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THE CONTRIBUTION OF, AND COSTS TO, RIGHT HOLDERS IN ENFORCEMENT,
TAKING INTO ACCOUNT RECOMMENDATION 45
OF THE WIPO DEVELOPMENT AGENDA

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* The views expressed in the document are those of the author and not necessarily those of the Secretariat or of the Member States of WIPO.

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SUMMARY

1. This Study is aimed at examining the implications of Recommendations 45 of the WIPO Development Agenda for intellectual property (IP) rights enforcement and the World Intellectual Property Organization's (WIPO) work in this field. It is intended to provide a basis for, and to stimulate, discussions in WIPO's Advisory Committee on Enforcement (ACE) as opposed to being an attempt to provide definitive answers or opinions on the issues that arise. With a general focus on the contribution of, and costs to, right holders, the Study addresses three main sub-topics, namely: balancing interests - IP enforcement in the context of Article 7 of the TRIPS; giving meaning to Recommendation 45 of the WIPO Development Agenda by way of illustrative case studies; and the role of, and implications for, right holders in the implementation of Recommendation 45 of the WIPO Development Agenda.

2. The explosion in the creation, application for, and grant of various categories of IP rights has obviously generated a corresponding increase in demand on the IP enforcement systems across the world. As a result, IP rights enforcement is a subject that is receiving unprecedented global attention. The debates and discussions on the issue reflect a range of concerns by different stakeholders; from IP rights holders to governments, consumers, researchers and academics through to the general public in the face of increased demand for, and use of IP in the market place.

3. Recommendation 45 of the WIPO Development Agenda should therefore be seen as part of the efforts to respond to a new era for IP enforcement. Looking at the antecedents to the Recommendation, it is fair to conclude that the underlying issue behind it is a concern with:

- Balance, especially with respect to the emphasis given to the concerns of right holders *vis-à-vis* their obligations or the concerns of other stakeholders;
- Fairness and equity in implementing IP enforcement procedures;
- Preventing the abuse of IP enforcement procedures;
- Flexibility in implementing IP enforcement measures; and
- The availability of data and evidence to enable better policy-making.

4. Article 7 of the World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), which is the central plank of the Recommendation, foresees multiple objectives implying a multiplicity of interests and the stakeholders that are implicated. The challenge of implementing Recommendation 45 therefore lies in ensuring that the application of IP enforcement procedures produces better outcomes for innovation generally, for IP right holders and consumers and contributes to the overall social and economic welfare of society. Meeting this challenge is by no means an easy task.

5. In concrete terms, considering that Article 7 of the TRIPS Agreement is an interpretative clause, Recommendation 45 can only be given meaning by using it as a framework to interrogate specific cases where finding the right balance between different interests and concerns is complex. In this Study, four illustrative cases are discussed in order to demonstrate some of the areas where an approach based on Recommendation 45 might provide a basis for constructive dialogue and consensus building. The four cases relate to the application of border measures to goods in transit, provisional measures, the use of criminal sanctions and abusive enforcement practices.

6. IP rights are only valuable to their owners or holders if they are effectively enforced. Recommendation 45 of the WIPO Development Agenda therefore has a special meaning for right holders and, as with all other stakeholders in WIPO, right holders have an important role to play in its implementation. Considering the concerns underlying the Recommendation the roles that right holders can play could include: making efforts at constructive advocacy, including engaging more proactively with consumer groups; demonstrably paying greater attention to the issue of safeguards and abuse of enforcement procedures in their education, training and capacity building activities, including with respect to guidelines developed by representative groups, such as the International Chamber of Commerce (ICC); supporting efforts, especially by public institutions, to improve the veracity and credibility of data related to counterfeiting, piracy and other IP infringements.

1. INTRODUCTION

1. The number of intellectual property (IP) titles that are being created, applied for and granted stand at record levels. According to the 2009 World Intellectual Property Organization's (WIPO) World Intellectual Property Indicators, notwithstanding the slowdown attributed to the global economic slowdown, we are seeing staggering numbers.¹ The report indicates that in 2007:

- Approximately 1.85 million patents applications were filed across the world. In the same year, 764,700 patent grants were issued.
- Approximately 3.3 million trademark applications were filed across the world. In terms of registrations the figure stood at 2.2 million bringing the overall trademarks in force to 16.4 million.
- Application for industrial designs stood at 621,000.

Although the WIPO World Intellectual Property Indicators does not cover copyrights, since in general no registration is required, the number of copyrights created across the world in 2007, or any other year, would probably be in the billions.

2. The explosion in the creation, application for, and grant of various categories of IP rights has obviously generated a corresponding increase in demand on the IP enforcement systems across the world. As a result, IP rights enforcement is a subject that is receiving unprecedented global attention.² This increased attention reflects a range of concerns by different stakeholders; from IP rights holders to governments, consumers, researchers and academics through to the general public. In general, there are two levels of concern. First,

¹ See WIPO, *World Intellectual Property Indicators*, WIPO, Geneva, 2009.

² In addition to hundreds, if not thousands, of national initiatives there are now many international initiatives and processes that seek to address IP enforcement. For a description and discussion of some of these international initiatives and issues see e.g., WIPO Secretariat's report on "Recent Activities of WIPO in the Field of Intellectual Property Enforcement and Future Work of the ACE", WIPO document WIPO/ACE/3/2 available at http://www.wipo.int/edocs/mdocs/enforcement/en/wipo_ace_3/wipo_ace_3_2.pdf; The Dubai Declaration adopted at the end of the Fourth Global Congress on Combating Counterfeiting and Piracy available at <http://www.ccapcongress.net/archives/Dubai/Files/Final%20Dubai%20Outcomes%20Declaration.pdf> and the activities described under the International Chamber of Commerce's (ICC) Business Action to Stop Counterfeiting and Piracy (BASCAP) programme at <http://www.iccwbo.org/bascap/id1127/index.html>; The OECD Report on "The Economic Impact of Counterfeiting and Piracy" available at <http://www.oecd.org/dataoecd/11/38/38704571.pdf>; The Report of the G8 Intellectual Property Experts Group (IPEG) to the 2009 G8 Summit available at http://www.g8italia2009.it/static/G8_Allegato/ITALY%20G8%20IPEG%20Final%20Report.0.pdf; Sell, Susan, "Global IP Upward Ratchet, Anticounterfeiting and Piracy Enforcement Efforts: The State of Play", *IQsensato Occasional Paper 1*, IQsensato, Geneva, June 2008 available at http://www.iqsensato.org/wp-content/uploads/Sell_IP_Enforcement_State_of_Play-OPs_1_June_2008.pdf; Fink, Carsten and Carlos Correa in "The Global Debate on the Enforcement of Intellectual Property Rights and Developing Countries", *Issue Paper 22*, ICTSD, Geneva, 2008 available at http://www.iprsonline.org/New%202009/fink-correa_feb2009.pdf; and Biadgleng, Ermias and Viviana Munoz "The Changing Structure and Governance of Intellectual Property Enforcement", *Research Papers 15*, South Centre, Geneva, 2008 available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1210622.

there are concerns with the record levels of counterfeiting and copyright piracy and other IP infringements. Then, there are concerns regarding the potential for abuse of IP rights enforcement procedures.

3. The political, diplomatic and substantive discussions on IP enforcement therefore evidence differences of opinions on a range of issues including the scale of the problem of counterfeiting, copyright piracy and other IP infringements and methodologies used to quantify losses suffered by right holders, the trade and economic impact of trademark counterfeiting and copyright piracy, and the social implications of various IP enforcement initiatives. In some cases there are fundamental questions being raised about the ability of the system to cope.³

4. While IP enforcement has always been part of the evolving international IP system, it is fair to say that the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), which was adopted as part of the Agreement Establishing the World Trade Organization (WTO), marked the beginning of a new era for IP enforcement.⁴ The TRIPS Agreement is significant because it provided, for the first time, a clear contextual frame⁵, interpretative guidance⁶ and detailed rules and disciplines on IP protection and enforcement⁷.

³ An example is the ability of the copyright system, as currently conceptualised, to cope with the challenges of enforcement in the digital age. In his Report to the WIPO General Assemblies of 2009, the WIPO Director General, Dr. Francis Gurry, for example, suggests that the current means of enabling creators to lead a dignified economic existence while, at the same time, ensuring the widest possible availability of affordable creative content, that is, the copyright institution, is suffering severe stress requiring a fundamental rethinking of how we are trying to develop solutions. The Report is available on the WIPO website at http://www.wipo.int/meetings/en/2009/a_47/a47_dg_speech.html.

⁴ The text of the TRIPS Agreement can be found in WTO, *The Legal Texts - The Results of the Uruguay Round of Multilateral Trade Negotiations*, Cambridge University Press, Cambridge, 1999, pp.321-353.

The contextual framework is provided in the preamble to the Agreement. In particular, the TRIPS Agreement recognises the:

- Desire by WTO members to “reduce distortions and impediments to international trade... and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade.”
- Need for new rules and disciplines for “the provision of effective and appropriate means for the enforcement of trade-related intellectual property rights, taking into account differences in national legal systems.”

The preamble of TRIPS is taken as agreed context on the basis of Article 31 of the Vienna Convention on the Law of Treaties, which recognises a preamble to a treaty as context for purposes of interpretation. See United Nations, *Treaty Series*, Vol. 1155. Available electronically at http://untreaty.un.org/ilc/texts/instruments/english/conventions/1_1_1969.pdf.

According to Gervais the first recital, in particular, means that WTO Members recognise that insufficient protection and enforcement of IP rights will lead to distortion of international trade and misuse of IP rights will lead to similar effect. See, Gervais, Daniel *The TRIPS Agreement Drafting History and Analysis*, Third Edition, Sweet & Maxwell, London, 2008.

⁶ The interpretive guidance comes in the form of the objectives of the Agreement which are contained in Article 7.

⁷ The specific rules and disciplines on IP enforcement are contained in Part III of the TRIPS Agreement. The rules and disciplines include: general obligations; civil and administrative procedures and remedies; provisional measures; special rules on border measures; and criminal procedures.

To a large extent, the globalising influence of the TRIPS Agreement explains the record numbers we are seeing in terms of IP rights applications and grants.

5. In its Preamble, the TRIPS Agreement makes clear that part of its justification was the feeling that the system that existed until then was unable to deal with the challenges of trade in counterfeit goods and IP infringement generally. During the negotiations of the TRIPS Agreement the problems with the prevailing enforcement framework at the time were set out, for example, by the United States representative as being the:

- Inability of the system to provide right holders with a way of enforcing their rights in different countries around the world.
- Inability of the system to ensure effective collection of evidence.
- Delays in proceedings.
- Inability of the system to provide effective provisional measures.
- Inadequacy of the damages and criminal sanctions.
- Lack of border measures.⁸

Consequently, as the solution devised to address IP enforcement and trade in counterfeit goods, the TRIPS Agreement has become the benchmark for global discussions and efforts on IP enforcement, including for the work of the ACE.⁹

6. Recommendation 45 of the WIPO Development Agenda¹⁰ should therefore be seen as part of the efforts to respond to a new era for IP enforcement. Though in providing that IP enforcement should be approached in the context of broader societal interests, especially development concerns, with a view to fulfilling the intentions of Article 7 of the TRIPS Agreement, Recommendation 45 essentially codifies a position that enjoys broad acceptance. The situation with which the world of IP is confronted today is vastly different from the situation that prevailed when the TRIPS Agreement was adopted in 1994. There are many more players and interests ranging from the number of countries involved to the number and diversity of right holders through to a more diverse consumer base. The practical implications of this Recommendation are therefore far from obvious.

⁸ Based on Watal, Jayashree *Intellectual Property Rights in the WTO and Developing Countries*, Kluwer Law International, The Hague, 2001, p. 335.

⁹ The ACE was established by the WIPO General Assembly in 2002 with a mandate for technical assistance and coordination on global IP enforcement. Its main objectives are: coordinating with certain organisation and the private sector to combat counterfeiting and piracy; public education; assistance; coordination to undertake national and regional training programmes for all relevant stakeholders; and exchange of information through an electronic forum. For the complete terms of the mandate see para 14 of WIPO document WO/GA/28/7, which is available on the WIPO website at

http://www.wipo.int/edocs/mdocs/govbody/en/wo_ga_28/wo_ga_28_7.pdf. Information about the work of the ACE can be found at http://www.wipo.int/meetings/en/topic.jsp?group_id=142.

¹⁰ The WIPO Development Agenda is a set of 45 recommendations adopted by the 2007 WIPO General Assembly to mainstream development into all WIPO programmes and activities. The Agenda (available at <http://www.wipo.int/ip-development/en/agenda/recommendations.html>) addresses a range of issues including matters related to: technical assistance and capacity building; norm-setting; technology transfer and information and communications technology (ICTs) as well as access to knowledge; assessment, evaluation and impact studies; institutional matters including mandate and governance; and other issues particularly IP enforcement.

7. This study aims to examine the implications of Recommendations 45 of the WIPO Development Agenda for IP rights enforcement and WIPO's work in this field. With a general focus on the contribution of, and costs to, right holders, the Study addresses three main sub-topics, namely: balancing interests - IP enforcement in the context of Article 7 of the TRIPS; giving meaning to Recommendation 45 of the WIPO Development Agenda by way of illustrative case studies; and the role of, and implications for, right holders in the implementation of Recommendation 45 of the WIPO Development Agenda. In terms of approach, the Study has been drafted to provide basis for, and to stimulate discussions in the ACE as opposed to an attempt to provide definitive answers or opinions on the issues that arise.

8. Considering that the implementation of Recommendation 45 of the Development Agenda is yet to be discussed in detail by WIPO Member States, it is also important to note at the outset that the Study, by this fact, can only be seen as tentative. It should therefore be taken as one of the many contributions that will be required to fully come to grips with the practical meaning and implementation requirements for the Recommendation.

2. BALANCING INTERESTS: IP ENFORCEMENT IN THE CONTEXT OF ARTICLE 7 OF THE TRIPS AGREEMENT

9. Recommendation 45 of the WIPO Development Agenda provides that IP enforcement should be approached:

“[I]n the context of broader societal interests and especially development-oriented concerns, with a view that “the protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations”, in accordance with Article 7 of the TRIPS Agreement.”¹¹

The antecedents of this Recommendation can be found in two of the 14 proposals submitted by WIPO Member States during the process of negotiating the establishment of the WIPO Development Agenda.¹²

10. The main language of the proposal is essentially derived from the Proposal for the establishment of a WIPO development agenda submitted by the Group of Friend of Development to the WIPO General Assembly in 2004.¹³ In that document, these countries argued that “Intellectual property enforcement should also be approached in the context of broader societal interests and development-related concerns, in accordance with Article 7 of TRIPS.” The final formulation, as contained in Recommendation 45, changes the earlier language by inserting, verbatim, the wording of Article 7 of the TRIPS Agreement.

¹¹ See Cluster F of the WIPO Development Agenda, *Id.*

¹² The complete list and texts of the proposals submitted by Member States is available on the WIPO website at http://www.wipo.int/ip-development/en/agenda/proposal_papers.html.

¹³ See WIPO document WO/GA/31/11, section VI at page 4. The document is available on the WIPO website at http://www.wipo.int/meetings/en/doc_details.jsp?doc_id=31737.

11. The Group of Friends of Development expressed a number of concerns that are relevant to understanding the language and apparent aim of Recommendation 45 of the Development Agenda. Focusing on the Work of the ACE, the Group argued, among other things, that:

“In undertaking any future work under its mandate, the ACE should be guided by a balanced approach to intellectual property enforcement. The ACE cannot approach the issue of enforcement exclusively from the perspective of right holders, nor have its discussions focus narrowly on curbing the infringement of IP rights. Such discussions are important, but the ACE must also give consideration to how best to ensure the enforcement of all TRIPS-related provisions, including those that would impute obligations to right holders as well.

Particular attention should be paid to the need to ensure that enforcement procedures are fair and equitable and do not lend themselves to abusive practices by right holders that may unduly restrain legitimate competition.”¹⁴

12. The other proposal that focused substantively on the relationship between IP enforcement and development is the proposal of the African Group.¹⁵ Here, the African Group argued that:

“[T]he existing international IP architecture should be made more democratic and responsive to the needs and aspirations of developing and least developed countries, especially in matters that are vital to the needs and welfare of their citizenry. IPRs and their enforcement should also be compatible with international human rights norms and standards, especially in matters relating to the livelihood and future prospects of people of developing countries. Their right to qualitative life, access to vital requirements such as medicines, food, knowledge and prospects for their intellectual and cultural development, should neither be unduly compromised nor hampered by rigid and indiscriminate enforcement of IPRs.

Societies develop at different rates depending upon their objective historical conditions. All human progress is based upon the foundation of knowledge, ideas, practices, innovations, creativity and industry that have been bequeathed to succeeding generations by previous ones. Therefore, knowledge has no bounds or confines, and has never had one single source. It is important in this context, to draw an acceptable balance between the legitimate and inalienable rights of nations to develop, and the need for enforcement of IPRs.”¹⁶

13. Outside the WIPO Development Agenda negotiations, the issue of balance, especially in light of the requirements of the TRIPS Agreement, had already gained some prominence in international IP discussions and research by 2004 when the proposal for establishing a development agenda for WIPO was first introduced. For example, in its 2002 Report, the UK Commission on Intellectual Property Rights addressed the question of balance in enforcement in quite similar wording as the Group of Friend of Development and the African Group. In the Chapter on Institutional capacity the Commission had the following to say:

¹⁴ See section VI of document WO/GA/31/11, *Id.*

¹⁵ See WIPO document IIM/3/2 available at http://www.wipo.int/meetings/en/doc_details.jsp?doc_id=47470.

¹⁶ See paras 8 and 9 of document IIM/3/2, *id.* Paragraph numbering omitted in quote.

“We agree that enforcement systems in developing countries need to address serious IPR infringements more effectively. This is important to protect the incentives that the system offers to IP rights holders. But it is also important that developing countries develop institutions capable of doing this in a balanced, pro-competitive way. More specifically, enforcement institutions in developing countries need to be robust enough to decide if IP rights are valid or invalid and to resist their potential abuse by restrictive business practices such as “strategic litigation.” For example, as developing countries come under pressure to provide systems whereby injunctions can be more readily and easily obtained, there is a risk that these could be abused by IP rights holders and so inhibit legitimate competition. As IP enforcement systems in developing countries are strengthened in line with TRIPS, it is essential that proper emphasis be placed on the need to protect the public interest and develop fair proceedings for both parties in disputes.”¹⁷

A few years earlier, the World Bank had talked about balancing “the private incentive for creation of knowledge against the social benefits of dissemination.”¹⁸ The preparatory work for the WTO Doha Declaration on the TRIPS Agreement and Public Health also gives insights into the international discussion on balance.

14. While accepting the idea of balance as expressed above, there have also, in this discussions, been calls for doing more to generate data and evidence to increase the understanding of the nature and scale of the problem of IP infringement as part of ensuring the proper functioning, and hence balance, of the IP system. During the negotiations on the WIPO Development Agenda, the delegation of the United States, for example, made the following observation and proposal with regard to the work of the ACE:

“Although the costs of counterfeiting and intellectual property piracy (and the benefits of reducing counterfeiting and piracy) are beginning to come into sharper focus, more work remains to be done. To help fill some of these knowledge gaps, the WIPO Advisory Committee on Enforcement should discuss and analyze the relationship between the rates of counterfeiting and piracy of intellectual property and technology transfer, foreign direct investment and economic growth. The WIPO Secretariat could assist in the collection of data on piracy rates.”¹⁹

15. Overall, from the language of the proposals of the Group of Friends of Development and the African Group, read together with studies and reports, such as that of the Commission on Intellectual Property Rights, and the proposal of the United States, it is fair to conclude that the underlying issue behind Recommendation 45 is a concern with:

- Balance, especially with respect to the emphasis given to the concerns of right holders *vis-a-vis* their obligations or the concerns of other stakeholders;
- Fairness and equity in implementing IP enforcement procedures;
- Preventing the abuse of IP enforcement procedures;

¹⁷ Commission on Intellectual Property Rights, *Integrating Intellectual Property Rights and Development Policy*, Commission on Intellectual Property Rights, London, 2002, p. 164.

¹⁸ See World Bank, “Knowledge for Development”, *World Development Report 1998/1999*, World Bank, Washington D.C., 1999, p. 146.

¹⁹ See WIPO document PCDA/1/4 available on the WIPO website at http://www.wipo.ch/edocs/mdocs/mdocs/en/pcda_1/pcda_1_4.pdf.

- Flexibility in implementing IP enforcement measures; and
- The available data and evidence to enable better policy-making and focus on key problem areas.

16. Article 7 of the TRIPS Agreement, as already noted, is an interpretive clause. It contains the objectives of the Agreement and therefore provides guidance on how to interpret and implement its substantive provisions, including the provisions on enforcement.²⁰ In specific terms, Article 7 of the TRIPS Agreement can be seen as basis for:

On the one hand, invoking the specific obligations to protect and enforce IP rights; and On the other, invoking the power to limit the obligations to protect or enforce specific IP rights.

Therefore, what Recommendation 45 of the WIPO Development Agenda calls for is the application and interpretation of the enforcement provisions of the TRIPS Agreement and in national laws in a manner that acknowledges both the obligation and the need to effectively enforce IP rights and that there limits to how far enforcement should or can go.

17. Article 7 makes clear that the rules and disciplines established under the Agreement have multiple objectives. These include the objective of:

- Promoting technological innovation;
- Promoting the transfer and dissemination of technological innovation;
- Ensuring that both producers and users of technological innovation benefit from the protection and enforcement of IP;
- Ensuring that the protection and enforcement of IP is done in a manner that is conducive to social and economic welfare; and
- Balancing the rights and obligations of different stakeholders in the IP system.

18. The multiple objectives imply a multiplicity of interests at play and the stakeholders that are implicated. The challenge of implementing Recommendation 45 therefore lies in ensuring that the application of the civil and administrative procedures and remedies; provisional measures; border measures; and criminal procedures produces better outcomes for innovation generally, for IP right holders and consumers, and contributes to the overall social and economic welfare of society.

19. Meeting this challenge is by no means an easy task. While broad international consensus may be possible in many of these areas, the extent to which the objectives envisaged in Article 7 are met and the optimum balance of the multiplicity of interests and concerns of different stakeholders will work out differently in different countries. This is particularly the case because the term balance is mainly used in reference to balancing the

²⁰ It is important in this context also to remember that the text of Article 7 of TRIPS is based on a proposal in 1990 by a group of developing countries including some in the Group of Friends of Development. For a discussion on this point see Gervais, *supra* note 5 and UNCTAD and ICTSD, *Resource Book on TRIPS and Development*, UNCTAD, ICTSD & Cambridge University Press, New York, 2005.

interests of one group versus another (right holders versus consumers; right holders versus society at large etc.) as opposed to balancing a range of interests at once.²¹

20. There is also the additional complexity related to the fact that many of the provisions on enforcement in the TRIPS Agreement are generally considered to have checks and balances as an integral part to them.²² The role of Article 7 of the TRIPS Agreement in such cases may therefore be diminished or questioned. This is by no means a speculative argument.

In *Canada – Patent Protection of Pharmaceutical Products* case the European Communities (EC) argued that the provisions of Articles 7 and 8 of the TRIPS Agreement “are statements that describe the balancing of goals that had already taken place in negotiating the final texts of the TRIPS Agreement.”²³ In other words, the specific provisions of the TRIPS Agreement, such as those on enforcement, are in themselves an expression of the balance foreseen under Article 7.

21. Consequently, the task of giving practical meaning to Recommendation 45 of the WIPO Development Agenda in the context of the work of the ACE, and more generally, should be approached with a certain degree of circumspection.

3. GIVING MEANING TO RECOMMENDATION 45 OF THE WIPO DEVELOPMENT AGENDA: ILLUSTRATIVE CASE STUDIES

22. Recommendation 45 of the WIPO Development Agenda can only be given practical meaning by using it as a framework to interrogate specific enforcement scenarios where finding the right balance between different interests and concerns is complex. This is because, as already mentioned, the question of balance will play out differently in different cases and scenarios and because of the in-built balance within many of the provisions of the TRIPS Agreement on enforcement. This inherent balance in the specific provisions should usually be used as a basis to resolve clear cases.²⁴

23. In this Study, four illustrative cases have been chosen to illuminate some of the areas where Recommendation 45 of the WIPO Development Agenda may offer a framework for deeper reflection. These cases relate to the application of border measures to goods in transit, provisional measures, criminal sanctions and examples and implications of abuse of enforcement measures. In the latter case the examples chosen are some of the types of conduct that could be negatively viewed with respect to the application of border measures, provisional measures and in cases of use of criminal sanctions.

²¹ For an extended discussion on the meaning of the term balance in the context of the TRIPS Agreement see e.g., Wechsler, Andrea “Spotlight on China: Piracy, Enforcement and the Balance Dilemma in Intellectual Property Law”, Max Planck Institute of Intellectual Property, Competition and Tax Law, *Research Paper 09-04*, 2009. The paper is available on SSRN at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1354487.

²² UNCTAD and ICTSD, *supra* note 20, p. 605.

²³ See para 7.23 of the Report of the Panel in WTO document WT/DS114/R.

²⁴ This conclusion is consistent with the Vienna Convention on the Law of Treaties, which requires, under Article 31, that a treaty should be interpreted by giving ordinary meaning to its provisions.

24. As indicated in the introduction to this Study, the approach taken for each case is to summarise the key areas of divergence as expressed by different stakeholders or schools of thought so as to permit ACE Members to consider ways in which using the lens of Recommendation 45 of the WIPO Development Agenda can contribute to building understanding and consensus.

3.1 FREEDOM OF TRANSIT: BORDER MEASURES AND INTERNATIONAL TRADE

25. The TRIPS Agreement is an important part of the multilateral trading system. For this reason, the Agreement should be seen as part and parcel of the efforts by WTO members to substantially reduce tariffs and other barriers to trade and to eliminate discriminatory treatment in international trade.²⁵ The protection and enforcement of IP under the Agreement therefore reflects a number of international trade considerations.

26. It is recognized, in the Preamble to the Agreement, that Article 7 (the objectives clause) and the substantive provisions in the Agreement, such as those in Part III on enforcement, are informed by the desire and recognition of WTO Members of the need to:

- Reduce distortions and impediments to international trade;
- Ensure that measures and procedures to enforce IP do not become barriers to legitimate trade;
- Establish a multilateral framework for dealing with international trade in counterfeit goods; and
- Reduce international trade tensions by providing effective and expeditious procedures for the multilateral prevention and settlement of trade disputes related to IP.

27. The idea of tackling trade in counterfeit goods while avoiding the use of IP to create barriers to legitimate international trade makes the application of IP rules and procedures at the border a particularly complex and sensitive matter. This is even more complex and controversial when dealing with the application of such procedures to goods in transit. It should therefore be no surprise to see that much of the current discussion and debates on IP enforcement relate to border measures.²⁶ The debate on the application of border measures to goods in transit is particularly heated and emotive.

28. In recent months, the application of the European Community's (EC) Council Regulation 1383/2003 and European Customs Code to certain shipments of generic pharmaceutical has attracted special attention with respect to the impact of IP enforcement measures on legitimate trade.²⁷ Concerns have also been raised regarding laws such as the

²⁵ See recital 3 of the Preamble to the Agreement Establishing the WTO in WTO, *The Legal Texts - The Results of the Uruguay Round of Multilateral Trade Negotiations*, Cambridge University Press, Cambridge, 1999, p 4.

²⁶ Correa, Carlos "The Push for Stronger Enforcement Rules: Implications for Developing Countries" in ICTSD Issue Paper No. 22 *The Global Debate on the Enforcement of Intellectual Property Rights and Developing Countries*, ICTSD, Geneva, 2008 pp. 29- 80 at 48.

²⁷ The Regulation (available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2003:196:0007:0014:EN:PDF>), sets out the conditions under which customs authorities may intervene in cases where goods are suspected

Kenya Anti- Counterfeiting Act of 2008, which gives customs authorities the power, under Section 34, to seize IP infringing goods that are entering or leaving Kenya, including, ostensibly, goods in transit.²⁸ The latter case has attracted a human rights challenge.²⁹

29. At issue in cases of goods in transit is the interpretation and application of Article 51 of the TRIPS Agreement which provides that:

“Members shall, in conformity with the provisions set out below, adopt procedures to enable a right holder, who has valid grounds for suspecting that the importation of counterfeit trademark or pirated copyright goods may take place, to lodge an application in writing with competent authorities, administrative or judicial, for the suspension by the customs authorities of the release into free circulation of such goods. Members may enable such an application to be made in respect of goods which involve other infringements of intellectual property rights, provided that the requirements of this Section are met. Members may also provide for corresponding procedures concerning the suspension by the customs authorities of the release of infringing goods destined for exportation from their territories.”³⁰

The question is whether the application of the provisions of this Article to goods in transit, such as in the case of the EC Regulation, constitutes a barrier to legitimate trade and a threat to development goals particularly access to medicines.³¹ More specifically, as will be seen in the discussion below, the arguments turn on whether the application of Article 51 of TRIPS in the manner envisaged in EC Regulation 1383/2003 runs contrary to the balancing

[Footnote continued from previous page]

of infringing IP rights as well as the procedures to be followed. For a detailed discussion on the controversy regarding generic medicines see e.g., the working paper by Seuba, Xavier “Border Measures Concerning Goods Allegedly Infringing Intellectual Property Rights: The Seizures of Generic Medicines in Transit”, ICTSD, Geneva, June 2009 and Kumar, Shashank, “Freedom of Transit and Trade in Generic Pharmaceuticals: An Analysis of EU Border Enforcement Law and Implications for the International Intellectual Property Law Regime”, *European Intellectual Property Review*, forthcoming. Available on SSRN at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1383067. Also see the report by Mara, Kaitlin and William New, “Concerns Continue over Drug Seizures As Legality Debate Begins”, Intellectual Property Watch, Geneva, 5 March 2009 available at <http://www.ip-watch.org/weblog/2009/03/05/concerns-continue-over-generics-drug-seizures-as-legality-debates-begin/> as well as the debate and discussion on the International Economic Law and Policy Blog at <http://worldtradelaw.typepad.com/ielpblog/2009/01/generic-pharmaceuticals-patent-infringement-and-freedom-of-transit-.html>.

²⁸ The law is available at http://www.kenyalaw.org/Downloads/Bills/2008/The_Anti-Counterfeit_Bill_2008.pdf. On the controversy surrounding that law see e.g. Wadhams, Nicolas, “Kenya Pressured to Implement Anti-Counterfeit Law Despite Access Fears”, Intellectual Property Watch, Geneva, 2 July 2009 available at <http://www.ip-watch.org/weblog/2009/07/02/kenya-pressured-to-implement-anti-counterfeit-law-despite-access-fears/>.

²⁹ Wadhams, Nicolas “Kenya AIDS Patients Seek to Overturn Anti-Counterfeiting Law as Unconstitutional”, Intellectual Property Watch, Geneva, 7 July 2009 available at <http://www.ip-watch.org/weblog/2009/07/07/kenyan-aids-patients-seek-to-overturn-anti-counterfeiting-law-as-unconstitutional/>.

³⁰ Footnotes omitted.

³¹ Interestingly, Article 51 of the TRIPS Agreement was largely modelled on existing national laws. See UNCTAD and ICTSD, *supra* note 20, p. 609.

safeguards under Article 41, which are meant to ensure that enforcement procedures do not create barriers to legitimate trade.

30. Broadly speaking there are two viewpoints on the legitimacy and balance in the application of measures such as those contained in the EC Regulation 1383/2003 to goods in transit.

31. On the one hand, there are governments, such as that of Brazil and India, supported by a range of civil society organizations and commentators who argue that the application of Article 51 measures to goods in transit runs contrary to the objectives of the TRIPS Agreement.

32. At the Council of TRIPS meeting held in Geneva on 3rd March 2009, the representative of Brazil, for example, argued that in addition to such an approach being a violation of Article V of the General Agreement on Trade and Tariffs 1994 (GATT 1994)³² the application of border measures under EC Regulation 1383/2003 to generic medicines from India to Brazil, on which there were no patents in either the importing or exporting country, ran counter to the objectives of the TRIPS Agreement. In paragraph 132 of the minutes of the meeting, the Brazilian representative is said to have argued that such:

“[E]xcessive and inappropriate interpretation of IP rights, granting extraterritorial effects, ran counter to the objectives and purposes of the TRIPS Agreement and effectively gutted the provisions granting TRIPS flexibilities to developing countries. Article 7 stated that the “enforcement of intellectual property rights” must be done “in a manner conducive to social and economic welfare”. Article 8 upheld Members’ rights to “protect public health and nutrition”. He said that TRIPS flexibilities were so vital that the WTO Ministerial Conference had decided to strengthen them by adopting the Doha Declaration on the TRIPS Agreement and Public Health which had also paved the way to the Paragraph 6 System, a much needed and long awaited response to the specific situation of countries with insufficient or no manufacturing capacity in the pharmaceutical sector.”³³

33. At the same meeting, the representative of India is reported to have observed, among other things, that:

³² Article V of GATT 1994 dealing with goods in transit provides in its first two paragraphs as follows:

“1. Goods (including baggage), and also vessels and other means of transport, shall be deemed to be in transit across the territory of a contracting party when the passage across such territory, with or without trans-shipment, warehousing, breaking bulk, or change in the mode of transport, is only a portion of a complete journey beginning and terminating beyond the frontier of the contracting party across whose territory the traffic passes. Traffic of this nature is termed in this article "traffic in transit".

2. There shall be freedom of transit through the territory of each contracting party, via the routes most convenient for international transit, for traffic in transit to or from the territory of other contracting parties. No distinction shall be made which is based on the flag of vessels, the place of origin, departure, entry, exit or destination, or on any circumstances relating to the ownership of goods, of vessels or of other means of transport.”

³³ The meeting minutes are contained in WTO document IP/C/M/59.

“The action of the Dutch customs authorities to seize generic drugs, traded between developing countries in full conformity with international disciplines, ran counter to the spirit of the TRIPS Agreement and the resolution 2002/31 of the Commission on Human Rights on the right to enjoy the highest standard to physical and mental health. Measures of this nature had an adverse systemic impact on the legitimate trade of generic medicines, South-South commerce, national public health policies and the principle of universal access to medicines...

In addition to going against the spirit of the rules-based trading system and impeding free trade, such acts represented a distorted use of the TRIPS Agreement and the international IP system, and reduced the flexibilities enshrined in TRIPS. Article 41.1 of the Agreement provided that enforcement procedures “shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse” and Article 41.2 provided that the procedures should be “fair and equitable”. These were “General Obligations” that ran through all of Part III of the Agreement on the enforcement of IPRs. Measures taken by Dutch authorities clearly created barriers to the legitimate trade in generic medicines, particularly where there was no risk of diversion of the medicines to the internal market.”³⁴

34. On the other hand is the EC, which argues that the application of Regulation 1383/2003 to goods in transit is consistent with TRIPS, including its objectives. This, it is argued, is because the TRIPS Agreement is part of the international efforts to fight counterfeit goods and the said Regulation contains the safeguards envisaged under Article 41 of TRIPS. This view of the Regulation finds support among some academics and other stakeholders.³⁵ In particular, in response to the statements of Brazil and India at the 3 March 2009 Council for TRIPS meeting, the representative of the EC is reported, at paragraphs 149 and 150 of the minutes, to have said the following:

“[I]t was extremely important to allow customs authorities to control goods in transit suspected of infringing intellectual property rights. This was the only way to stop traffic of potentially dangerous products, such as fake medicines, even when the shipments were destined for any country. In fact, it was likely that the EU customs actions in the past had saved lives in the final destination countries which were often developing countries. Many dangerous goods, such as counterfeit medicines, were often shipped to developing countries via European ports and airports. While control by customs was sometimes difficult due to the complexity of the products, his delegation believed that customs’ role was crucial to prevent the flow of fake medicines in transit from reaching the populations in developing countries.

In 2007, out of the 70 or 80 million counterfeit and pirated goods intercepted by the European customs, 40% had been intercepted in transit. Also, in 2007, EU customs statistics had revealed a significant increase of 50% (compared to 2006) in trade of fake medicines. 34% of these counterfeit medicines had originated in India.”

³⁴ See paras 140 and 141 of the minutes of the meeting, *Id.* Paragraph numbering omitted in quote.

³⁵ See e.g. the debate on the International Economic Law and Policy Blog, *supra* note 27.

35. In the context, of the debate on EC Regulation 1383/2003, some scholars, such as Seuba, have argued that in order to affirm that the Regulation does not impede trade in legitimate medicines transiting through the European customs:

“[I]t would be necessary to amend –or at minimum to clarify- EC Regulation 1383/2003 article 2.1.c) (i) (ii), and also article 10, which make the seizure of specific good dependant on the status of patents and supplementary protection certificates in the transit country.”³⁶

Seuba goes on to suggest that the on-going process to amend the Regulation would be a good opportunity to introduce such changes.

36. The debate in the Council for TRIPS on EC Regulation 1383/2004 touches and/or raises similar issues as discussions in other international forums such as at the World Customs Organization (WCO)³⁷ and with respect to the negotiation on an Anti-Counterfeiting Trade Agreement (ACTA)³⁸ as well as in national debates, such as the debate on the Kenya Anti-Counterfeiting Act 2008 as well as in the context of litigation. At all levels, the debate reflects the inherent complexity in finding the right balance between the multiple objectives and interests recognized in the TRIPS Agreement and the challenges that national legislatures and courts face in interpreting and implementing this key TRIPS provision.

37. At the level of case law, a number of court decisions in the EC have found that IP rights subsisting in the country of transit do not apply to goods in transit. For example, in *Montex Holdings Ltd. v. Diesel SpA*³⁹ the European Court of Justice (ECJ) found that the provisions of the EC Directive on Trademarks (Directive 89/104/EEC) providing for the prohibition to the importation or export of goods under a trademark sign are to be:

“[I]nterpreted as meaning that the proprietor of a trade mark can prohibit the transit through a Member State in which that mark is protected of goods bearing the trade mark and placed under the external transit procedure, whose destination is another Member State where the mark is not so protected, only if he can prove that those goods are subject to the act of a third party while they are placed under the external transit

³⁶ Seuba (2009), *supra* note 27, p.27.

³⁷ See e.g., the work related to Standards Employed by Customs for Uniform Rights Enforcement (SECURE) at http://www.wcoomd.org/files/1.%20Public%20files/PDFandDocuments/Enforcement/SECURE_E.pdf.

³⁸ The background to ACTA and summary of the main issues under discussion as well as other information is available at <http://www.ustr.gov/about-us/press-office/fact-sheets/2009/april/acta-summary-key-elements-under-discussion>.

³⁹ Case C-281/05. Judgment available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:62005J0281:EN:HTML>. In this case, Montex sold jeans in Ireland where the mark Diesel was not protected. The jeans were made by the manufacture of parts in Ireland, which were then exported to Poland under Custom seal where they were made up and returned as final products to Ireland. A consignment of the jeans was seized in transit by German customs and the question was whether this was lawful. There are other ECJ decisions which also address the question of the application of IP rights in the transit country to goods in transit with generally the same result including *Class International v. Colgate Palmolive*, C-405/03 [2005] ECR I-8735.

procedure which necessarily entails their being put on the market in that Member State of transit.”

This case considered the implications of IP enforcement border measures similar to those contained in Regulation 1383/2003.⁴⁰ In *Eli Lilly & Company & Anor v. 8PM Chemist Ltd*⁴¹ a three judge bench of the Court of Appeal for England and Wales, citing *Montex and Class International*, has recently held that the question to be determined in cases relating to IP infringement by goods in transit is “whether or not there is an interference with the right of first marketing in the EU. The genuine goods of trademark owner which never become community goods do not interfere with that right.”⁴²

38. Though these cases resolve the matter in favour of freedom of transit they still leave some questions when you read the full judgments. For example, in *Eli Lilly*, the judges talk about genuine goods of a trademark owner. Questions also get thrown up when looking at these cases as to the differences of approach that may be taken when dealing with patents as opposed to trademarks (which the *Montex* case deals with) or copyrights.

39. The questions being considered in the ACTA negotiations on border measures are also instructive. The negotiation on the proposed agreement, which aims to establish international standards for enforcing intellectual property rights in order to fight more efficiently the growing problem of counterfeiting and piracy, are considering, among other issues:

- Procedures for right holders to request customs authorities to suspend the entry of goods suspected to infringe intellectual property rights at the border;
- Authority for customs to initiate such suspension ex officio (on their own initiative, without a request from the rights holder);
- Procedures for competent authorities to determine whether the suspended goods infringe intellectual property rights;
- The forfeiture and destruction of goods that have been determined to infringe intellectual property rights, and possible exceptions;
- Capacity of competent authorities to require right holders to provide a reasonable security or equivalent assurance sufficient to protect the defendant and to prevent abuse, and
- Authority to disclose key information about infringing shipments to right holders.⁴³

All these issues that are under discussion in the ACTA process regarding border measures are already addressed in the TRIPS Agreement. The consideration of subject matter that is already addressed by the TRIPS Agreement suggests that the countries involved believe that there is need to strengthen the current measures to address matters related to trade in counterfeit goods, copyright piracy and other IP infringements.

⁴⁰ The applicable legislation at the time was Council Regulation No. 3295/94 of 22 December 1994 which laid down measures concerning the entry into the Community and the export and re-export from the Community of goods infringing certain intellectual property rights (OJ 1994 L 341).

⁴¹ [2008] EWCA Civ. 24 (05 February 2008). The judgment is available at <http://oami.europa.eu/pdf/natcourt/Lilly.pdf>.

⁴² See para 44 of the judgment.

⁴³ See summary on the website of the United States Trade Representative (USTR), *supra* note 38.

40. Overall, in order to give meaning to Recommendation 45 of the WIPO Development Agenda in the case of border measures, consideration could be given to discussing and elaborating on the parameters that can ensure access to legitimate products while tackling commercial scale counterfeiting. By evaluating the impact of the different approaches on each of the objectives of Article 7 of the TRIPS, it may be possible to arrive at a more complete picture which can enable the narrowing of differences.

3.2 PROVISIONAL MEASURES

41. Article 50 of the TRIPS Agreement requires that WTO Members grant their judicial authorities power to order prompt and effective provisional measures in IP infringement cases. This includes the adoption of provisional measures *inaudita altera parte* especially in cases where the right holder might suffer irreparable harm or where there is a real risk of evidence being destroyed. The aim of such provisional measures is to prevent infringement, in particular, to prevent imported infringing products from entering into the channels of commerce and to preserve relevant evidence.

42. While requiring that judicial authorities be given power to order provisional measures, Article 50 also imposes a requirement on WTO Members to introduce, in their national laws, a range of safeguards. These include requiring that judicial authorities have power to:

- Require the applicant to provide evidence to show that they are the right holder of the IP rights in question and that such rights are being infringed or that such infringement is imminent;
- Order the applicant to provide a security or equivalent assurance sufficient to protect the defendant and to prevent abuse;
- Upon request by the defendant, to revoke provisional measures if proceedings leading to a decision on the merits of the case are not initiated within a reasonable period; and
- Order the applicant, upon request of the defendant, to provide the defendant appropriate compensation for any injury caused by provisional measures that are revoked or lapse due to the act or omission of the applicant or where it is found that there has been no infringement or threat of infringement.

43. Notwithstanding these safeguards, it has been argued that provisional measures have been abused to restrict competition and that insufficient consideration has been given to balancing the interests of right holders and other parties. The main challenge here is that we are dealing with a situation where mistakes can be very costly for right holders or defendants and third parties, especially competitors. In this regard, Correa cites cases such as the use of automatic stays in the United States as an example of abuse of provisional measures in patent infringement cases.⁴⁴ He then argues that there are four key issues to consider to prevent the abuse of provisional measures.

44. First, is the question of the presumption of validity of patents in infringement cases. Citing the study by the United States Federal Trade Commission (FTC)⁴⁵ and the Patent

⁴⁴ Correa (2008), *supra* note 26, p. 44. The exact magnitude of this problem is, however, unclear as there are no detailed statistics tracking trends.

⁴⁵ FTC, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy*, FTC, Washington D.C., 2003 available at <http://www.ftc.gov/os/2003/10/innovationrpt.pdf>.

Reform Act of 2007⁴⁶, Correa argues that the presumption of patent validity in infringement cases should be approached with caution. The second issue he points to that requires careful attention and balancing of interests is when to grant provisional measures *inaudita parte*. Here he argues that this should be used as an exceptional remedy because of the contentious nature of the issues involved. Third, he points to the problem of different interpretations of the phrase ‘irreparable harm’ which might lead to widely differing results in cases of similar facts. Finally, he argues that courts should consider the public interest implications of granting provisional measures.

45. Other commentators point to other areas that require attention.⁴⁷ These include the issue of balance between the speed and cost of obtaining provisional measures, the differences between the use of provisional measures in patent as opposed to trademark and copyright cases and the availability of other more effective approaches. For example, it is argued that while in some instances interim injunctions can be obtained within hours in the UK this is at a significant risk of costs and damages to right holders if the claim is not upheld. In Germany while there is reluctance by the courts to order interim injunctions in patent cases, due to the technicality of the issues involved, such injunctions are a popular remedy in trademark and copyright cases.

46. In developing countries, the issues may go beyond legal or technical difficulties. In an article analyzing the injunctions regime in Indonesia, Butt and Lindsey, for example, argue that the inclusion of the right to injunctive relief (including provisional measures) in Indonesia’s intellectual property laws to comply with the TRIPS Agreement has had little or no effect.⁴⁸ They cite the view by many judges that the TRIPS-based IP system is not in the country’s best interests and concerns with the impact of using this remedy on prices and employment as the factors at play as opposed to the lack of legal procedures or the understanding of the law by judges.

3.3 CRIMINAL SANCTIONS

47. The application of criminal procedures and sanctions to IP infringement cases is also a subject that attracts controversy and heated debates. The issues raised range from questions around economics⁴⁹, to concerns about use of government resources to protect private rights, to doubts regarding the deterrence effect of criminal sanctions through to questions regarding speed of proceedings and compensation for right holders⁵⁰. It is for this reason that Article 61

⁴⁶ The Bill is available at <http://www.govtrack.us/congress/billtext.xpd?bill=s110-1145>.

⁴⁷ See e.g., Halford-Harrison, Rebecca, Cheung, Wing and Nicolaus Ullrich “Injunctive Relief: Halting IP infringement in the UK, Hong Kong and Germany” *18 Intell. Prop. Lit. 1*, American Bar Association, Summer 2007. Available from Lexis Nexis.

⁴⁸ Butt, Simon and Timothy Lindsey “TRIPS, Intellectual Law Reform in Indonesia: Why Injunctions Aren’t Stopping Piracy”, *Harvard Asia Pacific Review*, Vol. 8, No. 2, pp. 14-18, 2005.

⁴⁹ See e.g., the discussions in Fink (2008), *supra* note 2. He for example, observes, at p. 12, that although there are links that can be established between counterfeiting and piracy and organised crime the evidence remains anecdotal. This means that it is important to establish more systemic evidence of the potential positive externalities from stronger enforcement action.

⁵⁰ See e.g. Correa (2008), *supra* note 26, p. 42.

of the TRIPS Agreement, which addresses the question of criminal procedures, is receiving increasing attention both at the political and legal level.⁵¹

48. Article 61 of TRIPS is a short but compact provision. It provides that:

“Members shall provide for criminal procedures and penalties to be applied at least in cases of willful trademark counterfeiting or copyright piracy on a commercial scale. Remedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity. In appropriate cases, remedies available shall also include the seizure, forfeiture and destruction of the infringing goods and of any materials and implements the predominant use of which has been in the commission of the offence. Members may provide for criminal procedures and penalties to be applied in other cases of infringement of intellectual property rights, in particular where they are committed willfully and on a commercial scale.”

There are three broad areas around which the debate on the implementation of Article 61 of the TRIPS Agreement revolves.

49. The first area of debate relates to the application of criminal sanctions in the case of patent infringement. While the TRIPS Agreement does not require criminalising patent infringement, and most countries do not impose criminal sanctions for patent infringement, there is an argument in some quarters and countries that criminalising patent infringement has become necessary to tackle the growing problem of ‘counterfeiting’. This is the approach that has been taken, for example, by Kenya under the Anti-Counterfeiting Act 2008 which criminalises patent infringement.⁵² There are other countries such as Brazil, Japan and Thailand which also criminalise patent infringement in certain cases.⁵³ Commentators, such as Correa, have therefore raised concern that there is increasing criminalisation of patent infringement especially in developing countries without due regard to important policy considerations.⁵⁴

50. Notwithstanding these concerns, however, it remains valid to say that there are still many countries which do not use criminal sanctions in patent infringement cases. A number of policy reasons can be identified as justification for not criminalising patent infringement. Justice Harms in his Study for the Fourth Session of the ACE identifies eight such reasons, namely that:

⁵¹ The ACE, for example, had, as one of its main focus for the Fourth Session in November 2007 the study by Justice Harms on criminal sanctions. See Harms, Louis “The Enforcement of Intellectual Property Rights by Means of Criminal Sanctions: An Assessment”, WIPO document WIPO/ACE/4/3, p. 15 available at http://www.wipo.int/edocs/mdocs/enforcement/en/wipo_ace_4/wipo_ace_4_3.pdf. See also Blakeney, Michael “International Proposals for Criminal Enforcement of Intellectual Property Rights: International Concern with Counterfeiting and Piracy”, *Intellectual Property Quarterly*, No. 1, 2009. Electronic copy available on SSRN at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1476964.

⁵² *Supra* note 28.

⁵³ Harms (2007), *supra* note 51.

⁵⁴ See the discussion on criminal sanctions in Correa (2008), *supra* note 26. See also generally the articles in Li, Xuan and Carlos Correa (eds.) *Intellectual Property Enforcement: International Perspectives*, Edward Elgar & South Centre, Northampton, 2009.

- Criminal courts are generally speaking not qualified to deal with patent issues;
- Any given patent may cover many “inventions”;
- The invalidity of the patent is the typical defence to infringement;
- The patentee’s product may not be made in accordance with the patent;
- The infringer’s product may not be a copy of the patentee’s product as marketed;
- It is virtually impossible for law enforcement officers and border officials to determine whether any particular product is an infringing product;
- Patent litigation is expensive; and
- A significant percentage of patents are revoked in the course of patent litigation.⁵⁵
- This reasoning is supported by a range of other commentators and organisations. For example, in its submission to the UK Gowers Review⁵⁶ the International Chamber of Commerce (ICC) UK observed, with respect to criminalising patent infringement, that UK law should remain without criminal sanctions for patent infringement. This position was justified on the basis of the potential anti-competitive effect of such measures and the difficulties in addressing the question validity and scope.⁵⁷

51. The second area of interest relates to the determination of the meaning of ‘commercial scale’ with respect to trademark counterfeiting or copyright piracy. The key question that arises is whether any infringement of IP that is aimed at obtaining commercial benefit or advantage should be covered. This is one of the questions that came up in *China – Measures Affecting the Protection and Enforcement of Intellectual Property Rights* (hereinafter U.S.-China case).⁵⁸ In this case, the United States argued that except for trivial activity or activity of a *de minimis* character:

[T]he concept of “commercial scale” extends both to those who engage in commercial activities in order to make a “financial return” in the marketplace, and who are, by definition, therefore operating on a commercial scale, as well as to those whose actions, regardless of motive or purpose, are of a sufficient extent or magnitude to qualify as “commercial scale” in the relevant market.”⁵⁹

On its part, China argued that the phrase commercial scale under Article 61 of the TRIPS Agreement “refers to a significant magnitude of infringement activity. This is a broad standard, subject to national discretion and local conditions.”⁶⁰ The third parties in the case also offered differing interpretations with some supporting the United States approach and others China’s approach.

52. The Panel, following a detailed consideration, arrived at the conclusion that:

⁵⁵ See Harms (2007), *supra* note 51. For additional argumentation on not criminalising patent infringement, especially for developing countries, see also Correa (2008), *supra* note 26, pp.40-43.

⁵⁶ Information about the Gowers Review can be found on the UK IP Office website at <http://www.ipo.gov.uk/policy/policy-issues/policy-issues-gowers.htm>.

⁵⁷ See the ICC UK submission at http://www.hm-treasury.gov.uk/d/international_chamber_of_commerce_462_91kb.pdf.

⁵⁸ The Report of the Panel is contained in WTO document WT/DS362/R, 29 January 2009 available at http://www.wto.org/english/tratop_e/dispu_e/362r_e.pdf.

⁵⁹ See summary of argument at para 7.480 of the Panel Report, *Id.* Footnotes omitted.

⁶⁰ See para 7.481 of the Panel Report, *supra* note 58. Footnote omitted.

[C]ounterfeiting or piracy “on a commercial scale” refers to counterfeiting or piracy carried on at the magnitude or extent of typical or usual commercial activity with respect to a given product in a given market. The magnitude or extent of typical or usual commercial activity with respect to a given product in a given market forms a benchmark by which to assess the obligation in the first sentence of Article 61. It follows that what constitutes a commercial scale for counterfeiting or piracy of a particular product in a particular market will depend on the magnitude or extent that is typical or usual with respect to such a product in such a market, which may be small or large. The magnitude or extent of typical or usual commercial activity relates, in the longer term, to profitability.”⁶¹

While the Panel provides some clarity, the implementation of Article 61 may still require more elaborate guidance since the exact meaning of ‘scale’ will depend on the particular market in question.

53. The third area of debate regarding criminal procedures relates to obtaining deterrent penalties when one takes into account the proviso, under Article 61, that penalties in IP infringement cases “should correspond to the level of penalties applied for crimes of similar gravity under other laws”.

54. To start with, there is the obvious difficulty of determining crimes of comparable nature to trademark counterfeiting and copyright piracy. This is a surmountable challenge because in many countries counterfeiting and piracy are seen as comparable to cases of fraud or similar crimes. Then there are some cases where there is general questioning of why criminal law and scarce law enforcement resources should be deployed to enforce IP rights which are private rights.⁶² Finally, is the whole question of proportionality. On this point, for example, the countries negotiating ACTA are seeking consensus on issues such circumstances under which judicial authorities can order the forfeiture of the assets derived from or obtained, directly or indirectly, through the infringing activity and forfeiture and/or destruction of materials and implements that have been used in the production of the infringing goods.

55. The challenge of determining the exact scope and application of criminal sanctions in IP infringement cases is likely to remain an area requiring significant policy attention. The three areas of debate identified above all raise important policy questions about where to draw the line and which interests need to be balanced. As Justice Harms argues, “IP laws require constant revision and updating, not only to comply with treaty obligations but to serve the needs of each particular country”.⁶³ In this continuous process, a reference point such as Recommendation 45 of the WIPO Development Agenda might provide useful guidance.

3.4 ABUSIVE ENFORCEMENT PRACTICES: EXAMPLES AND IMPLICATIONS

56. Article 41 provides that WTO Members have a general obligation to apply the TRIPS mandated enforcement procedures “in such a manner as... to provide safeguards against their

⁶¹ See para 7.577 of the Panel Report, *supra* note 58.

⁶² Harms (2007), *supra* note 51, p. 6. See also Correa (2008), *supra* note 26, p. 43. The alternative argument is that there are many instances where criminal law is used to protect private rights making its use in the case of IP normal as well.

⁶³ Harms (2007), *supra* note 51, p. 50.

abuse.” In general, in addition to this article, the notion of abuse is used in one of two ways in a number of Articles in the TRIPS Agreement, including in Articles 8, 40, 48, 50, 53, 63 and 67. First, there is reference, in Articles 8, 40, 63 and 67 to the abuse of “intellectual property rights”. Second there is reference, in Articles 41, 48, 50 and 53, all of which are related to enforcement, to preventing abuse of enforcement procedures.

57. In general, IP literature provides limited guidance regarding the difference in the meaning of the two different usages of the concept of abuse in the TRIPS Agreement. Looking at some of the examples that can be found in the literature, it suffices to say that abuse of IP rights refers to a broader concept, covering issues such as the use of IP rights to block competition, while abuse of enforcement procedures is more narrowly focused on cases where parties manipulate enforcement procedures to gain unfair advantage or for improper motives in infringement proceedings. In some cases, however, the distinction may be artificial and it could be argued that the abuse of enforcement procedures amounts to abuse of IP rights.⁶⁴

58. The abuse of enforcement procedures could come from a range of stakeholders including right holders, public officials, third parties, such as defendants, and agents of right holders or defendants, such as attorneys. However, in the TRIPS framework the focus is primarily on right holders and public officials.⁶⁵

59. Article 48 of the TRIPS Agreement deals directly with the measures to be taken with respect to abuse of enforcement procedures. Here, the Agreement requires that:

“1. The judicial authorities shall have the authority to order a party at whose request measures were taken and *who has abused enforcement procedures* to provide to a party wrongfully enjoined or restrained adequate compensation for the *injury suffered because of such abuse*. The judicial authorities shall also have the authority to order the applicant to pay the defendant expenses, which may include appropriate attorney’s fees.

2. In respect of the administration of any law pertaining to the protection or enforcement of intellectual property rights, Members shall only exempt both public authorities and officials from liability to appropriate remedial measures where actions are taken or intended in good faith in the course of the administration of that law.”⁶⁶

60. As a preliminary matter it is important to recognise that abuse should not be assumed in all cases where the right holder, who is an applicant for IP enforcement measures, loses a case and/or is ordered to pay compensation. Consequently, while abuse of IP enforcement procedures need not necessarily imply demonstrable bad faith, the conduct in question need to constitute a serious departure from a reasonable use of legal procedures.⁶⁷ This is what distinguishes the conduct contemplated under Article 48 of the TRIPS Agreement with cases contemplated, for example, in Articles 50(7) and 56.⁶⁸

⁶⁴ See e.g., the discussion on “Abuse of Intellectual Property Rights and the Prevention Measures” by Weijun, Zhang on the Munich intellectual property law center website at http://www.miplc.de/research/general_projects/completed_projects/zhang_abuse/.

⁶⁵ right holders here correspond to the definition in footnote 11 of the TRIPS Agreement and therefore include federations and associations that have legal standing to assert IP rights.

⁶⁶ Emphasis added.

⁶⁷ See Gervais, *supra* note 5, p. 460.

⁶⁸ In Article 50(7) deals with cases where the defendant may be compensated if provisional measures are revoked or lapse due to an act or omission of the applicant or where infringement

61. It is difficult, from a review of reported case law and published literature, to come to a comprehensive listing of the types of conduct which constitute abuse of enforcement procedures. This is because there are different approaches in different countries and also because in many developing countries and least-developed countries (LDCs) jurisprudence is still developing or is unreported. Considering that in most countries IP cases are dealt with under normal civil and criminal procedures, it is also important to note that a wide range of behaviour considered abusive in civil and criminal procedures would apply to IP cases as well.

62. For purposes of this Study, however, a few examples of conduct that may generally be seen as abuse of IP enforcement procedures drawn from case law or statute are examined for illustrative purposes. In particular, three examples are examined. These relate to abuse of IP enforcement procedures in the context of competition law, situations related to the concept of unjustified threats to sue and conduct that is considered abuse of process or malicious prosecution. These illustrative examples help point to some of the issues that may require attention in terms of coordination and technical assistance. They have also been chosen because they are some of the types of conduct that will come up in the context of addressing cases of goods in transit, provisional measures and criminal sanctions.

63. Looking at these examples, it becomes clear that while cases of abuse exist, as in any other area of law, there are also extensive and well recognised measures both in IP law and other related areas of law, such as competition law, as well as in general civil and criminal procedures, which address such abuses. The question in the end may therefore not be whether there is abuse or whether there are measures to prevent abuse, but rather, what the exact magnitude of the problem is and whether existing safeguards are sufficient to ensure the balance contemplated in Article 7 of the TRIPS Agreement.

3.4.1 EXAMPLE 1: ABUSE OF IP ENFORCEMENT PROCEDURES IN THE CONTEXT OF COMPETITION LAW

64. There is significant literature and case law that discusses the question of abuse of enforcement procedures in the context of competition or antitrust law. The United States' so-called "Walker Process claims" is one of the most discussed concepts around abuse with respect to patent enforcement.⁶⁹ Essentially, Walker Process claims concern cases where a patentee who knowingly obtained a patent by fraud on the patent office seeks to enforce such a patent by threatening to sue a third party or the third party's customers or actually suing such a third party or their customers.⁷⁰ In the context of competition, such a patentee may be

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is found to have not occurred even if the applicant acted in good faith and did not abuse procedures. Article 56 deals with compensation for importers, consignees or owners of goods which may have been wrongfully detained pursuant to border measures. Again in this case bad faith or unreasonable use of procedures need not be a factor.

⁶⁹ The name 'Walker Process' originates from the 1965 Supreme Court decision in *Walker Process Equipment, Inc v. Food Machinery and Chemical Corp*, 382 U.S. 172 (1965) in which this doctrine was established.

⁷⁰ For a detailed discussion of the doctrine see e.g., Mathews Jr, Robert "A Primer on US Antitrust Claims Against Patentees under Walker Process", *Journal of Intellectual Property Law and Practice*, Oxford University Press, August 2007. Accessible at DOI 10.1093/jiplp/jpm142. See

[Footnote continued on next page]

found in violation of section 2 of the Sherman Act, which prohibits monopolisation of trade or commerce.⁷¹

65. This type of conduct is considered abuse and is frowned upon because it is driven by bad faith and does not promote the purposes of the patent law. However, it is important to remember that mere inequitable conduct before the patent office does not give rise to a Walker Process fraud. Consequently, cases of inadvertent errors and honest mistakes, to which fraudulent intent cannot be imputed and where the patentee is found not to have been grossly negligence, are not covered. A related area of abuse concerns what are called “Handgards claims” also developed in United States case law.⁷² Here the issue relates to knowingly enforcing a patent that is invalid even if the patent was obtained properly and without fraud on the patent office.

66. In developing countries, Correa argues that there are many examples of abusive requests for interlocutory injunctions and threats to sue in Latin America which should incur antitrust liability.⁷³ He cites cases in Chile, Argentina and Venezuela as examples. The full magnitude of the problem in the region or other regions of the developing world, however, is difficult to ascertain.

67. Beyond the situations and examples discussed above with respect to the United States and the cases that Correa cites in Latin America, the question of abuse of enforcement procedures and abuse of IP rights generally could involve quite complex strategies when examined from a competition perspective. The recent Report of the European Commission on the Pharmaceutical Sector Inquiry provides a particularly helpful example in this regard.⁷⁴ The Report is important because it addresses a range of issues starting with patent application

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also the discussion in Leslie, Christopher “The Role of Consumers in Walker Process Litigation”, *Southwestern Journal of Law and Trade in the Americas*, Vol. 13, 2007 available on SSRN at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1070242; and in Correa, Carlos “Intellectual Property and Competition Law – Exploring Some Issues of Relevance to Developing Countries”, *Issue Paper No. 21*, ICTSD, Geneva, 2007 available at http://www.iprsonline.org/resources/docs/corea_Oct07.pdf. With respect to recent case law see e.g., *Hydril Co. PL v. Grant Prideco, Inc*, 474 F.3d 1337 (Fed. Cir. 2007).

⁷¹ Section 2 provides that:

“Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a felony, and, on conviction thereof, shall be punished by fine not exceeding \$10,000,000 if a corporation, or, if any other person, \$350,000, or by imprisonment not exceeding three years, or by both said punishments, in the discretion of the court.”

⁷² The name here is derived from the case *Handgards, Inc v. Ethicon, Inc* 743, F.2d 1282 (9th. Cir. 1984).

⁷³ Correa (2008) *supra* note 69, p.18.

⁷⁴ The Report is available at http://ec.europa.eu/competition/sectors/pharmaceuticals/inquiry/communication_en.pdf. Sector inquiries are used in the EU to gather information in the context of applying the competition rules under Articles 81 and 82 of the EC Treaty. The text of the EC Treaty can be found at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2006:321E:0001:0331:EN:PDF>.

stage through to litigation. Table 1 below summarises the key issues and the main relevant findings of the Report.

Table 1:

Summary of the Key Issues and Findings in the Report on the European Commission Pharmaceutical Sector Inquiry

Scope and key issues under the inquiry

In January 2008, concerned with the proper functioning of the pharmaceutical sector and with indications that competition in the sector might not be working well, the European Commission launched an EU-wide inquiry into the sector. The purpose of the inquiry was to examine the reasons for observed delays in the entry of generic medicines to the market and the apparent decline in innovation as measured by the number of new medicines coming to market. The inquiry concentrated on practices that may be used to block or delay generic competition as well as practices that could be used to block or delay the development of competing originator products. This means that the inquiry examined the competitive relationship between originator and generic companies as well as among originator companies. In terms of product scope, the focus was on prescriptions medicines for human use, while in terms of time, the inquiry covered the period from the year 2000 to 2007.

Main relevant findings

As already noted, the inquiry covered a range of issues from patent filing strategies through to litigation strategies. Some of the key findings relevant to the question of abuse of IP rights and/or IP enforcement procedures include the following:

Patent Filing Strategies: There were clear cases where originator companies had strategies which aimed at extending the breadth and duration of their patents. Filing of numerous patents on one medicine to delay or block generic entry was a common practice. In this context, the inquiry found that some individual medicines could be protected by up to 100 product-specific patent families which could lead to up to 1,300 patents or pending applications in the EU.

Litigation: There is evidence that originator companies, in some instances, considered IP litigation as signalling mechanism to deter generic entrants. In this regard, litigation strategies were found to be efficient means of creating obstacles for generic companies especially the smaller ones. It was also found that although most cases were commenced by originator companies, of the cases in which final judgement had been rendered generic companies won 62% of the times. The inquiry also notably found that in 46% of the cases where interim injunctions were entered against generic companies the final judgement or settlement went in favour of the generic companies. Finally, in cases of settlements, approximately half of the cases showed that the ability of the generic company to market was restricted.

Marketing authorisation: There are cases where originator companies intervene in market authorisation procedures arguing that authorisation of generics could violate their patents. However, from the litigation reported originator companies claims were only upheld in 2% of the cases related to marketing authorisation. In terms of impact, the inquiry found that on average marketing authorisations were granted four months later in cases where there were interventions.

68. Obviously, the EC inquiry is a case in only one sector which has its own peculiarities and cannot therefore be used to arrive at general conclusions regarding abuse of IP rights or enforcement procedures. There are also important gaps that the inquiry does not address, for example, the combined impact and practices relating to patents and trademarks in the sector. Overall, however, this case provides a reason for more dedicated discussions regarding the nature, extent and impact of abuse of IP enforcement procedures on competition and how such cases can be addressed without compromising the underlying innovation objectives.

3.4.2 EXAMPLE 2: UNJUSTIFIED THREATS TO SUE

69. In the UK, the concept of unjustified threats to sue applies to patents, trademarks and registered designs.⁷⁵ This applies to explicit and implicit threats. While this case of abuse may appear similar to the United States Walker Process and Handgards claims, it differs in that it is a case of statutory provisions in IP laws and applies outside the general area of the relationship between competition and patent laws. It is also not circumscribed, as the United States doctrines, by the idea of fraud on the IP office or knowledge of invalidity of rights. It is a unique approach which does not appear to be common in other European jurisdictions. In *Prince v. Prince Sport Group Inc*, the court observed that the statutory provisions in the UK Trade Marks Act 1994 were aimed at ensuring that threats of infringement proceedings are not made casually or recklessly.⁷⁶

70. This approach raises particular challenges when applied to internet trading. Some of the issues come up when you examine a case such as *Quads 4 Kids v. Colin Campbell*⁷⁷, is whether systems such as eBay's online verified rights owner (VeRO) system promote abuse of IP enforcement procedures.⁷⁸ In this case Mr. Campbell, who held right to 16 registered EC designs related to child's dirt bikes, completed a VeRO declaration with respect to dirt bikes that were being sold on eBay by Quads 4 Kids. On the basis of the declaration, eBay proceed to remove Quads 4 Kids items. In response, Quads 4 Kids sought an injunction against Mr. Campbell to prevent him from interfering with their eBay sales.

71. The key question before the court in the injunction proceedings was whether Mr. Campbell's VeRO declaration constituted a threat to sue contrary to section 253 of the UK Copyright Act 1988 or whether it only constituted a notification of rights. This is an important question because it is a generally accepted practice in IP law to notify third parties of the IP rights one holds to prevent infringement. The court found in favour of Quads 4 Kids raising question as where the line should be drawn between notification in good faith and unjustified threats.

⁷⁵ Bentley, Lionel and Brad Sherman Intellectual Property Law, Oxford University Press, Oxford & New York, 2008, p.1067. For additional discussion see also Bainbridge, David "Groundless Threats and the Internet", Computer Law and Security Report, Vol. 23, Issue 3, 2007, pp.282-284. The relevant legislative provisions are section 77 of the Patents Act 1977, section 21 of the Trade Marks Act 1994 and section 253 of the Copyright Act 1988.

⁷⁶ [1998] FSR 21.

⁷⁷ [2006] EWHC 2482.

⁷⁸ The VeRO system (described at <http://pages.ebay.com/help/tp/programs-vero-ov.html>) is an online system that allows IP rights owner to report allegedly IP infringing products being sold on eBay.

3.4.3 EXAMPLE 3: THE TORTS OF ‘ABUSE OF PROCESS’ AND ‘MALICIOUS PROSECUTION’

72. The third example of where the question of abuse of IP enforcement procedures may come up, especially when dealing with border measures, provisional measures and criminal sanctions, relates to the conduct prescribed by the common law torts of abuse of process and malicious prosecution.⁷⁹

73. Simply put, abuse of process refers to situations where the legal process (civil or criminal), say IP enforcement procedures, is maliciously and deliberately misused for an improper purpose.⁸⁰ The issue of abuse of process is a matter that is addressed in the context of on-going proceedings as opposed to the case of malicious prosecution (below) where the issue only comes up after the original case has come to an end and the court has found in favour of the defendant.

74. In *Hunter v. Chief Constable of the West Midlands Police* Lord Diplock explained the importance of this tort on the basis that is an⁸¹:

“[I]nherent power which any court of justice must possess to prevent misuse of its procedure in a way which, although not inconsistent with the literal application of its procedural rules, would nevertheless be manifestly unfair to a party to litigation before it, or would otherwise bring the administration of justice into disrepute among right-thinking people.”

The circumstances in which abuse of process arises therefore vary widely. What is key from Lord Diplock statement is the issue of manifest unfairness and bringing the administration of justice into disrepute.

75. In the context of IP enforcement, the question that ACE members and other stakeholders might want to ask themselves is - what types of conduct in infringement-related proceedings would be manifestly unfair to defendants or would bring the administration of justice (IP enforcement procedures in this case) into disrepute? In considering this question, the observation of Lord Bingham in *Johnson v. Gore Wood & Co.* that “Litigants are not without scrupulous examination of all the circumstances to be denied the right to bring a genuine subject of litigation before the court...”⁸² is important to be taken into account to determine what is unfair or disreputable.

76. Malicious prosecution, as opposed to abuse of process, refers to situations where one party, without probable cause, maliciously institutes or causes a case to be instituted against

⁷⁹ Wikipedia provides quite a useful non-technical definition of tort law including explanations of both the tort of abuse of process and malicious prosecution. The definition is available at <http://en.wikipedia.org/wiki/Tort>. For a technical definition and discussion see e.g., Fleming, John *The Law of Torts*, 9th Edition, Lbc Information Services, 1998.

⁸⁰ It is important to note that though this tort has a common history its current application and scope differs in different countries and what might be found to be abuse of process in one country, say the UK, might not always be found to constitute abuse of process in the United States or other Commonwealth countries.

⁸¹ [1982] A.C. 529 at p. 536.

⁸² [2002] 2 AC 1.

another.⁸³ While in some jurisdiction this terminology is used only to refer to bringing of unfounded criminal cases, the original tort and the current application in other countries, covers both civil and criminal cases. Also, while in many cases public officials, such as prosecutors, have immunity from malicious prosecution suits this is not always the case. With increased use of criminal sanctions, in particular, as well as border measures we are likely to see malicious prosecution cases come up directly in more IP cases. Indeed, in recent years, organisations such as the Recording Industry of America (RIAA) have faced malicious prosecution claims.⁸⁴

77. In the context of both abuse of process and malicious prosecution, in addition to the culpability of right holders there is an important question regarding the role of attorney's in preventing or perpetrating abuse of IP enforcement measures. Recognising the unique role of attorneys, as both a representative and advocate of applicants in IP infringement proceedings, and officers of the court, both professional bodies, such as the American Bar Association (ABA) and national procedural rules, such as the United States Federal Rules of Civil Procedure, have provisions prohibiting certain conduct that may constitute abuse of process.⁸⁵

78. As an example, the ABA Model Rules of Professional Conduct provide in Rule 3.1 that:

“A lawyer shall not bring or defend a proceeding, or assert or controvert an issue therein, unless there is a basis in law and fact for doing so that is not frivolous, which includes a good faith argument for an extension, modification or reversal of existing law. A lawyer for the defendant in a criminal proceeding, or the respondent in a proceeding that could result in incarceration, may nevertheless so defend the proceeding as to require that every element of the case be established.”

Rule 3.8, dealing with the responsibilities of prosecutors, provides that “The prosecutor in a criminal case shall: (a) refrain from prosecuting a charge that the prosecutor knows is not supported by probable cause.”

79. Along similar lines, Rule 11 of the Federal Rules provides that by presenting to court a pleading, motion or other paper, an attorney or an unrepresented party, certifies that to the best of their knowledge, information and belief, which is formed after reasonable inquiry in the particular circumstances, the pleading, motion or other paper is not being presented, among other things, for “improper purpose, such as to harass, cause unnecessary delay, or needlessly increase the cost of litigation.” There are clear sanctions for breaching the rule. Similar rules exist in code of professional conduct and rules of procedures in many of the WIPO Member States.

⁸³ Similar to the situation of abuse of process, the exact application and scope of this tort will also differ in different jurisdictions. In other words, there is no uniformity with respect to the types of conduct that would qualify as malicious prosecution.

⁸⁴ See e.g., the discussion in the blogosphere (blogs such as ‘The Recording Industry versus the People’ - <http://recordingindustryvspeople.blogspot.com/>) regarding the case of Tanya Andersen.

⁸⁵ For an extended discussion on this topic, see e.g., Cooper, Alan “Limitations on Trademark Advocacy: Ethics, Procedure and Substantive Law”, *Vol. 85 TMR*, 1995, pp. 161-190.

4. THE ROLE OF, AND IMPLICATIONS FOR, RIGHTS HOLDERS IN THE IMPLEMENTATION OF RECOMMENDATION 45 OF THE WIPO DEVELOPMENT AGENDA

80. IP rights are only valuable to their holders if they are well enforced.⁸⁶ The enforcement framework established under the TRIPS Agreement is therefore, as stated in Article 41 of the Agreement, aimed at permitting effective action against any act of infringement of IP rights, including expeditious remedies to prevent first time infringements and remedies to deter second or repeat infringement. In this context, right holders are the primary beneficiaries of the efforts to promote and enforce IP.⁸⁷

81. In 2007, the Organization of Economic Cooperation and Development (OECD) estimated that the value of international trade in counterfeit trademark goods and pirated copyrighted materials stood at USD 200 billion.⁸⁸ While the veracity of this figure and other similar figures has been questioned, there is no doubt that there is a widespread perception that IP infringement is causing huge losses to right holders.⁸⁹

82. Recommendation 45 of the WIPO Development Agenda therefore has a special meaning for right holders. In seeking to ensure that IP enforcement activities result in balanced outcomes for a range of stakeholders, including IP right holders, the Recommendation should be seen favourably by all groups. Indeed, as already noted in this Study, the focus of the Recommendation on Article 7 of the TRIPS Agreement, essentially codifies a position that enjoys broad acceptance including by right holders. In a policy statement released by the ICC with commentary on the Development Agenda Recommendations, the group, while emphasising the importance of preventing and combating IP infringement does not take any specific issue with the Recommendation.⁹⁰ The issue for right holders with respect to the Recommendation therefore appears to be one of degrees of emphasis.

⁸⁶ Commission on Intellectual Property Rights, *Supra* note 17, p.163.

⁸⁷ When talking about right holders it is important to remember that there is probably no person or legal entity that can be seen as exclusively holding rights without requiring access or interacting with the rights of others. There are many instances, especially where patent rights are involved, that the same person is a right holder with respect to some claims and a defendant with respect to others in the same case. Generally speaking, however, right holders are associated with businesses and corporations including, as noted in footnote 11 in the TRIPS Agreement, federations and associations having legal standing to assert rights. Part of the reason for this is that while many rights are usually originally assignable to individuals, in the majority of cases the day to day use of IP rights in marketplace is done by legal persons who may hold those rights by virtue of licensing or assignment. Therefore, in this Study, while not discounting the importance of individual right holders, the focus is mainly on businesses, companies, federations and associations. In this context, it is also important to note that the term right holder here is distinct from creators, innovators and inventors.

⁸⁸ See OECD (2007), *supra* note 2.

⁸⁹ For a discussion of some of the challenges with this figures and methodology, see e.g., Fink (2008), *supra* note 2.

⁹⁰ See ICC Policy Statement on the WIPO Development Agenda at http://www.iccwbo.org/uploadedFiles/ICC/policy/intellectual_property/Statements/Recommendations_WIPO_Devel_Agenda_implementation.pdf.

83. Right holders, as with other stakeholders in WIPO, have an important role to play in the implementation of the Development Agenda, including Recommendation 45. The question is what type of role?

84. The specific issues raised by the Member States during the negotiation of the Development Agenda provide important guidance for considering the role of right holders. For the Group of Friends of Development the key issues were:

Not approaching the issue of enforcement *exclusively from the perspective of right holders;*

Giving consideration to how best to ensure the enforcement of all TRIPS-related provisions, including those that would *impute obligations to right holders as well;* and Ensuring that enforcement procedures are fair and equitable and *do not lend themselves to abusive practices by right holders* that may unduly restrain legitimate competition.”

The Africa Group, as already noted, raised the issue of *rigid and indiscriminate enforcement* while the United States raised the matter of understanding the *costs of counterfeiting and piracy* including the impact on technology transfer, foreign direct investment (FDI) and economic growth.

85. Right holders, especially through industry associations or other representative organisations, have been playing an increasingly visible role and investing significant resources in IP enforcement activities. The initiatives range from the ICC’s Business Action to Stop Counterfeiting and Piracy (BASCAP)⁹¹ to the Business Software Alliance’s (BSA) Global Anti-piracy Portal⁹² to the work of the International Trademark Association (INTA)⁹³ through to the work of national groups such as RIAA⁹⁴. Increasingly, security related organisations are also playing a major role. In this category, the International Security Management Association (ISMA) is particularly notable.⁹⁵

86. Through the initiatives of these types of organisations, right holders are playing a range of roles with respect to IP enforcement. These can be summarised into the following five roles, namely:

- Advocacy and campaigning;
- Education and public awareness;
- Training and capacity building;
- Research, information gathering and dissemination; and
- Resource mobilisation.

87. In the context of Recommendation 45 of the WIPO Development Agenda, and taking into account the various issues raised by Member States in their proposals on establishing a WIPO Development Agenda (see para 83 above), the issue becomes how right holders can undertake their activities in these five broad areas in a manner that:

⁹¹ Information on the initiative is available at <http://www.iccwbo.org/bascap/id883/index.html>.

⁹² Information available at <http://www.bsa.org/Piracy%20Portal.aspx>.

⁹³ Information available at <http://www.inta.org/index.php>.

⁹⁴ See website at <http://www.riaa.com/>.

⁹⁵ Information about ISMA can be found on their website at <http://isma.com/>.

- Recognises and accomodates other perspectives on IP enforcement;
- Recognises and ensures they meet their obligations as contemplated under Article 7 of the TRIPS Agreement and expressed in the various provisions of Part III of the TRIPS Agreement;
- Helps tackle abusive enforcement practices;
- Is flexible and nuanced taking into account differences among countries and cultures; and
- Ensures the generation and provision of credible data and information counterfeiting and piracy.

Put differently, the question is how can right holders in their advocacy, education and awareness campaigns, training and capacity building, research, information gathering and dissemination and resource mobilisation activities take into account Recommendation 45 of the WIPO Development Agenda?

88. No doubt right holders themselves are best placed to answer this question. Nevertheless, for purposes of discussion, I offer here a few ideas for consideration.

4.1 CONSTRUCTIVE ADVOCACY

89. Right holders, like other stakeholders such as consumers, are entitled to advocate and campaign for their positions regarding IP enforcement. However, recognising that IP enforcement is a multistakeholder public policy issue, effective solutions to the problem of counterfeiting and piracy as well as IP infringement in general, will require that there is a broad-based consensus within and between countries. In the context of advocacy this means at least two things.

90. First, right holders must tangibly and constructively engage with other stakeholders whose views or ideas on solutions may differ. Engagement with consumer groups would be especially an important step. A review of BASCAP's work plan, for example, reveals little engagement with consumer groups either at the international, regional or national level.⁹⁶ The approach taken appears to be to treat these groups as objects of education and awareness campaigns as opposed to approaching them as independent stakeholders holding different and sometimes opposing views to those of right holders. They therefore need to play an appropriate role in developing consensus.

91. Second, language and terminology matters. In addition its complexity, the subject IP enforcement is also quite emotive and culturally sensitive. This means that the language used to characterise problems and solutions is important and generalisations may undermine the very purpose that is sought to be achieved. One particular area where there is increasing literature questioning the approach of right holders relates to the use of the terminology "counterfeiting and piracy" to seemingly refer to all IP infringement situations as opposed to the circumscribed use of this legal terminology in the TRIPS Agreement.⁹⁷ The matter is particularly sensitive with respect to generic medicines as we have seen in discussions at the World Health Organization (WHO) with respect to the International Medicinal Products

⁹⁶ See the work plan at <http://www.iccwbo.org/bascap/id4572/index.html>.

⁹⁷ See e.g., the discussion in various articles in Li and Correa (2009), *supra* note 54.

Anti-Counterfeiting Taskforce (IMPACT)⁹⁸ and in debates such as those surrounding the Kenya Anti-Counterfeiting Act 2008.

4.2 ENHANCED ATTENTION TO SAFEGUARDS AND MEASURES TO PREVENT ABUSIVE

92. There is no doubt that one of the key issues that developing countries, such as the Group of Friends of Development and the African Group (whose statements are cited in this Study), are concerned with relates equity and fairness and prevention of abuse of enforcement procedures. As acknowledged in this Study, and as is apparent from a review of the provisions of the TRIPS Agreement and national laws, safeguards are part and parcel of the IP enforcement framework. In the context of the TRIPS Agreement these safeguards are an expression of the balance contemplated in Article 7 of the Agreement. Consequently, Recommendation 45's concern with maintaining appropriate safeguards is in the interest of all stakeholders, including right holders.

93. Right holders can play an important role to improve the understanding and effectiveness of these safeguards by enhancing the attention paid to them in training courses, capacity building projects as well as general awareness, including where such training and capacity building is provided jointly with international organisations. Without broader public understanding that any IP enforcement measures proposed by right holders will be undertaken within a framework of safeguards and that there are effective measures to prevent abuse, public support can be difficult to get. For example, one of the issues in the constitutional challenge against the Kenya Anti-Counterfeiting Act 2008 relates to what is perceived as excessive and unbridled power granted to the anti-counterfeiting agency.

94. The guidelines developed by initiatives such as BASCAP could therefore also include guidelines regarding safeguards and legitimate use of enforcement procedures. After all, many right holders often find themselves on the other side of the law in IP infringement cases not because they are criminal elements but because in the normal course of business infringement can occur. These safeguards therefore ensure that legitimate businesses can correct mistakes or infractions and continue to make their contribution to the economy.

4.3 CREDIBILITY OF DATA AND RESEARCH ON COUNTERFEITING AND PIRACY

95. In many ways, the success of global efforts to combat counterfeiting and piracy and other IP infringements will turn on the credibility of the data and evidence that is used by policy-makers to design enforcement laws and procedures. While studies, such as the OECD one, offer some insights regarding the scale of the problem and there are on-going efforts to develop models to measure the levels of counterfeiting and piracy, including the economic impact, there is still along way to go in establishing globally accepted and/or credible models or data sets.

96. With respect to the OECD 2007 figure on the value of trade in counterfeit and pirated goods, for example, Fink has observed that "Close inspection of the methodology applied to

⁹⁸ Information on IMPACT can be found on the WHO website at <http://www.who.int/impact/en/>.

arrive at this figure reveals that it is more an “educated guess” than a true estimate.”⁹⁹ Consequently, while studies like the OECD one offer insightful evidence, there is concern with the use of the figures as a statement of fact especially in the popular press and with policy-makers.

97. In these circumstances, the role of right holders, taking into account Recommendation 45, may lie in:

- Supplying better data and information to public institutions;
- Providing better and fuller caveats to the figures that are generated for advocacy purposes;
- Using figures from international public institutions, such as the OECD or WIPO, in the proper context and with due care to avoid misrepresentation; and
- Supporting public institutions in their legitimate efforts to develop credible methodologies for studying the problem and generate better data to support policy-making.

A widespread public perception of “cooked figures” from right holders and public institutions portend serious systemic risks to IP enforcement efforts.

5. CONCLUSION

98. Recommendation 45 of the WIPO Development Agenda is concerned with ensuring a balance of interests and outcomes for different stakeholders from IP enforcement efforts. Its main value therefore resides in the fact that it seeks to provide guidance for interrogating the formulation and application of IP enforcement measures and initiatives to determine whether the outcomes will be or are balanced in terms of the interests served and the stakeholders who benefit.

99. Consequently, as an interpretative framework, Recommendation 45 can only be given practical meaning by looking at specific cases where finding the right balance between different interests and concerns is complex. Some of the challenging cases, which have been examined in this Study, for illustrative purposes, include the application of border measures to goods in transit, the application of provisional measures, the approach to criminal sanctions and abusive enforcement practices. There are no doubt other cases that could benefit from a step by step analysis in the framework of Article 7 of the TRIPS Agreement.

100. Overall, the focus on balance suggests that the effective implementation of the Recommendation would be beneficial to right holders as well as other stakeholders in WIPO. Considering that right holders are the primary beneficiaries of efforts and initiatives on enforcement, it follows that they have a special stake in Recommendation 45. Going forward, their role in the implementation of the Recommendation could be examined with respect to constructive advocacy, the attention paid to safeguards and addressing abusive enforcement practices in training and capacity building projects that they undertake and with respect to their efforts to ensure that policy-making is based on credible data and research.

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⁹⁹ Fink (2008), *supra* note 2, p. 13.