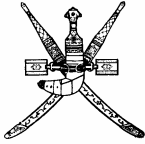


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SULTAN QABOOS UNIVERSITY



WORLD INTELLECTUAL
PROPERTY ORGANIZATION

WIPO INTRODUCTORY SEMINAR ON INTELLECTUAL PROPERTY

organized by
the World Intellectual Property Organization (WIPO)
in cooperation with
the Ministry of Commerce and Industry
and
the Sultan Qaboos University (SQU)

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INTELLECTUAL PROPERTY: A BUSINESS TOOL

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The winds of liberalisation are blowing across the globe. With the formation of the World Trade Organisation (WTO) the rules of doing business have changed. Within the WTO, nations have agreed to conduct their trade, based on the agreements signed under the Uruguay Round of discussions that concluded in the mid 90's. One of the important agreements is the Trade Related Intellectual Property Rights (TRIPS), which sets harmonized minimum standards for the grant, enforcement and administrative processes involving Intellectual Property Rights (IPR). The inclusion of IPR in the GATT discussions was based on the evolving trends that "Knowledge-Centric" activities influence trade significantly and will increasingly continue to do so in the future. Ownership of "niche-domains" of knowledge and its judicious management will play a key role in deciding winners from losers in the market. The members of WTO had to reorganise their national laws to become TRIPS compliant. The developed, developing, and the least developed world is in the process of amending the existing laws or even introducing new legislations to comply with the requirements of TRIPS.

The new landscape involving knowledge management will substantially impact business processes, R&D, education and frameworks for societal governance. Business houses irrespective of their sizes and scale of business will have to re-engineer their strategies and ways of working to survive the growing competition both in the domestic and international sectors. We will have to learn how to create, protect our intellectual property and exploit them strategically to extract the maximum value, enforce the obtained rights when required thereby ensuring maximal realization of the potential wealth from such intellectual assets. Knowlitics™ [knowledge-politics]¹ is defining the new global rules for transactions in the owned knowledge space.

Significant effort and investments is made by businesses all around the world to establish a distinctive platform to enable consumers to Identify the origin of a product / service. It is therefore imperative for organizations and individuals irrespective of the size of their operations understand the significance of the tools of intellectual property rights and take proactive steps to protect the innovative and distinctive aspects of their products and services so that unauthorised copying or free riding by imitators are discouraged and when necessary the rights are forcefully enforced to derive maximum value from the intellectual assets. In addition to the proactive actions on the part of the entrepreneurs, enterprises, and institutions, the facilitating role of industry associations, cooperatives, NGOs to help their members to protect their innovations and competitiveness is of paramount significance.

Figure 1 illustrates the diverse tools that constitute the IPR tool kit and table 1 summarises essential features of the IPT tools. It should be realised that each of these tools of IPR protect specific aspects of intellectual creations and it needs to be appreciated that except for copyright (which is governed by the Berne Convention) the rights of the other IPR tools are territorial and therefore need to be registered in the country in which one desires to have the rights. However when combined strategically they help to erect formidable protective barriers with strong enforceability.

1. KNOWLITICS™ is a trademark of P. Ganguli

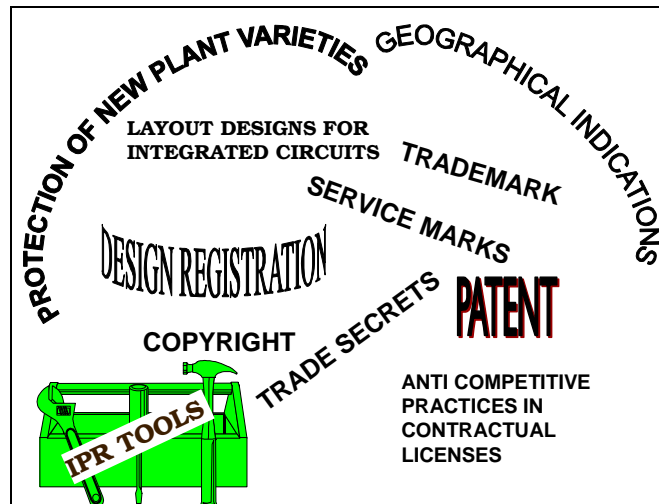
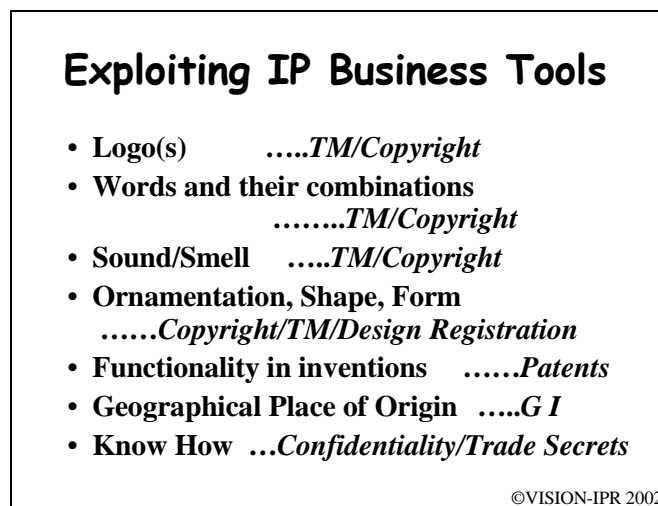


Fig. 1. IPR Tools

Ref: "Intellectual Property Rights... Unleashing the Knowledge Economy"; P. Ganguli (Tata McGraw-Hill 2001) & Gearing Up for Patents.. The Indian Scenario"; P. Ganguli (Universities Press 1998)

Fig 2. Using IP to protect Business interest.



All technical improvements and functionalities that differentiate the products and processes or services are capable of being protected by *patents* if they satisfy some benchmarks as laid down by the law.

One of the key areas of Intellectual Property Rights is confidentiality and protection of undisclosed information in the form of *Trade Secrets* involving key technologies that have not been patented, experimental data, customer lists, salaries of personnel, cost structures, etc. Institutional processes should include the intellectual asset management by establishing strong information security measures and due diligence systems in organisations. Use of modern electronic methods such as watermarks, digital envelopes, encryption, authentication and other devices have become common. These ensure the enforcement of confidentiality and controlled use of vital information within organisations through effective Non-disclosure agreements (NDAs). Due diligence processes for maintaining confidentiality, guarding trade

secrets, signing legally valid employee contracts, third party contracts, MOUs with funding agencies are imperative when it comes to leading evidence in courts on issues related to leaking of trade secrets.

Table 1. Essential Features of IPR Tools

Patents	<i>Protect inventions that are novel, non-obvious and useful. Patents have a term of 20 years from the date of filing a complete specification.</i>
Trademark and Service Mark ® ™	<i>Protect distinctive marks such as words/signs including personal names, letters, numerals, figurative elements (logos), visually perceptible 2D or 3D shapes or their combinations capable of distinguishing the goods or services in connection with which it is used in course of trade. In some countries sounds and distinctive smells can also be registered as trademarks. It can be perpetually renewed from time to time.</i>
Industrial Design Registration	<i>Protect novel non-functional features of shape, configuration, pattern, ornamentation or composition of lines or colors, applied to any article either in two or three dimensional or in both forms by any industrial process or means whether manual, mechanical or chemical, separate or combined which in the finished article appeal to and are judged solely by the eye. This registration has a specific term (initially 10 years and renewable for another term of 10 years).</i>
Copyright ©	<i>Protect creative works that are musical, literary, artistic, lectures, plays, art reproductions, models, photographs, computer software, etc. It is valid for the lifetime of the author and minimum 50 years after the death of the author.</i>
Layout Designs for Integrated Circuits	<i>Scope of protection not only includes the protected chip but also the articles incorporating it. The term of protection is 10 years.</i>
Geographical Indications (GI)	<i>Protect the distinctive names of goods that can be identified as originating or manufactured in the territory of a country, or a region or locality in that territory where a given quality, reputation or other characteristic of such goods is essentially attributable to its geographical origin. The term is initially for a period of 10 years and can be renewed perpetually</i>
Trade Secrets and Undisclosed Information	<i>Protection to persons/institutions on information lawfully under their control from being disclosed to, acquired by or used by others without their consent in a manner contrary to commercial practices so long as the information is secret and has commercial value because it is secret.</i>
Competitive Practices in Contractual Licenses	<i>Protection against incorporation of restrictive clauses in licensing deals such as exclusive grant back conditions, conditions preventing challenges to validity and coercive package licensing, etc. that may have adverse impact on trade and impede transfer of technology.</i>

All businesses invest in efforts to establish in their consumers or customers mind a product or service recall. This makes **Brand** building a major exercise to create and sustain a distinctive platform to enable consumers to identify the origin of a product / service. Those involved in business of selling products / processes /services must seek therefore create powerful **Trademarks** and or **Copyright** to protect their distinctive signs, logos, advertisements etc so that their consumers easily associate the products / processes / services with their origin. The distinctive shapes or ornamentation if any should be protected by **design registrations**.

An aspect of considerable significance in the field of trademark is “Collective Marks “ and “Certification Marks”.. **Collective marks** are those, which distinguish goods/services of members of an association of persons, which is the proprietor of the trademark from the goods or services of others. This becomes important especially for industry associations, cooperatives etc.

Certification Marks are given to those who do not themselves trade but who certify that goods or services satisfy prescribed standards concerning origin, material, mode of manufacture, quality, accuracy and other characteristics. For example in India “Agmark” is a certification mark used for food items including spices, milk products etc

Several corporate houses have invested in **creating their brand value by** positioning their corporate identity to convey an image in the mind of the consumer their brand irrespective of the products they sell For example “**LUCENT**” normally conveys a company delivering new and advanced technologies, “**IBM** conveying service and support systems in IT”, “**P&G** conveying the concept of meeting the housewife’s needs”, “**INTEL** conveying technologically advanced processors in computers”, “**AMUL** in India conveying a company based on cooperative movement quality and affordable milk products”, “**TATAs**’ conveying a socially responsible group of companies delivering quality products and services”, etc. **INFOSYS, WIPRO, SATYAM** are other well known brands in the area of IT services and products in India which have now been established on a global platform.

If the products originate from any particular geographic location that is responsible for the key characteristics of the products, then those names must be appropriately protected by **Geographical indications**. It should be appreciated that **geographical indication** (which is different from a trademark) is to be registered by any association of persons or producers or any organization or authority representing the interest of the producers of the concerned goods in the specified region. The application for GI registration is to be made to the designated national authority under the law of geographical indication of that country.

The implication of **GI as an IPR instrument** is that it gives rights to the people who produce these products in a specified region to stop others from using the geographical name in marketing the produce which does not originate from that defined area. Examples of such products are wines, champagne, cognac, port, sherry, etc. This has been effectively exploited in Europe but is yet to be put into practice in developing nations where traditional goods (agricultural and non-agricultural) have been in existence for centuries. The provisions are yet to be effectively explored by governments in most developing countries. It may also be noted that once the

geographical indication has been registered in a country one must proceed to have it internationally accepted so that it is globally recognized as a geographical indication.

A few examples of geographical indications (GI) that are protected in various countries will help appreciate the concept

[source: <http://www.wto.org/wto/new/pu101298.htm> and : “Intellectual Property Right -- Unleashing the Knowledge Economy”; P. Ganguli (Tata McGraw-Hill New Delhi 2001)]

Bulgaria	<i>192 local appellations of origin registered, e.g. Bulgarian yoghurt, Traminer from Khan Kroum (wine), Merlou from Sakar (wine)</i>
Canada	<i>Canadian Rye Whisky, Canadian Whisky, Fraser Valley, Okangan Valley, Similkameen Valley, Vancouver Island</i>
Czech Republic	<i>Beers: Pilsen, Budweis</i> <i>Others: various vines, liqueurs, Saaz hops, Auscha hops, Jablonec jewellery, Bohemia crystal, Vamberk lace</i>
European Union	<i>Wines: Champagne, Sherry, Porto, Chianti, Samos, Rheinhessen, Moselle Luxembourgeoise, Mittleburgenland</i> <i>Spirits: Cognac, Brandy de Jerez, Grappa di Barolo, Berliner Kummel, Genievre Flandres Artois, Scotch Whisky, Irish Whiskey, Tsikoudia (from Crete)</i> <i>Other products: Newcastle brown ale, Kentish ale, Kentish strong ale, Rutland bitter, Gloucestershire/Herefordshire/Worcestershire cider/perry, Scottish beef, Orkney beef, Orkney lamb, Jersey Royal potatoes, Cornish Clotted Cream, Cabrales, Roquefort, Gorgonzola, Aziete de Moura, Olive de Kalamata, Opperdoezer Ronde, Wachauer Marille, Danablu, Lubecker Marzipan, Svecia, Oueijo do Pico, Coquille Saint-Jacques des Cotes-d'Amour, Jamon de Huelva, Lammefjordsgulerod.</i>
Hungary	<i>ger (wine), Szatmar (plum)</i>
Liechtenstein	<i>Malbuner (meat products), Balzer (Hi-tech products)</i>
Slovak Republic	<i>Korytnicka mineralna voda (mineral water), Karpatska perla (wine), Modranska majolika (hand-painted pottery), Piest'anske bahno (healing mud)</i>
United States	<i>Idaho, (potatoes and onions), Real California Cheese, Napa Valley Reserve (still and sparkling wines), Pride of New York (agricultural products), Ohio River Valley (viticulture area)</i>

Making IPR happen in Business

A business perspective of IPR is essential and several factors must be taken into consideration to effectively utilise the system. This should be based on a sound and well-crafted institutional Intellectual Property Policy that supports and integrates with the business mission of the organisation. Enabling institutional support on IPR issues and individuals' awareness of the IPR essentials are imperatives for innovation management.

The various steps towards using IPR in business involve the creation of value-added innovations, their identification and timely protection using diverse tools of IPR in various countries of business interest making best use of international conventions, exploiting the IPR in the products / processes / services, enforcing them against infringements and/or by their transfer through assignments, renting the rights through licenses, selling trade secrets in the form of know how at their appropriate value or even bartering the rights through cross licenses, and in several cases acquiring IPR from others to strengthen one's IPR portfolio and ensure freedom of use, etc. The relation between strategic IPR and revenues of a business has been demonstrated especially by correlating the patenting activity and the turnover of various compaies.

Utilising information in the public domain in IPR databases

An area of significance is **effective utilization of IPR information** that is available in the public domain. Patents database is the largest single source of technical information. It is also well accepted that more than 80% of the technical information covering inventions are reported only disclosed in patents and are not reported elsewhere. It can be used as a rich source of technical information and prevent duplication of efforts if the problems have already been solved, identify emerging technologies, research areas, business opportunities. It can also be used as an enabler for possible collaborators, plan business mergers, strike strategic alliances etc.

It may be noted that under certain conditions the information in patents can be used freely by anyone without paying any royalties or compensation to the patent applicant or patent holder. It is well established that less than 10% of the granted patents are commercialized around the world. Similarly several patent applications are not taken to the granting stage after they are published in the gazettes. More than 50% of the patents granted in various patent offices around the world are not kept live till the end of their term for non-payment of the annual renewal fees. Such patents become open to the public for use without any obligation of licenses, royalty etc. R&D workers and businesses should be able to effectively exploit this rich technical information source for their product / process, business development and a strategic business planning tool. As patent rights are territorial, the businesses can find out the countries in which the patents have been granted with respect to a product or process and plan their business to avoid those countries for marketing and exploit markets where the patents on these products/processes are not granted.

Most researchers and businesses do not have the awareness or competence to use the information that is in patents for their research or business planning activities and it has been observed that businesses have unknowingly repeated work that has already been reported in patents. The situation becomes critical when patented technologies have been reinvented unknowingly and then fielded into the market only to realize (perhaps too late) that it has already infringed someone else's patent. The consequence of such an error could be disastrous.

There are several patent information databases in the Internet that can be accessed free of cost. Some of them are the USPTO (www.uspto.gov), Espacnet (www.european-patent-office.org), WIPO (www.wipo.int), etc. There are several paid databases that provide structured patent information such as the STN, DIALOG, etc.

Illustrations of use of IPR as a business tool

Example 1

An example of effective use of a combination of IPR tools by an entrepreneur Mr. Momofuku ANDO in the case of his cup noodles in Japan. This is depicted in the figure below:



Making a very modest beginning, Mr ANDO was able to create a profitable global business of his invention. It may be noted that he effectively used various tools of IPR including design registration to protect his business interest in various parts of the world in a planned manner.

Example 2

This is given here to illustrate how infringement matters related to designs are handled in courts. This is an example from a decision in the Indian High court. Reckitt & Coleman (RCI) vs. Renkit Industries (RIL)

RCI filed a case in the Kolkata High Court in India against RIL on the grounds of infringement of their design registered 'harpic' bottle. The principal basis of the allegation was the inclined nozzle besides allegation of passing off.



PLAINTIFF'S DESIGN



ACCUSED DESIGN



VARIOUS PRODUCTS IN MARKET

The defendant RIL argued that the nozzle angle is solely dictated by function and hence is not a subject matter for a design registration. Moreover other competing products in the market also have same/similar angle of the inclined nozzle.

The Court refused injunction

Example 3

[Turning an IP Dispute into a Business Opportunity as reported in the WIPO SME website]

There is a small firm of goldsmiths at Chikpet, Bangalore in the Southern Indian State of Karnataka. Over the years, the goldsmith, assisted by his son, has been creating new designs, making ornaments, and selling them directly to customers. One day, while visiting an upmarket road in downtown Bangalore, he happened to stop at a famous Jewelry retail outlet of a large Indian industrial conglomerate and was horrified to find on display items of jewelry based on some of his original designs.

The goldsmith was shell-shocked and did not know what to do. His son, however, decided not to take things lying down. He approached an intellectual property rights (IPR) Attorney at Bangalore. Although the goldsmith had not registered his novel designs under the Design law in India, he was able to produce before the Attorney the a number of paper-based sketches and drawings (protected automatically by copyright) that he had made earlier in respect of the design in question, which clearly indicated the evolution of the designs. A legal notice was sent to the large Indian industrial conglomerate. In reply the large Indian industrial conglomerate's lawyer argued that there was no malafide and, in fact, the designs had been developed independently by their employees and were co-incidentally common.

On receiving this reply, the goldsmith's son went through the records of sales. In the sale register, he was able to locate the details of sale to the large Indian industrial conglomerate who had purchased from them a few pieces of this presentation item for distribution as New Year gifts. This turned out to be clinching evidence and the large industrial conglomerate agreed to settle the matter out of court. As a part of the settlement, a lumpsum payment was made to the goldsmith. It was also agreed that the large industrial conglomerate would stop manufacturing this item and would outsource its entire requirements over the next five years from the small firm.

This case study provides a number of important insights. Firstly, it shows the importance of keeping good records of any drawings, designs and business transactions that may be used in future as evidence in case of an IP dispute. Admittedly, the case would have been simpler had the goldsmith registered his design under the design law of India in the first place. However, having preserved the drawings in a systematic manner (dated, numbered, signed and properly filed) of the gold ornaments in question and having made proper entries in the sale register showing that the large company had once purchased the items proved crucial in turning the case in the goldsmith's favor. Secondly, it illustrates the importance of relying on qualified IP advice. Thirdly, it shows how an IP dispute, may be turned into a business opportunity, as the large company has now become a key client of the small firm of goldsmiths

Example 4

How a Trademark can Unlock Value for an Entrepreneur – Jet Mosquito as reported in the WIPO SME website]

Mr. S.K. Matlani is an entrepreneur based in Indore in the State of Madhya Pradesh in India. In 1985, Mr. Matlani quit his job as a clerk in a bank and started a small business of manufacturing plastic buttons and pipes. In 1986, he started manufacturing mosquito repellent mats after a visit to Malaysia where he saw the project and the technology involved. He fabricated a small machine in-house and his company began selling mosquito repellent mats based on his indigenous chemical formulation under the trademark JET. The total investment in the project was around Rs. 2.5 to Rs. 3 million (some USD 65,000).

JET proved to be successful in the market and was soon competing neck-to-neck with its main competitor. In 1995, one of India's large industrial groups, M/s Godrej Sarah Lee Limited was looking at options for entering the mosquito repellent market. Godrej Sarah Lee, entered into negotiations with both Jet and its main competitor for buying their respective trademarks. That same year, Godrej struck a deal with Jet Home Care Products Ltd for buying the JET trademark for Rs. 300 million (some USD 6,500,000). The factories set up by Mr. Matlani as well as the other tangible assets of the company remained with Mr. Matlani and have since been abandoned. The acquisition by Godrej involved exclusively the trademark, which had acquired a good reputation in the Indian market. Thus, against an original investment of Rs. 3 million, this SME earned windfall profits through the sale of its trademark. With his cash bounty and high spirits, Mr. Matlani has since started a new business – of soyabean products and non-GMO products.

The moral of the story is that a sound IPR strategy and intelligent management of an IPR portfolio holds the potential to deliver a far greater value than all the traditional tangible assets a business may have. A trademark symbolizes the investments made by a company in delivering and marketing a quality product. In order to enter a new market such as the market for mosquito repellent mats, all that Godrej Sarah Lee required was a reputable trademark that met with the satisfaction of consumers. For an SME like Jet Home Care Products Ltd., its trademark proved to be its most valuable asset and selling it seemed an interesting option as the entrepreneur considered that the company was reaching the limits of its growth potential.

Example 5

Litigation as a business strategy

Litigations in the IPR vary from challenging the validity of any IPR such as a registered trademark, design, patent copyright etc that potentially could interfere with an organizations innovation process or business interest to enforcement of the rights in case of infringement. In such cases an important issues is a process of due diligence, record keeping etc so that appropriate evidence can be led in the course of the proceedings. Valuation of the IPR is equally important to arrive at a fair and acceptable value for the damages or loss to business injury caused to the organization due to the proceedings.

A few examples will illustrate the power of IPR in realizing the created wealth in organizations.

Case Studies	Case Study
<ul style="list-style-type: none"> • Honeywell in 1993 won \$ 96 million from Minolta for infringement of Honeywell's auto-focus technology for cameras. Then got licensing deals worth \$ 400 million from other manufacturers. • Historic judgement of 1990 . Polaroid awarded \$ 900 million from Kodak. Of this \$455 was as lost interest on the damage of \$ 454. 	<ul style="list-style-type: none"> • Fonar vs. General Electric (small v big) Fonar filed several patents on Magnetic Resonance Imaging Techniques in 1970s. Subsequently GE and Hitachi entered the market Fonar filed infringement suits. Hitachi reached out of court settlements. GE in 1995 was ordered to pay \$ 128.7 million. Interestingly Fonar's annual revenue was only \$17 million.

These examples demonstrate how corporate houses and entrepreneurs have utilized the IPR system with enforcement of their rights to create and retain their competitiveness in the market place.

Concluding remarks

New opportunities are opening up for venture capitalists to target their investments in knowledge-based industries. Quantitative valuation of Intellectual assets is a developing field in its very early stages that will influence future trading systems for Intellectual Property.

Businesses in the years to come will have to develop expertise to manage intellectual property in terms of maintaining a targeted and strategic IPR portfolio, enforcing ones' rights when necessary, transferring intellectual property rights appropriately and at the optimum value, striking collaborative linkages, in tandem with the institutional business and research strategies.

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