

# Country Report - Azerbaijan

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WIPO-PPO-KIPO EASTERN EUROPEAN REGIONAL FORUM  
ON USING INTELLECTUAL PROPERTY (IP) PANORAMA  
FOR BUILDING CAPACITY OF SMALL AND MEDIUM-SIZED  
ENTERPRISES (SMES) FOR STRATEGIC INTELLECTUAL PROPERTY  
MANAGEMENT

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## **Building Capacity of Small and Medium-Sized Enterprises (SMEs) for Strategic Intellectual Property (IP) management in the Republic of Azerbaijan**

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**The practice of world business has proved that small business plays very important role in national economy of any country.**

**There are about 60 thousand small enterprises and objects in Azerbaijan. Into this number enters 8571 agricultural, 80 fishery, 527 trade, 5458 processing enterprises, 172 enterprises for manufacture of gas, electric power and water, 7116 constructional organizations, 24276 enterprises of wholesale and retail trade, 800 enterprises, rendering hotel services, 1548 transport and telecommunications agencies, 491 financial enterprises, 6424 enterprises of the real estate, rent, 299 in education sector, 966 health-improving and social services enterprises, 2999 municipal and private services enterprises and 5 household enterprises.**

**The definition of SMEs in Azerbaijan is determined by the number of employees, the amount of capital, and the amount of assets. Government of the Republic of Azerbaijan carried out a new policy and submits the concrete measures for supporting the national SMEs. According to the Decision №57 from 20.04.2004 of the Cabinet of Ministers of the Republic of Azerbaijan there were established next criteria in the area of the small-scale business enterprises: the industries and buildings – amount of employees is less than 40, received income within a year is less than 200000 manats; scientific and technical and consulting services - amount of employees is less than 20, received income within a year is less than 150000 manats; rural economy - amount of employees is less than 15, received income within a year is less than 100000 manats; wholesale trade - amount of employees is less than 10, received income within a year is less than 300000 manats; retail trade, transport, services and other kinds of economic activities - amount of employees is less than 5, received income within a year is less than 100000 manats.**

**For the information - 1 USD correspond approximately 0.8 Azerbaijan manats.**

**State Program (2002 – 2005) on Development of SMEs in the Republic of Azerbaijan was adopted in 2002. Realization of this program has established mechanism of state regulation on development of SMEs.**

**The situation in Azerbaijan shows that the conditions created in the country due to macroeconomic stability for acceleration of development of small and average business, are used not completely. Number of the people who are engaged in enterprise activity area, are not fully used with their available possibilities and the result is that their share in gross national product structure does not reach 10 percent, whereas normal level considers 20-30 percent.**

**There are some special laws in the Republic of Azerbaijan which are operating in particular in the area of business «About the state support of small business» (№ 673-IQ, 04.06.1999 with changes from 2001, 2002, 2003 and 2007) and «About enterprise activity» (№ 405, 15.12.1992 with changes from 1996, 2000, 2001, 2002, 2003, 2006, and 2008).**

**In spite of the fact that there were made many attempts to make changes to the national legislation into the area of developing small business there are still left many problems for most of developing SMEs.**

**The existing problems slowing development of SMEs are connected first of all with difficulties in reception by small enterprises with necessary investments, offices and necessary information for their activity.**

**The small-scale business problem is starting capital, which has far not everyone.**

**The state financial support is carried out by National fund of rendering assistance to businessmen in the Ministry of Economic Development of the Republic of Azerbaijan. National fund is giving out soft credits through 35 attorney banks to businessmen. National fund has gave out soft credits to 698 subjects of business from 52 cities and regions till October 2008. The allocated credits basically will be spent for industrial output manufacture (119 projects), for manufacture and processing of agricultural production, to development of rural farms (495 projects), tourism infrastructure development (33 projects), sector of services (50 projects) etc. More than 80 % of the financed projects fall on a share of regions of the Republic of Azerbaijan. 85, 5 % from these projects will be used on manufacture and processing.**

**Unfortunately there are too small amount of soft credits in National fund to help to all businessmen.**

**Bank percent on commercial activity are extremely high (over 20%). This makes development of small business very risky.**

**New State program on business support (2008-2013) was created for the development of business system. State program contains the complex of actions for support of innovative business.**

**Development of an information technology in the Republic of Azerbaijan is now in an active phase of realization. Growth of amount of the companies in the area of information-communication technologies (ICT) in the Republic of Azerbaijan considerably exceeds rates of development of innovative activity.**

**Ministry of Communications and Information Technologies of the Republic of Azerbaijan plans realization of large-scale project «the Regional innovative zone».**

**This project is directed on creation of the large-scale economic zone providing manufacture and export of production of technological capacity in the country, development of small and medium business, also on attraction of the foreign companies and potential investors in ICT country sector and development of human resources.**

**The project of a regional innovative zone provides creation of techno parks for development of small and medium innovative business, formation of regional base on manufacture and export of the electronic equipment and software products, transformation of the country into favorable transit information centre (Data Centre), preparation and development of human resources for a formed information society, introduction of an information technology in different areas. Efficiency of the project on creation of a regional innovative zone provides strengthening of local manufacture and**

activation of export of IT production. Monetary and fiscal privileges will be applied in regional innovative zone for businessmen and also will be opened the way for the Azerbaijani companies to the regional market.

Ministry of Communications and Information Technologies estimate that project income in the area of information technologies in the country in case of successful realization will reach four billion manats in 2012 in comparison with the present one billion manats. In 2016 profit will be 12 billion manats, and in 2018 it will be already equal to oil incomes of the country.

The Department on the policy in the field of business development has been established at the Ministry of Economic Development. Department mission is regulation of business for the purpose of creation of environment favorable business, support of development and business stimulation, including:

- Preparation and realization of the Government program on development of business, including small and medium enterprises (considering in parliament); expansion of possibilities of material maintenance of business;
- Education of businessmen, maintenance of subjects of enterprise activity with the necessary economic and legal information;
- Preparation of offers on encouragement of development of innovative business.

Awareness and utilization of IP system is very important for developing SMEs.

In the Republic of Azerbaijan the national system of protection of intellectual property is generated. Ensuring the protection of intellectual property is the duty of two specialized institutions: The State Committee on Standardization, Metrology and Patents - in the field of industrial property and Agency by the Copyright and Related Rights – in the field of copyright and related rights

The State Committee on Standardization, Metrology and Patents elaborates and presents the Government for approval the strategy for developing the protection of industrial property in the Republic of Azerbaijan and carries out a state policy in the field of the industrial property. Agency by the Copyright and Related Rights as sole authority on the territory of the Republic of Azerbaijan concerning the evidence, observation and control of the legislation application in the field of copyright and related rights.

The national patent system of industrial property in the Republic of Azerbaijan was established in 1993. Legislative and normative-methodical base has been developed for protection of inventions, utility models, industrial designs, trademarks and geographical indications. The laws were adopted in the Republic of Azerbaijan harmonized with international standards made foundation for conducting organizational, technical, economical and other actions directed the creation of the infrastructure that regulates the intellectual sphere. Thereby, the foundation of the State structures on intellectual property protection was laid out in the Republic of Azerbaijan as an important state attribute.

At present time the Republic of Azerbaijan participates in 14 agreements on intellectual property protection functioning under the aegis of the World Intellectual Property Organization (WIPO), namely:

Convention Establishing the World Intellectual Property Organization (from 25 December 1995);

Paris Convention for the Protection of Industrial Property (from 25 December 1995);

Madrid Agreement Concerning the International Registration of Marks (from 25 December 1995);

Patent Cooperation Treaty (from 25 December 1995);

**Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks (from 14 October 2003);**

**Locarno Agreement Establishing an International Classification for Industrial Designs (from 14 October 2003);**

**Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure (from 14 October 2003);**

**Strasbourg Agreement Concerning the International Patent Classification (from 14 July 2004);**

**Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (from 15 April 2007);**

**Berne Convention for the Protection of Literary and Artistic Works;**

**Geneva Convention for the Protection of Producers of Phonograms against Unauthorized Duplication of Their Phonograms;**

**Rome Convention for Protection of Performers, Producers of Phonograms and Broadcasting organizations;**

**WIPO Copyright Treaty (WCT);**

**WIPO Performances and Phonograms Treaty (WPPT).**

**Since 25 December 1995 the Republic of Azerbaijan is a member of Eurasian Patent Convention.**

One of the major priorities of State offices in field of intellectual property is the creation of modern legislative base for protection of intellectual property and its harmonization with international standards. In 2009 the Parliament of the Republic of Azerbaijan finished the consideration of the drafts of amendments to the law “About Trademarks and Geographical Indications” and before July of the same year this draft law entered into force. These amendments are aligned with TRIPS requirements. For example, in accordance with amendments, Appeal body of The State Committee on Standardization, Metrology and Patents is authorized to consider the opposition, which relates the registration of trademarks and in the cases when the registration was made with bad faith or by the representative (or agent) in his name without the permission of the owner such registrations can be annulled by the decision of Appeal Body. Number of judicial disputes related to trademarks is increasing each year. This is linked with the growth of importance of trademarks and indicates the economic activity of local and foreign undertakers.

Businessmen understand importance of intellectual property in Azerbaijan. Every SME has a trade name or one or more trademarks. Creation of public awareness on geographical indications among local business must relate to sustainable development agricultural sector of the Republic of Azerbaijan. It's necessary to support SMEs in the effective use of IPRs by providing information and offering education in the field of intellectual property.

At the present time 3,5 thousand of trademarks from above 15,6 thousand trademarks, registered in Azerbaijan relates to national businessmen. The International Bureau of WIPO has registered about 40 trademarks belonging to businessmen of Azerbaijan in accordance with the limits of the Madrid system. There were 6 of such registrations in 2006. This increase has caused the interest of national businessmen to the foreign market. Businessmen of the Nakhchivan Autonomous Republic of the Republic of Azerbaijan have submitted 980 applications to Patent Office for registration of trademarks. 287 of these applications are related to sphere of produce of the goods.

205 inventions (196 of them are national patent owners), 25 (17 of them are national patent owners) industrial samples, 6 utility models (3 of them are national patent owners), 1510 (770 of them are national owners of registration) trademarks have been registered in

**2008. 16 applications have been submitted to the Madrid system. 2957 international registration trademarks on the Madrid systems are related to the Republic of Azerbaijan.**

**The inventions registered in 2008 basically concern areas of chemistry and metallurgy, building, human necessities. Registration of trademarks basically concerns 05, 29, 30, 32, 33, 03, 34 classes of the goods. Transfer of rights is carried out: on 104 registered trademarks; 8 under patents for inventions. Non-exclusive licenses are registered for 2 inventions and for 10 trademarks.**

**SMEs in Azerbaijan have lower IP awareness, which is inadequate in comparison with the growing performance of the industry and export of their products. This situation is usually explained by the high cost of international protection of IP rights due to the required administration and translation of applications, etc. This lower IP awareness is also explained by an insufficient motivation on the part of researchers, scientists and SMEs managers. Another issue is low awareness of legal aspects at research institutions, universities as well as within the business sector and, generally, low motivation and support to protect new ideas and discoveries. There is also lack of qualified mediating entities such as technology transfer agencies and IP/licensing agencies. International support and cooperation among the key instruments are therefore necessary to help SMEs to learn how to make the most of the IP system to develop our economies.**

**The strategic directions of development of system of IP in Azerbaijan in particular are:**

- **Providing legal protection of objects of intellectual property;**
- **Development of the informatics system and formation of the modern Patent stock (collection) and providing its accessibility;**
- **Adoption and implementation international standards in the field of electronic filing of the applications for industrial property protection;**
- **Training of experts in the sphere of protection and use of intellectual property;**
- **Harmonization of the national legislation in the field of intellectual property with the WIPO, TRIPS requirements;**
- **Perfection of the level of enforcement of the rights of holders;**
- **Perfection of the mechanisms of economic incentives;**
- **Co-operation with international organizations;**
- **Encouragement of investments into innovations and stimulation of business;**
- **Creation of a specialized structure for training and studies in the field of intellectual property;**
- **Organizing seminars and conferences for the Small and Medium-Sized Enterprises for a better knowledge of the intellectual property system;**
- **Creation of publications containing special technical information in the field of IP system, for the purpose of training specialists within the SMEs to use the system;**
- **Use of experience of the foreign Patent Offices and international organizations with purposes of training specialists in the sphere of intellectual property;**
- **Training and raising the awareness of the public on the role and importance of intellectual property.**