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ORGANIZATION OF EASTERN
CARIBBEAN STATES



WORLD INTELLECTUAL
PROPERTY ORGANIZATION

WIPO–OECS COLLOQUIUM FOR THE JUDICIARY ON THE PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

organized by
the World Intellectual Property Organization (WIPO)
in cooperation with
the Organization of Eastern Caribbean States (OECS)
through
the Judicial Education Institute
of the Eastern Caribbean Supreme Court

Roseau, July 28 and 29, 2006

COUNTERFEITING AND PIRACY: (B) FROM A JUDICIAL PERSPECTIVE

*Document prepared by the Honorable Judge Louis T. C. Harms,
Supreme Court of Appeal, Johannesburg, South Africa*

Slide 1



Intellectual Property

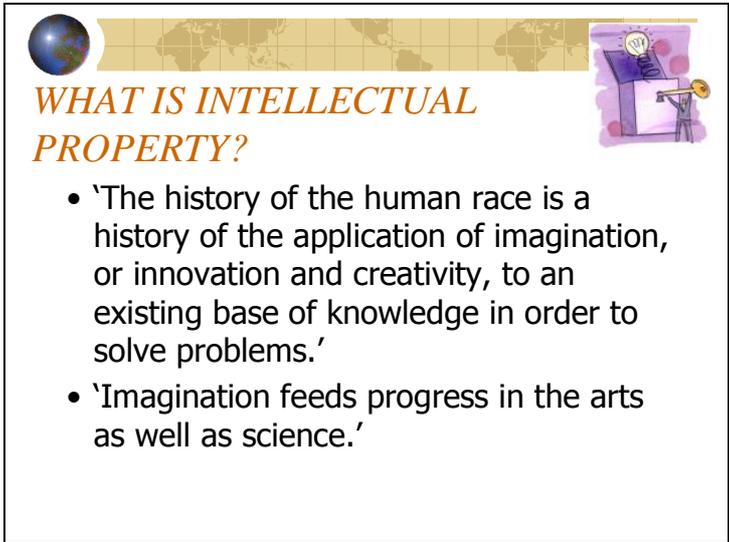
*INTELLECTUAL PROPERTY
COUNTERFEITING
&
PIRACY*

Hon. LTC Harms SC
Supreme Court of Appeal SA



This slide features a title in orange italics: 'INTELLECTUAL PROPERTY COUNTERFEITING & PIRACY'. It includes a small globe icon, a globe icon with the text 'Intellectual Property', and an illustration of a woman in a blue dress holding scales of justice. The background has a faint world map.

Slide 2



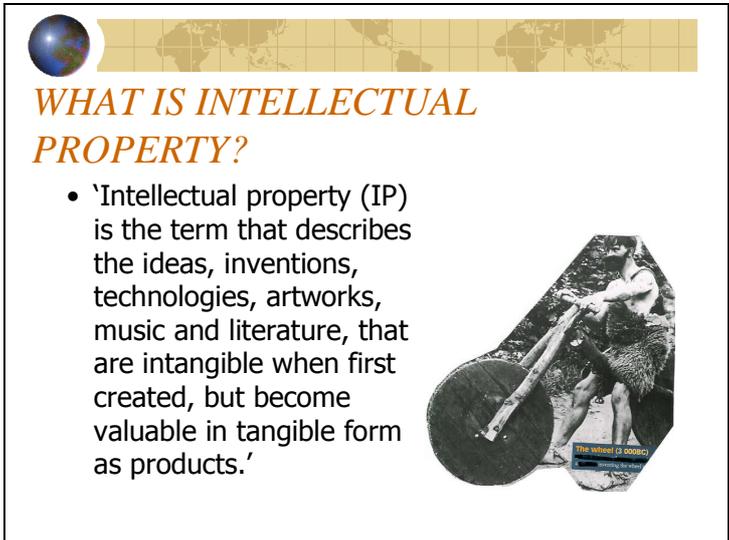
*WHAT IS INTELLECTUAL
PROPERTY?*

- 'The history of the human race is a history of the application of imagination, or innovation and creativity, to an existing base of knowledge in order to solve problems.'
- 'Imagination feeds progress in the arts as well as science.'



This slide has a title in orange italics: 'WHAT IS INTELLECTUAL PROPERTY?'. It contains two bullet points in black text. There is a small globe icon, a world map background, and an illustration of a purple box with a lightbulb and a magnifying glass.

Slide 3



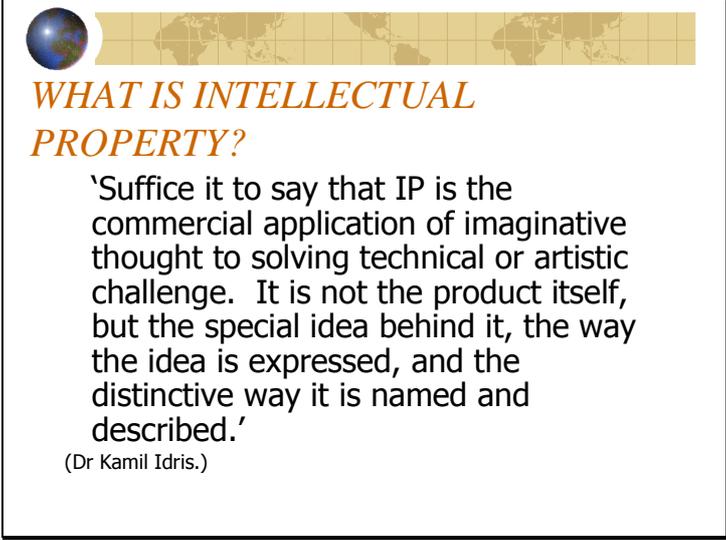
*WHAT IS INTELLECTUAL
PROPERTY?*

- 'Intellectual property (IP) is the term that describes the ideas, inventions, technologies, artworks, music and literature, that are intangible when first created, but become valuable in tangible form as products.'



This slide has a title in orange italics: 'WHAT IS INTELLECTUAL PROPERTY?'. It contains one bullet point in black text. There is a small globe icon, a world map background, and an illustration of a person playing a didgeridoo.

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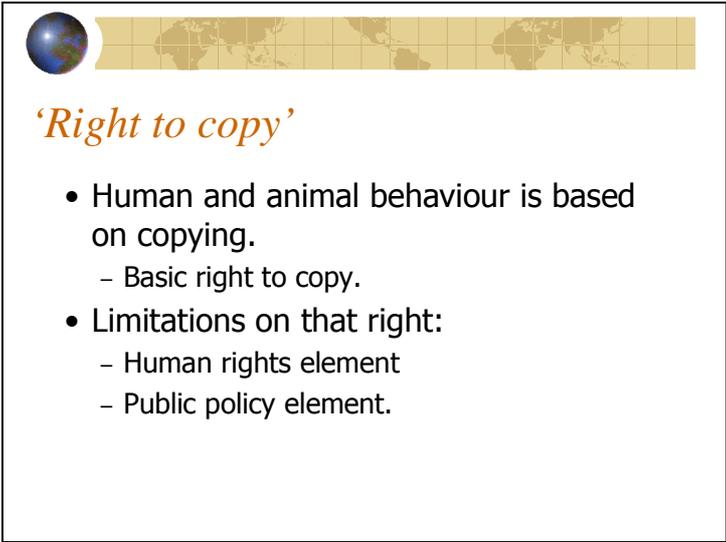
The slide features a decorative header with a globe icon on the left and a world map background on the right. The main text is centered and includes a quote from Dr. Kamil Idris.

*WHAT IS INTELLECTUAL
PROPERTY?*

'Suffice it to say that IP is the commercial application of imaginative thought to solving technical or artistic challenge. It is not the product itself, but the special idea behind it, the way the idea is expressed, and the distinctive way it is named and described.'

(Dr Kamil Idris.)

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The slide features a decorative header with a globe icon on the left and a world map background on the right. The main text is centered and includes a section header and a bulleted list.

'Right to copy'

- Human and animal behaviour is based on copying.
 - Basic right to copy.
- Limitations on that right:
 - Human rights element
 - Public policy element.

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Purpose of protection

- 'The general purpose of protection is to encourage those who may wish to create, finance or exploit such products to translate intent into act, particularly where they might otherwise not act at all, or act less often or less well, without the carrot of protection.'
- Prof David Vaver.

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Judicial approach to IP

- Statute based.
- International obligations (and sanctions).
- Monopoly-phobia.
- IP rights are not monopolies: do not take away anything.
- To be valid, they must give something that the public does not have. Rights must be justified.
- Limited life.
- Remedies to prevent abuse.
- Counterfeiting/piracy = fraud = crime

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Judicial recognition

- "Protecting IPRs is necessary not only for China's honouring of its international promises, creating favourable trade and investment environment, and further opening up to the outside world, but also for promoting technical innovation, regulating the order of the market economy, improving the overall quality of the national economy, and enhancing the competitiveness."
- Justice Cao Jianming, Vice President of the Supreme People's Court of the People's Republic of China.

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House of Lords:

- “The phenomenon of counterfeiting and piracy of IPR is a serious international problem, with confirmed links to other forms of organized crime.
- Counterfeiting and piracy have been shown to cause multi- billion dollar losses annually to right holders and industry, and have had, in some instances, devastating consequences on public health and safety.

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House of Lords:

- Member States also suffer considerable losses in the form of lost tax revenues, lost employment opportunities, and lost investments.”

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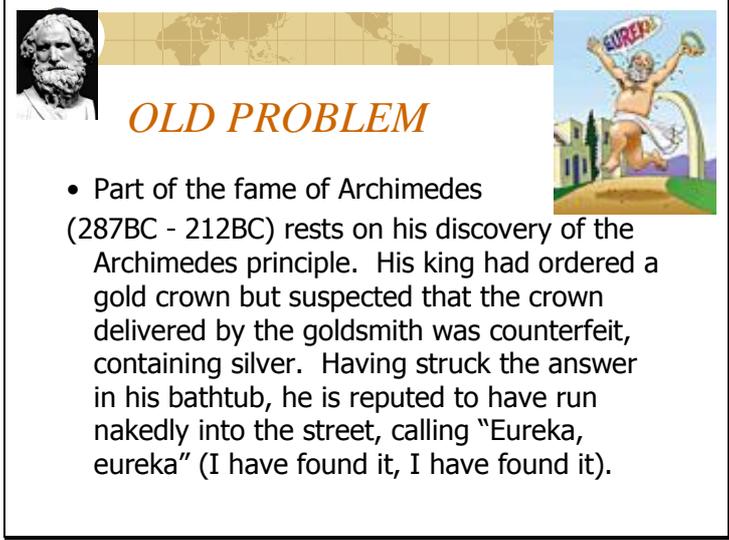


Balancing act

“A failure to strike the appropriate balance between IPRs and open access to knowledge can harm innovation, competition and economic growth in both developed and developing countries.

Put simply, patents of poor quality and overly restrictive access to copyrighted materials containing important knowledge are bad for the global economy.”

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The slide features a header with a world map background. On the left is a small portrait of Archimedes. On the right is a cartoon illustration of a man running with a banner that says 'EUREKA'.

OLD PROBLEM

- Part of the fame of Archimedes (287BC - 212BC) rests on his discovery of the Archimedes principle. His king had ordered a gold crown but suspected that the crown delivered by the goldsmith was counterfeit, containing silver. Having struck the answer in his bathtub, he is reputed to have run nakedly into the street, calling "Eureka, eureka" (I have found it, I have found it).

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The slide features a header with a world map background. On the left is a small globe icon. On the right is a photograph of a Louis Vuitton handbag.

Present problem illustrated

- Lianjia, a joint-venture with Carrefour, that operates the Shanghai Carrefour hypermarkets, violated the trademarks of Louis Vuitton.
- Carrefour sold fake LV handbags.
- Lianjia was ordered to pay RMB 300,000 to Louis Vuitton (LV) in compensation. (April 2006)

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NEC's problem



- The company was duplicated.
- Parallel brand created.
- 50 factories in 3 countries.
- 50 products, some not even made by NEC.
- Attempt to completely assume the NEC brand and hijack it.

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Pirates there will be

- *'It is, it is a glorious thing, to be a Pirate King, said WS Gilbert; but he was speaking of ship pirates. Today we speak of film pirates.*
- It is not a glorious thing to be, but it is a good thing to be in for making money.'
- Lord Denning

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Counterfeiting and Piracy

- Criminal and civil sanctions
- Applies to
 - Trademarks (counterfeiting)
 - Copyright (piracy)



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'Traditional infringement' compared

<p>'Ordinary' infringers try</p> <ul style="list-style-type: none">• to be close enough to the original to confuse the consumer but• with enough differences in order to confuse the court.	<p>Pirates try</p> <ul style="list-style-type: none">• to confuse only and• make identical copies• On a commercial scale.
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Examples

<ul style="list-style-type: none">• Sunlight• Sunniwhite	<ul style="list-style-type: none">• OMO• ONO
	OR
	<ul style="list-style-type: none">• OMO• OMO

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OMO



The slide shows two packages of OMO washing powder. On the left is a 2kg package of ONO washing powder, which is described as 'STAIN PENETRATING POWER FOAM' and 'WASHING POWDER'. On the right is a 1kg package of OMO progress washing powder, also described as 'WASHING POWDER'.

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Calculating the Cost: OMO

OMO is a detergent, sold and distributed by Unilever. In 2004, a counterfeit version came on the market for a few months in Mozambique. The counterfeit product, AMO, imitated the OMO graphics, carried Unilever's Mozambique address on its label, and sold in identical one kilogram packs.

During the short period that the counterfeit was on the market, OMO sales declined to 40 percent of its normal monthly rate – a loss not only for Unilever, but more importantly for Mozambique, one of the least developed countries. The 60 percent drop in sales meant an estimated total revenue loss to the state of US\$ 588,000 in value added tax, import duty and corporate tax that were not paid by the counterfeiters.

Source: Unilever

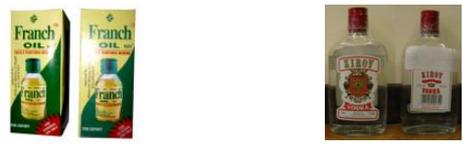


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Counterfeiting

- Any goods, including packaging,
- bearing a trademark
- without authorization.



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Counterfeiting

- which is identical to, or
- which cannot be distinguished in its essential aspects from a trademark
- validly registered in respect of such goods,
- and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation.

= FRAUDULENT IMITATION

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Copyright piracy

- Any goods which
- are copies
- made without the consent of the right holder
- in the country of production and

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Copyright piracy

- which are made directly or indirectly from an article
- where the making of that copy would have constituted an infringement of a copyright
- or a related right
- under the law of the country of importation.

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Who commits piracy or counterfeiting?

- The person who counterfeits or copies.
- The dealer.
- Note: the ultimate purchaser, innocent or not, does not commit a crime.

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Parallel imports

- Excluded from the definition of counterfeit mark are so-called “parallel imports” or “grey market” goods, which are trademarked goods legitimately manufactured and sold in another country, and then imported into the local jurisdiction without the trademark owner’s consent.

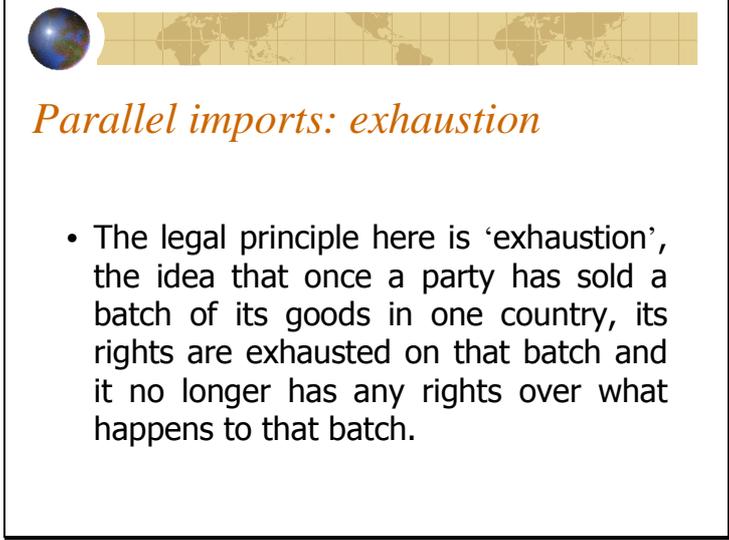
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Parallel imports

- The trademark on grey market goods is not counterfeit because it was placed there by or with the consent of the trademark owner,
- unless the goods were subsequently modified or re-marked.

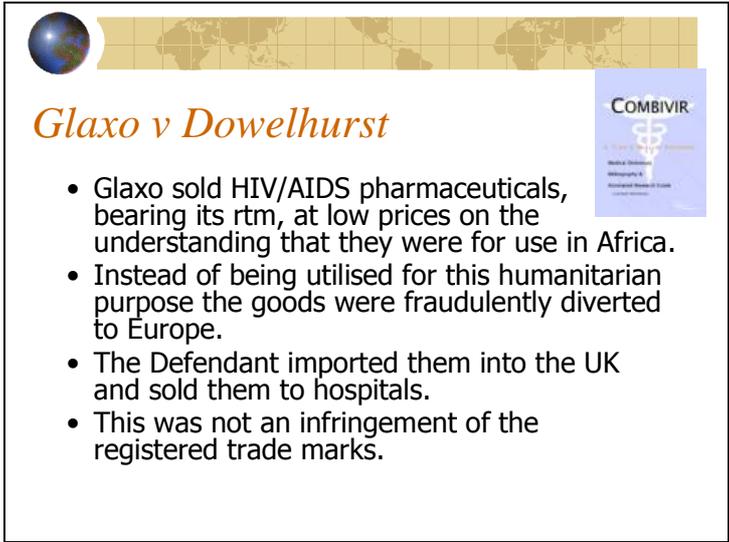
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The slide features a decorative header with a globe icon on the left and a world map background. The title is in orange italics. A single bullet point explains the legal principle of exhaustion.

Parallel imports: exhaustion

- The legal principle here is ‘exhaustion’, the idea that once a party has sold a batch of its goods in one country, its rights are exhausted on that batch and it no longer has any rights over what happens to that batch.

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The slide features a decorative header with a globe icon on the left and a world map background. The title is in orange italics. A list of four bullet points describes the Glaxo v Dowelhurst case. An image of a Combivir box is shown on the right side of the slide.

Glaxo v Dowelhurst

- Glaxo sold HIV/AIDS pharmaceuticals, bearing its rtm, at low prices on the understanding that they were for use in Africa.
- Instead of being utilised for this humanitarian purpose the goods were fraudulently diverted to Europe.
- The Defendant imported them into the UK and sold them to hospitals.
- This was not an infringement of the registered trade marks.



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 *Is this funny?*
BIC in Mocambique.

IP litigation 'presents a significant direct link between judicial system performance and economic development.'



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 *Is this fair?*

- Lance Armstrong's charity foundation
- 'Livestrong'



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 *eBay*



- eBay is the largest internet auction site.
- 75% of watches sold on e Bay are fakes.

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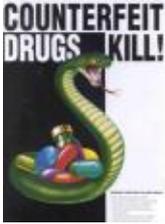


Is this acceptable?

FAKE MEDICINES

- EC: 10%
- Russia: 20%
- Mexico: 40%
- Nigeria: 80%

Am I prepared to put my life at risk by using fake medicines?



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Counterfeit Tamiflu found

- The drug is being stockpiled to treat bird flu should the sickness become a pandemic.
- Drug makers are employing undercover agents, tracing technologies and employing lobbyists to fight growing sales of counterfeit drugs that now generate about \$32 billion a year in revenue and may endanger lives.
- (WHO)

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The starting material of the Tamiflu production process, shikimic acid, is extracted from the pods of the star anise, grown in mountain provinces in the south west of China.

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 *IP creates wealth*

- IBM earns \$1billion p/a through licensing it IP rights.
- Microsoft files 3 000 patents per year.
- More than 50% of foreign currency earning of the US is through IP.



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 *Why does this not apply to us?*

- Why should the developing world export cheap labour only?
- Why do we not create and export knowledge?

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Relationship between wealth of a country and registered patents

- In 1960 the per capita income in Ghana was the same as that in Korea. In 1990 the ratio was 1:6.
- In 1997, 33 patents applications were granted in Ghana, 25 000 in Korea.
- In 1995, 98,7% of US patents were from Western Europe, Japan and the newly industrialised countries and from North America.
- From the rest of the world it was 1,3%.
- Estimated that China will in 10 years' time overtake the USA.

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Cost of piracy & counterfeiting

Cost to companies \$200billion pa.

- 90% of software in Africa is illegal.
- Sony has 350 persons permanently involved in tracking counterfeiting goods.
- Louis Vuitton, in 2004, shut down 245 websites, conducted 537 seizures and raids, launched 536 civil proceedings

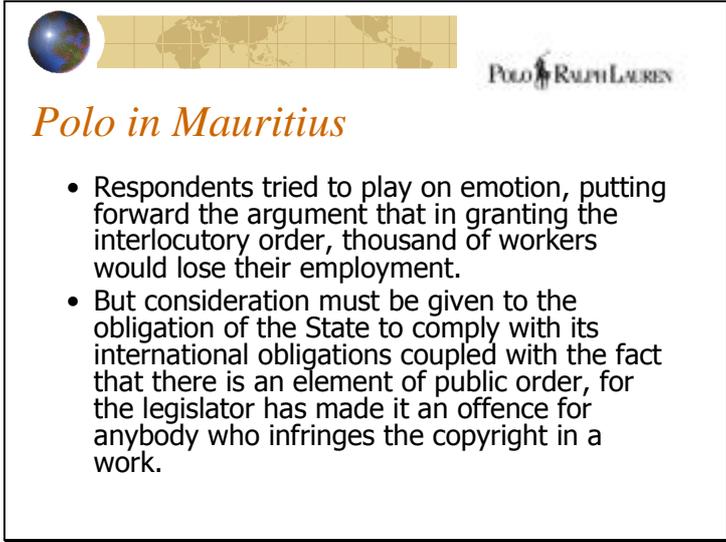
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Side-effects

- Crime syndicates.
- Loss of tax/customs/excise.
- Makes true products more expensive.
- Loss of consumer confidence.
- On-sale fraud.

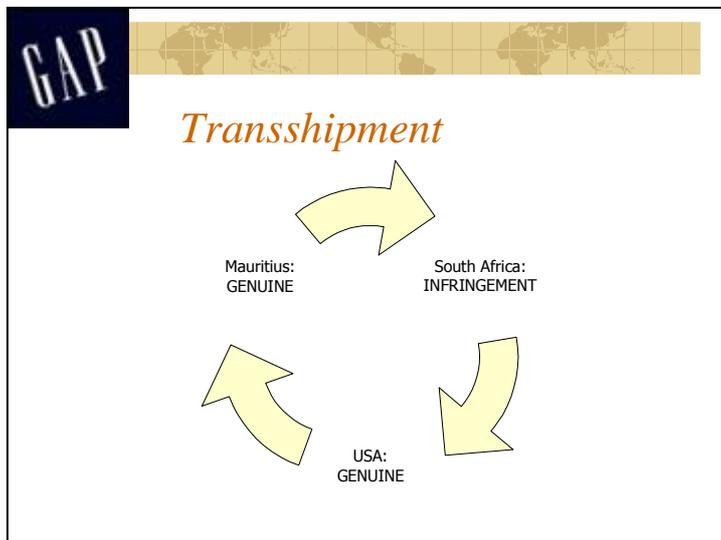
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Polo in Mauritius

- Respondents tried to play on emotion, putting forward the argument that in granting the interlocutory order, thousand of workers would lose their employment.
- But consideration must be given to the obligation of the State to comply with its international obligations coupled with the fact that there is an element of public order, for the legislator has made it an offence for anybody who infringes the copyright in a work.

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*köszönöm תודה dekuji
mahalo 고맙습니다
thank you
merci 谢谢 danke
Ευχαριστώ شكرا
どうもありがとう gracias*