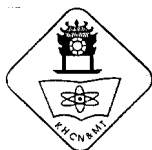


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DEPARTMENT OF SCIENCE,
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NATIONAL OFFICE OF INDUSTRIAL
PROPERTY OF VIET NAM



WORLD INTELLECTUAL
PROPERTY ORGANIZATION



UNITED NATIONS
DEVELOPMENT PROGRAMME

WIPO NATIONAL SEMINAR FOR SMALL AND MEDIUM ENTERPRISES ON INTELLECTUAL PROPERTY AND THE TRIPS AGREEMENT

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**THEME III: STRENGTHENING THE PROTECTION OF INTELLECTUAL PROPERTY
RIGHTS (IPR) IN SMALL AND MEDIUM ENTERPRISES**

**TOPIC 7: FORMULATING AN INTELLECTUAL PROPERTY DEVELOPMENT
STRATEGY FOR ENTERPRISES**

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FORMULATING AN INTELLECTUAL PROPERTY DEVELOPMENT STRATEGY FOR ENTERPRISES

INTRODUCTION

Previous papers in this seminar discussed the modernization of IP laws in Viet Nam and the administration, protection and enforcement of IPRs in such context. This paper sets out some observations and recommendations regarding the formulation of an intellectual property (IP) development strategy for enterprises.

NATURE AND BUSINESS OBJECTIVES OF THE ENTERPRISE

As indicated earlier in this seminar, intellectual property rights play an important role in the business activities of a broad range of enterprises. These enterprises range in type from research organizations (both commercial and not-for-profit) to privately owned and state-controlled industrial operations, cooperatives, public utilities and commercial establishments. They also range in size from the very small, including one-person operations, to the huge multinationals with tens and hundreds of thousands of employees. The latter generally have entire departments responsible for developing and implementing corporate intellectual property strategies. These departments may include staff with all the skills needed to allow the corporation to carry out its mission effectively. These may include lawyers, engineers, scientists, economists, marketing specialists, etc. My comments will be aimed instead at enterprises at the other end of the spectrum: the small and medium commercial enterprises and also those enterprises which have not traditionally been considered to be primarily commercial in nature. These would include governmental research organizations, public utilities and academic institutions.

INVENTIONS AND INNOVATIONS

Some enterprises are in business to invent and to innovate. Governmental research organizations, universities and public utilities often tend to fall into this category. They may or may not have a policy with respect to any intellectual property which may result from their work. In this category (of existing to invent) one may also find the large research facilities of huge multinational corporations. These often have considerable autonomy, within the corporate framework, to carry out both goal-oriented and basic research. These enterprises generally have very clear, sophisticated and effectively administered intellectual property policies and strategies. Others enterprises may be in business to manufacture goods, or to provide services and may view invention as something which “happens” from time to time and innovation as a means of continuing to improve the marketability of their products or services rather than as an end in itself. These kinds of enterprises generally tend to have a much less well-developed IP strategy. They tend rely more on the experiences and intuition of senior management to determine strategies for developing the inventions and innovations which arise as a “by-product” of their core business.

It is growing recognition that in this era of rapid globalization any enterprise which does not have in place a well thought out strategy for dealing with intellectual property is running a needless risk. Such strategy need not take a great deal of time or cost to develop. It should, however, flow from a systematic process of examining the mission or objectives and business targets of an enterprise and carefully reviewing the ways in which the intellectual property system impacts those objectives. This should in turn lead to the articulation of a policy regarding intellectual property within the enterprise. That policy would then be translated into specific procedures and guidelines to be followed routinely by the enterprise and all of its employees. There are potentially as many IP strategies possible as there are different enterprises in existence, but certain common features and issues are generally consistent. As such, the following points may be worth taking into consideration as an enterprise embarks on the development of its own IP strategy.

A SPECTRUM OF IP DEVELOPMENT STRATEGIES

Depending on the nature of the enterprise, and its business objectives, an IP strategy may range on a spectrum from one of aggressive IP development and exploitation to one which is consciously defensive in nature. I would submit that somewhere between the ends of this spectrum is where most enterprise IP strategies fall.

Let us consider, as an example, a small firm which manufactures and sells costume jewelry. Let us say that this firm started out as a small handicraft operation and has now grown to focus on jewelry that it is selling with increasing success in Viet Nam, particularly in the larger cities. The jewelry sells well because it is attractive, reasonably priced and its high quality is associated with the registered trademark of its manufacturer. Sales are so good, in fact, that to meet demand, the manufacturer is considering the use of machines for some production steps that have traditionally been carried out by hand. At the same time, he is giving thought to exporting this line of jewelry into the external ASEAN market and, perhaps at some future point, to the rest of the world. What might be this enterprise's approach to an IP development strategy?

I submit that one option which is not open to this enterprise, or will not remain open long, is to ignore the system of intellectual property. Success breeds imitation and while imitation may well be flattering, in this case it would also be bad for business. How long will it be before competitors begin to copy the products of our successful entrepreneur? Will some competitor imitate or copy the successful trademark of our manufacturer, if not in Viet Nam then in some other country which may represent a good market?

Under these circumstances, the best course of action for our jewelry manufacturer would certainly be to acquaint himself with the system of intellectual property and to use the system to his advantage. With a registered trademark he will be in a position to enforce his exclusive use of that mark. If he shifts into using industrial processes (rather than handicraft) to produce his distinct lines of jewelry, he may be able to obtain industrial design protection, which he could then enforce. Should he develop some novel machine or process in connection with making his products, he may find himself in a position to obtain patent or utility model

protection for this. Under international conventions and the TRIPS Agreement, our manufacturer could also seek protection for his IPRs and have available necessary enforcement means in other countries in which he hopes to find markets for his products. It is understood, of course, that the IP development strategy that our manufacturer might adopt needs to be pragmatic and businesslike: it needs to take into careful account the balance between costs and benefits as he sees them.

A similar scenario could be developed in connection with other kinds of enterprises. In every case, the enterprise should give careful thought as to why, and how, the intellectual property, in a broad sense, fits into the enterprise's mission and business strategy. After that, it becomes easier to formulate a specific IP strategy.

IDENTIFYING VIABLE INVENTIONS AND INNOVATIONS

Commercial enterprises, both small and large, and research and development enterprises, whether public or private, would naturally want to protect technology resulting from their efforts. Such an enterprise may already have identified inventions which it intends to commercialize. Thus, it might file patent applications to protect the technology it has developed and the investments it intends to make to commercialize it. Or, it may file patent applications to protect its future by ensuring that its fields of research and development are not closed off as a result of applications filed by competitors. In either case, the filing of patent applications for an invention likely means the development of a cluster or portfolio of patents. That is, applications may be filed for various patentable embodiments of an inventive concept and, as the development of the invention continues, applications may be filed for patentable improvements to the original concept.

In any event, the first thing which an enterprise of the above type should do is to identify its inventions and innovations. If the enterprise is primarily in the business of developing new or improved technology, it should, if it has not already done so, implement a procedure to be followed in identifying innovations at the earliest possible moment. The corporate responsibility for managing an IP strategy and procedures in this kind of enterprise is generally assigned to a senior manager. As was mentioned in the earlier paper on administering IP, in such an enterprise the procedure should be based on a policy of training research and development staff on intellectual property matters to a sufficient degree that they can themselves alert enterprise management to potential innovations. Standard practice in such an enterprise would also call, for example, for the maintenance of records and notes which would be witnessed and notarized routinely so as to serve as evidence of dates of conception and reduction to practice of new inventions. These would serve as a means for enterprise management to assess the rate of progress of the development of new inventions and their potential viability.

Enterprises which are not significantly involved in development work but do generate innovations from time to time, should also adopt an IP strategy. In this case the strategy may be one which assigns total responsibility for all IP matters in one senior manager of the enterprise. It would then be the responsibility of that manager to become and remain knowledgeable about the IP system and also to monitor enterprise activities for possible

IP implications. In such cases, it is very common for the enterprise to also rely on the services of external patent and trademark agents to ensure that the proper professional advice and support on IP matters is available at all times, particularly with regard to identification of possible viable innovations. In this regard, competent counsel can help the enterprise assess the market value of any intellectual property by assisting it to evaluate the potential scope of protection against the likely costs of such protection and its enforcement.

SECURING PROTECTION AND ENFORCING RIGHTS

Once an enterprise has established a policy and implemented procedures to identify innovations, it needs to set up a policy on what to do about securing IP protection.

There are several routes for obtaining IP protection. Once again, the decisions about what protection, if any, where, and how, should be taken in a business context. Is IP protection viable? That is, once obtained, does the enterprise have the financial and other resources necessary to protect its IP rights and effectively enforce them? Or, is the objective a defensive one? In such case, the purpose of obtaining a patent, for example, might be to ensure public disclosure of an invention and thereby prevent anyone else from obtaining exclusive rights to that invention.

If the decision is taken to obtain IP protection, then the next step would be to determine where such protection should be sought. This will in turn lead to the need to decide how such protection should be sought. In this regard there are the international conventions mentioned in my earlier paper on modernization of IP legislation which will facilitate the securing of IPRs in Member states. I will use patents as my example in this case.

Generally, most enterprises file patent applications first in their own national IP office. This will generally establish the date of invention and, under the Paris Convention, establish a priority date for subsequent filing of applications in other Member countries. Note that membership in the World Trade Organization, which incorporates by reference other key conventions, is discussed in my paper on modernization of the IP framework in Viet Nam. Such “convention priority” allows an enterprise one year to decide if, and where, it wishes to file patent applications for the same invention.

If a decision is taken to file applications internationally, then other options need to be considered and decisions taken. There is always the possibility to file directly in every country in which rights are being sought. There is also the possibility to file in a regional office such as, for example, the European Patent Office (EPA), and to designate member countries of the European Patent Convention. Alternatively, if a country is a member of the Patent Cooperation Treaty (PCT), it becomes possible for a resident to file a single application and to designate any or all members (including the EPO) of the PCT for patenting purposes. Depending on the needs of the enterprise, there are significant procedural and financial advantages which flow from selecting the right filing strategy from the beginning. For small and medium enterprises in particular, and also larger enterprises which do not have IP experts on staff, the advice of a competent patent agents is indispensable in this regard.

In terms of enforcing IPRs, be they patents, trademarks, copyrights, industrial designs, etc., it is again worth noting that these are private rights. As such, it is up to the owner to enforce his rights. The TRIPS agreement ensures that Members provide in their national legislation effective and accessible means for enforcing those rights. As mentioned earlier, TRIPS calls for special measures at borders in cases of actual or potential importation of counterfeit trademark or pirated copyright goods. It further provides for criminal procedures and penalties to be applied at least in the case of “wilful trademark counterfeiting or copyright piracy on a commercial scale”.

In the context of formulating an IP development strategy, an enterprise should become as familiar as possible with the methods and mechanisms which can be used by it, or against it, to enforce IPRs. Once again, given the complexity and constant evolution of laws and treaties, the small and medium enterprise would be well advised to retain external professional counsel in this regard.

In terms of protecting IPRs, one of the difficult challenges is to detect infringement of one's rights in the first instance. Another is to take effective action to stop such infringement and to prevent future infringement. In the first instance, an enterprise may adopt a strategy of using its own marketing and sales resources to monitor the activity of competitors in the marketplace. It may also use external resources, including IP attorneys. Using IP attorneys and agents to maintain a constant watch on the official gazettes and journals of national IP offices which publish information about IPRs that are about to be granted to others is a very effective technique. In this way, the owner of an IPR may be able to take action to stop the granting of what might otherwise become a conflicting right in the marketplace. Attorneys generally maintain such a standing watch of foreign gazettes and journals of interest through associates in those countries. Similarly, IP attorneys can facilitate the effective operation of border measures to prevent the importation of infringing goods, if necessary.

In the area of copyright, there exist societies of authors and composers and performing rights societies, which operate very effectively in the interest of rights holders who are members. In such instances, for example, a collective will monitor the performance of members' music and will collect and distribute royalties from around the world on behalf of such members.

An all too common situation around the world is that innovators and creators are intimidated by the cost and complexity of legal systems. It is not at all uncommon that a small enterprise may receive a letter from the lawyer of a legally more sophisticated competitor, accusing it of infringing that competitor's IPRs. The accusation may be true or without basis. In too many instances the mere thought of becoming involved with lawyers and courts, and the potential costs is enough to discourage the enterprise from defending itself against its competitor's allegations and it capitulates. A better general understanding of the country's legal system, and IP in particular, might result in a more effective and just outcome in such instances. This would, in the broadest sense, lead to a better way of doing business and enhance the efficiency of economic activity in the country.

PATENT INFORMATION

Finally, I would like to deal with an issue that is sometimes overlooked in the formulation of an IP strategy for enterprises: the exploitation of IP information as technical and commercial intelligence.

Published patent documents form the single largest database of scientific and technical information in the world. Patents are granted for discrete technical advances in virtually every field of technical and industrial endeavor. Patents are also granted for improvements to existing inventions and therefore reflect the state of evolution as well as future trends of technology. They are classified by subject matter and are increasingly computerized and searchable by full text or through key words. A number of countries and commercial publishing companies are publishing patent documents on CD-ROMs, on line and also on the Internet. It is estimated that there are about 40 million patents published in the world and that this number is increasing by over a million documents each year. Since patents are often granted for the same invention in several countries, they are published and available in many languages.

Experience has shown that the information disclosed in patent documents is extremely useful. It can be used to find solutions to technological problems, to avoid the wasteful duplication of research and to provide information on the state-of-the-art in specific fields of research and development. It can also be used to monitor the activities of competitors and even the direction of work of individual researchers and inventors all over the world.

In the same way, trademark information is available from many countries and commercial publishing companies on CD-ROMs, on line and on the Internet. Trademark information can be used to monitor not only the direction of evolution of the marks themselves, but also the business directions and activities of competitors, through the changing lists of wares and services with which the marks are associated.

Through automation, it is now possible in many countries to relate trademark ownership with patent ownership. It therefore becomes possible to link the technological trends of companies with their marketing trends. Conversely, it is also becoming easier to use trademark information to identify the technology and to determine the ownership status of the technology of goods and products in the marketplace.

CONCLUSION

The formulation of an IP development strategy for an enterprise should be determined by the nature and mission or business objectives of that enterprise. The existence of an effective and well thought out IP strategy can mean the difference between success and failure of the enterprise. The process of formulating such a strategy is not necessarily complex or difficult. It does, however, call for a structured approach and clear commitment to its implementation on the part senior management. Finally, it is often productive for an enterprise which is embarking on the first-time formulation of an IP development strategy to use the resources of skilled and experienced outside counsel to assist in this undertaking.

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