CHAPTER 3: BUSINESS FORMATION

3.1 INTRODUCTION

A business formation deals with the formalization and actual implementation of business ideas in

to practice. In today's economic development/transformation, small businesses are creating new

jobs even as large businesses continue eliminating jobs and they are more flexible than large

ones in the products and services they offer.

3.2 The Concept of Small Business Development

Specifying size and standard to define small business is necessarily arbitrary, because people

adopt different standards for different purposes. Based on socio- economic conditions, countries

define small business differently. But all may use size and economic criteria as a base to define
small business. Size criteria include number of employees and the startup capital.

Micro and small enterprises (MSEs) cover a wider spectrum of industries and play an important

role in both developed and developing economies.

3.3 Forms of Business (A Short Explanation)

There are three basic legal forms of business formation with some variations available depending

on the entrepreneurs' needs.

The three basic legal forms are:-

1) Proprietorship,

2) Partnership, and

3) Corporation, with variations particularly in partnerships and corporations.

Legal Forms of Business	Description
1) Proprietorship	Form of business with single owner who has unlimited liability, controls all decisions, and receives all profits.
2) Partnership	Two or more individuals having unlimited liability who have pooled resources to own a business
3) Corporation	Separate legal entity that is run by stockholders having limited liability

These three basic legal forms are compared with regard to ***ownership, liability, start-up costs, continuity, transferability of interest, capital requirements, management control, distribution of profits, and attractiveness for raising capital.***

Table 3.1 Factors in Three Forms of Business Formation

Factors	Basic Forms of Business Formation		
	Proprietorship	Partnership	Corporation
Ownership	• Individual	• No limitation on number of partners.	• No limitation on number of stockholders.
Liability of Owners	• Individual liable for business liabilities.	• In general partnership, all individuals liable for business liabilities. • Limited partners are liable for amount of capital contribution. • In limited liability partnership (LLP), there is no liability except when negligence exists.	• Amount of capital contribution is limit of shareholder liability.
Costs of Starting Business	• None, other than filing fees for trade name.	• Partnership agreement, legal costs, and minor filing fees for trade name.	• Created only by statute. • Articles of incorporation, filing fees, taxes, and fees for states in which corporation registers to do business.
Continuity of Business	• Death dissolves the business.	• Death or withdrawal of one partner terminates partnership unless partnership agreement stipulates otherwise. • Death or withdrawal of one of limited partners has no effect on continuity.	• Greatest form of continuity. • Death or withdrawal of owner(s) will not affect legal existence of business.
Transferability of Interest	• Complete freedom to sell or transfer any part of business.	• General partner can transfer his/her interest only with consent of all other general partners. • Limited partner can sell interest without consent of general partners. No transfer of interest in an LLP.	• Most flexible. Stockholders can sell or buy stock at will. Some stock transfers may be restricted by agreement.
Capital Requirements	• Capital rose only by loan or increased contribution by proprietor.	• Loans or new contributions by partners require a change in partnership agreement. • In LLP partnership, entity raises money.	• New capital raised by sale of stock or bonds or by borrowing (debt) in name of corporation.

Management Control	• Proprietor makes all decisions and can act immediately.	• All general partners have equal control, and majority rules. • Limited partners have limited control. • Can vary in an LLP.	• Majority stockholder(s) have most control from legal point of view. • Day-to-day control in hands of management, who may or may not be major stockholders.
Distribution of Profits and Losses	• Proprietor responsible and receives all profits and losses.	• Depends on partnership agreement and investment by partners.	• Shareholders can share in profits by receipt of dividends.
Attractiveness for Raising Capital	• Depends on capability of proprietor and success of business.	• Depends on capability of partners and success of business.	• With limited liability for owners, more attractive as an investment opportunity.

LLP- Limited Liability Partnership

3.4 Definition and Role/Importance of MSEs in Developing Countries

3.4.1 Definition of MSEs

Small businesses are playing an important role in the industrial economy of the world. These are

particularly important in the developing economies. Small business is predominant even in

developed countries such as USA, Japan etc.

They are: Size Criteria, and Economic/control criteria.

1. **Size Criteria**

. For instance, some of the criteria used to measure size are:

number of employees; volume,

value of sales turnover, asset size, and

volume of deposits, total capital investment,

volume/value of production, and a combination of the stated factors.

. The number of employees in the business is usually fewer than 100.

2. **Economic/Control Criteria.**

Size does not always reflect the true nature of an enterprise. In addition, qualitative

characteristics may be used to differentiate small business from

other business. The

economic/control definition covers:

Market Share, Independence, and

Personalized Management. Geographical Area of Operation.
All four of these characteristics must be satisfied if the business is to rank as a small business.

I) *Market Share*: - The characteristic of a small firm's share of the market is that it is not large enough to enable it to influence the prices of national quantities of goods sold to any significant extent.

II) *Independence*: - Independence means that the owner has control of the business himself/herself.

III) *Personalized Management: -* It is the most characteristics factor of all. It implies that the owner actively participates in all aspects of the management of the business, and in all major decision-making process. There is little delegation of authority and one person is involved when anything material is involved.

IV) *Technology*: - Small business is generally labor intensive and only few are technology intensive.

V) *Geographical Area of Operation*: - The area of operation of a small firm is often local.

3.4.2 Role/Importance of MSEs in Developing Countries

Micro and Small Enterprises (MSEs) cover a wider spectrum of industries and play an important role in both developed and developing economies.

1) Large Employment Opportunities: MSEs are generally labor-intensive.

2) Economical Use of Capital: MSEs need relatively small amount of capital. Hence it is suitable to a country like Ethiopia where capital is deficient.

3) Balanced Regional Development/ Removing Regional Imbalance/: Generally small enterprises are located in village and small towns.

4) Equitable Distribution of Wealth and Decentralization of Economic Power: It removes the drawbacks of capitalism, abnormal profiteering, concentration of wealth and economic power in the hands of few etc.

5) Dispersal over Wide Areas- MSEs has a tendency to disperse over wider areas and they play a key role in the industrialization of a developing country.

6) Higher Standard of Living: MSEs bring higher national income, higher purchasing power of people in rural and semi-urban areas.

7) Mobilization of Locals Resources/Symbols of National Identity: The spreading of industries even in small towns and villages would encourage the habit of thrift and investment among the people of rural areas.

8) Innovative and Productive /Simple Technology: New but simple techniques of production can be adopted more easily by MSEs without much investment.

9) Less Dependence on Foreign Capital/ Export Promotion: MSEs use relatively low proportion of imported equipment and materials.

10) Promotion of Self Employment: MSEs foster individual skill and initiative and promote self-employment particularly among the educated and professional class.

11) Protection of Environment: MSEs help to protect the environment by reducing the problem of pollution.

12) Shorter Gestation Period: In these enterprises the time-lag between the execution of the investment project and the start of flow of consumable goods is relatively short.

13) Facilitate Development of Large Scale Enterprises: MSEs support the development of large enterprises by meeting their requirements of inputs of raw materials, intermediate goods, spare parts etc. and by utilizing their output for further production.

14) Individual Tastes, Fashions, and Personalized Services: Small businesses have the flexibility to adapt quickly to changes in the business or technological environment.

15) More Employment Creation Capacity*:* Economic planners have realized the necessity of encouraging micro and small enterprises because they require less capital but generate more employment.

3.5 Classification of Micro and Small Enterprises

More clearly, the improved definition of MSE is presented in the table below.

Table 3.2 Improved Definitions of MSEs

Level of the Enterprise	Sector	Human Power	Total Asset
Micro Enterprise	Industry	≤5	≤100000($6000 or E4500)
	Service	≤5	≤50,000($3000 or E2200)
Small Enterprise	Industry	6-30	≤birr 1.5 million ($9000 or E70000)
	Service	6-30	≤birr 500,000 ($30000 or E 23000)

Priority Sectors and Sub-Sectors for MSEs Engagement In Ethiopia
1. ***Manufacturing*** **Sector-** 2. **Construction Sectors-** 3. **Trade Sectors-**

4. **Service Sectors-** 5. **Agriculture Sector (Urban Agriculture**)

Levels of MSEs in Ethiopia

Start-up:- It is a level where an enterprise begins production and service under legal framework or legal entity.

Growth Level: -At this level, the enterprise man power and total asset is larger than at startup level; and use book keeping system.

Maturity Level: - Maturity level means when an enterprise able to be profitable and invest

further by fulfilling the definition given to the sector and using the support provided.

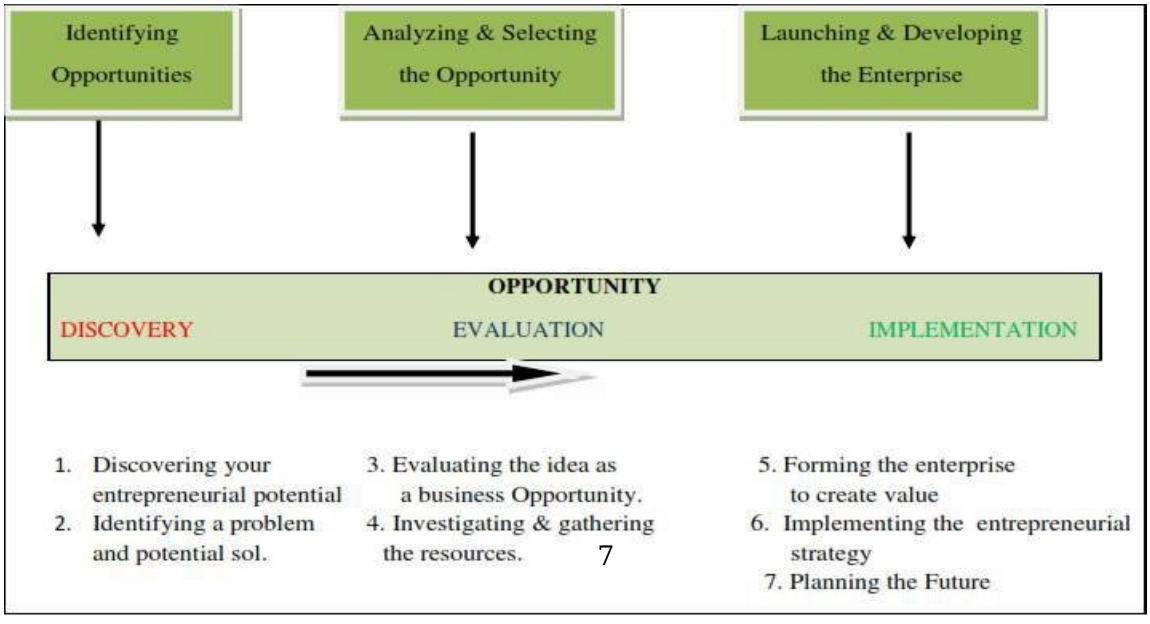
Growth- Medium Level:- An enterprise is said to be transformed from small to medium level of growth.

3.6 Setting up Small Scale Business

Steps for Setting up the Entrepreneurial Venture
The entrepreneurial process of launching a new venture can be divided into three key stages of:

Discovery; Evaluation; and Implementation. These can be further sub-divided into seven steps as

shown below:



3.7 Small Business Failure and Success Factors
3.7.1 Small Business Failure Factors

What Is Business Failure?

Even though business owners launch their ventures with the best of intentions and work long, hard hours, some businesses inevitably fail. Dun & Bradstreet, a financial research firm, defines a business failure as a business that closes as a result of either (1) actions such as bankruptcy, foreclosure, or voluntary withdrawal from the business with a financial loss to a creditor; or (2) a court action such as receivership (taken over involuntarily) or reorganization (receiving protection from creditors).

Causes of Business Failure

The rates of business failure vary greatly by industry and are affected by factors such as type of ownership, size of the business, and expertise of the owner. The causes of business failure are many and complex; however, the most common causes are inadequate management and financing.

Although financial problems are listed as the most common cause of business failure, consider management's role in controlling them.

Inadequate Management: - *Business* management is the efficient and effective use of resources. For small business owners, management skills are especially desirable—and often especially difficult to obtain. Lack of experience is one of their most pressing problems.

Inadequate Financing: - Business failure due to inadequate financing can be caused by

improper managerial control as well as shortage of capital.

Other common causes of business failure include *Neglect, Fraud, and Disaster*. ·***Neglec****t* occurs whenever an owner does not pay a due attention to the enterprise**. .*****Fraud*** involves intentional misrepresentation or deception. If one of the people responsible for keeping the business's books begins purchasing materials or goods for himself or herself using the business's money, the business might find itself bankrupt before too long.

. *Disaster* refers to some unforeseen happening. If a hurricane hits the area and destroys the property in the company's yard, the loss may require the firm to declare bankruptcy.

The same is true for fires, burglaries, robberies, or extended strikes.

Business Termination versus Failure

There is a difference between a business termination and a business failure. A termination occurs when a business no longer exists for any reason. A failure occurs when a business closes with a financial loss to a creditor.

Reasons for a termination abound. The owner may have an opportunity to sell her business to someone else for a healthy profit, or be ready to move on to a new business or to retire, or s/he may have simply lost interest in the business. The market for the business's product may have changed or become saturated. Perhaps the owner has decided it would be more appealing to work for someone else. In other cases, businesses may change form. A partnership may be restructured as a corporation, or a business may move to a new location. Businesses that undergo such changes are considered terminated even though they continue in another form.

Mistakes Leading to Business Failure

No one likes to think about failing, yet many small business owners invite failure by ignoring basic rules for success. One of the most common mistakes is to neglect to plan for the future because planning seems too hard or time-consuming. Planning what you want to do with your business, where you want it to go, and how you're going to get there are prerequisites for a sound business. Of course, that doesn't mean you can't change your plans as circumstances dictate.

Your plan should provide a road map for your business, showing you both the expressways and the scenic routes and the detours.

3.7.2 Small Business Success Factors

You will improve your chances of achieving success in running a small business if you identify your competitive advantage, remain flexible and innovative, cultivate a close relationship with your customers, and strive for quality.

These success factors are categorized as:-

1. Conducive Environment;
2. Adequate Credit Assistance;
3. Markets and Marketing Support.

1. **Conducive Environment**

Successful small enterprises do not emerge, and thereafter survive and grow unless the environment is conductive. *Political*, *economic*, *technological and socio-cultural factors* in the environment impinge upon the life of the small enterprises and generate much of the needs required for their existence.

Political Climate: - The overall political climate in a country is important for the small scale entrepreneur to consider.

The Economic Environment: - An analysis of the economic environment is

particularly helpful in investment decision, market measurement and in forecasting.

Technology: - Technological advances in the environment create new needs for the small entrepreneur as far as adaptation and adjustment is concerned.

Socio-Cultural Environment: - Finally, the socio-cultural environment also creates a very important climate for the survival of the enterprises.

2. **Adequate Credit Assistance**

Small enterprise development cannot be ensured without arrangement for financing. Adequate and timely supply of credit is critical for new entrepreneurs to emerge especially from a wide base.

3. **Markets and Marketing Support**

Market for a small enterprise in a developing country can be quite a problem. The small business entrepreneur will be in competition not only with locally mass-produced goods but even imports.

CHAPTER 4: PRODUCT/SERVICE DEVELOPMENT

4.1 INTRODUCTION

In Entrepreneur’s business, product/service development is the term used to describe the

complete process of bringing a new product or service in the market and it's an ongoing practice

in which the entire business is looking for opportunities as new products provide growth promise

to businesses that allow them to strengthen their market position. The new product development

process involves the idea generation, product design, and detail engineering; and also involves

market research and marketing analysis.

4.2 The Concept of Product/Service

Organization's success is dependent on customer satisfaction and delight. Customer satisfaction

is achieved through the development of product and service, which have all attributes required

by the customer. A success product or services do not only have an attractive package design but

should be also able to provide robust performance. Thus, product design must be practical

enough for production and powerful enough to provide a competitive advantage.

The essence of product design is to satisfy customer and maximizes the value for the customer at

minimum cost. The merchandise or service should also be able to meet primary needs and desire

of the customer. This may not require development of new merchandise, but an enhancement to

existing merchandise or service.

Most companies apparently are introducing a wide variety of smaller, more efficient, and more

intelligent products, coupled with a leaner, more efficient approach to operation. The goal is to

create products and services by identifying an emerging trend and to match that trend with the

right technology and understanding of the purchasing dynamics.

A successful startup depends on its distinctive and compelling proposition. This is how

merchandise or services stand out from the competition and are compelling to the young

company‘s customers.

The merchandise or service will succeed most if it either eliminates an existing pain or adds

significant tangible benefits. It is easier to sell/deliver a new merchandise/service that eliminates

a well-known existing pain, as opposed to sell an item or service that doesn’t clearly solve a

potential client’s pain.

4.3 Product/Service Development Process

Once the opportunity is selected, and a business model has been designed, the next step is to

develop a commercial version of the opportunity which in most cases is either a product or a

service. One of the essential characteristics of a successful business is exemplified by its ability
to continuously and rapidly develop new or improved versions of existing products that deliver

values more than customers expect (*Palgrave, 2019.)*

Product development is the process through which companies react to market signals, respond to

changes in customer demand, adopt new technologies, foray into new areas, and ensure

continuous growth. It is a core process in achieving strategic objectives, renewal of the company

business model and deterring competition from displacing the company from its market position.

Product/service development process is part of the overall new-venture creation process. Even

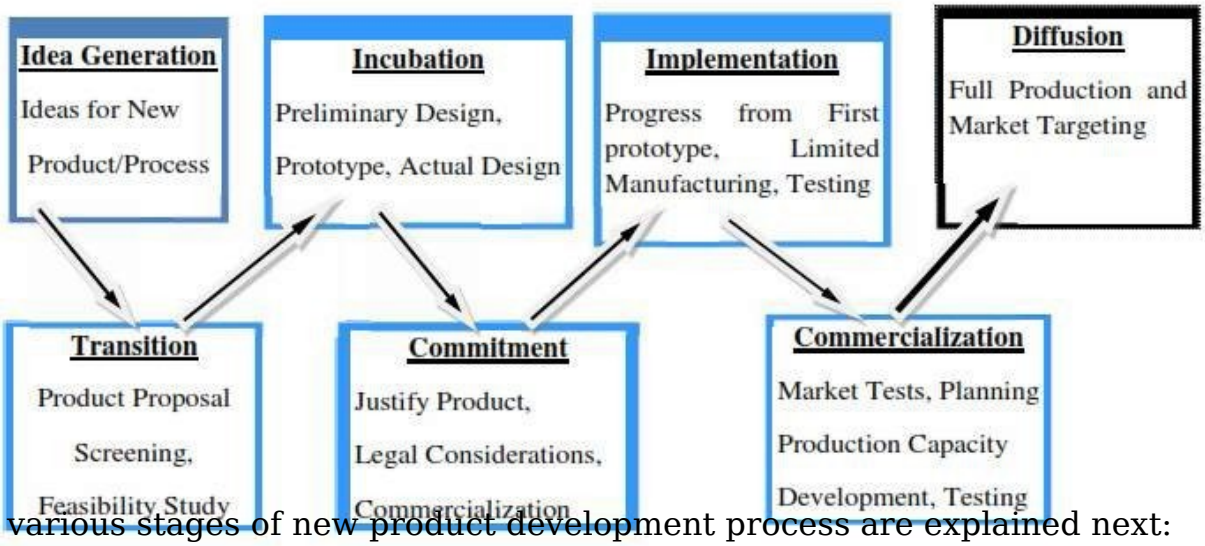
though there are many models that advocate what the product/service generation process should

look like, for this purpose we shall adopt four distinct stages.

These stages can be referred to as:

1. Idea Generation 2. Incubation

3. Implementation 4. Diffusion



The various stages of new product development process are explained next:

1. **New Idea Generation**

The new product development process starts with search for ideas. Companies have to encourage

any new idea coming. The key to successful domestic and international entrepreneurship is to

develop an idea that has a market for the new product/service idea conceived.

Some of the more fruitful sources of ideas for entrepreneurs include consumers, existing products and services, distribution channels, the federal government, and research and

development.

2. **Idea Screening**

In the 2nd stage, the purpose is to lessen the number of ideas to few vital/valuable ideas. The

ideas should be written down and reviewed each week by an idea committee who should sort the

ideas into three groups- ***Promising Ideas, Marginal Ideas, and Rejects***: Each promising idea

should be researched by committee member.

3. **Concept Development and Testing**

Attractive ideas must be refined into fast able product concepts since people do not purchase

ideas but they buy concepts. Any product idea can be turned into several product concepts. The

questions asked probably include:-

- Who will use the product?
- What benefits should the product provide?
- When will people consume the produced?

Concept Testing: - calls for testing product concepts with an appropriate group of target

consumers/customers, and then getting the consumers' reactions. At this stage, the concepts can

be in words or picture description.

4. **Marketing Strategy Development**

After testing the new product the concerned body must develop a preliminary marketing strategy

plan for introducing the new product into the market. The marketing strategy will undergo

further refinement in subsequent stages.

The marketing strategy plan consists of three parts: (1) Market size, structure, behavior ;(2)

Planned price, distribution strategy, and marketing budget of the 1st year; and (3) Long run sales

and profit goals, marketing mix strategy.

5. **Business Analysis**

After management develops product concept and marketing strategy, it can evaluate the

proposals' business attractiveness. Management needs to prepare sales, cost and profit

projections to determine whether they satisfy the company's objective or not.

Estimated Total Sales*:* - Management needs to estimate whether sales will be high enough to

yield satisfactory profit.

Estimating Cost and Profits: - After sales forecast the management should estimate the expected
cost and profit at various levels of sales volume.

The company can use other financial measure to evaluate the merit of a new product proposal.

The simplest is ***breakeven analysis***.

Activity

- *You are required to read on Breakeven Analysis and familiar with how it will be applied for*

the intended purpose.

6. **Product Development**

If product concept passes the business test, it moves to R&D or engineering to be developed to

one or more physical version of the product concept. Its goal is to find a proto type that the

consumers/customers see as embodying the key attribute described in the product concept

statement,

Scientists must not only design the products' required functional characteristics but also know

how to communicate its psychological aspects through physical cues and how will the

consumer/customer react to different colors, sizes, weight & other physical cues.

When the prototypes are ready, they must be put through regroups functions and

consumer/customer tests. Functional tests are conducted under laboratory & field conditions to

make sure that the product performs safely and effectively (Durability, Speed, Cost, etc)

Consumer testing can take variety of forms, from bringing consumers/customers into laboratory

to giving them samples to use in their homes.

7. **Market Testing**

After management is satisfied with the products' functional and psychological performance, the

product is ready to be dressed up with the brand name.

The goals are to test the new product is more authentic consumer/customer settings and to learn

how large the market is and how consumers/customers and dealers react to handling, using and

repurchasing the actual product.

Most companies know that market testing can yield valuable information about buyers, dealers,

marketing program effectiveness, market potential & other matters.

Test Marketing yields several benefits include more reliable forecast of future sale, and

pretesting of alternative of future sale.

8. **Commercialization**

When (Timing):- In commercializing, market entry timing is critical. If the company hears about

a competitor nearing the end of its development work, it will face three choices. The 1st choice is

First Entry. Under this category, the firm usually enjoys the "first mover advantage" of locking

up key distributors & gaining reputation. The 2nd choice goes with ***Late Entry Strategy***- which

has three advantages include:-

- The competition will have borne the cost of educating the market;
- The competing product may reveal fault that the late entrant can avoid; and
- The company can learn the size of the market.

The 3rd strategy- ***Parallel Entry-*** can be also chosen by the company to get in the market. The

strategy to work, a prospective businessman can take the advantage of opting for the latest

technology and production process and operate at higher volume of operation. This leads to

reduced production cost and production of quality goods and services. A new businessman can

thus provide improved quality goods and services at lower cost and further tap the market with

an innovative marketing approach.

Where (Geographical Strategy):- The company must decide whether to launch the new product

in a single locality, a region/several regions, in the national/international market.

To Whom (Target-Market-Prospect):- Within the rollout markets, the company must target its

distribution and promotion to the best prospect group. Prime prospects for a new

consumer/customer's product would ideally have the following characteristics:

- They would be early adapters;
- They would be heavy users;
- They would be Opinion leaders; and
- Could be reached at low cost.

*How (Introductory Markets Strategy)**:-*** To sequence and coordinate many actives involved in

launching a new product may/can use network-planning techniques such as ***Critical Path***

Scheduling (CPS).

***Activity**:*

- *Please read on Critical Path Scheduling technique and try to relate it with the how strategy.*

4.4 Legal and Regulatory Frameworks for Entrepreneurs

Since there are many options that an entrepreneur can choose in setting up an organization, it

will be necessary to understand all the advantages and disadvantages of each regarding such

issues as liability, taxes, continuity, transferability of interest, costs of setting up, and

attractiveness for raising capital. Legal advice for these agreements is necessary to ensure that

the most appropriate decisions have been made.

One of the challenges the novice entrepreneur will face as she goes into business understands the

regulatory environment which is made up of numerous laws and regulations. To operate as a

legal businessperson and protect the business from unnecessary suits and liabilities, the

entrepreneur needs to understand the various laws that govern his/her business. Following are the

key legal issues for the entrepreneur.

4.5 Intellectual Property Protection/Product/Service Protection

4.5.1 What is Intellectual Property?

Intellectual Property which includes patents, trademarks, copyrights, and trade secrets represents

important assets to the entrepreneur and should be understood even before engaging the services

of an attorney. Too often entrepreneurs, because of their lack of understanding of intellectual

property, ignore important steps that they should have taken to protect these assets.

Intellectual property is a legal definition of ideas, inventions, artistic works and other

commercially viable products created out of one's own mental processes. In the same sense that

real estate titles establish ownership of tangible items, intellectual property is protected by such

legal means as patents, copyrights, and trademark registrations. In order to enjoy the benefits

arising from the exclusive ownership of these properties, the entrepreneur needs to protect these

assets by the relevant law. This is the reason why' experts strongly recommend that those in

creative fields seek protection through official registration of their intellectual properties.

4.5.2 Patents

An entrepreneur who invents a new thing or improves an existing invention needs to get legal

protection for her invention through a patent right. A patent is a contract between an inventor and

the government in which the government, in exchange for disclosure of the

invention, grants the

inventor the exclusive right to enjoy the benefits resulting' from the possession of the patent.

Utility Patent: A utility patent protects any new invention or functional improvements on

existing inventions.

Design Patent: This patent protects the appearance of an object and covers new, original,

ornamental, and unobvious designs for articles of manufacture. Like utility patents,

design patents provide the inventor with-exclusive right to make, use and/or sell an item

having the ornamental appearance protected by the patent. This patent is appropriate

when the basic product already exists in the marketplace and is not being improved in

function but only in style. These patents are particularly important to companies such as

shoe producers and product package design firms that need to protect their ornamental

designs.

A patent provides the owner with exclusive rights to hold, transfer, and license the production

and sale of a product/process. It is an intellectual property right and It is issued by government to

the inventor. This exclusive property right can be granted for a number of years depending on the

countries laws and type of property. Patents are property rights that can be sold and transferred,

willed as well as licensed and at times used as collateral.

What Can Be Patented Then?

· *Processes*: Methods of production, research, testing, analysis, technologies with new

applications.

· *Machines*: Products, instruments, physical objects.

· *Manufactures*: Combinations of physical matter not naturally found.

· *Composition of matter*: Chemical compounds, medicines, etc.

4.5.3 Trademarks

A trademark may be a word, symbol, design, or some combination of such, or it could be a

slogan or even a particular sound that identifies the source or sponsorship of certain goods or

services.

These are distinctive names, marks, symbols or motto identified with a company's product or

service and registered by government offices. Unlike the patent, a trademark can last indefinitely,

as long as the mark continues to perform its indicated function. Trademarks unlike patents are

periodically renewed unless invalidated by cancellations, abandonment, or other technical

registration/renewal issues.

Benefits of a Registered Trademark

· It provides notice to everyone that you have exclusive rights to the use of the mark

throughout the territorial limits of the country.

· It entitles you to sue in federal court for trademark infringement, which can result in recovery

of profits, damages, and costs.

· It establishes incontestable rights regarding the commercial use of the mark.

· It establishes the right to deposit registration with customs to prevent importation of goods

with a similar mark.

· It entitles you to use the notice of registration (®).

· It provides a basis for filing trademark application in foreign countries.

4.5.4 Copyrights

Copyright is a right given to prevent others from printing, copying, or publishing any original

works of authorship.

Copyrights provide exclusive rights to creative individuals for the

protection of literary or artistic

productions. It protects original works of authorship including literary, dramatic, musical, and

artistic works, such as poetry, novels, movies, songs, computer software, and architecture. They

pertain to intellectual property. Usually copyrights are valid for the life of the inventor plus a few

decades.

4.6 The Intellectual Property System in Ethiopia

Ethiopia became a party to the convention establishing the world Intellectual Property

Organization (WIPO) in February 1998 right after some time the Country had joined the Nairobi

Treaty on the Protection of the Olympic Symbol in 1981. It is a member of the Treaty

establishing the Common Market for Eastern and Southern Africa (COMESA) which was

formed in 1994, the Partnership Agreement between members of the African, Caribbean and

Pacific (ACP) Group of States and the European Union (EU).

The Ethiopian Government established the Ethiopian Intellectual Property Office in the year

2003 containing the understated Objectives:-

· To facilitate the provision of adequate legal protection for and exploitation of

intellectual property in the country;

· To collect, organize and disseminate technological information contained in patent documents and encourage its utilization;

· To study, analyze and recommend policies and legislation on intellectual property to the

government; and

· To promote knowledge and understanding of intellectual property among the general

public;

The existing laws and directives in Ethiopia in the field of

Intellectual Property (IP) are the

Patent Proclamation and the Implementing Regulation, the Copyright and Related Rights

Proclamation and The Trademark Registration Directive.

According to the proclamation in order to be granted a patent, an invention must fulfill three

conditions- (1) it must be new- It should never have been published or publicly used before; (2)

It should be capable of industrial application- It must be something which can be industrially

manufactured or used; and (3) It must be "non-obvious”- It should not be an invention which

would have occurred to any specialist working in the relevant field.

.**Trademark Directive** is issued in the country in 1986 with the following objectives in that it

helps:-

· To centrally deposit trademarks which are used by local and foreign enterprises to

distinguish their goods or services;

· To distinguish the products or services of one enterprise from those of other enterprises

and prevent consumers from being victims of unfair trade practices;

· To provide information on trademark ownership and right of use when disputes arise

between parties;

· To provide required information on trademarks to government and individuals; and

· Protection is granted after publication of cautionary notice;

Copyright is protected on the basis of the copyright and related rights proclamation issued in

2004. The proclamation gives protection to literary, artistic and scientific works which include

books, pamphlets, articles, computer programs and other writings; speeches, lectures, addresses,

sermons, and other oral works; dramatic, dramatic-musical

works, pantomimes, choreographic

works, and other works created for stage production; musical works, with or without

accompanying words; audiovisual works and sound recordings works of architecture; works of

drawing, painting, sculpture, engraving, lithography, tapestry, and other works of fine arts;

photographic and cinematographic works; illustrations, maps, plans, sketches, and three

dimensional works related to geography, topography, architecture or science; derivative works;

and collection of works, collection of mere data (databases) whether readable by machine or

other form.

The Proclamation gives protection to:

· Works of authors who are nationals of or have their habitual residence in Ethiopia;

· Works first published in Ethiopia; or works first published in another country and

published within thirty days in Ethiopia;

· Audio-visual works whose producer has his headquarter or habitual residence in
Ethiopia; and

· Works of architecture erected in Ethiopia and other artistic works incorporated in a

building or other structure located in Ethiopia.

The author of a work shall be entitled to protection, for his work upon creation where it is an

original work; and written down, recorded, fixed or otherwise reduced to any material form.

Quality of the work and the purpose for which the work may have been created is not taken in to

consideration.

The rights of performers, producers of phonograms and broadcasting organizations are also

protected by law. Copyright is protected for the life of the author

plus fifty years. Fifty years for

the rights of performers and producers of sound Recordings and 20 years for the rights of

broadcasting organizations.