

WIPO



WIPO/ACE/5/3

ORIGINAL: English

DATE: September 28, 2009

E

WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

ADVISORY COMMITTEE ON ENFORCEMENT

Fifth Session

Geneva, November 2 to 4, 2009

THE POPULARISATION OF INTELLECTUAL PROPERTY

*Document prepared by Dr. Owen H. Dean, Spoor & Fisher, Cape Town, South Africa**

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

INTRODUCTION

1. Intellectual property is commonly regarded as an esoteric branch of the law. It is characterized by being complex and until recently it was a little understood and somewhat discrete area of the law. Its complexity stems from the fact that it has as its subject intangible items such as ideas, concepts, goodwill, cultural expressions and the like. This must be contrasted with tangible goods such as vehicles, ships, equipment, household goods, and immovable items such as portions of land, all of which have a physical existence. The application of the law to tangible, physical items is in principle less complicated than when the law is applied to intangible, immaterial items which are cast in the form of property.

2. The age of knowledge, information and technology has catapulted intellectual property into greater prominence in the world at large. There is now a far greater emphasis on the value and importance of items of intellectual property in all fields of society, but especially in commerce, industry and in the socio-economic sphere. This in turn is bringing, or has the potential to bring, intellectual property law out of the shadows and into the limelight. Its esoteric nature is changing and it needs to become a widely disseminated and understood area of the law in order to keep pace with its ever evolving role in economics, both national and international.

3. Many of the problems which currently beset the implementation and enforcement of intellectual property law stem from the fact that general knowledge of the law has not kept pace with the evolving economic importance of intellectual property law. While intellectual property as an economic factor has emerged from the shadows and into the limelight, intellectual property law has lagged behind and has manifested a measure of reticence to come out into the open. It behoves the custodians of intellectual property law to promote the popularization of intellectual property law so as to bring it into harmony with the economic role of intellectual property in the modern world. In this way, a contribution can be made to overcoming the problems which beset the enforcement of intellectual property law that will be discussed below.

SOUTH AFRICA AS A CASE STUDY

4. South Africa is a unique blend of a first world and a third world society. It has many of the advantages of a first world country, but at the same time suffers many of the disadvantages of a third world country. It is indeed probably a microcosm of the world as a whole which consists to a large measure of first world societies living side by side with third world societies with a concomitant yawning gap between the "have" and the "have nots" in an economic context. Accordingly, it is useful to address some of the problems which face the enforcement of intellectual property law by viewing them in a South African context.

5. South Africa has highly developed and sophisticated intellectual property laws which compare favourably with intellectual property regimes anywhere in the world. Likewise, in principle it has a well developed and effective legal system with a legal structure which is conducive to effective and efficient enforcement of laws. The legal profession, and in particular the intellectual property legal profession, is well schooled and qualified and it has all the expertise that is necessary to promote the efficient and effective enforcement of law. This is all consistent with a first world society. However, when the third world characteristics of South African society are brought into the equation, one finds that there is a paucity of financial resources and a lack of administrative skills and expertise, indeed of appropriate

machinery, to make the system work as it should do. This is coupled together with widespread poverty amongst large sections of the population with the result that many cannot afford to utilize the systems which the law has put in place for the benefit of the individual, and in particular for intellectual property owners. The result is that there is a perception that intellectual property exists only for the benefit of the wealthy and indeed that it stands in the way of economic opportunities for a broader section of society, and in particular for the underprivileged and for those that have been previously disadvantaged. The economically underprivileged, who seek to provide an existence for themselves through informal trading, find themselves in conflict with the wealthy who seek to enforce intellectual property rights by means of a legal system which, by virtue of its cost implications, appears to be biased towards the wealthy and privileged members of society.

A CLOSED CIRCLE

6. The challenge of the legal system and more especially the intellectual property regime is to change this perception both in appearance and in substance.

7. In South Africa at the present time professional practitioners of intellectual property law are highly qualified. A patent attorney is in essence required to obtain an engineering or other technical degree, which involves studying at a university, usually on a full time basis, for three or four years. Thereafter the aspirant patent attorney is required to obtain a post graduate law degree which requires a further three years study, making a total of at least six years in all. Having obtained the necessary academic qualifications, the aspirant patent attorney is required to join a law firm practising patent law and to serve a period of two years of articles of clerkship, at the same time studying for, and passing, bar examinations to become qualified as an attorney. Over and above that, in order to obtain the qualification of a patent attorney, the individual is required to complete a rigorous four year course the culmination of which confers upon him the appropriate qualification and licence to practise. As a result, the individual can spend upwards of 12 years of intensive study and practical training in order to qualify to practise as a patent attorney. Acquiring these qualifications requires dedication and sufficient financial resources. As a consequence the process does not deliver large quantities of patent attorneys. Furthermore, the individual who invests this amount of time and resources in acquiring his qualification is inclined, and even entitled, to place a high price on the use of his services. This process results in there being a relatively small group of practising qualified patent attorneys which, by virtue of the economic laws of supply and demand, also promotes there being a high price for intellectual property legal services. This situation is exacerbated by the fact that putting in place the infrastructure to practise intellectual property law in the modern age is an expensive process.

8. The practice of intellectual property law in South Africa is characterized by a relatively small circle of practitioners whose services are expensive. This is conducive to making the practice of intellectual property law something of a closed shop. The economically underprivileged have difficulty in accessing intellectual property legal services. Knowledge of intellectual property law is also not disseminated widely. Since the legal education system is not geared to producing large quantities of graduate with knowledge of intellectual property law, this area of the law is not widely offered or promoted by South African universities. This further tends to narrow the ambit of knowledge of intellectual property law.

9. South Africa has the dual bar system of legal practitioners with the result that generally speaking patent attorneys must brief advocates or barristers to appear before the courts in intellectual property matters. It is the exception rather than the rule that a young barrister

commences practicing at the bar with any knowledge of intellectual property law. It is thus left largely to patent attorneys to educate and train advocates in the enforcement of intellectual property law. This requires considerable effort and time on the part of patent attorneys and there is a tendency for them to concentrate their efforts on a small group of individuals who have the attributes to master the subject. This leads to the creation of a small pool of advocates on which the patent attorneys draw in order to pursue litigation before the courts. In practice patent attorneys have chosen advocates who are of the best quality to become trained as intellectual property law experts. Once again the economic rule of supply and demand comes into play and a combination of having a small pool of advocates to choose from, together with these individuals being in popular demand in other areas of the law by virtue of their superior skills and expertise, leads to the chosen advocates placing a high price on their services, thus increasing the overall costs of intellectual property litigation.

10. A further consequence of the closed circle of intellectual property legal experts is that the limited circle of knowledge is carried through into the judiciary. For the major part, judges in South Africa are appointed from the ranks of advocates, and to a lesser extent, attorneys. The system described produces very few judges who have any experience of the practice of intellectual property law at the time when they are appointed to the bench. In the end result, the whole system from practitioners through to the judiciary is characterized by a severe limitation of bearers of the requisite knowledge rather than that the knowledge is widely disseminated.

11. Popularizing intellectual property law in South Africa is going to require the mould to be broken and the whole trend to be changed. The process is going to have to deliver a far wider circle of individuals who have a working knowledge of intellectual property law. Ways are going to have to be found to enable economically disadvantaged people to have access to intellectual property legal services and alternative, less complicated and less expensive means of adjudicating intellectual property disputes are going to have to be found. If necessary, measures must be taken to enable the indigent to use intellectual property legal services which they are not in a position to afford in normal circumstances. At the same time, the credibility of the intellectual property legal system must not be impaired and indeed its effectiveness must be enhanced in order to enable it to better achieve its objective of providing compressive protection for intellectual property on an affordable and practicable basis. Counterfeiting and piracy of intellectual property items actually brings the problems besetting it into sharp focus.

EDUCATION AND TRAINING

12. The starting point of popularizing intellectual property law commences with education and training. It is essential that instruction in intellectual property law should have a far broader base and the subject should become a standard component of general legal education. An intellectual property course at a reasonably advanced level should become a compulsory component of any law degree or diploma in the same way as areas such as the Law of Things, the Law of Property and Contract Law are such components. If all law students are introduced to intellectual property law as part of their basic training, this will go a long way towards making knowledge of intellectual property law more widespread. By introducing students to it at an early stage, a major stride will be taken in demystifying and popularizing intellectual property law. In order to achieve the objective of incorporating intellectual property law into basic legal training, it may be necessary for legislation to be passed to this end, or universities and other training colleges must be incentivized or persuaded to make intellectual property law an essential component of legal courses.

13. One of the ways of incentivizing universities and other training institutions to give due recognition to intellectual property law would be to induce bar councils which regulate the practice of law to require a reasonable degree of proficiency in intellectual property law as a basic qualification for a licence to practice. If this could be achieved, it would follow that the universities and other educational institutions would be under a measure of compulsion to include intellectual property law as a basic component of legal curricular.

14. As far as the existing legal fraternity is concerned, it would be desirable for all legal practitioners as well as members of the judiciary, criminal law enforcement agencies and the like to undergo training or instruction in intellectual property law. In the modern world there is a strong emphasis on continuing legal education in order to ensure that the legal fraternity stays up to date with developments in the law. Intellectual property should become a standing item in continuing legal education.

15. In South Africa there has been a significant step in the suggested direction in that seminars and workshops dealing with intellectual property law have been held for law enforcement officers and even for magistrates, who are the first tier of the judiciary. This process should be continued and expanded so as to include higher level members of the judiciary, such as high court judges.

16. It would assist with the education and training of lawyers in regard to intellectual property law if the laws themselves could be simplified and be made less technical. One of the impediments to a more broadly based understanding and knowledge of intellectual property law in the past has been the perhaps excessively technical nature of the law which has made it conducive to a high degree of specialization. Popularization of intellectual property law necessarily entails the law becoming more user-friendly and thus more easily understood and more widely practiced.

DISPUTE RESOLUTION

17. Popularizing intellectual property law and increasing the knowledge base and the pool of intellectual property lawyers to draw from will contribute to lessening the present high cost of IP litigation. So too will simplifying the law and making it less technical. As previously mentioned, the specialized nature of intellectual property law practice and practitioners are a contributor to the high cost of IP litigation.

18. A major contributor to the costs of intellectual property litigation has been the accumulation and preparation of the evidence which is necessary to establish the subsistence of intellectual property rights and to prove that infringements have taken place. In South Africa, the form of court procedure most commonly used in intellectual property disputes, i.e. application proceedings, requires comprehensive admissible evidence to be adduced at the outset upon the launching of court proceedings. This inevitably makes commencing court proceedings very expensive and prohibitive and daunting to less wealthy potential litigants. This problem could be alleviated by the adoption of procedures and measures to lessen the evidential burden on an intellectual property owner seeking to commence infringement proceedings. For instance, use could be made of presumptions, which make the adducing of evidence by the rights owner unnecessary or less onerous, unless the substantive issues are properly placed in issue by a defendant by means of the defendant adducing evidence placing presumptions or statements by a plaintiff in issue. Such issues could then if necessary be dealt with by the plaintiff in reply. A good example of this would be a presumption of the subsistence and ownership of copyright in copyright infringement proceedings stemming

simply from the copyright owner's statement of the relevant facts. The same would apply to issues such as the absence of the copyright owner's consent to the performance of infringing acts by the defendant. It often happens in intellectual property infringement cases that considerable cost and effort is involved in establishing, by means of admissible evidence, facts which are trite or common sense when a better approach would be to place the onus on the defendant to disprove or dispute those facts.

19. In South Africa, the high court procedures that regulate intellectual property litigation tend to be rather formalistic and follow the accusatory rather than the inquisitorial process. This is conducive to litigation being rather drawn out and technical. A simplified form of procedure could be beneficial in reducing costs. In other areas of the law in South Africa, for instance in competition law and consumer law, provision is made for commissions which adjudicate disputes and issues on a far more informal basis than high court legislation. These commissions operate on a semi-administrative basis. A similar approach could be adopted towards intellectual property law. Such a commission could operate on a more inquisitorial basis where the tribunal has powers of investigation and interrogation. This approach may be particularly suited for adjudication of disputes at first instance.

20. A further possibility would be to introduce a procedure along the lines of the WIPO domain name dispute procedure into intellectual property disputes in general. In terms of this system, parties would adduce their cases in writing, in a fairly simplified form, and with short time periods for filing documents, whereupon an adjudicator would judge the matter on the basis of the papers before him and render a speedy decision. This form of procedure could be particularly suited to trade mark and copyright disputes where the essence of a decision involves the making of a value judgment by an adjudicator on issues such as confusing similarity between marks, or dealings in a substantial part of a copyright work.

21. Formal means of alternate dispute resolution could be applied to intellectual property disputes. Of these processes, arbitration is less attractive since arbitration has a close resemblance to formal litigation, indeed, can often be more expensive than ordinary court litigation by virtue of the fact that the arbitrator must be paid a fee. Mediation, however, on the other hand, is a different proposition and in principle could lead to the finalization of many disputes relating to intellectual property in a relatively short time and thus with a relatively low expense. There is a move afoot in South Africa, as elsewhere, to make following a process of mediation a compulsory step in pursuing litigation. Such measures should be introduced specifically into the adjudication of intellectual property disputes. In principle, many intellectual property disputes are susceptible to being finalized by means of mediation, but in practice this form of dispute resolution has not achieved sufficient implementation in the past. Mediation is essentially a process followed voluntarily and by consensus between the parties. In making mediation compulsory in intellectual property disputes, and thus forcing parties into mediation, possibly against their will, there must be sufficient incentive given to the parties to reach a resolution by means of mediation. This could be brought about by measures such as the imposition of punitive cost orders or other penalties in the litigation in the event that it goes forward through not having been resolved by mediation in circumstances where following a mediation process ought reasonably to have brought about a resolution of the dispute.

22. Intellectual property disputes cry out for resolution by less expensive procedures, such as mediation, and this is something which warrants immediate and careful consideration.

FUNDING OF LITIGATION

23. Whatever means or procedures are followed in order to resolve intellectual property disputes, costs will be incurred in a greater or lesser measure, depending upon what form of dispute resolution is followed, and if adjudication is necessary, the nature of the forum and the duration and complexity of the procedure. Funding intellectual property litigation and dispute resolution is thus an omnipresent factor and must be addressed if intellectual property law is to be properly popularized and its remedies made accessible to all.

24. In South Africa, the basic principle of litigation is that the unsuccessful party in the final outcome (including any appeals), is generally ordered to pay the litigation costs of the successful party. Cost awards generally take two forms, namely so called “party and party” costs “attorney and client” costs. The first mentioned form of costs consists of compensation or reimbursement for all expenses which were necessarily incurred for the litigation, calculated to a prescribed official tariff. The latter form of costs entails payment of all the litigant’s reasonable costs attributable to the litigation awarded according to the discretion of the “taxing master”, a court official seized with the duty of sanctioning litigation costs, as to what he considers to be appropriate. As a general rule of thumb, party and party costs normally amount to roughly 60% of a litigant’s total costs, whereas attorney and client costs usually covers around 75% to 80% of a litigant’s total costs.

25. This system of payment of costs means that an unsuccessful party is required to pay his own costs in full, as well as more than 50% of the successful party’s costs, depending upon the scale on which the costs are awarded. If one factors one or more appeals into the equation, this means that an unsuccessful litigant can be faced with costs of enormous proportions, running into hundreds of thousands, if not millions, of US dollars. Costs of this nature can make the institution of intellectual property litigation too high a financial risk for all but the wealthiest prospective litigants. Of course, if the rights owner is the successful litigant, his position is relatively favourable as he might only ultimately have to bear a small portion of his own costs, but this makes the institution of litigation something of a lottery. For intellectual property law enforcement procedures to be available and accessible to the full spectrum of society, and leaving aside measures and efforts to reduce the cost of litigation, as previously discussed, there must be some form of financial assistance available for covering the costs of litigation

26. Alleviating the financial burden of litigation costs can take two forms, namely sponsoring or subsidizing such costs, or making provision for litigation to be conducted at no cost, on a pro-bono basis, or possibly on a contingency basis.

27. South Africa has a statutorily regulated legal aid system. In terms of this system, the legal costs of a litigant who qualifies for legal aid are paid by a state funded agency in certain circumstances. The main focus of the legal aid system is on criminal proceedings, and more particularly the defence of criminal proceedings, but the system also makes provision for legal costs to be paid in civil litigation in certain circumstances. For a civil litigant to qualify for legal aid, the first place, he must be indigent and have a very low level of income. Secondly, the Legal Aid Board, the agency that administers the system, must be satisfied that there is a reasonable prospect that the civil litigation will be successful and, taking into consideration its other commitments, that the Board has sufficient funds available to fund the case. This system is far from satisfactory from the point of view of the average prospective intellectual property litigant who is not wealthy. It is probably only in very rare instances that the owner of intellectual property who wishes to enforce his rights against another party will qualify for

legal aid under this system. In other words, although South Africa supports the notion of providing legal aid to impecunious litigants, from a practical point of view there are no state funds currently available to finance intellectual property litigation.

28. It is submitted that there ought to be a state administered fund which makes finance available in deserving cases for the institution of intellectual property litigation. The crucial question is, however, whence these funds will be derived. Given the frugal nature of existing legal aid facilities for funding of civil litigation, it can be accepted that the state will be unwilling to fund intellectual property litigation to the extent to which it is desirable, or at all, out of general revenue. If there is to be such a fund, its resources will have to be derived from sources which are specifically germane to intellectual property.

29. In an intellectual property regime, official fees or taxes are paid in connection with various aspects of obtaining or maintaining intellectual property rights. These are notably the registration of patents, trade marks and designs, performing various administrative functions in relation to such items or properties, such as amendments to registrations and the like, and renewals of registrations. These official fees or taxes are levied by the state as a form of consideration for intellectual property owners obtaining the benefits of registration of their property. The fees or taxes also make a contribution to the establishment and running of the various registries. These fees and taxes generate a significant amount of revenue and it is submitted that a portion of this revenue could be utilized for creating a fund to finance, or assist with the financing of, intellectual property litigation. Alternatively, the fees or taxes could be increased by means of a levy, the proceeds of which could be paid into a fund for financing intellectual property litigation. In this way funds would be generated which the state could use to finance intellectual property litigation, which funds accrue directly from the process of awarding or creating intellectual property rights. Using funds which accrue directly as a result of the creation of intellectual property rights in order to assist with and facilitate the enforcement of intellectual property rights can be considered to be unexceptionable. Indeed, the facility of the availability of such a fund would add substance of value to the property that is created by, or embodied in, the registration of an item of intellectual property. Such a fund would have to be regulated and operated along the lines of the current legal aid system and it would operate under the auspices of the state. Utilization of the funds should not be limited to the enforcement of those forms of intellectual property rights which derive from registration, but should also encompass the enforcement of copyright and any other forms of unregistered intellectual property rights.

30. As previously mentioned, an alternative to providing funds for intellectual property litigation is making provision for such litigation to be conducted without any cost to the rights holder. There are two ways in this can be achieved, namely by means of legal practitioners acting on a contingency basis, and their acting *pro bono*.

31. Unlike in many countries, conducting litigation on a contingency basis, in terms of which the lawyer handling the case derives income from taking a percentage of the damages or other monetary awards resulting from the litigation, is not widely implemented. Attorneys are free to act on a contingency basis if they should so choose and various rules are laid down by the bar association which must be rigorously applied. The essential characteristic of such a contingency arrangement is that the proportion of the proceeds to which the attorney will be entitled must be strictly stipulated in advance and the whole arrangement must be embodied in a formal agreement signed by the attorney and the client prior to the commencement of the proceedings. As far as advocates are concerned, acting on a contingency basis entails the advocate in question being entitled to charge double his normal fees in the event of a

successful outcome of the litigation, i.e. the litigation realizes a sufficient monetary payment to cover the advocates enhanced fees. Experience has shown that contingency arrangements are seldom, if ever, utilized in intellectual property litigation, one of the reasons being that, in general, there have not been many cases where there have been large awards of damages. In many forms of intellectual property litigation the main objective is to obtain an interdict or injunction restraining the unlawful conduct. Obviously success on this basis does not realize any monetary proceeds which could be shared by the legal practitioners on a contingency basis.

32. The way to enhance the attractiveness of acting on a contingency basis to legal practitioners is to increase the likelihood of a successful case producing significant monetary payments to the Plaintiff. Apart from copyright law, where provision is made for the payment of so-called “additional damages” in certain circumstances, damage awards in South Africa are limited to reimbursing patrimonial loss, and this form of damages, and in particular the quantum thereof, is very difficult to prove. However, amending the intellectual property laws so as to introduce payment of significant sums of so called “statutory damages”, as in the United States of America, would increase the likelihood of intellectual property litigation bringing about significant financial yields, and thus the attractiveness for legal practitioners to act on a contingency basis. There is thus in the present context good reason to introduce the payment of statutory damages as a remedy into the intellectual property law statutes.

33. The system creating a duty on practicing attorneys to do a certain amount of *pro bono* work is a fairly recent innovation in South Africa, but it is gaining momentum. It comes about through attorneys bar associations requiring their members to perform a measure of *pro bono* work through their association rules, and regarding it to be a form of unprofessional conduct, warranting censure, if members do not adhere to their obligations in this regard. In broad terms, these services are required to be performed on a gratuitous basis with an altruistic or philanthropic intent having regard to the interests and well-being of the general public and the objects of the Bill of Rights enshrined in the South African Constitution. These services are to be provided to non-governmental, non-profit or community based organizations working in the public interest or individuals or groups who cannot afford to pay and would otherwise be denied access to justice. It is primarily designed to address the needs of persons of limited means.

34. Every practicing member of the attorneys bar association is required to perform twenty four hours of *pro bono* work *per annum*, or where a firm consists of numerous persons, a total of hours equal to the number of persons multiplied by twenty four hours, even if the actual services are provided by only one or a few of the members of the firm. The *pro bono* services do not, however, cover the attorneys’ disbursements or expenses, which can be recovered from the client.

35. Implementing a system of *pro bono* services makes a contribution to assisting impecunious intellectual property owners to enforce their rights, but the ambit of these services cannot really put into place a cogent general facility for providing assistance of a financial nature to intellectual property owners to enforce their rights through litigation. At best it can assist in special cases. For reasons which will be addressed below, in reality the *pro bono* system is currently best suited for providing legal services of a non-litigious nature, or perhaps as a filtering process for eliminating potential litigation without merit.

36. The most cogent and realistic way of providing financial assistance for intellectual property litigation is by means of a legal aid fund, as outlined above. Moreover, both in the

case of a contingency arrangement which does not realize sufficient monetary proceeds, and where legal services are provided on a *pro bono* basis, there is a serious potential problem concerning the payment of the other party's costs, in the event that the assisted litigant is unsuccessful in the litigation. It is all well and good for an attorney to bring litigation on a *pro bono* basis, thereby bringing about that his client incurs no costs, but if the litigation is unsuccessful, the client could be landed with a substantial bill of costs payable to the other party. Becoming liable to pay the other party's costs could cripple an impecunious litigant, even though he has no costs of his own. Accordingly, for a *pro bono* system, or even a contingency system, to work properly, there should be a facility whereby an unsuccessful litigant relying on these facilities can obtain assistance in meeting a cost order in favour of the opposing party. Accordingly, any legal aid system which is set up should make provision for two situations, i.e. firstly, the payment of a prospective litigant's full costs (including settling a costs order obtained by the other party) and a facility making provision for the eventuality of having to pay the other party's costs where the litigant's own costs are not funded by the legal aid facility.

37. The high cost of intellectual property litigation is a serious problem which goes to the root of, and undermines the efficacy and worth of the intellectual property system. This problem has to be solved if intellectual property law is to be popularized.

COUNTERFEITING AND PIRACY

38. The considerations discussed above apply to all aspects of intellectual property litigation in general but anti-counterfeiting and piracy have special considerations which apply to them and not necessarily to other areas of intellectual property litigation. This problem thus warrants special attention.

39. As a general proposition, piracy and counterfeiting occur where there is a high demand for an article and where there is a propensity to satisfy that demand with spurious goods and to make a profit in dealing in such goods. This occurs in particular where the price at which the genuine goods are sold to the public is significantly higher than the price at which counterfeiters and pirates can sell their spurious products. Another cause of piracy and counterfeiting is the situation where the genuine goods are not obtainable in a particular market for whatever reason and there is thus a demand which goes unsatisfied by the producer of the genuine goods.

40. Counterfeiting and piracy can be combated in two ways, i.e. by taking preventative and enforcement measures aimed at curtailing the infringement of intellectual property rights, and by diminishing the demand for counterfeit and pirate goods by way of taking pre-emptive measures.

41. Piracy and counterfeiting usually involve fairly large quantities of spurious goods and the prevalence of such goods in the marketplace can make it very expensive for intellectual property rights holders to eradicate the goods out of the market place. Piracy and counterfeiting, and trading in counterfeit and pirate goods, usually constitutes a criminal offence (this is the case in South Africa) and intellectual property owners can therefore have recourse to the state law enforcement mechanisms in order to protect their rights. Criminal action can be relatively inexpensive compared to civil action, but until rights owners have achieved a greater measure of expertise amongst law enforcement officials through training and other means, they are going to have to provide practical assistance in enforcement procedures and this will incur costs for them. Relying on criminal action in the belief that the

cost of enforcing rights can be reduced is often illusory. As a general proposition, criminal enforcement procedures are usually not as efficient as pursuing civil cases, due mainly to the lack of expertise and experience on the part of criminal law enforcement officials in matters pertaining to intellectual property.

42. To supplement the measures discussed above for simplifying and shortening enforcement proceedings, there is merit in the piracy and counterfeiting context in introducing abbreviated procedures for customs authorities to seize and detain spurious goods on importation. For instance, upon an importer being notified of a seizure of goods on suspicion of their being counterfeit or pirate, he might be given a short period of stipulated days to produce satisfactory proof that the goods in question are not pirate or counterfeited, and if he should fail to discharge this onus within the given period, the goods are automatically deemed to be spurious and are forfeited.

43. The cost of civil enforcement proceedings can be influenced in all the manners, and by all the factors, discussed above. Generally speaking, intellectual property rights owners who act against counterfeiting and piracy have adequate financial resources at their disposal and the question of action being taken on the basis of legal aid or *pro bono* proceedings does not usually arise.

44. Taking pre-emptive measures by diminishing the demand for counterfeit and pirate goods brings into question trading policies and business models on the part of intellectual property owners. Where the prices charged in the market place for genuine goods are out of all proportion to the production costs of the goods, and undue profits are made, there is a strong incentive for piracy and counterfeiting. Accordingly, bringing prices for goods into a better balance with production costs is likely to affect the piracy and counterfeiting market because counterfeiters and pirates will have related production costs and the price differential between the genuine goods and the pirate/counterfeit goods will be less.

45. Where genuine goods are made under an intellectual property licence, particularly to a foreign licensor, royalty fees can also play a role in creating a significant price differential between genuine goods and pirate/counterfeit goods. There is thus merit in keeping licence fees or royalties at a minimum, or realistic level.

46. In South Africa, in the case of royalties payable to foreign licensors, it is necessary to obtain exchange control approval in respect of the licence agreements which govern the payment of the royalties. It is the practice of the South African exchange control authorities to place limits on the levels of royalty payments which can leave the country. This can have the effect of obliging foreign intellectual property owners to keep their royalty rates at reasonable levels. In this way, the state, or the exchange control authorities, can exert an influence on the market price of genuine goods and can thus contribute to lessening the differential between the prices of genuine goods and counterfeit/pirate goods. A government which wishes to curtail piracy and counterfeiting within its territory can indeed by means of controlling royalty payments make a contribution to ensuring legitimate trade.

47. It is generally within the power of an intellectual property owner to make his goods available in whatever territory he chooses. If an intellectual property owner wishes to create a climate in a country which is not conducive to piracy/counterfeiting, he must ensure that there is a sufficient supply of genuine goods in the market in that country to meet the demands for that product. To this extent, it lies within the ability of intellectual property rights owners

themselves to create a climate in a country which is less conducive to piracy and counterfeiting. An industry like the movie industry is in this respect often its own worst enemy because it creates windows for the distribution of the various formats in which movies can be supplied to the market. A policy which allows legitimate DVD versions of a movie to be supplied to the market in a country only after the elapse of a particular period subsequent to the release of the movie in cinemas perhaps unwittingly fuels the demand for counterfeit or pirate DVD versions of the film in question in the market place.

48. During the apartheid era in South Africa several intellectual property owners, and more especially cinematograph film copyright owners, boycotted the country and did not allow their products to be traded in the country. This created a perfect opportunity for pirates and counterfeiters to establish a market in the country for their products and they seized this opportunity with great relish. To make matters worse, because the rights holders were not themselves trading in the country, they showed little enthusiasm and interest in taking any action to enforce their rights. In this way a significant and lucrative pirate and counterfeit market in their products developed in South Africa which gave impetus to piracy and counterfeiting in general. It has been a long and difficult road back for South Africa to undo the harm that was done in this way (albeit with the best intentions) to the trade in genuine intellectual property products in the country. Furthermore, a culture of it being acceptable practice for the public to purchase pirate or counterfeit goods gained currency.

49. There exists in South Africa and in most countries a mindset that there is nothing morally wrong in purchasing pirate or counterfeit goods, or for that matter producing and trading in such goods. Intellectual property owners are perceived to be so called "fat cats" who are extremely wealthy and there is therefore nothing reprehensible about pirating or counterfeiting their goods. It even goes as far as the existence of a form of reverse snobbery on the part of the general public that they should own or use counterfeit or pirate products. A distinction is made between, on the one hand, damage or destruction, or theft, of tangible goods such as motor cars, household goods and the like, and on the other hand, harm to, or "theft" of items of intellectual property. The former is sacrosanct, while the latter is fair game. It is perennially going to be difficult to pre-empt piracy and counterfeiting of goods for as long as this mindset exists on the part of the general public. Conversely, great strides could be made in eradicating counterfeiting and piracy of goods if the general public could be induced into the mindset that, not only are piracy and counterfeiting of goods unlawful, but they are reprehensible and despicable from a moral perspective. One of the best ways of pre-empting these afflictions is to dry up the market for their products. This could be achieved if the general public viewed pirate and counterfeit goods with disapproval and disdain. In order to achieve this it is necessary for an effective and comprehensive public propaganda or education program to be conducted. Such a campaign has been conducted on a fairly limited basis by the movie industry in South Africa with encouraging results, but efforts in this direction need to be extended and intensified.

50. To sum up, a business model or marketing practice which seeks to make high profits from a small turnover of genuine goods is more likely to foster the development of the counterfeiting and piracy trade in its products than one which seeks to make a small profit out of a high turnover. The latter business model is thus better suited to creating an environment which is not piracy or counterfeiting friendly. Furthermore, it must be made easier and less expensive for intellectual property owners to take action to enforce their rights, and the attractiveness of the market for pirate and counterfeit goods must be diminished.

51. Counterfeiting and piracy pose the greatest threat to intellectual property at the current time. Intellectual property owners and governments which seek to uphold the value of

intellectual property rights must therefore be astute to do everything possible to promote the efficient and cost-effective enforcement of intellectual property rights. The survival of intellectual property may depend on it.

[End of document]