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MECHANISMS TO RESOLVE INTELLECTUAL PROPERTY DISPUTES IN A BALANCED HOLISTIC AND EFFECTIVE MANNER – EFFICIENT COURT PROCEDURES

Contributions prepared by Egypt, Panama and Switzerland

1. At the tenth session of the Advisory Committee on Enforcement (ACE), the Committee agreed to consider among other topics the “exchange of information on national experiences relating to institutional arrangements concerning intellectual property (IP) enforcement policies and regimes, including mechanism to resolve IP disputes in a balanced, holistic and effective manner”. During the eleventh session of the ACE, six Member States (Pakistan, Portugal, the Russian Federation, South Africa, Thailand and the United Kingdom) introduced the experiences of their national judicial systems in relation to balanced, holistic and effective IP dispute resolution. In addition, two studies on specialized IP courts and jurisdictions were presented by two Observers, the International Center for Trade and Sustainable Development (ICTSD) and the International Chamber of Commerce (ICC)¹.

2. Further to the Committee’s decision to continue to consider at its twelfth session this work program item, this document contains the contributions of three Member States, Egypt, Panama and Switzerland. The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) dictates enforcement procedures, including judicial procedures, to be effective, as well as fair and equitable (Article 41). The three contributions present varied approaches to achieve efficiency and effectiveness in the judicial procedures of IP disputes, which include judicial specialization for IP disputes, expert opinions by technical judges, promotion of alternative dispute resolution methods such as mediation, and introduction of online tools in court procedures.

¹ *Mechanisms to Resolve Intellectual Property Disputes in a Balanced, Holistic and Effective Manner* (WIPO/ACE/11/7) available at: http://www.wipo.int/meetings/en/doc_details.jsp?doc_id=342836.

3. The contributions prepared by the Member States are in the following order:

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EFFECTIVE JUDICIAL PROCEDURES FOR INTELLECTUAL PROPERTY DISPUTES IN EGYPT

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ABSTRACT

This study consists of an overview of effective judicial procedures for the enforcement of intellectual property rights (IPRs) in Egypt. It explains that the protection and enforcement of IPRs have become constitutional principles under the 2014 Constitution and that, even before the promulgation of IPR legislation, the Egyptian Judiciary had played a prominent role in the protection and enforcement of IPRs, by providing civil protection based on the principles of natural law and rules of equity. Furthermore, the study reviews legislative developments, from the promulgation of the first intellectual property (IP) law in 1939 to the IP legislation currently in force. It is noted that the Egyptian judicial system consists of three branches: judicial courts, administrative courts and the Supreme Constitutional Court. Judicial remedies are available for the protection of IPRs, namely civil protection, criminal protection and provisional protection. Finally, the study shows how the experience of newly-established economic courts having competence in IP litigations has proved to be successful in addressing many shortcomings in the judicial system, and a promising step towards the creation of specialized IP courts in the future.

I. INTELLECTUAL PROPERTY RIGHTS IN THE CONSTITUTION

1. The Egyptian Judiciary has long played a prominent role in protecting and enforcing intellectual property rights (IPRs), a role that continues to grow, especially after the promulgation of the 2014 Constitution of the Arab Republic of Egypt. In Articles 66, 67 and 69 of Chapter Three, entitled Fundamental Rights, Freedoms and Duties, the Constitution lays out many of the constitutional principles underpinning the intellectual property (IP) legal system. Article 69 confirms the State's obligation to protect all types of IPRs in all fields, and establishes a body entrusted with the safeguarding and protection of IPRs.
2. Thus, IPR protection and enforcement have become a constitutional principle; all legislative, executive and judicial State authorities must respect and protect IPRs within the framework of national laws.
3. The following paragraphs review the "Effective Judicial Procedures" currently utilized in the course of IPR enforcement.

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

II. THE ROLE OF THE JUDICIARY PRIOR TO IP LEGISLATION

4. The first ever legislation protecting IPRs in Egypt was introduced in 1939 upon the issuance of Act No. 57 on the Protection of Trademarks and Commercial Indications. Prior to that Act, courts endeavored to safeguard IPRs by providing civil protection based on the principles of natural law and rules of equity. Imitation or copies of inventions, industrial designs or trademarks were considered wrongdoings that engaged the perpetrator's liability and entailed damages by virtue of Tort Law. National courts ordered confiscation of infringing goods, and such decisions were published in newspapers. Mixed Courts¹ instituted an administrative system for the registration of inventions, trademarks, trade names and industrial designs, to facilitate establishing ownership and determining priority rights on the basis of registration.

III. LEGISLATIVE DEVELOPMENT

5. Act No. 57 of 1939 was followed by the promulgation of Act No. 132 of 1949 on Patents and Industrial Designs, and of Act No. 354 of 1954 on the Protection of Copyright.

6. Subsequent to its accession to the World Trade Organization (WTO), Egypt reviewed its legislation to ensure compliance with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), and Act No. 82 of 2002 on the Protection of Intellectual Property Rights was issued and became effective on June 3, 2002.

IV. COURT COMPETENCE IN IP DISPUTES

7. Excluding ad hoc tribunals, the Egyptian judicial system is composed of three branches, described below.

A. JUDICIAL COURTS

8. According to Act No. 46 of 1972 on the Judicial Authority, judicial courts include the Court of Cassation, Courts of Appeal, Courts of First Instance, and Magistrate Courts. With the exception of administrative disputes, which fall under the jurisdiction of the State Council (Administrative Judiciary), judicial courts are competent to decide on all disputes and crimes except those excluded by special provision pursuant to Article 15 of the Judicial Authority Act. Therefore, judicial courts have, generally, the competence to consider IP disputes. More specifically, economic courts, which are considered as judicial courts, specialize in disputes arising from laws of an exclusively economic nature, such as the Act on the Protection of Intellectual Property Rights.

B. STATE COUNCIL (ADMINISTRATIVE JUDICIARY)

9. State Council courts are exclusively competent in administrative disputes of all kinds. Where IPRs are granted by decisions issued by the competent IP office after examination, such decisions to grant or refuse the grant of patents, trademarks or industrial designs are considered as administrative decisions, and may be appealed before the State Council courts.

¹ Mixed Courts were established during the 1870s, and had jurisdiction in cases involving a foreign interest. The Mixed Courts continued until 1949 when foreign residents became subject to the regular Egyptian Courts.

The above does not apply to copyright (because protection is automatically obtained without any administrative decision) or to undisclosed information. The Supreme Administrative Court is the highest court of the administrative court system.

“The rulings of the Supreme Administrative Court in relation to IP issues show that the TRIPS Agreement is not self-executing, and that its publication in the Official Gazette is no guarantee of application, hence the need for domestic legislation that integrates TRIPS provisions by reference”².

C. SUPREME CONSTITUTIONAL COURT

10. The Supreme Constitutional Court verifies the constitutionality of laws and regulations in accordance with the provisions of the Supreme Constitutional Court Act No. 48 of 1979 and related amendments.

V. JUDICIAL PROTECTION

11. The Egyptian legal system provides the holder of IPRs with three types of judicial protection: civil protection, criminal protection and provisional protection.

A. CIVIL PROTECTION

12. Civil protection of IPRs is based on Article 66 of the Trade Act No. 17 of 1999 and Article 163 of the Civil Code, which, in case of infringement, entitles the holder to damages by way of an action for unfair competition.

13. Such civil action may be filed against the alleged infringer, by any person who suffers injuries caused by an infringement of a trademark, patent or other IPRs. While criminal actions may only be filed by the owner or holder of the IPRs, unfair competition claims may be filed by any injured person, regardless of who the owner may be.

“Consequently, it was ruled that the unfair competition action was an ordinary civil liability claim based on a wrongdoing. Any person injured by that wrongdoing shall be entitled to damages to be paid by those persons who participated in causing the injury, provided the wrongdoing, injury and causality are established. On the other hand, the trademark counterfeit action may only be filed by the owner, and only against the person who committed the counterfeit”³.

14. Unlike in criminal cases, where registration of a trademark is a precondition for trademark-based action to be accepted, civil actions, such as unfair competition, do not require such a registration.

² Appeal No. 6965, 49 L, SAC, 25/12/2004.

³ Civil Appeal No. 436, 22 L, 14/6/1956, 7 L, P. 723.

B. CRIMINAL PROTECTION

15. The Act on the Protection of Intellectual Property Rights addresses criminal infringements of patents and utility models in Article 32. Trade secret violation is criminalized by Article 61, trademark counterfeiting by Article 113, and industrial design infringement by Article 134. Article 181 criminalizes infringement of copyright and related rights, and Article 203 criminalizes infringement of plant varieties.

16. Provisions criminalizing IPR infringements call the court to order, in case of conviction, the confiscation of all IPR-infringing items and equipment used in the manufacturing of such items, and publication of the court's ruling in one or more daily newspapers at the expense of the convicted party.

17. The Public Prosecution has the inherent right to initiate and bring criminal cases before the court. It should be noted that, on March, 25, 2007, the Public Prosecutor issued Circular No. 8 on the Implementation of the Provisions of the Act on the Protection of Intellectual Property Rights, instructing that established IP crimes must be brought before the courts in an expedited manner. The said Circular further stated that prosecutors must review the verdicts on IP crimes and initiate appeals in case of erroneous application or interpretation of the law.

18. In addition to the rights of the Public Prosecution, the civil claimant may initiate criminal proceedings by way of direct prosecution. However, in case of IP infringements, criminal actions may be filed only by the IP right holder, whether or not the right holder has suffered any injury as a result of the infringement. Criminal protection of marks is limited to registered marks; claims for infringement are not accepted if the infringement has occurred before registration or after expiry of the registration period without renewal.

19. It should be noted that the Act on the Protection of Intellectual Property Rights extends criminal procedures and remedies to all IPRs.

C. PROVISIONAL PROTECTION

20. The Egyptian legal system provides for provisional protection of IPRs by means of petitioned court orders. The purpose of providing for such provisional protection is to allow for the taking of prompt action in order to prevent or preserve evidence of an infringement. Provisional protection may also be granted in cases where lengthy proceedings may result in possible loss of evidence, provided that the substance of the right is not affected by such a measure.

21. A petitioned court order is a decision issued by the judge *inaudita altera parte* on the basis of a petition submitted by the plaintiff; it differs from a court ruling whereby a confrontation between the litigants is required.

22. In comparison to court rulings, the procedure for a petitioned order is simple, uncomplicated, uncostly, and expedited. Articles 33, 115, 179 and 204 of the Act on the Protection of Intellectual Property Rights provide for provisional protection of IPRs.

23. In all cases, the judge has the authority to include, in the petitioned order, an appropriate bail, pursuant to Article 288 of the Code of Civil and Commercial Procedures.

24. It should be noted that provisional measures that may be taken upon petitioned orders are not limited to those provided for in the above-mentioned Articles. Other examples of petitioned orders include a detailed description of the product, goods, work, performance, sound

recording, broadcast or other rights; proof of infringement and preservation of evidence; and suspension of the production, publication, broadcast, reproduction or manufacturing of the infringing work, performance, sound recording or broadcast. Such orders may also include provisional seizure of allegedly IPR-infringing goods or products, and all equipment used in the production of such goods or products.

25. In addition, Article 180, Book III on Copyright and Related Rights of the Act on the Protection of Intellectual Property Rights, provides for a special measure capable of being ordered not by the judge issuing the petitioned order but by the court considering an appeal against the petitioned order. This special measure consists of designating a bailiff entrusted with the task of republishing, using, broadcasting, manufacturing or reproducing the work, sound recording or broadcast. The resulting income must be deposited with the court's Treasury until the dispute is resolved.

26. The Code of Civil and Commercial Procedures, Section 10, addresses petitioned orders in Articles 194 to 200. Those Articles are applicable in the absence of any specific provision in the Act on the Protection of Intellectual Property Rights.

VI. ESTABLISHMENT OF ECONOMIC COURTS

27. One of the most important challenges faced by the judiciary is the increasing number of civil and criminal cases, which has become a heavy burden impeding the sound functioning of the judicial system in fulfilling its role of achieving civil and criminal justice.

28. Convinced that a fair justice system is an important factor in creating an environment conducive to economic development and investment, Egypt enacted Act No. 120 of 2008, Establishing Economic Courts. The Act became effective on October 1, 2008. In particular, Article 4 establishes the jurisdiction of economic courts over specific civil and criminal proceedings arising from the application of laws of an economic nature, including civil and criminal proceedings arising from the application of Act No. 82 of 2002 on the Protection of Intellectual Property Rights, except for cases falling under the State Council's jurisdiction.

29. The creation of economic courts with competence in hearing disputes arising from the application of IP laws has proved to be a successful experience in addressing many of the shortcomings of the judicial system regarding the enforcement of IPRs in line with the general obligations under the TRIPS Agreement, and, more particularly, the need for WTO Members to provide for effective enforcement procedures in case of IPR infringements. Such procedures must be fair and equitable and may not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays.

30. The establishment of economic courts has proved to be a significantly positive step towards the creation of specialized IP courts in the future.

EFFICIENT COURT PROCEDURES IN PANAMA IN THE FIELD OF INTELLECTUAL PROPERTY

*Contribution prepared by Mr. José Eduardo Ayú Prado Canals, President, Supreme Court of Justice, Panama City, Panama**

ABSTRACT

The Republic of Panama has adopted measures to ensure that civil proceedings relating to intellectual property (IP) are heard by specialized judges in simple and efficient proceedings, free of unnecessary formalities, to offer rapid dispute resolution.

A system of criminal procedures was recently introduced in the country, which, through the application of alternative dispute resolution methods, also offers a rapid solution for IP right holders and compensates them for damages they have suffered.

I. INTRODUCTION

1. The State judiciary, which resolves the disputes that develop in society, is responsible for providing the conditions necessary for investment and innovation. In addition, both the rule of law and legal certainty depend on its efficiency. It can therefore be safely asserted that the judiciary is of little worth, even if legislation complies with international standards and establishes a trustworthy system to register intellectual property (IP) as well as rigorous border measures, if it does not offer owners of intangible rights a rapid and efficient system to resolve disputes that may arise from the illicit use or registration of their IP.
2. Judicial protection for IP is therefore critical to development, particularly in Panama with its privileged location and its recently expanded interoceanic canal, through which approximately five per cent of world trade transits.
3. The role of the Panamanian judiciary in resolving IP cases dates back to the beginnings of the Republic. Already in 1916, the law empowered courts to hear cases of infringements of literary property and civil actions taken by copyright owners.
4. The resolution of disputes related to the registration of industrial property has been, since the beginning of the Republic, reserved for the administrative body responsible for ensuring compliance with public policies on industry and trade. This body was consistently tasked with ruling on oppositions to the registration of trademarks, patents and trade names. Judicial intervention in industrial property matters under these conditions was, albeit limited, by no means nonexistent. Under civil legislation, the judiciary was competent to hear actions for damages arising from the infringement of industrial property rights and the party affected by an opposition decision had the right to initiate ordinary court proceedings to obtain a reversing ruling¹. This situation lasted until 1974, when under Law 11 of that year, parties were allowed to lodge appeals against opposition decisions with the Ministry of Trade and Industry.

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¹ Article 40 of Decree No. 1 of May 3, 1939, regulating extant provisions governing patents, trademarks and trade names.

II. CIVIL ACTION

A. ESTABLISHMENT OF COURTS SPECIALIZED IN FREE COMPETITION AND CONSUMER PROTECTION

5. A decision taken by the Supreme Court of Justice on October 14, 1991, represented a concrete step to completely “judicialize” industrial property dispute resolution, hitherto largely settled through administrative measures. The decision followed a challenge to the constitutionality of the article empowering the Directorate-General of Commerce of the Ministry of Trade and Industry to rule on oppositions to applications for patent, trademark and trade name registrations.

6. The plaintiff in the constitutional case argued that these powers comprised judicial functions that the Constitution reserved for the judiciary. This argument was upheld by the highest court of law, which emphasized the independence of the judiciary.

7. The plenary of the Supreme Court of Justice thus empowered civil judges to rule on industrial property matters. However, this was short-lived. As a result of broad-based reforms made to comply with standards to join the World Trade Organization (WTO), courts were created under the now defunct Law No. 29 of February 1, 1996². These courts had jurisdiction over a wide range of matters relating to the free market, including IP disputes, far exceeding the commitment Panama made under Article 42 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), making available to right holders civil proceedings to ensure the enforcement of their intangible rights.

8. In 1997, when these courts were established in the City of Panama, the country became one of the first in Latin America to have, within the structure of the judiciary, judges specialized in IP, an aspect which, even after 20 years, still receives praise in international fora.

9. It can be confirmed that judicial specialization has been highly efficient. It reduces the number of cases heard by the ordinary civil judiciary, which in Panama also encompasses commercial disputes, and provides swift, quality resolution of cases, in harmony with the dynamism of commerce in modern times and the importance of intangible assets.

10. Another benefit of legal specialization is the internal consistency and uniformity that can be observed in the rulings that have been handed down by these courts since their inception. Without a doubt, this approach makes for legal certainty and equality for all parties.

B. CIVIL PROCEDURE

11. Beyond establishing specialized courts, Panamanian law makers established a procedure that was different from those foreseen in the Code of Civil Procedure, which favors highly ritualized written submissions. This was in keeping with new trends in procedural law and with the tenets of the Constitution that clearly advocate procedural laws that acknowledge rights enshrined in the law and procedural economy.

² Article 141 of Law No. 29 of February 1, 1996, laying down rules on defense of competition and adopting other measures, available on WIPO Lex at: <http://www.wipo.int/wipolex/es/details.jsp?id=3394>.

a) The Common Procedure for Matters Related to Copyright and Related Rights

12. In this direction, Law No. 29 of 1996 envisaged predominantly oral proceedings, in line with the extant law in defense of competition (Law 45 of October 31, 2007)³. This law, a replica of the law used to resolve maritime cases, is used to litigate infringements of copyright and related rights, along with other IP disputes for which the law did not assign a different procedure. The effectiveness of this procedure, described here as a common procedure because it also applies to cases relating to consumer rights and monopoly (which are also the responsibility of these specialized courts) has been tested over the years.

13. Another benefit of this common procedure is that it enables parties to use a preliminary hearing to correct initial filings; to agree upon the facts of the case (thus avoiding a prolonged evidentiary stage); to agree upon how many experts will participate in the proceedings; and to set a date when, in the presence of the judge, evidence will be presented, admitted and examined in strictly oral proceedings.

b) Civil Procedure in the Field of Industrial Property

14. Title VIII (Articles 181 to 199) of the extant Industrial Property Law⁴ also established oral proceedings which comply with the principles of adversariality, procedural economy, publicity and immediacy. This procedure, initially reserved for circumstances expressly set out in the law and now extended to any civil dispute over industrial property, provides for a hearing to present, admit and examine evidence and hear closing arguments. In parallel, measures were taken, such as limiting the elements that can be presented during the proceedings, to achieve a swift resolution.

15. Regarding legal representatives, their appointment is now easier for right holders abroad thanks to the latest reform of the Industrial Property Law. It is now possible in civil or criminal proceedings to invoke a power of attorney registered with the industrial property office, thereby dispensing the party from proving its legal existence in the country of origin. This is consistent with the Trademark Law Treaty, which Panama ratified in 2012.

³ Article 128 of Law No.45 of October 31, 2007, laying down rules on defense of competition and adopting other measures, available at: <https://www.gacetaoficial.gob.pa/pdfTemp/25914/7277.pdf>.

⁴ Law No. 35 of May 10, 1996, on industrial Property (available on WIPO Lex at: <http://www.wipo.int/wipolex/es/details.jsp?id=3387>), as modified by Law No. 61 of October 5, 2012 amending Law No. 35 of May 10, 1996, on industrial property (available on WIPO Lex at: <http://www.wipo.int/wipolex/es/details.jsp?id=15013>).

Table 1: Cases brought before the Free Competition and Consumer Protection Courts pertaining to infringements of copyright and related rights and to misuse of industrial property rights, 2012 to April 30, 2017

Year	Total	Infringements of copyright and related rights	Misuse of industrial property rights
TOTAL	25	17	8
2012	9	9	—
2013	8	7	1
2014	2	—	2
2015	—	—	—
2016	5	—	5
January-April 2017	1	1	—

Source: Information provided by the Free Competition and Consumer Protection Courts, Center for Judicial Statistics, Judiciary.

Table 2: Minimum, average and maximum duration (in days) of cases for misuse of industrial property rights and infringement of copyright and related rights in Free Competition and Consumer Protection Courts, according to type of case: as at April 30, 2017

Case	Minimum duration	Average duration	Maximum duration
TOTAL	8	705.1	2,509
Abuse of industrial property rights⁽¹⁾	50	795.366	2,509
Infringement of copyright and related rights⁽²⁾	8	663.1	1,626

⁽¹⁾ The maximum duration of proceedings for misuse of industrial property rights was because parties requested several adjournments over a number of years and ultimately withdrew the claim in 2012.

⁽²⁾ The maximum duration of the proceedings for infringement of copyright and related rights resulted from an action for nullity that was filed and determined in the office, and transferred to the court on appeal, then subsequently remitted for the continuation of processing in 2016.

Source: Information provided by the Free Competition and Consumer Protection Courts, Center for Judicial Statistics, Judiciary.

c) The Right of Appeal

16. The procedures that the law foresees for IP cases also allow for decisions to be appealed against before a higher court – also specialized in the subject-matter – whose judgment will generally put an end to the dispute. Even though the law expressly recognizes the extraordinary appeal for cassation – which is lodged with the Civil Chamber of the Supreme Court of Justice – it does so for very specific cases, namely, for judgments imposing a penalty of more than half a million US dollars for the infringement of copyright or related rights and those ordering damages of more than 25,000 US dollars for the infringement of industrial property rights.

17. It follows that purely declaratory judgments which involve no monetary sum, such as opposition proceedings or actions for cancellation of a registration, may not rely on this special remedy. It applies, for example, in cases in which compensation is sought for damages caused through the improper use of industrial property rights in an amount exceeding the sum prescribed by legislation.

d) The Role of the Mediation Center

18. In addition to these advantages, the parties to a dispute under these special procedures are encouraged to settle their differences before the mediation center of the judiciary. The opportunity is offered during preliminary hearings in copyright and related rights proceedings and, in industrial property proceedings, when the application is found admissible. This constitutes an institutional recognition of alternative dispute resolution methods and is now expressly provided for in the Industrial Property Law.

e) The “Paperless Justice” Project

19. Another noteworthy aspect is the implementation, since 2007, of the “Paperless Justice” project. The project allows legal representatives acting in IP cases to manage and monitor their cases through the “Automated Judicial Management System” tool, from anywhere in the world, through the Internet.

III. CRIMINAL ACTION

20. Regarding criminal proceedings related to the infringement of IP rights, 1999 saw the creation of a specialized agency of the Public Prosecutor’s Office with nation-wide competences to investigate such crimes. Equally noteworthy is the recent adoption of a new, adversarial approach, characterized precisely by its effectiveness and orality. Its structure allows affected parties not only to participate actively in all stages of the proceedings, but also to secure compensation for damages caused by the wrongdoing, once it has been established that alternative procedures for solving the criminal conflict, such as the withdrawal of the punitive claim, can be applied to the offence in question (provided they do not pose a danger to public health).

21. The withdrawal of the punitive claim is expressly provided for in Title IV, Chapter I, of the Code of Criminal Procedure⁵. This is consistent with the new philosophy underpinning criminal proceedings, which seeks to resolve the conflict engendered by the offence and not to punish the individual as a necessary, inexorable end, while remaining respectful of the rights that the victim of the crime may assert. By law, the withdrawal is subject to agreement on compensation for damages. The victim's intent to withdraw must be notified during the investigation stage to the judge who will decide on its admissibility. If withdrawal is allowed, the agreement between the victim and the accused will be approved and the criminal action will be declared terminated. Otherwise, the proceedings will follow their course.

IV. CONCLUSION

22. This review of the characteristics of civil and criminal proceedings applicable to the settlement of IP-related disputes leads to the conclusion that the Republic of Panama offers right holders effective procedures in that they are geared towards eliciting a speedy and specialized response from the judiciary while complying with the guarantees enshrined in the law and with the international treaties to which Panama is a party.

⁵ Articles 201-203 of Law No. 63 of August 28, 2008, adopting the Code of Criminal Procedure (available at: <http://www.organojudicial.gob.pa/wp-content/uploads/2011/01/codigo-penal-ley-63.pdf>).

EFFICIENCY AND EFFECTIVENESS IN THE PROCEEDINGS BEFORE THE FEDERAL PATENT COURT OF SWITZERLAND

*Contribution prepared by Dr. Dieter Brändle, President, Federal Patent Court, St. Gallen, Switzerland**

ABSTRACT

The Federal Patent Court of Switzerland (FPC) is very pragmatic and down to earth. Each case represents a problem, which has to be solved. The best solution, of course, is an agreement of the parties, a settlement. Therefore, the FPC's first ambition is to help the parties to reach a settlement, at an early stage of the proceedings, based on a provisional assessment of the case by the FPC. If this fails, the FPC's aim is to pronounce a reasonable judgment within a reasonable amount of time at reasonable costs. This paper shows how the FPC proceeds in order to reach these goals.

I. INTRODUCTION

1. The Federal Patent Court of Switzerland (FPC) began its activities on January 1, 2012. Taking over responsibility from the cantonal courts, the FPC is now the court of first instance for all civil law disputes on patents. It is exclusively competent for patent infringement and patent validity cases. Other civil action suits relating to patents may also be taken to the FPC (e.g., civil action suits regarding patent license agreements).

II. JUDGES

2. The court has two full time judges, the President (legal background) and a second full time judge, a patent attorney (technical background). Additionally, there are 28 technically qualified judges (patent attorneys) and 12 legally qualified judges (lawyers) who are all part-time members, to be called upon by the President on a case-by-case basis according to their specific knowledge.

III. PANELS

3. The court convenes in panels of three, five or seven judges. The size of each panel is determined by the President. The standard number is three, but if the case involves different fields of technology or seems very important, the panel may increase to five or seven. The President also decides who sits on the panel. There must always be at least one technically and one legally qualified judge on the panel. The technical judges are called in to sit on the cases according to their specific knowledge. This feature is quite special and would be impossible according to the laws of many countries, but has turned out to be extremely efficient.

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IV. START OF PROCEEDINGS, PREPARATORY HEARING

4. FPC proceedings start in writing. There is a statement of claim. This is followed by a statement of defence – in infringement cases usually combined with a counterclaim for revocation. After this first round of briefs, during which the court may also ask for a reply to the counterclaim for revocation, there will be a preparatory hearing with the President and a technically qualified judge from the field concerned. The parties are not allowed to just send their attorneys. They each have to bring in a person – or, if need be, several persons – who are familiar with the facts of the case and who have the power to settle the case.

V. PURPOSE OF THE PREPARATORY HEARING, PROCEDURE

5. The purpose of this preparatory hearing is two-fold. One purpose is to clarify the position of the parties. That is to say, the court tries to narrow down the differences of the parties by asking them specific questions. If there are legal aspects to be resolved, it will be the President who will ask the questions. Usually, however, there are technical problems to be dealt with and that is where the technical judge steps in. This will change the whole atmosphere of the meeting as set out below.

6. The preparatory hearing takes place in a special setting. Everybody – judges and parties – sits around a table and there are no wigs or gowns, just people discussing a problem. It is the court's experience that in this type of setting parties are open and frank.

7. To start with, the President addresses the legal problems which have to be dealt with. Next comes the technical judge who starts to talk about the square shaft, the sprocket wheel, the guide disc, the locking bolt and the fuse members. This operates as a wake-up call for the technicians around the table. As soon as the technical judge begins talking, the participating persons from the parties realize that there are people within the court who speak their language, who know their trade and have an understanding of their problems. This results in the parties opening up with increased readiness to put the facts on the table. This is the first step towards a settlement.

8. The President and the technical judge will then each give the parties – off the record, of course – their provisional assessment of the case, based on the information they have at that time. The President will concentrate more on the legal aspects, whereas the technical judge will, for example, tell the parties why he considers the patent in question to be strong or weak while also providing his opinion on the question of infringement. This is all provisional as no experts or witnesses have been heard. But experience shows that the judges – and especially the technical judges – can estimate fairly well the probability of an allegation being proven. At this point the judges may also – that's the easier part - share how they intend to answer the legal questions of the case. After the court has presented its view of the case, the parties can give their own comments.

9. Following this process, the possibilities of a settlement are discussed between the parties with intervention of the court as deemed appropriate by the court. Sometimes the court even elaborates a specific proposal for a settlement.

10. In any case there will be heated discussions. The parties will normally argue and seek to point out where the court's reasoning was insufficient, where the court went wrong as to the law or the facts, or where an estimation is concerned. This is a situation most judges would not be used to. Traditionally, judges merely hand down their judgments and do not have to answer to the parties. There may be an appeal but that is somehow far away. Conversely, in FPC's preparatory hearings the judges have to be able and to be willing to discuss all aspects, in particular the technical aspects of legal validity as well as of infringement of the case with the parties. This of course requires thorough preparation on the side of the court.

VI. RESULTS OF THE PREPARATORY HEARINGS

11. When the FPC started in 2012, the judges expected to be able to settle around 50 per cent of the cases at the preparatory hearing, which would take place about seven months after the start of the proceedings. As of now, after the first five years, the FPC has done much better than the 50 per cent it had aimed for. The figure of settlements is 75 per cent (settlement at the preparatory hearing or in its aftermath).

VII. REASONS FOR SETTLEMENT

12. Why do parties settle there and then? There are several reasons:

- The judgment appears foreseeable to the parties;
- A judgment in an infringement case will deal with the allegedly infringing embodiment only (a settlement can cover more ground and can, for example, define the scope of protection and expressly define which embodiments are outside of the scope of protection, thereby providing for legal certainty);
- Unlike court judgments, settlements are not published; and
- A settlement at this stage saves a considerable amount of money.

VIII. FURTHER PROCEEDINGS

13. If a settlement cannot be reached at the preparatory hearing, the court will order one more exchange of briefs. Afterwards, there follows the phase of taking evidence – if necessary – and there will be a main hearing to sum things up. Following this, the court will render its decision, hopefully within one year or a year and a half after the beginning of the proceedings. If the court would find it necessary, in spite of the knowledge of its technical judges, to appoint an external expert, the proceeding may take up an additional year.

14. While this is the theoretical framework, in reality the taking of evidence never happens. More precisely, it has never happened, as of now, in the FPC. Why? According to the Swiss Civil Procedure Code, "Evidence is required to prove facts that are legally relevant and disputed". Facts cover issues such as who did what and when. There is no taking of evidence as far as legal questions like novelty or infringement are concerned. These are for the judges to decide. Meanwhile, most factual questions have been clarified at the preparatory hearing. This is why – up to now – the FPC has never had to hear witnesses or experts.

IX. JUDGE'S EXPERT OPINION

15. A very interesting instrument that the FPC has at its disposal is the judge's expert opinion. A technical judge from the technical field concerned gives his views about validity and infringement and possibly other technical issues in writing. This opinion is sent to the parties, and they are allowed to comment on it, in writing again. The judge's expert opinion is a very practical instrument: fast, efficient and inexpensive.

X. COURT APPOINTED EXPERTS

16. There has been – again, as of now – no need for the court to appoint experts (court appointed experts). The court would appoint such an expert if it did not have at its disposal a technical judge who could deal with the topic. In order to deal with the questions of a patent case, a judge does not have to be an expert himself but must simply be able to understand what the dispute is about (this requirement is analogous to that of the European Patent Organization).

XI. PARTY EXPERTS

17. The FPC does not hear party experts, because according to the Swiss Civil Procedure Code, party experts are not a means of proof. Opinions of party experts are just considered as arguments of the parties. Rightly so, because when a party has enough time and money, it will find an expert who says exactly what the party wants to hear. Cross examination would be of no help, because what this expert says comes from his conviction. He is, for example, convinced that smoking cigarettes is not harmful. Therefore, in the FPC party experts cannot be used to prove anything.

XII. TRIPS AGREEMENT

18. In this context it is also worthwhile to have a look at the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), which provides in Article 41(2): "Procedures concerning the enforcement of intellectual property rights shall be fair and equitable. They shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays". This is not just a recommendation. Article 1 of the TRIPS Agreement: "Members shall give effect to this Agreement." This implies that all steps to be taken in a patent case – e.g., the proof of technical issues – should be such as to meet these requirements. That is to say, try to keep it cost-effective and simple. As soon as the parties have to rely on private experts there are exploding costs, seen in some countries. This does not seem to be compatible with the TRIPS Agreement.

XIII. FURTHER PROCEDURE

19. At the FPC, if the case cannot be settled at the preliminary hearing, the subsequent procedure is usually:

- Exchange of further briefs;
- Judge's expert opinion;

- Written comments by the parties;
- Main hearing (not really useful in FPC cases, because the parties cannot make any new allegations nor present any new evidence. This main hearing is meant for cases where – unlike in FPC cases – the parties did not have a second exchange of briefs);
- Judgment; and
- Appeal.

20. The judgments of the FPC can be appealed to the Federal Supreme Court, which will usually decide in less than a year.

XIV. CASELOAD

21. In 2016, the total number of incoming cases increased to 27 (23 in the previous year). The increase was attributed not so much to ordinary proceedings (18 compared to 19 in the previous year) as to summary proceedings (9 compared to 4 in the previous year). In 2016, FPC handled 17 ordinary proceedings, of which eight were settled, seven were terminated by judgment and two were declared groundless. A total of seven summary proceedings were terminated during the reporting year, two of which were settled and five were terminated by judgment.

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