so, as it enables the IP right holder to prevent all others from free riding on the success of its innovative and creative new goods and services. At the same time the IP system enables faster dissemination of new ideas and goods/services, provided the IP system evolves with emerging technological needs and, at the same time, is periodically suitably fine tuned to balance the competing interests of different categories of stakeholders in the IP system.

31. In the new digital or high tech environment, IP awareness and actual use of intellectual property assets as an integral part of business strategy in achieving competitiveness has become an absolute necessity. Even as a passive player in the marketplace, an SME has to make sure that it does not inadvertently infringe the IP rights of others, as innocent mistakes are generally no excuse in a court of law. Often such mistakes can prove too costly or may even result in the untimely demise of an SME. As an active player, an SME has to seek opportunities in the external environment that it has to exploit to remain and grow in business. The IP system also allows it to gather business intelligence in a respectable way. Some of you might be wondering how could this happen. This brings me to the main subject of my presentation.

J. Using IP Assets for Developing Better or New Goods or Services

32. One or more types of IP rights need to be carefully defined, protected and managed for taking an innovative or creative idea through various stages of development to the successful launch of better or new goods or services in the marketplace. The role of patents, including patent information, trade secrets, and copyright and related rights is highlighted in this context.

(a) Patents

33. Innovative and creative ideas are at the heart of most successful businesses. Ideas by themselves, however, have little value. They need to be developed, turned into innovative goods or services and commercialized successfully so as to enable an SME to reap the benefits of your innovation and creativity. Intellectual Property (IP), patents, in particular, can be crucial for turning innovative ideas and inventions into competitive goods that significantly increase profit margins. A patent is an exclusive right granted for a product or a process that provides a new way of doing something or offers a new technical solution to a problem (for a more detailed explanation, see <http://www.wipo.int/about-ip/en/patents.html>).

34. A patent, once granted, gives the patent owner the right to stop all others from exploiting the patented (claimed) invention. A patent is granted to the patent owner by the government, generally for a period of 20 years, in return for a complete description of the invention in the patent application. This is considered to be a fair reward to the inventor or patent owner for an adequate disclosure of a claimed invention which is new, non-obvious and capable of industrial or business application. In this way the patent system seeks to balance the need for exclusivity of the patent owner with the need to encourage the wider dissemination of new knowledge or information so that others may learn from it and improve upon the so-called 'prior art' (which may otherwise be kept as a trade secret indefinitely). The patent owner can then benefit from a limited monopoly as defined in the claims of the granted patent - in that she/he can commercially exploit her/his invention, and/or can license the "intellectual property rights" to others to exploit the invention, perhaps in return for a royalty.

35. While the acquisition of patent protection is not a guarantee for commercial success, such acquisition is always important in ensuring that the patent owner has the opportunity to look for ways in which he/she can commercialize his/her invention. In inventive work, the patent is often an essential step in producing an innovative product. However, it is only a cost, unless there is a real commitment to developing the invention and turning it into a commercial product. The patent itself is merely like a key to the door leading to new opportunities for successful business activity.

36. As SMEs are often at the center of innovative activities, therefore owners/managers of SMEs must be made aware of the basic principles and practices in designing and using the patent system. Let me therefore, very briefly summarize the key reasons why an SME should consider patenting an invention, provided it meets the criteria of patentability:

- (i) Exclusive rights - Patents provide the exclusive rights, which usually allow an SME to use and exploit the invention for twenty years from the date of filing of the patent application in the national or regional Patent Office.
- (ii) Strong market position - Through these exclusive rights, an SME is able to prevent others from commercially using your patented invention, thereby reducing competition and establishing itself in the market as a pre-eminent player.
- (iii) Higher returns on investments - Having invested a considerable amount of money and time in developing innovative products, an SME could, under the umbrella of these exclusive rights, commercialize the invention enabling it to obtain higher returns on its investments.
- (iv) Opportunity to license or sell the invention - If the SME chooses not to exploit the patent itself, then it may sell it or license the rights to commercialize it to another enterprise and get an one time or recurring income.
- (v) Increase in negotiating power - If an SME is in the process of acquiring the rights to use the patents of another enterprise, through a licensing contract, then its own patent portfolio will enhance its bargaining power. That is to say, the patents owned by an SME may prove to be of considerable interest to the other enterprise or institution with whom the SME is negotiating. Through a cross-licensing arrangement it becomes possible to exchange the patent rights between the two parties to mutual advantage.
- (vi) Positive image of the SME - Business partners, investors and shareholders may perceive patent portfolios as a demonstration of the high level of expertise, specialization and technological capacity within an SME. This may prove useful for raising funds, finding business partners and raising the market value of an SME.
- (vii) Take action against free riders – As patent owner the SME is in a stronger position to combat unlawful imitation or copying by competitors.

37. It needs no emphasis that innovative SMEs alone can play a leading role in stimulating industrial evolution and development. In the new knowledge-driven economy the more innovative an SME, the more competitive it can be. In order to maintain its competitive edge an SME can and should ensure that it has legally protected all its key inventions. Such

protection is possible by obtaining a patent or by keeping it as a trade secret. In fact, most innovations or inventions that do not meet the legal requirements of patentability can only be protected through the trade secrecy route. Before elaborating on trade secrets let me highlight the importance of making proper use of patent information as part of business strategy of an SME, as often patent information by itself may be sufficient to provide the desired competitive advantage to an SME.

(b) Patent Information

38. Effective use of patent information can be very useful in ascertaining a firm's competitive position in the marketplace. "Patent information" refers to the technical, commercial and legal information contained in patent documents that are published periodically by national and regional IP offices and by the World Intellectual Property Organization under the Patent Cooperation Treaty. A patent document includes the full description of how a patented invention works and one or more "claims" which determine the scope of protection as well as details on who patented the invention, when it was patented and reference to relevant literature. About two-thirds of the technical information revealed in patents is never published elsewhere and the entire set of patent documents worldwide is well over 40 million documents. More than 90% of the information contained in patent documents is in the 'public domain', which means its use is in no way constrained by having to seek the prior approval of any one. This makes patent documents as the single most comprehensive collection of classified technological information of immense commercial and technological value. Most SMEs are not aware of this basic fact and therefore do not use patent information. Access to patent information may also pose a challenge. The Internet and digitization of patent information is helping in reducing the problems in access to patent information by SMEs. Affordability is still be a concern for SMEs in many countries, apart from the inherent difficulty in interpreting the techno-legal language in which patent "claims" are written.

39. Even so, learning to use patent information in many ways is the first step towards sustainable technological progress of an SME. The availability of such wealth of technical knowledge provides enterprises with the following competitive opportunities:

- (i) *Information on new or alternative source of inputs, components or machines:* By using patent information an SME may be able to identify new or alternate sources of inputs, components or machines for its products or services. This may provide it with valuable options regarding price, quality and terms of delivery which may ultimately have an impact on the final price of its products or service, and hence on its competitiveness.
- (ii) *Information about potential new markets:* patent information can also prove to be a useful source of information on potential new markets. An SME can identify other enterprises that can use its products or services as inputs, components or machines .
- (iii) *Avoiding unnecessary costs:* investing in a new product is an expensive and risky exercise. The information contained in patent documents may save an time and scarce financial resources from being wasted on an nonviable product, as someone else has already patented a key invention. The information can also enable an SME to avoid unintentional infringement of others patents, thus saving the SME

from unnecessary litigation procedures and expenses. It goes without saying that avoidance of unnecessary costs contributes to a firm/SME efficiency and competitiveness.

- (iv) *Information on the market (market intelligence)*: for competitive enterprises information on the trends in the market and what the competitors are doing is very important. A proper analysis of patent information often provides the needed information. For example, by analyzing the patents owned or acquired by competitors it is possible to ascertain the trend of the market, and to plan the direction of the SMEs future strategy which may sometimes involve taking timely steps to not invest further in plant and machinery for making products that would be unprofitable in the near future and/or to take timely action to exit business lines and products that would soon be obsolete with the emergence of alternate products in the marketplace. It can also provide valuable information on who are the emerging key players in the field i.e. who are going to be providing intense competition in the field/market. Such information would be very useful in reviewing an enterprise competition strategy. Apart from the manufacturer, even as a distributor or retailer of products patent information may be of great assistance in choosing new products early and wisely.

(c) Trade Secrets

40. Today's business environment has increased the importance of trade secret protection for business by developing and implementing information protection practices that address the risks associated with a global marketplace, rapid advancements in technology and telecommunications, a mobile, highly skilled work force, networked strategic business relationships, including extensive outsourcing. Technology is changing so rapidly that, trade secret protection is, in some cases, the most attractive, effective and easily available intellectual property right. As with all intellectual property, trade secrets can be valuable to a company's growth, competitive advantage and, sometimes, survival.

41. A trade secret is information of any type that is actually or potentially valuable to its owner, not generally known or readily ascertainable by the public, and for which the owner has made reasonable efforts to keep it secret. A trade secret generally has some cost associated with its development, and is not common knowledge in the industry. Even negative information, such as research options that have been explored and found worthless, can be trade secrets. Practically any type of technical and business information may be protected as a trade secret provided it meets these requirements; the following categories are illustrative:

- (i) Data compilations, for example lists of suppliers or customer (the more information a list contains, the more likely it would qualify for trade secret protection);
- (ii) Designs, drawings, architectural plans, blueprints, and maps;
- (iii) Algorithms and processes that are implemented in computer programs and the programs themselves;
- (iv) Instructional methods;
- (v) Manufacturing or repair processes, techniques and know-how;
- (vi) Document tracking processes;
- (vii) Formulas for producing products;

- (viii) Business strategies, business plans, methods of doing business, marketing plans;
- (ix) Financial information;
- (x) Personnel records;
- (xi) Production or maintenance schedules;
- (xii) Operating, maintenance or training manuals;
- (xiii) Ingredients of products; and
- (xiv) Information about research and development activities of the SME.

42. A trade secret may comprise of a combination of characteristics and components, each of which, by itself, is in the public domain, but where the unified process, design and operation of such characteristics or components, in combination, provides a competitive advantage.

43. Inventions and processes that are cannot be patented can be protected under trade secret law. SMEs should rely on trade secret law to safeguard the details of research and development, including draft patent applications, and patent applications before their official publication or grant. Even after grant of a patent, the associated knowledge is protected as a trade secret. A newly developed but not yet published or used industrial design or even trademark may be a valuable confidential information.

44. Trade secrets can create an advantage over competitors in many ways. The right to use trade secret information can also be licensed or sold. Although trade secrets provide no protection against those who independently develop the trade secret information, trade secrets never expire as do patents, industrial designs and copyright.

(d) Copyright and Neighboring Rights

(i) Copyright

45. In most countries worldwide 80 to 90% of the creative or copyright industries are SMEs. The creative industries sector includes publishing, software, music, television and radio, architecture, advertising, designer fashion, visual arts, crafts, etc. They account for 3 to 6% of the GDP in most countries. Protecting copyright and related rights is important because it enables creators and users of such works to support themselves from their artistic work and for creative entrepreneurs to generate profits to reinvest in tomorrow's creators. In addition, protection of such works promotes cultural integrity, diversity and variety as most of such works are created or used by SMEs.

46. I could readily obtain information only on the printing industry in Malta which includes some 174 enterprises that employ about 1,800 people. To achieve international competitiveness the Maltese printers have to surmount the limitations of the industry through a series of restructuring measures. Those limitations pertain to fragmentation of the Maltese printing industry and to its substantial over-capacity. The 174 companies registered in the sector in 1997 gave Malta the highest number of printing enterprises per capita in Europe.

47. Copyright literally means the right to make a copy of an original literary or artistic work. As a legal term copyright refers to the rights given to creators for their literary and artistic works. The kinds of works covered by copyright include literary works such as novels, poems, plays, reference works, newspapers and computer programs; databases; films,

musical compositions, and choreography; and artistic works such as paintings, drawings, photographs and sculpture; architecture; and advertisements, maps and technical drawings.

48. Malta, as a member of the World Trade Organization, has recently brought its copyright law in line with its obligations under the Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods or 'TRIPS' Agreement. Moreover and, in view of Malta' application to join the European Union, the Copyright Act (Act XIII of 2000) is also in line with most of the EC's legislative measures which have been adopted in this field.

49. By virtue of the Copyright Act, the works that are eligible for copyright protection in Malta are:

- (i) artistic works
- (ii) audiovisual works
- (iii) databases
- (iv) literary works
- (v) musical work

The exclusive rights which are controlled and restricted by copyright are:

- (i) the direct or indirect, temporary or permanent reproduction by any means and in any form, in whole or in part;
- (ii) the rental and lending;
- (iii) the distribution;
- (iv) the translation in other languages including different computer languages;
- (v) the adaptation, the arrangement and any other alteration and the reproduction, distribution, communication, display or performance to the public of the results thereof;
- (vi) the broadcasting or rebroadcasting or the communication to the public or cable retransmission;
- (vii) display or performance to the public;
- (viii) in respect of the protected material in its totality or substantial part thereof, either in its original form or in any form recognizably derived from the original.

50. No formalities are required to entitle a work to copyright protection but for a literary, musical or artistic work to be eligible for copyright, the work must have an original character and it must have been written down, recorded, fixed or otherwise reduced to material form. In respect of databases, this work is not eligible for copyright protection unless by reason of the selection or arrangement of its contents, it constitutes the author's intellectual creation. Moreover, the copyright conferred to a database does not extend to its contents, without prejudice to any right subsisting in such contents themselves. In Malta, the term of copyright protection is generally seventy years which commences after the end of the year in which the author dies, irrespective of the date when the work is lawfully made available to the public.

(ii) Neighboring Rights or Related Rights

51. Neighboring rights or related rights are the rights that belong to the performers, the producers of phonograms and broadcasting organizations in relation to their performances, phonograms and broadcasts respectively. These rights differ from copyright in that they

belong to owners regarded as intermediaries in the production, recording or diffusion of works. The link with copyright is due to the fact that the three categories of rights owners are auxiliaries in the intellectual creation process since they lend their assistance to authors in the communication of the latter's works to the public. A musician performs a musical work written by a composer; an actor performs a role in a play written by a playwright; producers of phonograms -- or more commonly "the record industry" -- record and produce songs and music written by authors and composers, played by musicians or sung by performers; broadcasting organizations broadcast works and phonograms on their stations.

52. The related rights grew up around copyrighted works, and provide similar, although often more limited and of shorter duration, rights to:

- (i) *performing artists* (such as actors and musicians) in their performances;
- (ii) *producers of sound recordings* (for example, cassette recordings and compact discs) in their recordings;
- (iii) *broadcasting organizations* in their radio and television programs.

53. In Malta, the related rights protected by the Copyright Act are the following:

- (i) *Performers' rights* which are protected for a period of fifty years which start to run from the end of the year in which the fixation of the performance was first lawfully published or first lawfully communicated to the public, whichever is the earlier or in the absence of such publication or communication, from the end of the year in which it was first performed. The exclusive rights protected are the fixation, reproduction, rental and lending, distribution, making available to the public, broadcasting and communication to the public rights;
- (ii) *Producer's rights* in sound recordings and audiovisual works which are protected for a period of fifty years which start to run from the end of the year in which the sound recording or the first fixation of the audiovisual work was first lawfully published or lawfully communicated to the public, whichever is the earlier or in the absence of such publication or communication, from the end of the year in which the first fixation was made. The exclusive rights protected are the reproduction, rental and lending, distribution and making available to the public rights;
- (iii) *Broadcaster's rights* which are protected for a period of fifty years starting from the end of the year in which the broadcast was first transmitted whether by wire or over the air, be it by cable or satellite. The exclusive rights protected are the fixation, reproduction, distribution of fixation, rebroadcasting and communication to the public of their broadcasts, and making available to the public rights.

(iii) Collective Management Organizations

54. The owner of a copyright is the only person/entity who/which has the right to make a copy of it in any form, or to permit someone else to do so. The owner of a copyright has the sole right to control any copying/reproduction, public performance, recording or broadcasting of a work, and its translation or adaptation. This control may be exercised for a fee termed 'royalty'. Royalty payments may be arranged through performing rights societies, collective

management organizations or societies, publishing houses or by the owners of copyright directly.

55. Collective management organizations or societies act on behalf of copyright or related rights owners and administer some or all of their rights on behalf of the membership and members of foreign affiliated rights societies. There are often separate national societies for different types of rights such as: performing and broadcasting rights for music, reprography rights, mechanical reproduction rights and retransmission rights. The primary function of these societies is to act as "licensing bodies" on behalf of the members. Membership of collective management organizations is open to all owners of copyright and related rights, whether authors, composers, publishers, writers, photographers, musicians, or performers. Broadcasting organizations are not included in the list, as they are considered users, even though they have certain rights in their broadcasts. Collective management organizations grant permission and give terms for use of works in their respective repertoires. After deducting the administration charges, the royalty collected is distributed periodically to the owners of copyright and related rights.

(iv) Collective Administration of Rights in Malta

56. The Copyright Act allows authors and other owners of copyright and of neighboring rights to authorize a collecting society to administer their economic rights. These collecting societies must be established in the form of a civil partnership and are regulated by the provisions of the Maltese Civil Code (Chapter 16 of The Laws of Malta). A request for incorporation of a collecting society must be made at the Ministry responsible for the protection of copyright and neighboring rights, along with the submission of a copy of the statutes of the collecting society and its regulations concerning the system and the amounts, as well as the collection and distribution, of fees and equitable remuneration.

(v) SMEs as Users/Owners of Copyright

57. Examples of public performance are the playing of recordings in shopping malls, bars, nightclubs, discotheques, hotels, airlines, and restaurants. An example of the broadcasting of performances and sound recordings is radio airplay. In fact, radio stations are the largest single broadcast users of recorded music. Each time a radio station plays an eligible sound recording a royalty is paid to the composer, the maker of the sound recording and any performer whose performance is fixed in that recording. This makes it clear that various types of SMEs are users of works protected by copyright and related rights, not to mention the widespread use of computer software by an even wider range of SMEs.

58. The digital revolution and an era of converging technologies have created exciting business opportunities for SMEs in the entertainment, mass media, computer, and telecommunications industries, as well as for multimedia, consumer products and financial services companies that can take advantage of the new interactive technologies. There is a greater need than ever to safeguard copyrightable material on the Internet in the entertainment industry, including film, theater, and music and print publishing transactions. While the first line of action concerns dealing with IP issues in relation to e-mails, the next one is about IP issues in relation to the web site of the enterprise. All enterprises, including SMEs, have to take special measures to deal with the problem of protecting widely distributed factual confidential or copyrighted information on or in relation to web sites-- even claiming trademark rights against unwelcome hypertext links to their web sites.

59. Multimedia is a new form of expression made possible by digital technology. With multimedia technology, graphics, video, animation, text, still images, sound and data can simultaneously appear on a computer screen and the user can interact with the content. Copyright or related rights of course protect most of these works (music, photos, paintings, texts, film extracts, etc.). To exploit them in an interactive multimedia product, it is first necessary to clear the rights. Clearing the rights simply means obtaining authorization from the owner of the rights to exploit the work or parts thereof in a multimedia product, and negotiating how much that will cost. This authorization is generally in the form of a user license in writing granted by the owner of the rights. Examples of multimedia content include distance learning, virtual visits to historic sites, and interactive games for children. Frequently offered on CD-ROM or on the Internet, multimedia presentations have become an innovative and efficient means for communicating information and for storytelling or entertainment. Most multimedia companies are SMEs and many are being nurtured in high tech incubators in different countries. As users of copyright these companies need to understand the importance of proper use of the IP system in all facets of their business. This is not limited to use of copyright and related rights but often includes protection of trade secrets, creation, protection and use of trademarks, and protection of novel software by patents in some countries.

(vi) Civil Remedies for Infringement of Copyright in Malta

60. There are three ways in which copyright may be infringed under the Copyright Act:

- (i) there is an infringement of copyright where a person does or causes any other person to do, without a license from the owner thereof, an act the doing of which is controlled by copyright;
- (ii) copyright is infringed also by any person who, without the license of the copyright owner, imports into Malta otherwise than for private and domestic use, or distributes therein by way of trade, hire or otherwise, or by way of trade exhibits in public or is in possession or manufactures in the course of business or offers or exposes for sale or hire an article in respect of which copyright is infringed under (i) above;
- (iii) a third way in which copyright is infringed is where a person, without the license of the copyright owner, imports into Malta, possesses in the course of trade or sells or lets for hire, or offers or exposes for sale or hire an article the sole intended purpose for which is to facilitate the unauthorized removal or circumvention of any technical device which may have been applied to protect a work or other subject matter eligible for copyright under the Copyright Act against being copied, seen, viewed, heard or otherwise perceived.
- (iv) A person who is deemed to have infringed copyright by a Court shall be liable to the payment of damages or to the payment of a fine and to the restitution of all the profit derived from the infringement of the copyright. The infringing articles in possession of the defendant may, on application, be also delivered to the plaintiff.

(vii) Criminal Sanctions for Infringement of Copyright

61. In 1991, through an amendment to the Criminal Code (Chapter 9 of The Laws of Malta), Parliament introduced criminal penalties for the violation of copyright. Thus, whoever, for gain, or by way of trade prints, manufactures, duplicates or otherwise reproduces or copies, or sells, distributes or otherwise offers for sale or distribution, any article or other thing in violation of the rights of copyright enjoyed by an other person and protected by Maltese law is liable to criminal sanction for violation of copyright. Criminal penalties for violation of copyright include fines of up to Lm5,000 and/or to imprisonment of up to 1 year. Moreover, if found guilty of having violated copyright, a person's license to keep a retail shop will be deemed to have automatically expired upon such contravention and shall not be transferred or renewed in terms of the Police Licenses (Protection of Copyright) Regulations 1992.

(viii) Sui Generis Rights under the Copyright Act of Malta

62. The Copyright Act provides also for the protection of *sui generis* rights in respect of both databases and semiconductor product topographies:

- (i) Notwithstanding the protection given by the provisions of the Copyright Act dealing with the copyright protection given over a database as a work per se, the Act provides also that the maker of a database who can show that there has been qualitatively or quantitatively a substantial investment in either the obtaining, verification or presentation of the contents of the database shall have, irrespective of the eligibility of that database or its contents for protection by copyright or by other rights, the right to authorize or prohibit acts of extraction or re-utilization of its contents, in whole or in substantial part, evaluated qualitatively or quantitatively;
- (ii) Basically, the Act provides that creators of semiconductor product topographies and their successors in title shall have the exclusive right to authorize or prevent in Malta the reproduction of the topography and the commercial exploitation or the importation for the purpose of commercial exploitation of the topography or of a semiconductor product manufactured by using the topography.

63. For more information on how an SME may benefit from works protected by copyright and related rights, please see the relevant area of the web site of the SMEs Division of WIPO at <http://www.wipo.int/sme> . For a brief but very useful introduction to the copyright law of Malta visit the web site of Mr. Aldo Zammit Borda at <http://www.global.net.mt/songwriter/>.

K. Using IP Assets to Market Better or New Goods or Services

64. For most SMEs, marketing goods or services is a major challenge. A marketing strategy should establish a clear link between the goods or services of an SME, as the producer or provider of such goods or services so that users or customers are able to distinguish, at a glance, between the trademarked goods or services of an SME from those of its competitors.

65. A good trademark or an attractive design, when efficiently used, is an important tool in creating an image for a business in the minds of its current and potential customers and in positioning it in the market. Trademarks and/or industrial design rights, combined with other marketing tools (such as advertisements and other sales promotion activities) are crucial for:

- (i) Differentiating goods or services and making them easily recognizable;
- (ii) Promoting goods or services and creating a loyal clientele;
- (iii) Customizing the market strategy to various target groups;
- (iv) Marketing of goods or services in distant places or foreign countries

66. Access to market is an important element in the overall competitiveness equation. To access a market and secure a stable and predictable market share is a major challenge facing most SMEs. In addition to patents and trade secrets, the proper use and protection of trademarks and industrial designs by an SME could provide it the much-needed competitive advantage.

(a) Trademarks

67. A well-crafted trademark often becomes a decisive factor in the success of an SME in the market place. A trademark enables users or consumers to distinguish goods or services of an SME from those of its competitors and to associate the goods or services of an SME with desired qualities. In other words, a trade or service mark is a distinctive sign which identifies certain goods or services as those produced or provided by a specific person, enterprise or a group of persons/enterprises allowing the consumer to distinguish them from goods or services of others (for a more detailed explanation see <http://www.wipo.int/about-ip/en/trademarks.html>). A trademark may be a word, letter, symbol (logo), number, color, shape or, where the legislation of the country so allows, sound or smell, or a combination of two or more of these elements.

68. To be registrable in Malta, a trademark must be: (i) a sign capable of being represented graphically; (ii) and a sign capable of distinguishing goods or services of one undertaking from those of other undertakings. A trademark may, in particular, consist of words (including also personal names), figurative elements, letters, numerals, or the shape of goods or their packaging. Moreover, marks and words must be different from those already legally used by other persons. The Comptroller may, on certain specific grounds listed down in the law (such as on the ground of similarity between the mark applied for and a previously registered trademark), refuse to register a trademark. If the Comptroller refuses to register a trademark appeal may be made to the Court of Appeal. Multi-class applications are not allowed by the Trademarks Act (Act XVI of 2000). Therefore, a separate trademark application has to be made under each separate class of goods indicated. Furthermore, the Trademarks Act of Malta affords protection to collective marks, certification marks and well-known marks.

69. No wonder, to develop trust, confidence and loyalty in its goods or services, every forward looking SME has to develop and maintain a distinct identity, image or reputation. Only then it would be able to distinguish itself and its goods or services from those of its competitors. It must also, at the same time, provide a mechanism for linking the provider of a good or service to the valuable business assets of trust and goodwill. This is mostly achieved through a distinctive trade name and one or more trademarks.

70. These play a pivotal role in the marketing strategy of differentiating goods or services from those of rivals and in developing longer-term positive – and often emotional – relationships with customers by communicating an assiduously nurtured image or reputation. Every business must woo customers to move them quickly from brand awareness, via brand recognition, to brand preference and finally to brand insistence, a point at which the consumer

refuses to accept alternatives and is willing to pay an even higher premium for the desired branded good or service.

71. A major step in eliminating wasteful expense and reducing risk is to register the trademark early so that it is legally secure and others cannot free-ride on it. This is often done well before test marketing the new good or service to avoid incurring expense on advertising and other promotional activities, only to discover the brand name is not available.

72. Some countries do provide a degree of protection to unregistered trademarks, but in most countries protection is contingent upon successful registration. Many countries allow registration without prior use, but the trademark may be cancelled if it is not used in the marketplace in relation to the goods or services for a certain period of time. It is easier to deal with the willful free riding, known as counterfeiting of a trademark and with gray market products (so-called parallel imports) if the trademark is validly registered.

73. Informed businesses take active steps to educate employees, dealers, distributors, newspaper editors, publishers of encyclopedias and the public that their trademark identifies their specific goods or services alone and therefore should be used in a proper manner.

74. Upon membership of the EU, Malta will adopt the EU rules on the Community Trademark which gives protection to trademarks throughout the countries of the EU. In Malta, existing trademarks will still be protected.

(b) Industrial Designs

75. Industrial designs are compositions of lines or colors or any three-dimensional forms, which give a special appearance to a product or handicraft. They protect the ornamental or aesthetic aspect of a useful article, which usually appeals to the sense of sight or touch and can be reproduced in significant quantities (for a more detailed explanation see http://www.wipo.int/about-ip/en/industrial_designs.html and <http://www.wipo.int/hague/en/index.html>)

76. The term design, industrial design or design patent, when used in intellectual property law and practice, has a specific connotation. In most cases they refer to the *eye appeal* of – that is, the features of *shape, configuration, pattern* or *ornament*, or any combination of these features – of a finished article made by hand, tool or machine, as opposed to functional features which may be protected by other types of intellectual property rights, such as patents, utility models or trade secrets. In many countries, the requirement of *eye appeal* of an article of manufacture or handicraft has been modified to that of *perceptible features* of appearance, and the rule of novelty has been replaced or supplemented by an individual character requirement.

77. An application for registration of a new design or model of manufacture may be made by its proprietor. According to Maltese law, a design or model of manufacture means any design or model which, by whatever means or process, is applicable to any article of manufacture or to any other substance natural or artificial, or partly natural and partly artificial, whether the design or model is applicable for the pattern, or for the shape or configuration, or for the ornament thereof.

78. A good design strategy must compare the various alternatives for protecting industrial designs, as there are different legal ways to prevent unscrupulous competitors from unauthorized copying. Legal options may include one or more of the following: protection under industrial design law, copyright law, trademark law – as a two or three-dimensional mark – and unfair competition law. In some countries the protection of these different laws may be mutually exclusive, in others it is cumulative to varying degree. It is advisable to seek expert advice.

79. Industrial design issues affect various types of business decisions of an SME. For example, the type of protection and its cost or effectiveness may affect which details should be disclosed to the designer, especially when the designer is employed by a contractor, whether to undertake design development entirely in-house, or to contract or commission an outside agency or do it jointly; timing of the initial use of a new design in advertising, marketing or public display in an exhibition; if and when to seek or continue to maintain design registration; if and when to initiate action against unauthorized/infringing acts of competitors, counterfeiters or importers; if and when to license or partially assign a design; and if and when to register the design in other markets for export or for exploring the potential of entering into strategic business alliances, joint ventures, setting up wholly owned subsidiaries, etc.

80. It is therefore hardly surprising that smart SMEs take great pains to timely protect the new or original aesthetic aspect of its products so as to prevent such designs from being copied by competitors; otherwise the competitive edge may be easily lost even though functionally the product of an SME may be superior to those of its competitors.

L. Maltese Law on IPRs in International Trade (Cross-Border Measures)

81. The Maltese Parliament promulgated a law entitled the ‘Intellectual Property Rights (Cross-Border Measures) Act, 2000’, (Act VIII of 2000) (the ‘Act’) which has as its object the withholding of the release of goods by the Comptroller of Customs (the ‘Comptroller’) where it is claimed that the same may infringe the intellectual property rights of another party. Section 4 of the Act specifically prohibits the importation into Malta, and the exportation or re-exportation from Malta, the release for free circulation, temporary importation, placing in a free zone or free warehouse of goods in contravention of intellectual property rights.

82. The Act lays down penalties which are sanctioned against any person who imports or causes to be imported any such goods where the penalties include the payment of a fine which would amount to double the value of the imported goods.

83. Section 2 of the Act, dealing with the interpretation of certain words and clauses found therein, gives an encompassing definition of the term “goods infringing an intellectual property right”. In fact, this term spreads over three major pillars of intellectual property including trademarks, copyright and patents. Thus:

- (i) counterfeit goods, namely goods including the packaging thereof bearing without authorization a trademark (including trademark symbols such as logos, labels, stickers, brochures, instructions for use or guarantee documents, or packaging material bearing the trademarks of counterfeit goods), which are:

- (a) either identical to the trademark validly registered in respect of the same type of goods; or
 - (b) which cannot be distinguished in its essential aspects from such trademark; and
- (ii) pirated goods, i.e. goods which are or embody copies made without the consent of the holder of the copyright or neighboring rights, or the holder of a design right, whether registered under national legislation or not, or of a person duly authorized by the holder in the country of production, where the making of those copies, if it had taken place in Malta, would have infringed the right in question under Maltese law; and
- (iii) goods infringing a patent under Maltese law,

are all included within the meaning of the term “goods infringing an intellectual property right”. Furthermore, the Act lays down that this term is to be interpreted to include also all materials and implements the predominant use of which has been towards the creation or manufacture of such goods.

84. The applicability of the Act is restricted to any of such goods which bear such unauthorized trademark, unlawful copy or which infringe a patent under Maltese law but it does not apply to any goods which represent an authorized trademark, patent or which have been lawfully authorized by the copyright holder even though such goods have entered Malta without the consent of the holder of the right, trademark or patent.

85. Section 5 of the Act states that through an application in writing, the holder of the right may ask the Comptroller of Customs so that the Customs authorities take all necessary measures to withhold the release of the goods. Such application must contain a sufficiently detailed description of the goods, proof that the applicant is the holder of the right for the goods in question and that prima facie the goods infringe that right. Thus, in the case of an alleged infringement of a trademark, patent or design right, the proof would consist in the registration of the right or lodging of the application with the Industrial Property Office whilst that in the case of an alleged violation of copyright, neighboring right or unregistered design right, the proof would consist in authorship or the person’s status as original holder. If the Comptroller approves the application, he must direct the Customs authorities concerned to withhold the release of or detain the goods for a specified period of time (generally for a period of 10 working days, which may be extended by application for a further 10 working days period). During this mentioned period, the holder of the right should initiate the necessary civil judicial proceedings seeking remedy and redress for the violation of his rights at law. The Comptroller may even require the holder of the right to provide a security which should be sufficient to cover any possible liability on the part of the Comptroller vis-à-vis the persons involved when withholding the release or in detaining the goods or when such action by the Customs authorities is discontinued owing to an act or omission by the holder of the right or where the goods in question are subsequently found not to be goods infringing an intellectual property right. If the Comptroller refuses to grant the application, the holder of the right has three working days to lodge an appeal with the Minister responsible for Customs.

The Act than lays down that subject to any law on the protection of personal data, commercial and industrial secrecy, and professional and administrative confidentiality, if the Comptroller is requested by the holder of the right to give him the name and address of the importer, consignee, the exporter or the owner of the goods (the ‘declarant’), the Comptroller must comply and give such details so that the holder of the right is put in a position to institute

judicial proceedings to safeguard his interests. The holder of the right is also given the right and the opportunity to inspect the goods, the release of which has been suspended or which have been detained. The Comptroller himself, when examining the goods, may even take samples in order to expedite the above-mentioned procedures related to the said goods. The goods will be released if the Comptroller is not given proof that civil judicial proceedings leading to a substantive decision on the merits of the case have been initiated or if the Comptroller himself had not suspended the release of such goods and ten working days (or subsequent to the further 10 working days period extension) from when the applicant was served with a notice of the suspension of the release of the goods have elapsed.

86. Section 6 of the Act places an obligation on the Comptroller that if in the course of checks carried out under one of the Customs procedures and before an application by the holder of the right has been lodged or approved, it appears *prima facie* evident to the Comptroller that certain goods are goods infringing an intellectual property right, the Comptroller may notify the holder of the right, where known, of the infringement thereof. The Comptroller may either detain the goods for five working days or suspend their release so as to enable the holder of the right to lodge an application as above-mentioned.

87. If the Maltese Civil Court finds that the goods are goods infringing an intellectual property right the Court is given the authority by section 8 of the Act, which makes it also mandatory on the Court to take due account of the need for proportionality in its decisions, to order the Comptroller to dispose of the goods outside the channels of commerce in such a way as to preclude injury to the holder of the right or order the Comptroller to take such measures which would have the effect of effectively depriving the persons concerned of the economic benefits of the transaction. The Court may even decide to order the Comptroller to destroy such goods, in any case without compensation of any sort to and, at the cost of, the importer, exporter or owner of the goods.

M. Becoming and Remaining Competitive in the Global Market Arena

88. With globalization we are witnessing a relentless increase in the intensity of international competition. This means, that, unlike in the past, SMEs can no longer focus only or mainly on the local or domestic market and hence worry only about local or national competitors. In fact, high-tech SMEs and SMEs in e-commerce begin very early to operate in the international market. At the same time, the traditional SMEs are facing competition in the domestic market from enterprises based broad. To compete or partner with large, medium and small sized domestic and foreign companies, SMEs have to become "IP-smart" to realize their full potential.

89. In the support system for SMEs at the national, provincial, local and institutional levels many governments have built institutional linkages and mechanisms for delivery of IP services to SMEs. This often begins by formulating a clear policy framework on IP for SMEs at one, more or all of these levels. Next, the relevant SME support and financing institutions at each of these levels provide support for the development of relevant IP services for SMEs in the private sector, although awareness creation is initially done largely at government expense. For example, SME Development or Promotion Institutes or Agencies, Design or Innovation Centers, Business & Technology Development Centers, Technology Transfer and Licensing Offices, Entrepreneurship Development Centers, Business Incubation Centers, and other types of SME support and financing institutions that provide information, consulting, legal, technological, marketing or human resources development services to promote the

strengthening of SMEs have included IP services in their portfolio of basic services for entrepreneurs, spin offs, start ups and SMEs.

90. Several countries have established funds for providing grants or soft loans for the promotion and use of technology. Often the conditions for access to such funds stress the importance of protecting and leveraging IP assets. Science and technology parks have been established in many countries which often have business or technological incubators for high tech industries that work in close collaboration with local universities, the private sector and the SME support and financing agencies, including venture capitalists. In Malta the Kordin Business Incubation Centre (KBIC) is a business development program designed to assist entrepreneurs to develop and accelerate their start-up businesses in a wise and cost effective manner. The KBIC is being funded, developed and managed by the IPSE Ltd., in collaboration with institutional partners. Science and Technology Parks and Business Incubation Centers are very important institutions that often focus on IP management from the stage of writing a good business plan onwards till the final commercialization.

91. In Malta, the IPSE Ltd., as a part of its program of 'Operations and Technical Assistance' has two programs under which IP related assistance is provided. These are as follows:

Product Development (OP0401)

- Objective: To promote and encourage the development of competitive products aimed both at the local and export markets.
- Scope: All activities associated with the research and development of products.
Technical tests and studies
Design and construction of prototypes
Technology transfer and licensing

Industrial Property Registration (OP0402)

- Objective: To promote and facilitate the process of industrial property registration with national, European and international industrial patent offices.
- Scope: All activities associated with the registration of industrial property rights. First registration of patents, design and trademarks as well as registration of any other related rights; however, this scheme excludes the costs related to the maintenance of industrial property registration.

92. It is therefore clear that in many countries have taken steps to create an IP culture at an early stage of the life cycle of a new enterprise. In high-tech SMEs this may also be facilitated by the venture capital industry. Often domestic SMEs need foreign investors in order to grow and access global networks, while the latter can obtain important benefits from SMEs' know-how. Many small high-technology firms have succeeded in penetrating global markets and networks, thanks to direct foreign investments financing their R&D expenditure often based on their past track record of protecting valuable IP rights.

93. Human resource development activities need a special focus as well. For example, many countries and institutions within them have begun to include practical IP matters in the curricula of various teaching and training programs for engineers, managers, entrepreneurs, etc as this is necessary condition for developing an IP culture and IP services in a country, whether these are provided by the government, the private sector or the civil society. A few countries have even begun to foster innovation and creativity and inculcating the IP culture in kids at school.

N. E-Commerce, Intellectual Property and Competitiveness of SMEs

94. As economies are becoming increasingly service driven, the future competitiveness of the national SMEs sector and therefore of countries would be increasingly based on creation of knowledge-driven high-tech service sector enterprises, the activities of which are complementary to those carried out by manufacturing SMEs. In the service sector, the software and multimedia industries are becoming the new engines of economic growth and competitiveness of countries. Therefore, understanding intellectual property issues in e-commerce is becoming a key concern for sustainable competitiveness of SMEs. Due to paucity of time it would not be possible for me to dwell on this very important area of concern. May I suggest that you begin to look at the special section on “Intellectual Property and E-Commerce” on the web site of the SMEs Division of WIPO at www.wipo.int/sme .

95. The process of globalization goes hand in hand with the evolution in the field of information and communications technologies (ICTs). Developments in the field of ICTs has led to the removal of some of the major barriers to trade, such as national boundaries and transportation costs linked to distance. This on the one hand has resulted in increasing the intensity of competition and on the other in opening a wide range of new opportunities for SMEs. It is now possible for SMEs to reach out at relatively lower cost to potential clients and establish niche markets in areas which until recently seemed to be out-of-bounds. In the ICTs world time factor has become an important element of competitiveness. Often a company that reaches the market first has the potential advantage of winning a larger share of that market than a late entrant.

96. With ICTs, e-commerce has become the “new boy in the streets” of the business community. Since being “on the net” has become quite fashionable and the possibility of reaching out to users or consumers in different parts of the world is too tempting, some SMEs have embraced “the new boy” without taking necessary precautions in safeguarding or protecting their intellectual property assets that provide the needed competitive advantage.

97. Effective use of the intellectual property system would enable SMEs in e-commerce to not only reap the business benefits brought about by the evolution in ICTs but would also enable them to maintain their competitive edge in the marketplace. Some of the basic steps that SMEs in e-commerce should take are as follows:

- (i) Choosing a domain name which is distinctive and protectable under trademark law;
- (ii) Owning or licensing the intellectual property rights of the design of and content available through the web site of the SME;

- (iii) Taking necessary measures to protect trade secrets of the SMEs which may be inadvertently disclosed on-line or by access to the server of the web site hosting company; and
- (iv) Taking special care when entering into contracts.

I hope the Task Force on E-Commerce in Malta has or would address these issues for the benefit of Maltese SMEs.

98. In this presentation I have focused on some of the key types of intellectual property rights, which can be used to enhance the competitiveness of SMEs in the marketplace. However, it should be noted that the successful use of intellectual property depends on many other factors such as the existence of an effective intellectual property system in a country, the level of intellectual property awareness of the business community and the society as a whole, the existence of SMEs support and financing institutions and infrastructure, the overall legal framework--- just to name a few major areas.

II. WIPO'S STRATEGY FOR SMEs

99. Given the increasing importance of new and original knowledge in remaining ahead of the competition, WIPO's strategy for assisting SMEs worldwide has a clear and overarching objective: to enhance their competitiveness through a wider and more effective use of the intellectual property system. In this respect, the Milan Plan of Action (see Annex 1), has established a clear direction for future initiatives.¹ Its implementation requires working towards the achievement of two main sub-objectives: a) to promote awareness in order to enable SMEs to make informed decisions concerning how to fully exploit their innovative and creative potential through an effective use of the IP system and b) to improve the policy framework and business environment to make it conducive and easier for SMEs to use the IP system.

100. In order to achieve the above-mentioned objectives, WIPO's SME strategy focuses on 6 main pillars:

- (i) *Targeting a new audience*: bringing intellectual property issues to business events, articles and interviews in business magazines, building IP component in innovation promotion programs for SMEs and in training programs for entrepreneurs, etc;
- (ii) *Creating simple SME-friendly material on IP*: drafting, publishing and assisting in the preparation of promotional and training material for SMEs, including web sites, brochures, IP guides and training manuals;

¹ The Milan Plan of Action was adopted at the WIPO Forum on "Intellectual Property and Small and Medium-sized Enterprises" held in Milan, in cooperation with the Italian Ministry of Industry and Foreign Trade in February 2001.

- (iii) *Focusing on new areas*: expanding WIPO's traditional activities to new areas such as intellectual property and financing, IP and taxation, IP services within publicly and privately provided Business Development Services (BDS);
- (iv) *Gathering and providing information*: collecting and disseminating information on "best practices" by institutions assisting SMEs to make an effective use of the IP system; collecting and disseminating information on case studies of SMEs using the IP system; conducting and commissioning research on IP issues of relevance to SMEs;
- (v) *Establishing new partnerships*: expanding the network of partners to include SMEs associations, chambers of commerce, government SMEs support institutions and other relevant public and private service providers for SMEs; and
- (vi) *Strengthening outreach activities of IP offices*: working together with national and regional IP offices to strengthen their outreach activities for SMEs.

101. At the heart of WIPO's strategy for SMEs is the conviction that intellectual property represents an important tool for the development of a dynamic and competitive small and medium-sized enterprises sector in the knowledge driven economic environment. This conviction goes hand in hand with the understanding that WIPO's objective requires dovetailing of IP policies for SMEs with a wide range of policies in a number of other areas aimed at promoting the development of a vibrant national SMEs sector. A strategy that seeks to promote the use of the IP system by SMEs should therefore promote the inclusion of IP issues within the overall framework of assistance and support for SMEs provided by government institutions, NGOs, chambers of commerce, international organizations, SME associations, business consultants and other institutions.

102. WIPO's strategy, therefore, requires a strong network of cooperation with partners at the local, national, regional and international level. This is a necessity not only due to the nature of the objectives and the sheer number of SMEs worldwide, but also is a direct implication of WIPO's strategy of addressing the issue from the broader perspective of promoting the development and competitiveness of SMEs in a holistic framework. As a result, WIPO is focussing on assisting Member States and their various institutions involved in supporting SMEs in integrating intellectual property aspects in the formulation and implementation of programs, policies and activities for strengthening the competitive position of SMEs in the marketplace. As such, WIPO seeks to work closely with national and regional IP offices for development of their outreach activities and with SME support institutions for building their IP-related capacity in various ways, such as through awareness raising events and publications, practical guidance through workshops and by including IP-related content in different types of guides for SMEs, and various other types of assistance on IP matters. WIPO's activities are generally demand-driven and, wherever possible, a "training the trainers" approach is taken to maximize results from events. This approach has been followed, for instance, in India where WIPO contributed to developing an IPR awareness campaign together with the Ministry for Small-Scale Industries through a series of 14 seminars in as many Indian cities. WIPO's SMEs Division participated directly in the first two seminars and assisted in the overall planning and structure of the remaining 12- events.

103. Crucial to WIPO's strategy concerning SMEs is to present the utility of the IP system from the perspective of the business community. In seeking to address the intellectual

property needs and concerns of SMEs; the first step is to assess the overall needs and constraints faced by SMEs in their business activities, in order to identify ways in which the intellectual property system may assist them in addressing those needs and concerns. The focus is, therefore, on how an IP strategy can be an effective part of the overall business strategy of the SMEs for enabling it to face some of their common business challenges, including raising finances, increasing the market value of the firm, marketing products and services, finding partners and suppliers, exporting, acquiring technology, facilitating business transactions on the Internet, etc.

A. The SMEs Website of WIPO

104. One of WIPO's major initial activities was the creation of an SME web site, as a distinct part of WIPO's main web site. The section on IP for Business on the SME's web site explains basic IP issues in relation to some practical business concerns in a simple, business-friendly language. The web site already has over a hundred pages (A4 Size), in some 300 html screens, of substantive information and advice, in addition to full text of some very useful documents and links together parts of WIPO's web site or outside links to various issues of interest to SME entrepreneurs, managers, investors and business consultants. Through the content on the web site, the SMEs Division of WIPO seeks to reach out to the largest number of SMEs and SME support institutions in a low-cost and reader-friendly manner. It allows readers to rapidly select the information they are interested in and have the option to follow links for more detailed discussions of certain issues. Finally, publication on the Internet gives the possibility to update information regularly and maintain readers informed of the latest events. The disadvantage related to such an endeavor is the limited access and spread of the Internet in many countries and, therefore, the inability to reach out to a large number of potential users in SMEs. WIPO is, therefore, committed to providing paper copies of the material available therein, including documents, presentations and IP guides to enterprises and institutions requesting the information in paper format. A CD-ROM, with a search function, containing the full content of the SMEs web site, in three languages (English, French and Spanish), is presently under preparation and will be available for distribution by mid June 2002.

B. Overall Aims of the SMEs Website

- (i) To provide an overview of the main reasons why SMEs should consider IP issues when preparing their business plans and strategies;
- (ii) To offer practical information on how to protect, manage, license, and enforce a company's IP assets and how to deal with IP issues in e-commerce;
- (iii) To disseminate information on "best practices" aimed at assisting SMEs to use the IP system and "case studies" on companies that have benefited from a sound IP strategy; and
- (iv) To provide information on the SME-related activities of WIPO in general, and of the SMEs Division in particular.

105. Given the international nature of the information provided, there is significant scope for national customization or adaptation of the relevant content on the SMEs web site based on

the national legal and institutional system. WIPO encourages national IP offices and other SME support and financing institutions to use the material and adapt it according to the needs of national entrepreneurs, and is willing to provide advice, guidance and/or other support in this respect. Needless to say that when ever this is done, it would be advisable to seek prior approval of WIPO which would normally be given very expeditiously and would not entail making any payment to WIPO; of course the copyright of WIPO over the content would have to be acknowledged and respected..

106. The SMEs web site is currently available in English, Spanish and French at www.wipo.int/sme/ and parts of it in Chinese, Arabic and Russian. The entire section on of “Intellectual Property for Business can be downloaded/printed in a single PDF or Word document, and so also for “Intellectual Property and E-commerce”.

C. Collection of “Best Practices”

107. On a regular basis, the SMEs Division of WIPO collects information on policies, programs and strategies adopted by a range of institutions to assist SMEs to use the IP system effectively. In May and June 2001, the International Bureau of WIPO sent a questionnaire to IP offices, focal points on SMEs within governments, chambers of commerce and a number of other institutions (primarily SME associations) requesting information on the activities conducted by each institution related to the initiatives to be undertaken under the Milan Plan of Action. The information was gathered with a view to compiling “best practices” and enhancing wider information sharing and exchange of experiences among and within countries. From the collection of “best practices,” some general conclusions concerning current trends in the field of promoting and facilitating the use of the IP system by SMEs may be drawn.

108. In the first place, the traditional functions of IP offices in the area of examination, registration and grant of IP rights are increasingly supplemented with a range of additional services aimed at facilitating the access to, and reaping the benefit from, the IP system for various users including SMEs. Replies to the questionnaire show that the bulk of activities specifically targeted to the SME sector have focused on awareness raising and advice on procedural matters concerning the application for IP rights. These activities take into account that low awareness and limited knowledge of the IP system by SMEs is perceived in many countries to be one of the main issues to be addressed. Web sites, practical guides, training material, interactive CD-ROMs, magazines on intellectual property, help-desk services on how to file a patent or trademark application and awareness-raising seminars for entrepreneurs are among the most widespread outreach activities of IP offices aimed at the SME sector. Establishing an IP culture among SMEs is a challenging task and the further dissemination of information on the IP system is a crucial first step in this direction.

109. The Internet and other advancements in information and communication technology (ICT) have provided IP offices in some countries the possibility to reach out to an important part of the business community in a fairly inexpensive and simple manner. Web sites, in fact, are increasingly becoming one of the predominant ways of spreading basic information on the IP system and many IP offices have devoted considerable efforts at enhancing their content and distributing their IP guides, magazines, annual reports and gazettes on-line.

110. Many IP offices have also sought to go beyond the initial awareness-raising phase seeking to provide a wide range of information services and customized legal, financial and

commercial support for a wider and more effective use of the IP system by SMEs. Mr. Tschudin from the Swiss Federal Institute for Intellectual Property described the new functions of the Swiss Federal Institute as those of a “service provider” to the business sector.² The services are no longer limited to the registration of IP rights but seek to respond to the broader IP-related needs of the business sector, in particular in the field of technological information services. Ms. Nora Rodriguez from the Information Department of the Cuban Intellectual Property Office referred to a “radical change” in the fundamental mission of industrial property offices that are increasingly enhancing their technological and commercial information services.³ The Specialized Service for the Entrepreneurial Sector of the Cuban IP Office is one such initiative where customized assistance and advice is provided to individual SMEs, particularly in the field of trademarks. In Australia, IP Australia established a marketing department in order to conduct training and promotion activities at the general public and particularly to SMEs. In Peru, the National Institute for the Defense of Competition and Intellectual Property (INDECOPI) has been active in promoting the use of collective and certification marks by associations of SMEs. These are but some examples of the outreach functions of the modern IP office in response to increasing awareness of the importance of intellectual property rights for the development of SMEs.

111. In addition, in some countries, government institutions in charge of supporting the development of SMEs, have begun to include intellectual property related services within their programs of support for SMEs. This has particularly been the case in the following areas:

- (i) innovation programs;
- (ii) sectoral programs aimed at promoting the development of specific priority sectors (e.g. biotechnology, textile sector, agricultural sector, handicrafts sector, and software);
- (iii) export-promotion programs;
- (iv) training programs for entrepreneurs; and
- (v) R&D funds to promote the commercialization of R&D results and the acquisition of new technology by SMEs.

112. The provision of technological information services within innovation programs, the inclusion of IP modules within training programs, the distribution of practical IP guides by SME support institutions and other similar activities have contributed to bringing intellectual property within the broader framework of SME support programs. This has enabled the IP system to no longer be perceived as an isolated theme with little relevance to SMEs but increasingly as an important element of a package of services provided by SME support institutions.

113. Furthermore, increasing cooperation between institutions providing support to SMEs and institutions involved in the national innovation systems of each country, such as universities, R&D centers, IP offices, incubators, chambers of commerce, SME associations,

² R. Tschudin, Oral presentation delivered on 21 March 2002 the International Bureau of WIPO, Geneva, Switzerland.

³ Information Department of the Cuban Intellectual Property Office: Specialized service for the entrepreneurial sector and support for technological and commercial innovation of Cuban enterprises, June 2001, Cuba.

inventors associations and venture capitalists has permitted, in some cases, to address the issue of IP promotion for SMEs in a holistic manner with greater coordination between institutions. The ambitious objective of assisting SME competitiveness through a wider and more effective use of the IP system can only be really attained through a joint effort including all relevant actors in the public and private sector. In the case of the Republic of Korea, close cooperation between the Korean Intellectual Property Office (KIPO), the chambers of commerce, the Korean Patent Attorneys Association and other public and private partners have allowed to establish a network of support to SMEs in IP matters, which includes, among other activities, the establishment of Patent Information Centers in 18 chambers of commerce all over the country.

114. In summary, replies to questionnaires have reflected a wide range of initiatives or “best practices” aimed either directly at the SME community or having an indirect impact in bringing the IP system closer to SMEs. Such initiatives are evidence of the growing importance of intellectual property as a crucial element in the development of a vibrant, dynamic and competitive private sector. They have also proven that IP offices have a crucial role to play in the development of SME-friendly IP services and should not take the challenge on their own but rather in cooperation with other partners concerned with the development of the SME sector. The following is a non-exhaustive list of the types of activities that were mentioned in response to the questionnaire and provide an overview of a number of initiatives that may be taken in this area. Initiatives have been grouped into six broad categories:

1. Awareness-Raising and Training on IP:

- a) awareness-raising seminars, conferences and campaigns for entrepreneurs, researchers, inventors and students in areas of technical expertise;
- b) IP guides and other information material on various aspects of IP for SMEs
- c) web sites with practical information on IP issues for entrepreneurs;
- d) collection and dissemination of case studies illustrating the success stories of SMEs using IP;
- e) building IP content into customized training manuals for enterprises operating in specific sectors (e.g. biotechnology, software, agriculture, multimedia, etc.)
- f) general advice to applicants on administrative issues relating to the application process (e.g. helpdesks within IP offices);
- g) multi-media products (e.g. CD-ROMs) with information and advice on management of IP assets;
- h) participation in business fairs of SMEs, contribution of articles on IP issues to business magazines targeting SMEs, and in other promotional activities for the benefit of SMEs;
- i) monthly radio and/or television programs on issues relating to intellectual property and innovation;

j) integrating IP issues in the national/institutional teaching and training curricula and course material for entrepreneurs; and

k) proactive visits to SMEs.

2. Technological Information Services:

(a) regular workshops for entrepreneurs on how to use patent information services;

(b) free access to IP databases;

(c) provision of a range of technological information services for SMEs at a reduced price;

(d) establishment of patent libraries with specialized staff within universities, technology parks, business incubators, research centers and chambers of commerce;

(e) regular provision of information on recent patents in a given technical field;

(f) development of multilingual IP databases; and

(g) establishment of centers for technological information or decentralized branches of the IP office for the provision of technological information.

3. Financial Assistance:

(a) financial assistance to SMEs, either in the form of grants or favorable loans, patenting their inventions;

(b) fee reductions for SMEs applying for IP rights;

(c) partnerships between IP offices and associations of patent attorneys for providing legal advice to SMEs, either free or at an affordable (lower) price; and

(d) tax incentives for expenditure in R&D, patenting, technology transfer, etc.

4. Customized Advisory Services on IP:

(a) legal and managerial assistance to enterprises on how to manage their IP assets and how to develop an IP strategy as a part of their business strategy;

(b) promotion of and legal assistance on the use of collective marks, certification marks and geographical indications by small-scale businesses;

(c) pilot projects on IP management with a selected group of enterprises; and

(d) assistance in the creation of trademarks or distinctive signs.

5. Assistance for Technology Transfer:

- (a) creation of databases on licensable technologies (e.g. virtual marketplaces for IP);
- (b) tools for the valuation of IP assets;
- (c) business fairs of licensable technologies where potential licensees and licensors may meet;
- (d) advice for licensing negotiations;
- (e) programs to facilitate and create incentives for technology transfer; and
- (f) establishment of Technology Licensing Offices (TLOs) within universities and public sector research centers assisting researchers to patent their inventions, conduct prior art searches, license their inventions or set up their own start-up companies.

6. Partnerships Between Institutions:

- (a) partnerships between IP offices and other institutions providing services to SMEs such as chambers of commerce, incubators, research centers and science parks for the inclusion of IP services within a wider range of services to SMEs;

D. Selected Current Activities of WIPO's SMEs Division

A brief introduction is as follows:

- (i) Preparation of a CD-ROM with the content of the SME web site (www.wipo.int/sme) in three languages (English, French and Spanish) containing over 300 pages of practical information for SMEs and SME support institutions. The product will be ready by mid-June.
- (ii) Nationally Focused Action Plans (e.g., for the Philippines and Mongolia) which include activities such as the following:
 - Analysis of the present use of the IP system by SMEs
 - Preparation of user-friendly guides and toolkits containing information and promotional products addressed specifically to SMEs
 - Assistance in developing web pages addressed to SMEs with information on IP management, how to use patent information, etc
 - Organization of seminars on IP for SMEs
- (iii) Organization of national, sub-regional and regional seminars/workshops on IP for SMEs, with the participation of SME associations, government focal points for SMEs, business consultants, entrepreneurs and investors. (e.g. WIPO Workshop on Intellectual Property and SMEs for in Rio de Janeiro Brazil; WIPO National Forum on

Using the Intellectual Property System for Business Success of Small and Medium-sized Enterprises, Valletta, Malta, etc.)

- (iv) Preparation of practical IP guides. The first two entitled “Trademarks for SMEs” and “Successful Technology Licensing” will be published in the second half of 2002.
- (v) Monthly e-mail updates for subscribers of the SME web site at: www.wipo.int/sme
- (vi) Monthly articles on IP under ‘IP and Business’ published in the WIPO magazine and on the WIPO web site; reproduction of these articles is encouraged.
- (vii) Guide on Intellectual Property for the Handicraft Sector in cooperation with the International Trade Centre, Geneva, Switzerland.
- (viii) Organization of a session on “Contemporary African Art and the International Market” in Dakar (Senegal) during the Dakar Biennial of Art, in cooperation with the International Trade Centre, Geneva, Switzerland.
- (ix) Training the trainers workshops on IP for SMEs in cooperation with the Ministry for Small Scale Industries in India and preparation of customized IP guides for SMEs in the machine tools industry and the toy industry in India, in cooperation with UNIDO.
- (x) Research report on Intellectual Property and SMEs in Norway
- (xi) Collection of ‘best practices’ and case studies.
- (xii) Contribution to and participation in SME and business events organized by government SME focal points, international organizations and other institutions (e.g. Ministry of Small and Medium Enterprises in Croatia, World Association of Small and Medium-sized Enterprises, UN regional economic commissions, regional development banks, etc)

III. AREAS FOR POSSIBLE FUTURE COOPERATION BETWEEN MALTA AND WIPO

A non-exhaustive list is outlined below for discussion:

- (i) Cooperation/assistance for the design or implementation of information/advisory services for SMEs on intellectual property;
- (ii) **Nationally Focused Plan of Action (NFAP)**, based on the Milan Plan of Action;
- (iii) Market and other research studies on issues related to intellectual property and SMEs;
- (iv) Awareness raising workshops, seminars and other activities in partnership with SME associations, chambers of commerce, business/technology incubators, financing

institutions, and other SME support institutions as well as private sector business advisors;

- (v) Partnerships with SME support institutions in order to include intellectual property services within the broader framework of assistance to SMEs;
- (vi) Partnerships with SME support institutions for development of customized web sites (or sections of web sites) on intellectual property for SMEs;
- (vii) Development of customized guides on intellectual property for SMEs in paper format or in electronic form, such as multi-media products (e.g. CD-ROM);
- (viii) Development of special packages of IP services/information for specific sectors such as agro-based SMEs, SMEs in E-commerce, SMEs in biotechnology, SMEs in the manufacturing industries, SMEs in the craft sector, SMEs in copyright/cultural industries, etc;
- (ix) Assistance to SMEs in licensing and technology transfer; and strengthening of value added technology information services for SMEs;
- (x) Assistance to artisans, cooperatives of artisans and small entrepreneurs in the crafts sector for a better understanding of the legal means of protecting crafts; preparation of practical guides; inclusion of basic IP training in courses for artisans;
- (xi) Strategies for promoting the use of collective marks, certification marks and geographical indications by SME associations and cooperatives of artisans;
- (xii) Strengthening university-industry links, through cooperation with technology/business incubators and university spin-offs;

[End of document]