

WONGPARTNERSHIP


Addressing Counterfeiting and Piracy Issues
and Dealing with IP Dispute Resolution:
A Business Perspective

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Outline

- Piracy & Counterfeiting in Context
 - Why Tackle Counterfeiting and Piracy?
 - Definitions
 - Impacts to business
 - Sources of the threats
- What must businesses do?
 - IP management
 - Enforcement options
- Other IP Disputes
- IP dispute resolution options

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Intellectual Property Paradigms

- “Creations of the mind”
 - “Intangible property”
 - Can be incorporated an unlimited number of times in tangible property
- Engine of the knowledge economy
- Multiple users, borderless world
- New technologies
 - Cheap and perfect copies
 - Rapid dissemination

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Why Tackle Counterfeiting and Piracy?

- Role of IP Rights
 - Incentive to innovate
 - Recognises a concept of ownership
 - Creates a market for exploiting innovation
 - Creates jobs, drives economic growth
- Piracy undermines these economic objectives
- New technologies imposing greater urgency for addressing piracy

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National Impacts

- Government
 - Lost tax revenue due to illegal sales of counterfeit and pirated goods
 - Cost of IP enforcement
 - Risks of counterfeits entering supply chains with national security or civilian safety implications
- Economy as a whole
 - Lower economic growth as a result of reduced incentives to innovate
 - Lost revenue from declining trade in countries with weak IP rights regimes

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“Counterfeiting”

- “Copy-cat” products imitating the original product
- Often involves trade mark infringements
- Customer deception
- Cf TRIPS Art 51, note 14(a)
 - “... any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation”

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"Piracy"

- Copies made without the right holder's consent
- Often involves copyright infringements
- Customer is not deceived and is often aware the goods are pirated
- TRIPS Art 51, note 14(b)
 - "... any goods which are copies made without the consent of the right holder or person duly authorized by the right holder in the country of production and 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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Impacts to Businesses

- Revenue loss
- Impacts job creation and further research & development
- Impacts innovation & competitiveness
- Reputational risk
 - Product quality
 - Product safety
 - Injury claims

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Sources of the Threat

- Production/Manufacturing
 - “inside jobs”
 - theft of IP/physical goods
 - leakage & overruns
- Markets
 - itinerant traders
 - retail outlets
 - Internet
- End consumers
 - illegal file sharing/copying

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Dealing with Counterfeiting & Piracy

- Security measures
 - Physical controls and restrictions
 - IT policy discipline
 - Anti-counterfeiting features on products
 - Physical
 - Digital
- Consumer education
- Market surveillance
- Secure and enforce IP rights
 - Establish IP management policies
 - Border control measures
 - Criminal proceedings
 - Civil proceedings

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IP Management Objectives

- IP management strategy should cover
 - Creation of IP
 - Acquisition of IP
 - Exploitation of IP
- Implementation should be part of internal business processes
 - Identify core IP assets
 - Secure protection of the core IP assets
 - Actively manage IP portfolios
 - Survey markets
 - Enforce rights

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Identify Core IP Assets

- Maximise use of limited resources
- Identify competitive advantages
- Identify key markets
- Recognise strength or weakness of the IP asset
- Leverage on the IP asset to gain access to other technologies
- Establish a good root of title
 - Review acquisition of IP
 - Inventions/works by employees
 - Contract of service, or for service?
 - Inventions/works by third parties
 - Clear assignments or licence-back of rights

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Securing and Maintaining IP Rights

- Registrability of the IP?
 - What is the most appropriate form of protection?
 - Consider priority claims
 - Maximise grants and incentives
- Manage IP Portfolios
 - Ensure validity of registrations
 - Watch services to identify new potentially conflicting rights
 - Supplement portfolios and registrations as business expands

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Enforce IP Rights

- Essential for preserving monopoly and protecting value of the IP asset
- Key steps
 - Monitor the marketplace
 - Defend rights promptly and vigorously
 - Control licensees
 - Protective clauses in agreements
 - Warning notices – may remove defences based on lack of knowledge
 - Markings

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Enforcement Options

- cf Part III, TRIPS Agreement, Arts 41-61
- Civil infringement proceedings
 - Damages
 - Injunctive (& interim) relief
 - Seizure, forfeiture
- Criminal proceedings
 - Wilful counterfeiting or piracy on a commercial sale
 - Imprisonment and/or fines to provide a deterrent
 - Seizure, forfeiture
- Border enforcement measures
 - Suspend release into free circulation
 - Prima facie evidence of infringement, bond to be provided

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Other Sources of IP Disputes

- Dispute as to ownership
- Challenges to validity, registrability or continuing registration
- Licensing & Franchising
 - Royalties and payments
 - Use of IPRs in accordance with terms
- Collaborations
 - Contributions and income distribution
 - disputes over “foreground” & “background” IP
 - exploitation
- Performance
- Valuation
- Confidentiality
- Breaches of warranties
- Termination

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IP Dispute Resolution Options

- Litigation
- Arbitration
- ADR
 - Mediation / Conciliation
 - Neutral Evaluation
 - Med-Arb
 - Mini-trials
 - Combination of above
- Adjudication
- Expert Determination

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Court Litigation

- Default mode of legal recourse
- Generally sole forum for enforcement and challenge of statutory IP rights
- Regulated by procedural laws and rules of the state
- No choice of judge, language or venue of proceedings
- Proceedings usually part of public record
- Appeal usually available

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Arbitration

- “A private, consensual process for the binding resolution of civil disputes in a judicial manner”
- Key Characteristics
 - Private and confidential
 - Consensual and flexible
 - Judicial in nature
 - Enforceability under New York Convention

Arbitration

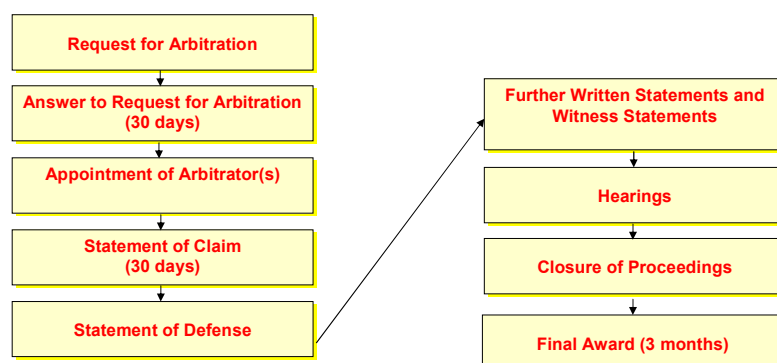
- Agreement to arbitrate must exist
- May be ‘ad-hoc’ or ‘institutional’
 - Examples: WIPO, SIAC, ICC, LCIA, CIETAC, AAA, etc
- Benefits of institutional arbitration:
 - Tested set of procedural rules
 - Qualified arbitrators
 - Administrative and supervisory infrastructure
- Arbitrability

WIPO Arbitration Rules

- Applicable to all types of commercial disputes
- Particularly appropriate for disputes involving IP or technology
- Pro-IP Procedural Rules:
 - Confidentiality (Art 52)
 - Availability of interim relief (Art 46)
 - Evidence relating to experiments (Art 49), site visits (Art 50), agreed primers and models (Art 51)
 - Appointment of expert (Art 55)

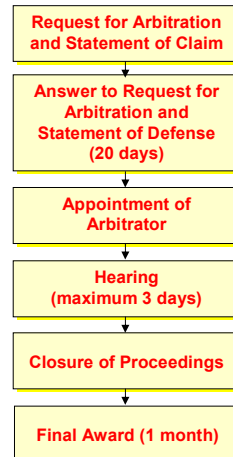
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WIPO Arbitration Rules



WIPO Arbitration Rules

- Expedited Hearings available
 - Value of dispute does not justify extensive procedures
 - Urgent need for final decision on a limited number of issues



Other Forms of ADR

- Forms
 - Mediation / Conciliation
 - Neutral Evaluation
 - Med-Arb
 - Mini-trials
 - Combination of above
- Consensual but non-binding
- Based on parties' willingness to compromise
- Mediator not a decision-maker
 - Facilitative mediation
 - Evaluative mediation
- Cheap and quick but compromise not guaranteed

Other Forms of ADR

- Adjudication
 - Temporary finality
 - Allows project to proceed while disputes are resolved on an interim basis
- Expert Determination
 - Appropriate when a valuation, mathematical or scientific issue is involved
 - Resolved by an independent expert
 - Can be final and binding on the parties

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Choosing between Arbitration & Litigation

| Arbitration | Court Proceedings |
|---|---|
| Process is consensual | No need for agreement of defendant |
| Adjudication of disputes <i>inter se</i> | No limitation other than seising of jurisdiction |
| Selection of a single neutral forum | Jurisdiction limited to the state. Multiplicity of court proceedings possible |
| Choice of technical expert | State-selected judge |
| Party autonomy allows selection of laws, language and procedure governing conduct of arbitration (<i>lex arbitri</i>) | State-imposed Court procedure |

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Choosing between Arbitration & Litigation

| Arbitration | Court |
|--|---|
| Award usually final | Appeal possible |
| Confidentiality of proceedings | Proceedings part of public record |
| Rulings binding as between the parties | Rulings can affect 3 rd parties |
| Cross-border enforcement via New York Convention | Cross-border enforcement dependent on reciprocal arrangements, if any |

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Thank You!

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