

Dispute Settlement and Enforcement of IP Rights By MSMEs

(Six critical issues and some proposal)

Vincenzo Franceschelli

*Professor of Law
Università degli Studi di Milano-Bicocca
Facoltà di Economia*

1.- The notion of Enterprise and MSMEs

Traditionally, as jurist we are accustomed to believe that the concept of enterprise or enterpriser is one.

From a legal point of view, we have a tradition to consider law and regulation related to the notion of enterprise as a unity. In the Italian civil code, for example, in art. 2082 define the entrepreneur as a person who engages professionally in an economic activity organized for the purpose of production or exchange of property or services.

Notwithstanding this, the more an economical approach influences the regulation of an enterprise, the more even jurist started to distinguish and created subcategories. Art. 2083, for example, that goes back to 1942, already refers to "small enterpriser", in reality referring to farmers, artisans and small tradesmen.

EU Community Law and, of course, within it, Antitrust Law, distinguishes national market and community market, and therefore national enterprise and European community enterprise.

But even within our national law legal system, we have started to distinguish medium enterprise and small one.

The main effort of the legislator is, obviously, directed to Corporations and to the Law of Corporation. But as long as the notion of Enterprise in general, it is mainly the economic approach that valorise the difference.

The economical network formed by and based on small and medium enterprises has come to the attention of economists and politicians.

Less relevant is the attention to the juridical problems typically connected to the life and activity of the MSMEs.

In theory, and in public speech, everybody agrees that MSMEs constitute a value for economic progress and a dynamic factor for the growth and development of the economy.

In the meanwhile and in a time of crisis deriving from globalization, experts realized that we are lacking tools and models to face the crisis in relation to MSMEs. Everybody focus his attention to multinational enterprises, on the basis of the obvious consideration that large enterprises, and multinational enterprise, when they fail or crash, create large, and multinational, damages.

It's a clichés to believe that small enterprises mean small market, or if you prefer, local market, with regional effects or, if you want, even with national effect.

in other words, is a common place to consider that the economic influence of small or medium enterprise is small and local.

This is not always true.

There are high tech MSMEs enterprises that create innovation and are actively present in the world market.

That's not all.

Internet and telecommunication technologies have created a global market where MSMEs can be active. MSMEs may "found" and "be found" and compete in the world market.

* * *

If we believe that MSMEs are a value for the economy and for the social life, than we have to try to focus our attention to the critical aspects of their position in the market.

I understand that an approach based on special legislation directed to "protect" MSMEs would create a distortion in the market and in the competition.

So I am not referring to a "special treatment". But I believe that to try to determine the problems and to focus on them is the first step toward a solution.

2.- Critical aspects related to MSMEs

There are some specific critical aspects that MSMEs meet in a competitive market, in relation to IP - Intellectual and Industrial Property.

We may consider six specific points:

- research and innovation
- applied research
- market presence and defences
- litigation
- lawsuit length
- cases and case law

a) research and innovation

Multinational enterprises, and large enterprises, have within them large and competent structure dedicated to research and innovation.

In other words, large enterprises are perfectly suited to handle research, discoveries and innovation.

Often large and multinational enterprises may rely on internal departments (research laboratories and legal department) or, in case of necessity, obtain the help of large international legal firms.

This reality has created the illusion and the common conviction that only large enterprise are innovative.

But this statement is only partially true.

Some time, not to say often, also small and middle enterprise create innovation.

The history of human progress has numerous cases in which small or medium enterprises has reached an inventive step. But MSMEs, when invent, are often unprepared to deal with and defend their innovations.

b) applied research

Is commonly know that applied research is the key to economic success.

As everybody says, is not sufficient to invent, you have to tell the world that you have invented. Or, if you prefer, the best invention in the world is sterile, if you don't find an industrial application for it and, of course, if you don't find somebody that commercializes it with success.

This is one of the critical points of MSMEs.

Small and middle enterprise that have created innovation don't have the instruments, when they invent, to explore all the possible industrial and market applications of what they invented.

And when they do, they very rarely have the capability to successfully market their inventions or applied inventions.

c) market presence and defences

MSMEs are for definition lacking of the technical and legal instruments necessary to fight and compete in the market.

They may create innovation, but they are too small to have in their structure efficient patent offices or aggressive legal departments.

To compete means to be active in the market. To publicise their innovation, and to market it. But it also means to be familiar with structure of IP legal system.

Industrial property laws are there to protect innovation and are there also to protect MSMEs.

But is common experience that small and medium enterprises apply the protection of the law only when the fight is already started. When for example contraffaited products appear at the border or when they have to stop the servile imitation operated by clumsy counterfeiters.

In other words, MSMEs seldom develops a IP "politic". Or, if you prefer, they do not have a "global vision" of the problem.

Some time MSMEs do not even patent their innovative inventions. And when they do, some time they patent locally, being satisfy, for example, with a national patent. They are not prepared for possible future developments. They are impressed by the complexity of the world IP system, with the result that they are without defences abroad.

d) litigation

Problems get worst when a MSME enter in conflict with a large multinational enterprise.

I am not referring to the case in which a MSME is wrong and a multinational one is right. In this case duress and force of the law has to be applied.

But let's assume for a moment that a MSMEs has a valid patent and that an unscrupulous large enterprise counterfeits it deliberately.

In a battle of consumption – as in a siege of the middle ages – the SMSEs is condemned to lose.

What we want to say is that there are cases in which IP institutes are used as an instrument of abuse.

"Competition by litigation", as they say in US, is a fight that MSMEs cannot win.

Copyright is a good example. Copyright – or *author's right*, as we prefer to say in Europe – is there to protect men's creativity. But the s.c. Enforcement Directive (Directive 2004/48/CE), on IP rights has been often used to assert rights against consumers and small enterprise.

e) lawsuit length

Another critical point for MSMEs is their structural and financial weakness to stand long and expensive lawsuit.

The Bank of Italy has published a study according to which a lawsuit in which an enterprise is a party (a so called *commercial controversy*) lasts 1995 days (approximately 5 ½ years).

Of course the duration of a case is a problem and dysfunction that interest the society as a whole and not only the MSMEs.

Notwithstanding this, it has to be said that if, on one hand, the large enterprise has the money, the means to bear the costs of a long-lasting expensive and unpredictable – and sometimes even ungrounded- lawsuit, the MSMEs on the other hand, don't.

f) cases and case law

We don't have statistics that measure IP cases in which MSMEs are party.

Notwithstanding this, if we read the case reports and we read the summary of the decisions we have the impression that MSMEs are always or almost always counterfeiters. I personally don't believe that this is true.

It is my impression that something doesn't work in this case statistics.

Anyway I believe that MSMEs frequently lose their cases because they are unable to defend their case with adequate resources.

3.- Suggestions, in relation to the six “critical points”

I think we have focused on some key and critical issues that are related with the MSMEs in dealing with IP.

But I would feel uncomfortable if I limit my intervention in focusing only on problems without trying to suggest any solutions.

a) Referring to the first two points – i.e. research and innovation, and applied research – I believe that the help that can be given to MSMEs is modest, not to say, null.

Theoretically, we could encourage MSMEs to create common centres of research or to create and join a consortium.

But this may be, at the moment, unrealistic.

MSMEs often compete among themselves, and are jealous of their secrets.

Is reasonable to believe that they would not appreciate to be part of a centralized system of research.

But after the innovative step, and especially when the invention has been patented, MSMEs could be encouraged to create organisms that can interact in and with the market. For economic exploitation of the invention and its marketing.

MSMEs could be encouraged to create associations, syndicate or consortium dedicated to protect the IP interests of the small and medium enterprise the are part of them.

b) Where we can intervene in order to help the development of the MSMEs is with reference to the last points that I have indicated. If litigation and lawsuit length and costs are the problem, then we have to offer alternative solution to litigation.

If we create trustable and affordable instruments for dispute settlement and enforcement of IP rights, I believe that many of the practical problem that we have previously indicated with reference to the cost and length of litigation could be solved.

Of course this is not a new idea.

But I think is the right time to re-propose it.

What MSMEs need is a prestigious institutional organ that takes the burden to offer this service.

This service should be offered by public or international bodies. It could be offered, for example, by the Chamber of Commerce, that are already beginning to be active in this field.

It could be offered by OMPI itself, that has interesting precedents. I am referring, for example, to the WIPO Arbitration and Mediation Center. Established in 1994 to offer Alternative Dispute Resolution (ADR) options, in particular arbitration and mediation, for the resolution of international commercial disputes between private parties, has helped to solve numerous problems connected with domain name controversies.

4.- Conclusion

Dispute Settlement and Enforcement of IP Rights have been the key issues of the last decade.

On IP Rights Enforcement much has been done (and may be too much ... but this is my personal impression).

Is time to deal seriously with Dispute settlement. Is this service that the MSMEs badly need nowadays.

Thank you for your attention.

Avv. Prof. Vincenzo Franceschelli
Ordinario di Diritto Privato
Università degli Studi di Milano-Bicocca
Via Festa del Perdono n. 14
20122 Milano
lexfran@tin.it
tel 02-5830.7058
fax 02 - 5830.7240