

# WIPO



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**WORLD INTELLECTUAL PROPERTY ORGANIZATION**  
GENEVA

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## **ADVISORY COMMITTEE ON ENFORCEMENT**

### **Fifth Session**

**Geneva, November 2 - 4, 2009**

#### CONCLUSIONS BY THE CHAIR

1. The fifth session of the Advisory Committee on Enforcement (ACE) was opened by the Director General of WIPO.
2. The Committee unanimously elected, for one year, Mrs. Rodica Parvu, Director General of the Copyright Office of Romania, as Chair.
3. The Draft Agenda (document WIPO/ACE/5/1 Prov. Rev.) was adopted as proposed.
4. Delegations expressed their appreciation of the ACE as a valuable international forum for balanced discussions on building respect for intellectual property, and for developing sustainable and practical deliverables, taking into consideration Recommendation No. 45 of the WIPO Development Agenda.
5. The Secretariat introduced document WIPO/ACE/5/2 on recent activities of WIPO in the field of intellectual property enforcement, including the Global Congress on Combating Counterfeiting and Piracy. The Committee took note of the considerable number of WIPO training, cooperation and other activities mentioned in that document, and encouraged these efforts of the Secretariat. The Committee recommended that the Secretariat should continue and increase its activities, in cooperation with other organizations and the private sector. In that context, it was emphasized that the Secretariat should continue its efforts to ensure that the inclusive approach of WIPO to building respect for intellectual property be fully reflected in all its activities, including those carried out in cooperation with partner organizations.
6. The Committee heard the presentations by eight speakers, focusing on different elements of the agreed topic of the fifth session of the ACE, namely 'Contribution of, and costs to, right holders in enforcement, taking into consideration Recommendation 45 of the WIPO Development Agenda'. Among the specific issues that were dealt with in the

presentations were, *inter alia*, suggestions for closer analysis to give meaning to Recommendation No. 45 of the WIPO Development Agenda, such as the effects of seizures of goods in transit; safeguards in relation to provisional measures; the scope of criminalizing intellectual property infringements; and possible abusive enforcement practices, such as in the context of competition law, unjustified threats to sue, and the abuse of intellectual property enforcement procedures. The presentations also approached intellectual property enforcement from an economic perspective, including with a view to welfare and other effects of the various intellectual property infringements; the availability and credibility of available empirical evidence; and the problem of financing often expensive intellectual property litigation, especially for litigants in developing countries. In the latter respect, some speakers suggested establishing funds that could be used to assist parties in need, for instance on the basis of proceeds of crime or intellectual property filing fees, while drawing attention to the need of a careful management of such funds in order to avoid abuse. Moreover, attempts of right holders to limit enforcement costs were discussed, including with a view to sharing legal and investigation costs, and to strengthening public-private cooperation in intellectual property enforcement through the provision of training for law enforcement agencies and of comprehensive product identification material. In that context, it was also suggested that out-of-court settlement, especially in the context of customs cases, should be further explored in practice. The presentations further addressed development-oriented activities of right holders, such as in education, job creation and community projects. In the context of analyzing the question of respect for intellectual property, the involvement of organized crime in the international trade in infringing goods was also examined, including with a view to the role of confiscation as an enforcement option.

7. In the discussions following the presentations a number of observations were made and questions were raised. Appreciation was expressed for the presentations which underscored the need for a balanced, inclusive approach to intellectual property enforcement, taking into consideration the diverging national socio-economic realities. Some delegations raised questions as to pricing policies and their possible effects on the scale of counterfeiting and piracy; the underlying reasons for counterfeiting and piracy, including with a view to the levels of development in general, and the acceptance of the intellectual property system in countries with relatively small locally produced intellectual property assets; the advisability of targeting producers rather than small scale distributors; the importance of the assistance by right holders not only in enforcement action, but also in the context of awareness-raising programs and the establishment of a constructive dialogue with consumer groups.

8. The chair took note of the information about the establishment, by the European Union, of an intellectual property enforcement observatory. The new body aimed to provide, in partnership by public authorities, the private sector and consumer groups, an EU-wide mechanism for the collection of enforcement-related data, the sharing of information, and the suggestion of solutions and best practices. Further, the chair took note of the information provided by the Centre for International Intellectual Property Studies (CEIPI). The institute was currently undertaking an analysis of criminal intellectual property enforcement, including with a view to legal, historical and cultural aspects, to be published in the course of 2010.

9. Under agenda item 7, the Committee discussed the suggestions contained in the papers presented by the delegations of Pakistan, entitled 'Creating an enabling environment to build respect for IP'; of Brazil, entitled 'Future work proposal by Brazil'; and of Group B, entitled 'Elements of a General Framework for future discussions in WIPO ACE', respectively. In that context, the chair invited Mr. Carsten Fink, Chief Economist of WIPO, to respond to a

number of questions and concerns raised by delegations, including with a view to the feasibility of undertaking an empirical assessment of the nature and extent of intellectual property infringements, and the availability and reliability of respective data.

10. The Committee took note of the proposals suggested by Member States for discussion at future sessions of the Committee, including those contained in the three papers referred to under paragraph 9, above, which are annexed to these conclusions, as well as proposals from the floor. The proposals will serve as a basis for the selection of topics for discussion by the Committee at its future sessions, to be agreed by consensus by the Members of the Committee, in line with the mandate of the Committee.

11. The Committee underscored the importance that the issues and concerns discussed at the sessions of the ACE would guide the inter-sessional work of the Secretariat.

12. The Committee agreed to consider, at its sixth session, the following topic:

‘Developing on the substantive study contained in WIPO/ACE/5/6, analyze and discuss IPRs infringements in all its complexities by asking the Secretariat to undertake:

1. A literature review of methodologies and gaps in the existing studies;
2. Identification of different types of infractions and motivations for IPR infringements, taking into account social, economic and technological variables and different levels of development;
3. Targeted studies with an aim to developing analytical methodologies that measure the social, economic and commercial impact of counterfeiting and piracy on societies taking into account the diversity of economic and social realities, as well as different stages of development;
4. Analysis of various efforts, alternate models and other possible options from a socio-economic welfare perspective to address the counterfeiting and piracy challenges’.

13. The chair noted that it was the understanding of Group B that the topic referred to under paragraph 12, above, would be implemented within existing budgetary resources. The chair further noted that some delegations of GRULAC as well as the delegations of Pakistan, Oman, South Africa, India, Egypt and Algeria noted that it was beyond the scope of the Committee to refer to, or decide on, budgetary resources.

14. The chair noted the request by the delegations of Egypt and Oman to have document WIPO/ACE/5/6 translated into Arabic.

*15. The Committee adopted the Conclusions by the Chair, set out in paragraphs 1-14, above.*

[Annexes follow]

## ANNEX I

Creating an Enabling Environment to Build Respect for IPConcept Paper by Pakistan

WIPO's initiative to build respect for IP, as outlined in its Program and Budget for the 2010/11 Biennium is timely, and a step in the right direction. This paper attempts to identify key elements for creating an enabling environment to build respect for IP. It is expected that by creating such an enabling environment IP will not only be respected but also be effectively enforced.

2. Over the past several years, particularly after the TRIPS agreement, there has been increasing demands on the developing countries to do more on IP enforcement. They are expected to enforce higher levels of IPRs, regardless of their socio-economic conditions and challenges. Periodically, different lists are published to categorize and penalize countries according to their supposed IP infringement levels. Moreover, trade and investment decisions are usually linked to stronger input of the TRIPS 'Plus' enforcement criteria. This is accompanied by a very limited approach to combating infringement of IP rights, in which, in essence, stricter laws and capacity building of enforcement agencies is seen as the primary means to ensure enforcement. Such an approach can temporarily reduce IPR infringements levels, but cannot address the challenge in a sustainable manner. A broader strategy is urgently needed to allow the establishment of conditions in which all countries would have shared understanding of the socio-economic implications of enforcement measures, and direct economic interest in taking such measures. In such an environment, countries' choice to enforce IPRs will be derived from their internal rather than external factors.

3. To create such an enabling environment to build respect for IP in a sustainable manner, we first need to identify the key reasons behind IPR infringement. These include:

- i. To build respect for IP in a sustainable manner, all countries must have a direct economic stake in the IP system. The emphasis on protection of IPRs in different countries has a direct co-relation with the size of IP assets generated and owned by them i.e. countries with high level of IP assets accept the need for higher IP protection, both at national and international levels, while countries with fewer IP assets tend to have little interest in the IP system.
- ii. The statistics usually quoted to highlight the extent of counterfeiting and piracy are viewed with skepticism. These statistics are generally with little transparency regarding the raw data and the methodology used to derive those figures. Consequently, these are viewed as being unduly exaggerated and merely serving the interests of strong economic lobbies<sup>1</sup>. Without impartial assessments of the extent of counterfeiting and piracy, it is not possible to build a credible case for higher standards of enforcement.

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• <sup>1</sup> Some examples such statistics include the OECD 2007 Report estimates of USD 200 billion or 2% of Global merchandise trade in 2005; Business Software Alliance estimates of 45% of pirated software in France, 28% in Germany, 25% in Japan, 21% in the US; Business Coalition to Stop Counterfeiting and Piracy estimates of USD 600 bln per year etc.

- iii. Huge margins between the prices of original and pirated items offer significant profit incentives to individual and organized IP infringers. Quite clearly, business models are not adequately addressing the pricing-cost issues involved in selling products (especially pharmaceuticals, books, music, movies). Unreasonably, higher costs along with barriers to access, do provide some justification to the consumers to use counterfeit and pirated goods.
- iv. Inadequate protection of the assets in which developing countries have comparative advantage undermines confidence in the IP system. The continued misappropriation and lack of progress towards an international legal framework on protection of the genetic resources, traditional knowledge and folklore has especially led to the perception that the current IP system is neither fair nor effective in protecting the interests of the developing countries.
- v. Invariably, in bilateral trade agreements, higher standards of IPR protection are demanded in return for trade and market access. This reinforces the view that IPRs are an external imposition, rather than a domestic need.
- vi. The IP enforcement agenda is pursued at different international fora such as WCO, UPU, WHO. Developing countries are increasingly concerned that the limitations of their diplomatic and technical resources to adequately follow complete negotiations processes are being exploited by the developed countries through 'forum shopping'.
- vii. For developing countries with limited financial resources and infrastructure, diverting resources from developmental and even other law enforcement requirements to the protection of IPRs is often difficult to justify.
- viii. Lower levels of public awareness along with capacity constraints of judicial and administrative agencies also lead to weaker compliance to international IP standards.
- ix. Technological breakthroughs have facilitated IPR infringements. It is now comparatively easier to copy, share, reproduce and reverse engineer the protected materials/works. For instance, despite all encoding efforts, infringement is still a very real issue in the digital environment.

#### Creating an Enabling Environment to build respect for IP

5. In view of the above, a number of measures need to be taken if we are to create an enabling environment to build respect for IP. These include the following:
  - i. Undertake independent, objective and empirical assessments of the nature and extent of IPR infringements.
  - ii. Address socio-economic welfare needs of countries particularly for access to medicines and educational materials at affordable prices through use of TRIPS flexibilities and alternate business models for price reductions (such as differential pricing schemes, advance market commitment mechanisms, licensing arrangements for domestic production, etc.).
  - iii. Promote effective protection of the GRTKF owned by the developing countries through a normative framework and to mainstream it in the IP system.

- iv. Promote and facilitate domestic research and innovation through transfer of technology, joint research, innovative commons, open source, exceptions to IPRs for research purposes and by utilizing the concept of utility models, etc. Developing countries should also be supported in commercialization of their domestic innovations.
- v. Develop international guidelines for levels of IPR protection in the bilateral and regional FTAs, in accordance with TRIPs agreement. Such guidelines should be followed in the negotiations on FTAs
- vi. Undertake independent socio-economic impact assessments of the existing and future IP norms.
- vii. Avoid duplication of work and discourage the 'forum shopping' trend, WIPO, being the lead UN agency on IP, should prepare a compilation of actions/initiatives taken in all UN agencies and international for a with regard to enforcement.
- viii. Promote international cooperation through financial burden sharing by the developed countries for putting in place administrative IPR enforcement mechanisms in the developing countries.
- ix. Promote enforcement of IPRs through capacity building of judiciary and enforcement agencies, making domestic legislation (and its periodic-review) in accordance with level of development of different countries, raising public awareness on IP issues, and international cooperation and cost-sharing in putting in place IP enforcement mechanisms.

#### Road Ahead

- i. The WIPO Advisory Committee on Enforcement (ACE) should identify the elements for creating an Enabling Environment for promoting respect for IP. After identification of the elements, ACE should discuss each of the identified elements in its future sessions.
- ii. WIPO, being the lead UN agency on IP, should promote the concept of creating an enabling environment to promote respect for IP at the forthcoming meetings of the Global Congress on Counterfeiting and Piracy.
- iii. WIPO may organize an International Conference on "Creating an Enabling Environment to build respect for IP".
- iv. WIPO's Programme and Budget Committee (PBC) should adequately incorporate ideas contained in this document and those resulting from the discussions of the ACE and the outcome of the Global Conference in its future programme of work.

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[Annex II follows]

## ANNEX II

### WIPO Advisory Committee on Enforcement

#### Future Work proposal by Brazil

##### **A – General Context**

The resumption of work at the ACE provides an opportunity for a qualitative change in the approaches to dealing with the subject of “enforcement” of intellectual property rights within WIPO. A broader scope is required. So are analytical tools that have to be more sophisticated and better equipped to confront effectively the multi-faceted challenge posed by the infringement of intellectual property rights.

This submission concentrates on the issues of enforcement of the multilateral system of IP related to infringements of rights, not encompassing the full scope of the concept, as conceived in Article 7 of the TRIPS Agreement.

Effective results in combating violation of rights are only those which are palpable, sustainable over time and ultimately conducive to the fulfillment of the objectives of the intellectual property system, namely “the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations”.

##### **B – The role of WIPO**

Infringements of IP rights is a global question that affects all countries, both developed and developing ones, in different ways and yet always intensively. All of us are responsible for dealing with it.

As a UN specialized body, WIPO has not only the necessary legitimacy to play a leading role in such a comprehensive debate, but also the much-needed expertise to deal with the complexity of the vast array of infractions against intellectual property rights. For instance, we need to build reliable methodologies to evaluate the economic impact of piracy and

counterfeiting based on empirical evidence and which takes into account different socio-economic realities. Methodologies that are more than an educated guess.

It takes much more than loose coalitions of unilateral efforts to reach the effective results that are needed to benefit all countries and stakeholders.

### C – Shortcomings of the “one size fits all” approach

Violations of intellectual property rights do not take place in the void. They are not disconnected from concrete political and social variables. For WIPO to be placed again at the core of the debate and to be able to develop new insight and creative thinking on the subject of infractions of intellectual property rights, it will have to take advantage of the enormously rich debate taking place within and among our civil societies. It is thus a matter of concern to us the multiplication of simplistic treatments of that issue that adopt “one size fits all” models. These models, usually based only on actions taken by Governments and on operational law enforcement, are clearly insufficient to ensure effective “enforcement”.

There is a need for programs that deal with a plurality of instruments to combat intellectual property infringement, for strategies that are able to blend, in proportions tailored to the specific social and technological realities of each of our countries, job creation to avoid the re-incidence of infractions and innovative business models, in addition to operational law enforcement, education and other incentives. In both the design and the execution of such strategies, partnerships between the State and the civil society are called for.

The “one size fits all” repressive approach has been taking a high toll on all societies to the extent that:

- it puts at risk the systemic balance between rights and obligations of holders and users - a balance that is at the centre of the regime of intellectual property - by giving free rein to systematic abuses in the protection of rights, as evidenced by the proliferation of “sham litigations”;



- it may build barriers to legal trade that, in several instances, had a serious and adverse impact on public health, such as the recent cases of seizure, by customs authorities, of legitimate drugs in transit to developing countries;

- it may lead countries, especially LDCs, to waste valuable resources that might be allocated elsewhere, to health, education and employment programs;

- it may trample upon principles that are pillars of fundamental civil rights, such as the right to privacy, presumption of innocence, due process of law, proportionality between offenses and sentences, protection of third party interests, participation in the information society. These are rights that can only be ensured in a context of transparency and “accountability”.

In a nutshell, there is an opportunity available for WIPO to make a quality change in the treatment of intellectual property rights violations, the opportunity to make the transition from an approach of purely “enforcement of” to that of “respect for” intellectual property.

Promotion of respect for intellectual property will pave the way for the consideration, within WIPO, of “enforcement” associated with palpable and sustainable results, based on dialogue between Governments and all “stakeholders” and firmly grounded on socio-economic realities.

A debate driven by members must be encouraged at WIPO. That debate will necessarily integrate multiple dimensions: operational law enforcement, education, the social and economic background of different countries. That debate will also involve non-governmental players. A rich exchange of experiences is one of best avenues for developing and improving our national models of “enforcement”. There are successful strategies and practices that can be adapted to the different realities of member countries, in light of their own juridical frameworks and their respective capacity to mobilize resources.

The subject selected for debate at the Committee is a good starting point: “Contribution of, and costs to, right holders in enforcement, taking into consideration Recommendation n° 45 of the WIPO Development Agenda”. Recommendation n° 45 was drafted taking into account the overall objectives of protection and enforcement of intellectual property rights enshrined in the

TRIPS agreement. An effective enforcement has, therefore, to contribute to the fulfillment of those objectives and to the protection of rights of all stakeholders rather than those of right holders alone.

## II

### Elements for a work program

The forthcoming session of the ACE will be a fresh start to the work of the Committee in so far as the debate on enforcement will for the first time be guided by the conceptual perspective of respect for intellectual property rights. The development of a work program is therefore needed that will make it possible for the Advisory Committee to structure its debate and thereby to make progress in developing innovative ways for treating the matter. Effective policies are always based upon precise diagnosis. The following work program is thereby based on two basic pillars: diagnosis and action.

#### A) Diagnosis

- Preparation of studies and promotion of discussions aimed at developing methodologies of measurement of the economic and commercial impact of counterfeiting and piracy on societies, taking into account the diversity of economic and social realities as well as stages of development;
- Preparation of studies and promotion of discussions that examine infringement of intellectual property rights in all its complexity, identifying different types of infractions and the motivations for them, taking into account social, economic, and technological variables;

- Development of methodologies for monitoring and assessing progress in combating intellectual property rights infringement, including cost-benefit analysis of mobilized resources;

B) Action

- Analysis of national experiences, especially those deemed to be successful ones, with a view to both improving systems that integrate the multiple dimensions of intellectual property rights infringement and examining business models in line with the members' specific economic and technological realities;
- Establish partnerships with organizations associated with "enforcement" from an integrated approach that involves all dimensions of the issue;
- Design of capacity building and technical assistance projects that go beyond the mere setting up and training of teams for operational law enforcement in developing countries to include, for example, campaigns to raise awareness in the citizenry as well as programs to reincorporate into the economy those who were "lesser" violators dependent on trade in or on the manufacture of counterfeit products to survive;
- Given resource constraints, develop strategies which prioritize enforcement efforts on the basis of a diagnosis of welfare impact. Welfare effects of different types of IP infringement impact differently on consumers, producers, and the economy at large. For instance, a case can be made for pursuing producers rather than small scale distributors of illicit goods, especially where the former are linked to organized crime syndicates.

[Annex III follows]

ANNEX III

Elements of a General Framework for Future Discussion in WIPO ACE:

To build respect for IP in a sustainable manner, all countries should have a direct economic stake in the IP system. For this reason, WIPO ACE should engage in:

- Discussions that examine infringement of IPRs in all of its complexity, identifying different types of infractions and the motivations for them, taking into account social, economic and technological variables;
- Discussions regarding the monitoring and assessing of progress in combating IPRs infringement, including cost-benefit analysis of mobilized resources.
- Discussion and analysis of national experiences, especially those deemed to be successful ones, with a view to improving systems that integrate the multiple dimensions of IPR infringement, and examining business models that have been used to combat counterfeiting and piracy.
- Discussions of establishing partnerships with organizations associated with enforcement using an integrated approach.
- Discussions of the design of capacity building and technical assistance projects, for example training for the judiciary, as well as those that go beyond the mere setting up and training of teams for operational law enforcement in developing countries. These projects could include, for example, campaigns to raise awareness in the citizenry, as well as programs to reincorporate into the formal economy those who are working in the informal economy trading in counterfeit and pirated products.
- Given resource constraints, discussions of strategies which evaluate enforcement efforts on the basis of a diagnosis of welfare impact. Welfare effects of different types of IP infringement impact differently on consumers, producers, and the economy at large. For instance, a case can be made for pursuing producers rather than small scale distributors of illicit goods, especially where the former are linked to organized crime syndicates.
- Discussions of mechanisms for small and medium sized enterprises (SMEs) to utilize and protect IPRs for their benefit.
- Discussions of the disposal of counterfeit and pirated goods and also the potential for the recycling or donation to charitable institutions of such goods.

[End of Annex III and of document]