

WIPO



WIPO/ACE/3/15

ORIGINAL: English

DATE: May 11, 2006

WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

E

ADVISORY COMMITTEE ON ENFORCEMENT

Third Session

Geneva, May 15 to 17, 2006

GUIDELINES FOR A SUCCESSFUL AND SUSTAINABLE
IP ENFORCEMENT STRATEGY*

*Document prepared by Mr. Fadi Makki, PhD (Cantab.)**,
Director General/Advisor to the Prime Minister, Republic of Lebanon*

* The views and opinions expressed in this paper are those of the author and not necessarily those of the World Intellectual Property Organization (WIPO) or its Member States.

** Views of the author do not necessarily reflect the official Lebanese point of view.

Table of Content

Introduction	3
I. Reasons behind the protection of intellectual property.....	3
1. Rule of Law and mission of the concerned agency.....	4
2. Ethics	4
3. Reputation	4
4. Consumer protection	5
5. Lost revenue	5
6. Investment promotion	5
7. Protection of local industry	6
8. WTO considerations.....	6
9. Political arm-twisting	6
II. Guidelines for successful enforcement policies	6
1. Take a decision at the highest level.....	7
2. Complete and/or strengthen the legal framework for enforcement.....	7
3. Train and educate law enforcement authorities about IP	8
4. Launch a far-reaching communication strategy	8
5. Advertise measures taken.....	9
6. Focus on priority areas	9
7. Negotiate initiatives to reduce prices to consumers by IP rights holders.....	9
Concluding remarks	10

GUIDELINES FOR A SUCCESSFUL AND SUSTAINABLE IP ENFORCEMENT STRATEGY

INTRODUCTION

Piracy in intellectual property is not a problem facing developing countries alone. Nor is it a problem that only pits developed countries against developing ones. It is a global issue *par excellence*. With the magnitude of world trade and the advent of modern technology, the magnitude of the problem is such that it calls for ingenious measures that are global in scope and outreach.¹ Piracy now covers every single sector in the economy, including, music, software, luxury items, toys, car and aircraft components, pharmaceuticals.

The comprehensiveness of the legal framework is important in the process but recent experience of some countries shows the essential role of education and partnerships between the various stakeholders, owners of the intellectual property, the public sector and beneficiaries.²

This paper aims at describing recent stakeholders attitudes *vis a vis* intellectual property enforcement while suggesting guidelines for a successful strategy in combating piracy in intellectual property:

The first part deals with the reasons behind the protection of intellectual property from all stakeholders' viewpoints. Reasons referred to do not apply equally across the board to all stakeholders. Each of mentioned reasons applies to one or more stakeholders to a greater or lesser extent.

The second part of this paper deals with the guidelines for successful and sustainable IP enforcement strategy. It will contain specific examples on successful enforcement operations.

While this paper will draw essentially on the experience of Lebanon in addressing IP piracy, many lessons will be applicable in a wider context. In particular, Lebanese success stories in IP awareness and education are readily transposable into other jurisdictions.

I. REASONS BEHIND THE PROTECTION OF INTELLECTUAL PROPERTY

Enforcement agencies (ministries, IP offices ...) often quote a number of reasons behind the combat of IP piracy. While these reasons vary to a greater or lesser extent from one country to another, below are some of the most commonly quoted reasons:

¹ Recent figures estimate piracy to be around 7% of world trade. For more on this issue, see Kamil Idris, *Intellectual Property: A Power Tool for Economic Growth*, WIPO pp. 299-334. See also, PriceWaterhouseCoopers, *Counterfeit and Smuggling in Lebanon: Source, Impact and Suggested Solutions* (December 2003).

² See for instance the European Commission, *Strategy for the enforcement of intellectual property rights in third countries*, (2005/C 129/03).

- Rule of law and the mission of the concerned agency
- Ethics
- Reputation
- Consumer protection
- Loss of revenue
- Investment promotion
- Protection of local industry
- WTO accession
- Political arm twisting

1. Rule of Law and mission of the concerned agency

Enforcement of IP rights is often entrusted to the ministry of tutelage – normally the ministry of economy and trade³ – and law enforcement agencies such as customs, police, in addition to the judiciary through its adjudication role in case of dispute on one hand, or through its *ex-officio* powers of seizure and destruction of counterfeit products on the other hand. Such agencies and bodies are required by their respective laws to enforce IP rights. At the outset therefore, the first line of argument for enforcing IP rights is normally the very mission of the agency concerned which requires them to take such measures. Credibility of that institution and basics of the rule of law require that existing laws are enforced in the most appropriate manner.

2. Ethics

Stealing intellectual property is like stealing any other type of property such as money and physical goods. While different sanctions may be imposed on different types of stealing depending on value and nature of the theft, as well as on the circumstances surrounding the operation, the essential characteristics of the act of stealing remains one of appropriating something from someone else without permission or unlawfully. In defense of IP enforcement measures, policy makers often argue the unethical underpinnings of piracy.

3. Reputation

Generally speaking, reputation is often affected by the level of piracy in a particular country on the one hand, and the extent to which that country is willing to take enforcement measures against perpetrators of IP piracy. More specifically the ease of “doing business” is affected negatively by lax IP enforcement measures. While lack of enforcement of IP rights is not recognized in the World Bank – IFC annual report on *Doing Business*⁴ there is no doubt that proper IP enforcement is conducive to good reputation in business circles and should be included in future updates.

Additionally, some countries – especially those that are net importers of counterfeit goods as opposed to being local producers thereof – do not appreciate becoming “litter grounds” for exporters of counterfeit products, and take policy decisions to reverse such trends.

³ This could vary from one country to another. In some cases, the ministry of culture is in charge of IP enforcement.

⁴ See *Doing Business in 2005 – Removing Obstacles to Growth*, World Bank (2005).

4. Consumer protection

Consumer protection is an important reason for the combat of piracy. Key in this respect is human health and consumers' fundamental rights to safe products. This is the case of fast moving consumer goods, car parts such as brakes and other essential components, and pharmaceuticals. Piracy in such products can cause adverse impact on consumers. It can at times cause fatal injuries. Some of the most obvious risks associated with counterfeit goods relate to the following, allergic reactions and irritation to skin, weakening of the immune system, diseases, poisoning and possible death.⁵

While human health is paramount in the combat of piracy, consumer protection is not only about human health. Consumers' right to know what they are buying is also pivotal in the campaign against piracy. This could be for financial and other reasons. From a financial point of view, consumers pay a specific amount of money in return for a specific original product. The counterfeit which is sold as if it were the original no doubt costs less due to the fact that it does not go through the official channels of business, for instance, it does not pay royalty to the IP rights holders.⁶ This creates undue enrichment for the pirates on one hand and extracts excessive amounts from consumers on the other hand.

There are considerations that go beyond the financial aspects, such as the true origin of the product itself and the intangible value – cultural, ethical and social – the original product might represent, such as handcraft, environmental friendly, fair trade labeling, indigenous community. In such cases, the buyer has expectations, other than financial, that the counterfeit product cannot fulfill.

5. Lost revenue

Loss of revenue as a result of piracy can be traced to two main factors: loss of customs proceeds and loss of VAT and other taxation. Channels of pirated products are often illegal as they use smuggling and other illicit tactics for import, export and local distribution. Additionally, as in the case of Lebanon, counterfeiters do not register their employees in the national social security fund which means among other things that medication and other insurance is born directly by the government not the informal employer, a practice which brings more pressure on government budget by increasing government spending.

6. Investment promotion

Multinationals who cannot register and/or get adequate protection for their intellectual property rights will, other things being equal, think twice before investing in a specific country. There are of course some investments which attach more importance on intellectual property protection than others. The ICT sector is the most obvious sector where an adequate protection of intellectual property rights is essential to foster investments. However the development of the entire knowledge economy sectors are dependent on proper enforcement of intellectual property.

⁵ See PriceWaterhouseCoopers, Counterfeit and Smuggling in Lebanon: Source, Impact and Suggested Solutions (December 2003), especially pp. 20-21.

⁶ There are cases where the counterfeit product is sold as a counterfeit and therefore does not create confusion as to the original nature of the product itself.

7. Protection of local industry

Policy makers often stress the importance of local industry when designing IP enforcement strategy. This is especially true in countries with comparative advantage in IP-intensive industries and services. Although this line of argument is not “politically correct” it is effective. This is especially true when reference is made to national success stories (signers and other services and manufactured products that are dependent on IP protection).

8. WTO considerations

WTO is a consideration for tougher IP enforcement measures. This is true both for countries that are WTO members and those that are seeking accession. In the latter case, WTO considerations can be all the more relevant as IP enforcement for a reasonable period of time is often an unwritten condition before accession can be concluded. WTO members have an opportunity before a country joins to monitor the acceding country’s seriousness in IP enforcement before approving its terms of accession. Monitoring the IP status in the country seeking accession allows WTO members to assess the situation closely and recommend specific measures to be taken before approving accession or making the necessary statutory amendments. In fact, most recent accessions had in their terms some elements of a “TRIPs Plus”.⁷

9. Political arm-twisting

It is not uncommon nowadays to make references to IP in political contexts that are bilateral or multilateral. Especially in bilateral contexts, providing adequate levels of IP enforcement is essential to secure financial aid and even debt relief.⁸

Threatening to withdrawing trade preferences under the Generalized System of Preferences (GSP) is also used by some developed countries, most notably the US, to bring about more aggressive enforcement of US intellectual property rights overseas.⁹ This is often used in conjunction with the publication of 2004 “Special 301” annual review, which examines in detail the adequacy and effectiveness of intellectual property protection in a large number of countries.¹⁰

II. GUIDELINES FOR SUCCESSFUL ENFORCEMENT POLICIES

Successful and sustainable IP enforcement efforts depend on a variety of factors. Some have to do with the appropriateness of the legal and institutional set up. Others have to do with the communication and outreach strategy. In what will follow, a set of guidelines will be listed

⁷ See for instance the terms of accession for Jordan, Oman and Saudi Arabia whereby they had to agree to some aspects of TRIPs plus.

⁸ It is against this background that, during a recent visit of the Lebanese Prime Minister to the White House, the US President Mr. George Bush stressed to the Lebanese delegation the importance of improving IP enforcement in Lebanon in the run-up to the Beirut 1 Donor Conference.

⁹ For more information, see for instance IIPA’s review of IP rights practices of several countries in the annual GSP Country Eligibility Practices Review, 66 Fed. Reg. 19278 (13 April 2001).

¹⁰ For instance, the 2004 report examined the practice of some 85 countries in terms of adequacy and effectiveness of IP enforcement. See USTR, Special 301 Annual Review (2004).

and could be considered as pre-conditions for a successful and sustainable IP enforcement strategy:¹¹

- Take a decision at the highest level
- Complete and/or strengthen the legal framework for enforcement
- Train and educate law enforcement authorities about IP
- Launch a far-reaching communication strategy
- Advertise measures taken
- Focus on priority areas
- Negotiate initiatives to reduce prices to consumers by IP rights holders

1. Take a decision at the highest level

The policy decision to fight piracy should be taken at the highest executive level in a country. There are several ways of adopting such decision. One way to do it would be to include the principles of IP enforcement in the government strategy which would normally form the basis for obtaining confidence. Choice of terminology is critical in the message to be sent to stakeholders. A strongly worded reference on enforcement is likely however to raise expectations.

Once the decision is taken it will have to be well communicated to all responsible law enforcement agencies repeatedly if only to assure stakeholders that the message is serious especially if the decision to fight piracy is taken after a long period of lax enforcement. This is extremely important in light of the attitude encountered in few countries to the effect that counterfeiting is not a serious offense.¹²

2. Complete and/or strengthen the legal framework for enforcement

The legal framework for dealing with piracy issues should be complete, up to date and effective. Enforcement authorities should have the necessary legal powers to deal with piracy issues. There is no “one and only” right model. In some jurisdictions IP offices have a great deal of authority in ordering destruction of counterfeit products upon seizure. In others customs authorities are entitled for instance to reach a settlement with the importer of counterfeit products whereby the latter transfers title to ownership of the products to customs in return for a set penalty. Others still allow alteration of marks found to be counterfeit and in that case could agree to the free circulation of the altered products without penalty but while charging the offender the cost of alteration, a measure which provides no credible deterrence.

At any rate, there is no single right model for dealing with IP enforcement. Whatever model used, it should contain the right balance between the different IP enforcement bodies, namely customs, IP bureaus and the judiciary. It should provide adequate deterrence for “prospective pirates” by means of heavy fines and even prison sentences in certain cases.

¹¹ For information on other IP enforcement strategies, see the European Commission, Strategy for the enforcement of intellectual property rights in third countries, (2005/C 129/03).

¹² Kamil Idris, *Intellectual Property: A Power Tool for Economic Growth*, WIPO, p. 309.

3. Train and educate law enforcement authorities about IP

IP officers, judiciary and customs officers should receive adequate and continuous training in IP issues. Failure to educate the enforcement stakeholders on IP related issues is likely to lead to wrong legal interpretations. If such wrong interpretations are repeated persistently, IP rights holders will be discouraged from bringing complaints, because they will lose faith in the system.¹³

4. Launch a far-reaching communication strategy

Piracy rates continue to increase despite the growing number of countries adopting IP legislation mainly as part of the WTO TRIPS obligations. A new approach with a long term vision that builds on education at an early age, raising awareness among consumers and building public private partnerships are essential components of this new approach.

There are three main stakeholders for whom the IP campaign should be directed:

- Young students
- Consumers and households
- Private sector.

Students must understand the theoretical and ethical aspects of IP protection. They are neutral recipient of IP products. They could in the future be either net consumers of products containing IP components and owned by a third party, or holders themselves of some IP rights. They could be both at the same time.

Benefits of protection should be explained to them at an early age in a user friendly manner using real life examples.¹⁴ They should know also generally about the risks and hazards of counterfeit products. In a recent case, the IP office in Lebanon in collaboration with WIPO launched a media campaign at schools (intermediate classes) which coincided with the IP day.¹⁵ Several IP specialists at the IP bureau were dispatched to a number of schools all over Lebanon to engage students in debates about practical IP issues. The feedback from student was very encouraging. WIPO comic brochures were used in the campaign and were distributed in schools.

Consumers must know their rights as citizens. They must also know in details about the benefits of IP protection. Similarly they should know about risks and hazards of counterfeit products in greater details.

Private companies with IP rights prone for protection must first and foremost understand that IP protection is not a one way street whereby government enforces their rights and curbs piracy. They should know that they are responsible for the success of any IP enforcement strategy, that they have a role to play in building awareness and that they are ultimately partners in the process. In this respect, encouraging complaints from IP rights holders is very useful. That way they will play a role in directing law enforcement officers towards pirated

¹³ Such as courts refusing to grant protection to a copyright holder simply because the latter has failed to register it in the IP office.

¹⁴ For an excellent simplified explanation of IP rights, see the WIPO comics on Patents, trademarks, and copyrights

¹⁵ March-April 2005.

products, especially in light of the scarce human resources in developing countries. Additionally, this gives credibility to the raids by showing – at least at the initial stages – that raids are not dispatched in a discretionary manner by IP law enforcement authorities, but are instead complaints-driven.

5. Advertise measures taken

Giving publicity to enforcement measures serves a powerful deterrence as it makes traffickers in counterfeit goods think twice in the future. Publicity should cover destruction of counterfeit products, heavy fines and even prison sentences issued by the courts. It should be made regular on website of law enforcement agencies, such as courts, IP offices and customs authorities.

6. Focus on priority areas

Executing a massive IP enforcement campaign is a long term process. More importantly, it requires the mobilization of a large number of law enforcement officers. At any rate, officers will spread themselves thin on the ground which will make it difficult to point towards substantive results. It is therefore important at the early stages to focus on selected priority sectors where for instance piracy is rampant. Once success stories are documented and publicized other sectors could be selected. At a later stage and after a first round of enforcement raids across the board, reminder raids could be dispatched in a random manner.

Identifying the source of the piracy in terms of percentage of imported as opposed to locally produced is important in the selection of priorities areas. In the case of Lebanon, it was obvious when the government launched the IP campaign that most counterfeit products were imported. Since 80% of counterfeit products were imported while 20% were locally produced, it was obvious that border enforcement measures by customs authorities were of paramount importance. Although politically incorrect, a *de facto* slogan of “Imported first” was used. Paradoxically however, this made the initiative politically defensible and sustainable in the long term as it gave an unofficial grace period for the local manufacturers of counterfeit products. At any rate, such a decision cannot be made formal as it would legitimize discrimination between locally produced and imported like products.

7. Negotiate initiatives to reduce prices to consumers by IP rights holders

When faced with complaints about high prices of their IP products, IP rights holders often argue that rampant piracy makes it impossible to engage in price reduction initiatives because of the related losses they sustain. However the moment a comprehensive enforcement strategy is agreed upon with performance indicators, it becomes possible for the IP rights holders to engage in initiatives with a view to reduce the prices of IP products in the medium term. This will narrow down the price differentials between original and pirated products, and will make the process more acceptable to consumers.

Microsoft for instance has agreed, following an uninterrupted period of tough enforcement and raids, to launch student software packages at nominal prices.¹⁶ They have also agreed to legalize all internet cafes in return for an annual fee of US\$ 295. This lump sum is for a total of 10 PCs per internet café with an additional charge for every extra PC available. This alone

¹⁶ Close to a 90% discount.

was going to bring software levels from around 75% – one of the highest in the region – to the average region level of around 60%.

CONCLUDING REMARKS

Obviously the presence of the legal framework for enforcement does not in itself guarantee effectiveness. To do so we need to implement the guidelines referred to in this paper as preconditions for a successful and sustainable IP enforcement strategy.

At the end, there is one area which requires special attention from policy makers, private sector and the concerned international organizations, in particular the World Intellectual Property Organization. This is the price cutting initiatives as part of the improvement in the overall enforcement strategy. WIPO is well placed to launch such initiative or at least to do it under its auspices. Two things could be done at this stage by WIPO. On one hand, WIPO could organize or sponsor an international conference whereby representatives of the main IP sectors sit together with representatives from governments to discuss such initiatives. On the other hand, WIPO could also set up working groups with a view to preparing performance indicators for every area of IP enforcement. It could also recommend reductions in prices that are linked to reductions in piracy rates.

There is a window of opportunity to launch this global initiative at a time corporate social responsibility is gaining currency and there is increased awareness about IP generally and about the benefits higher levels of protection bring to national economies.¹⁷

[End of document]

¹⁷

See E. Anthony Wayne, Assistant Secretary for Economic and Business Affairs, Testimony Before the House Appropriations Committee, Subcommittee on Commerce, Justice, State, the Judiciary and Related Agencies, Loudoun County, Virginia (April 23, 2002).