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IP LITIGATION COSTS

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WIPO'S NEW TOP MANAGEMENT

New Parties to WIPO Administered Treaties in 2009

During 2009, 68 instruments of accession or ratification of treaties administered by WIPO were deposited with the Director General of WIPO. The treaties and new adherents are as follows:

In the field of industrial property

Patent Cooperation Treaty (PCT) (1970) – Chile, Peru and Thailand (3), bringing the total number of States to 142.

The Madrid System for the International Registration of Marks (Madrid Agreement (1891) and Madrid Protocol (1989)) – Egypt, Liberia and Sudan (3) adhered to the Madrid Protocol, bringing the total number of States/IGOs to 81.

Trademark Law Treaty (TLT) (1994) – Morocco, Nicaragua and Peru (3), bringing the total number of States to 45.

Singapore Treaty on the Law of Trademarks (2006) – Estonia, France, Liechtenstein, Mali, Netherlands (The Netherlands will become bound by the Treaty three months after the deposit of the instruments of ratification of Belgium and Luxembourg), Poland, Russian Federation and Spain (8), bringing the total number of States to 17.

Strasbourg Agreement Concerning the International Patent Classification (1971) – Serbia and Ukraine (2), bringing the total number of States to 61.

Locarno Agreement Establishing an International Classification for Industrial Designs (1968) – Argentina and Ukraine (2), bringing the total number of States to 51.

Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks (1973) – Serbia and Ukraine (2), bringing the total number of States to 27.

Hague Agreement Concerning the International Registration of Industrial Designs – Germany, Poland and Serbia (3) adhered to the 1999 Geneva Act of the Hague Agreement, bringing the total number of States/IGOs to 37.

Patent Law Treaty (PLT) (2000) – France, Liechtenstein and Russian Federation (3), bringing the total number of States to 22.

In the field of copyright and related rights

WIPO Copyright Treaty (WCT) (1996) – Austria, Bosnia and Herzegovina, Denmark, Estonia, European Union, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Spain, Sweden, Tajikistan, United Kingdom and Uruguay (20), bringing the total number of States/IGOs to 88.

WIPO Performances and Phonograms Treaty (WPPT) (1996) – Austria, Bosnia and Herzegovina, Denmark, Estonia, Finland, France, Germany, Greece, European Union, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Spain, Sweden and United Kingdom (18), bringing the total number of States/IGOs to 86.

Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms (1971) – Bosnia and Herzegovina (1), bringing the total number of States to 77.

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IP LITIGATION COSTS - AN INTRODUCTION

The settlement of the famous 2006 “The Lion Sleeps” copyright case – with its happy ending for the heirs of the author – was widely reported in the press and celebrated as an example of successful use of the intellectual property (IP) system in ensuring remuneration of creators.¹ It should, however, be kept in mind that this case was exceptional in many respects, including the funding of the litigation. Given the song’s popularity and its cultural importance, the institution of the case benefited from significant financial sponsoring. In reality, for most litigants, one of the greatest obstacles associated with IP litigation is high, if not excessive, costs.

To what extent does the situation prevent right holders from taking legal steps against infringement? Do high litigation costs fuel a perception, more generally, that the IP system only benefits wealthy or large companies equipped with expensive legal expertise? And, against that background, in what possible ways could high litigation costs be addressed in the broader context of an enabling environment within which IP rights are respected?

These were among the thorny questions addressed at the November 2009 session of the WIPO Advisory Committee on Enforcement (ACE). The Committee, composed of WIPO Member States and accredited observer organizations, focused its discussions on “Contributions of, and costs to, right holders in enforcement, taking into consideration Recommendation No. 45 of the WIPO Development Agenda.” The Committee discussed issues, based on expert analysis presented, including the reasons for the high costs of IP litigation, especially for litigants in developing countries, and looked at suggestions for making the system more accessible.²

High attorneys’ fees were viewed with concern. At the same time, at least in certain areas of IP disputes, they were seen in the context of the high level of specialization required for directing such cases. The often costly evidential burden (see “The UK: Can a high-cost country change its way?” on page 6) was also raised. It was suggested that greater use of presumptions could be worth further analysis, especially in civil cases.

The ACE discussed in some detail suggestions for alleviating the financial burden on parties – for instance, through the use of alternative dispute reso-

lution models (see “A Cost-Effective Alternative” on page 19) or simplified procedures, especially in the field of border enforcement. Emphasis was placed on mechanisms to reduce litigation costs for parties in need, including legal aid, or provision for litigation on a pro-bono basis. In that regard, reference was made to South Africa where the bar association requires its practicing members to conduct a certain number of pro-bono cases per year, thereby supporting public interests and certain provisions of the Bill of Rights.

Another approach suggested was the conducting of litigation on a contingency basis (see “U.S. Contingency Fees: A Level Playing Field?” on page 3). Obviously, such a model could only be attractive in the case of litigation seeking monetary payment, as opposed to injunctive relief. With that in mind, another suggestion was proposed: establishing state-administered funds for instituting IP litigation. Such funds, it was argued, could be derived from registration fees. More broadly, the Committee looked at pre-emptive measures as a possible means of controlling enforcement costs. The suggestions in that respect touched on defining trade policies and business models – so as to diminish the demand for counterfeit goods – and bringing prices into a more balanced alignment.

The ACE, an advisory body with no norm-setting mandate, is a forum for exchanging information and does not work towards binding solutions on any of the matters it addresses. Discussions nevertheless clearly revealed that overly expensive IP litigation is a serious concern in many countries, and is perceived to have negative effects on effective law enforcement and the acceptance of the IP system in general.

This issue of the WIPO Magazine on IP Litigation Costs addresses the aforementioned challenges in IP litigation and looks in particular at the costs and particularities of IP dispute resolution in jurisdictions such as Africa (page 14), Europe (page 6 and 12), Japan (page 16) and the U.S. (page 3). The WIPO Arbitration and Mediation Center, co-editor of this issue, explains the benefits of Alternative Dispute Resolution (page 19), which appears to be an efficient way out of costly and complex IP litigation. Finally, a range of useful practical tips are provided for minimizing IP dispute settlement costs (page 23).

¹ For details of the case and the settlement agreement see WIPO Magazine 2/2006 “Copyright in the Courts: The Return of the Lion”

² Working documents of the meeting, as well as the chair’s conclusions, are available at www.wipo.int/meetings/en/details.jsp?meeting_id=17445.

U.S. CONTINGENCY FEES - A LEVEL PLAYING FIELD?

This article by **William R. Towns**, a partner and General Counsel at Novak Druce + Quigg LLP, focuses on contingency fee arrangements in the context of patent litigation in the U.S. Mr. Towns is a seasoned attorney and mediator whose litigation and dispute resolution practice concentrates on IP matters. He is a WIPO Approved Neutral and has served as a WIPO Domain Name Dispute Resolution Panelist since 2003.

A study of the results of patent litigation at the appellate level revealed that patentees only won some 25 percent of infringement cases from 2002 to 2004.¹ While these statistics might seem to suggest that the scales are tipped in favor of defendants, the eye-popping cost of patent litigation in the United States – on average \$3 to \$10 million – can deter many accused infringers from fighting cases in court; it may just be less expensive to pay a licensing fee or royalties than to challenge a patent in court. At the same time, plaintiffs increasingly have turned to contingency fee arrangements to spread the risk of such escalating patent litigation costs, a development that has led some to assert that the scales are now tipped decidedly in favor of plaintiffs.

Contingency fee arrangements have become a standard practice in the U.S. for financing certain types of civil lawsuits. Under such arrangements, attorneys' fees are determined by the success of the claim, and usually are calculated as a percentage of the client's recovery. A fee is charged only if the lawsuit is successful or is favorably settled out of court – a "no win, no fee" arrangement.

Often used in personal injury, medical malpractice and commercial collection cases, contingency fees have been widely associated with large jury awards and recoveries and, as a result, have become a focal point for advocates of tort reform. But they have actually been around for at least 100 years, long before the onset of the current liability crisis. Significantly, U.S. jurisdictions generally eschew "loser pays" systems that permit successful litigants to recover attorneys' fees from the losing party. Proponents of contingency fee arrangements observe, *inter alia*, that they improve access to the legal system by enabling plaintiffs with limited financial means to obtain legal services they could not otherwise afford.²

Critics of contingency fee arrangements, on the other hand, often attribute the recent "litigation explosion" – the expansion of tort liability – large-

ly to the efforts of lawyers working on a contingency fee basis to increase the return on their investment. Detractors of contingency fees decry the oft-stated goal of improving access to the legal system as misleading, claiming that contingency fee arrangements are motivated by greed and encourage excessive, speculative or frivolous litigation. After all, contingency fee arrangements also finance litigation of upper-income and business clients that could easily afford to pay on an hourly basis.

Controversial or not, there is no question that the use of contingency fee arrangements in U.S. civil litigation has become widespread, expanding well beyond the confines of tort law. In a number of other contexts, contingency fee arrangements have proven an effective means of spreading risk, not only for litigants with resource or liquidity constraints, but also for the well-financed. This includes IP matters, and particularly patent infringement lawsuits, where the substantial litigation costs for both sides may be as significant an influence on the outcome of the case as the merits of the claim itself.

The high cost of patent litigation

The high cost of patent litigation in the U.S. is a major factor contributing to the use of contingency fee arrangements. According to a 2009 economic survey commissioned by the American Intellectual Property Law Association (AIPLA), in patent infringement cases where the amount in dispute is between \$1 million and \$25 million, total litigation costs average in excess of \$3 million, roughly 60 percent of which is incurred during discovery. In cases where the amount in dispute exceeds \$25 million, average total litigation costs



Photo: iStockphotos

The eye-popping cost of patent litigation in the U.S. – on average \$3-\$10 million – can deter many from fighting cases in court.

¹ Paul M. Janicke, University of Houston Law Center and Lilan Ren, University of Houston, "Who Wins Patent Infringement Cases?," American Intellectual Property Law Association Quarterly Journal, Vol. 34, p. 1, 2006

² See, e.g., Economic Analysis of the Law 615 (7th ed. 2007), Richard A. Posner



are roughly doubled. And in smaller cases where the amount in dispute is less than \$1 million, the AIPLA survey indicates that total litigation costs in some cases may exceed the amount at stake, with costs through the end of discovery remaining roughly 60 percent of the total litigation costs.

The case for contingency fee arrangements

In light of escalating patent litigation costs, contingency fee arrangements can be seen as improving access to the judicial system for the “little guy” – in this case small inventors and others who otherwise lack the means to enforce their IP rights against larger, better-financed corporate defendants.

But as with other complex commercial litigation, contingency fee arrangements in patent litigation are not the exclusive bastion of small inventors and individuals. For larger, better-funded litigants looking to control litigation costs, contingency fee arrangements may be equally attractive – such arrangements spread the risks of patent litigation for small and large clients alike. Contingency fee lawyers occupy a position analogous to that of business partners or venture capitalists, an investment model that arguably encourages them to screen cases more carefully and to hold down litigation costs.

In contrast, traditional hourly billing arrangements require clients to assume virtually all the risks of litigation. This is certainly a concern for small inventors and other potential litigants with liquidity issues, for whom the high costs of patent litigation may effectively preclude access to the judicial system. And while the need to spread the risks of litigation may not be as pressing for larger, well-funded litigants, controlling the high costs of legal services is an increasing concern. A survey of in-house counsel, recently conducted by the Association of Corporate Counsel and *The American Lawyer*, reports that 39 percent had increased their use of alternative billing arrangements with outside law firms during the past year. The survey further indicates that virtually all changes from hourly billing arrangements were initiated by corporate law departments rather than external law firms.

Do contingency fees level the playing field?

Proponents of contingency fee contracts argue that they protect the rights of inventors and serve to level the playing field in what are sometimes termed “David and Goliath” battles with big business – perhaps a fitting analogy in cases of small inventors with limited means attempting to enforce their rights against well-funded corporations. Contingency fee arrangements may indeed level the playing field in such situations, thereby promoting not only the interests of small inventors but also those of the justice system and, arguably, society at large.



A patent troll – a pejorative term for institutional investors using a business model that involves acquiring patent portfolios, not to develop goods and services for market, but only to assert patents in court.

Outside of this situation, however, it is questionable whether contingency fees are needed to level the playing field in U.S. patent litigation, and debatable whether the use of contingency fee arrangements may, in some situations, tip the scales in the opposite direction. Patent infringement lawsuits increasingly are being funded by non-traditional institutional investors, using a business model that involves acquiring patent portfolios not to develop goods and services for market, but only to assert

patents in court.³ So-called patent trolls – a pejorative term for entities that acquire IP assets to this end – are a case in point. Contingency fee arrangements are conducive to using this business model, as they allow institutional investors to effectively spread the financial risk involved in patent litigation by partnering with their lawyers.

The notion that a well-funded patent litigant that has hedged its investment through a contingency fee arrangement is merely seeking to level the playing field is difficult for some to accept. Many businesses facing patent litigation are also well funded, but not all such defendants are large, successful corporations and, given the high costs of patent litigation, some would argue that contingency fee arrangements tend to give plaintiffs the edge. For obvious reasons, contingency fee arrangements are not an available option through which such patent defendants can level the playing field, and a defendant lacking comparable risk-spreading options who is otherwise unable to afford the high costs of patent litigation may

³ See Nathan Vardi, *Patent Payday*, FORBES.COM (Feb. 12, 2008).

find itself at a decided disadvantage, notwithstanding the merits (or lack thereof) of the patent claims asserted against it.

Patent reexaminations and alternative fee arrangements

Even though the evidence is largely anecdotal, the conclusion that contingency fees have altered the patent litigation landscape seems unavoidable. Whether or not there is any correlation between the rise of contingency fee arrangements and steadily escalating legal costs in patent lawsuits, there is no question that patent defendants are looking increasingly to control the significant legal costs of fighting patent claims.

To limit the high costs of patent litigation, many businesses are seeking alternatives to the traditional hourly rate model. There are a number of options, including fixed fees, conditional fees or reverse contingency fee arrangements. The latter arrangement can be difficult to implement, as it requires that the client and law firm agree on a potential liability exposure of a certain amount, with the reverse contingency fee a fixed percentage of the difference between liability exposure and any lesser settlement or judgment. Some studies suggest defendants are unlikely to choose contingency fee arrangements over fixed fee or hourly billing arrangements, because they view litigation as a purely negative gamble.⁴ Contingency fee plaintiffs pay attorney's fees only if they prevail, and then only as a percentage of the settlement or judgment they have recovered in the litigation. A defendant who chooses an alternative billing arrangement as opposed to the traditional hourly rate may succeed in lowering its overall litigation costs, but unlike a contingency fee plaintiff, the defendant does not have a settlement or award from which to pay its attorney's fees. Even for a defendant who prevails in the litigation, the best result is still a net loss.

Beyond alternative fee arrangements, a growing number of defendants in patent infringement lawsuits are challenging the validity of the patent at issue through the use of administrative *ex parte* or *inter partes* patent reexaminations before the U.S. Patent and Trademark Office (USPTO), based on prior art references.⁵ U.S. Federal Courts have the power to stay patent litigation pending completion of reexamination. There has been a significant increase in third-party requests for patent reexaminations since 2003, and the number of patent infringement lawsuits involving parallel

patent reexaminations before the USPTO is considerable and increasing.

A chief advantage of challenging the validity of a patent by reexamination before the USPTO is the decidedly lower administrative costs compared to the costs of validity challenges in patent litigation. When coupled with the possibility of obtaining a stay of litigation, the strategic use of reexamination has changed the patent litigation landscape as significantly as have contingency fee arrangements. In fact, there appears to be a strong correlation in time among the use of contingency fee arrangements, the emergence of patent trolls and the substantial increase in third-party requests for *ex parte* and *inter partes* reexaminations before the USPTO.

Conclusion

The emergence of contingency fee arrangements as an effective means of spreading risk has noticeably altered the patent litigation stage, particularly in combination with the rise of so-called patent trolls. Whether contingency fees are directly responsible for creating a litigation explosion in patent law is open to question; lawsuit statistics maintained by the U.S. District Courts suggest the number of patent lawsuits as a percentage of total patents has not changed markedly over the past two decades. And if contingency fees encourage speculative or frivolous patent claims, the strategic use of patent reexaminations by defendants, and the employment of other cost-cutting methods, may well serve to level the playing field, and eventually curb such perceived abuses.

Patent reform legislation has been introduced in the U.S. House of Representatives or the U.S. Senate in each of the last three years. The enactment of patent reform legislation in the U.S. is probable – perhaps inevitable – but it is unlikely to substantially or immediately impact the high costs of patent litigation, or to curtail the use of contingency fee arrangements in such litigation. In the meantime, the debate continues to unfold.

⁴ See Eyal Zamir & Ilana Ritov, Neither Saints Nor Devils: A Behavioral Analysis of Attorneys' Contingent Fees 50-57.

⁵ See 35 USC, 301 *et seq.* (*ex parte* reexamination) & 35 USC, 311 *et seq.* (*inter partes* reexamination).

THE UK: CAN A HIGH-COST COUNTRY CHANGE ITS WAYS?

This article by **Michael Burdon**, partner and Head of IP, Olswang LLP, U.K., focuses on patents practice in the U.K. He has participated in discussions on, and made proposals for, reform of the U.K. and European patent litigation procedure.

High-cost countries certainly can change their ways! But before looking at how, it is worth pausing to ask, first, whether the legal systems for resolving IP disputes are indeed, in some countries, "high-cost" and, second, whether they should change.

Counting the cost in the U.K.

Patent litigation in the U.K. is often said to be expensive. Part of the expense is undoubtedly due to the rigorous procedure and associated fees for legal services. However, the country's reputation for being a "high-cost" jurisdiction is also probably due to its "loser pays" system under which the losing party is ordered to pay the winning party's legal costs, at least in relation to those issues on which the winner was successful. In apportioning costs, courts increasingly make deductions for issues on which the winning party was not successful (e.g., certain pieces of prior art or an insufficiency attack). If the parties cannot agree on the amount to be paid, the costs are assessed by a specialist costs judge in a detailed examination that is often more costly than the amount in dispute. Fortunately, such detailed assessment procedures are relatively rare. As a rule, the winning party usually recovers from two-thirds to three-quarters of its total costs for the issues on which it was successful.

The winning party often seeks and is awarded an immediate interim payment of a proportion (usually 50 percent) of the costs it is likely to recover. As a result, interesting information on costs reaches the public domain through such hearings, though they tend to fall at the more extreme end of the scale. For example, Research in Motion (RIM) spent about £6 million on its recent litigation with Visto, who by comparison "only" spent £1.6 million. Johnson & Johnson spent £3.7 million compared with CIBA's costs of £2.3 million in a recent case about contact lenses, and Edwards

spent £2.4 million against Cook's £1.5 million in a recent case on medical devices. There are no reliable data on the "average cost" of patent litigation, if indeed there is such a thing as an "average" patent dispute. However, the cost of legal representation and experts in most patent disputes conducted in the U.K. is unlikely to be estimated at less than £350,000.

Maybe the cost is warranted?

It is worth bearing in mind that there are only about 25 patent trials in the U.K. each year, compared to the 50,000 or so patents granted annually by the European Patent Office (EPO). The disputes that go to trial are of considerable commercial value as well as technical (and sometimes legal) complexity. At least one party in a trial considers the costs (both its own and the risk of having to pay the other side's costs) to be worthwhile. Presumably the defendant also considers that the benefit of defending the case outweighs the cost.

In considering whether high-cost countries should change their ways, and the implicit criticisms in this article's title, one must acknowledge that the type of litigation currently conducted in the specialist Patents Court of the High Court of England and Wales¹ – with its rigorous procedure and associated expenses – appears to be attractive, at least to those with complex, valuable disputes. The cost might also be about right.

Access to justice

The true test may be whether justice is accessible, not only for those aiming to enforce rights but also for those seeking to defend themselves, challenge rights or request a declaration to the effect that certain rights do not cover a product or process they wish to market.

¹ Patent infringement actions in Scotland are brought in the Court of Session in Edinburgh.

Put another way, one must consider cost in context, in relation to the quality of the dispute resolution process. Or, as Mr. Tom Sanchez of RIM said at a recent conference on international patent litigation, "the best value for the money spent is when the Court comes to the right answer more often than not." In a cost-benefit analysis, many critics are all too keen to focus on the cost without fully considering the other half of that analysis – the benefit. We need to be mindful of the critic who knows the price of everything but the value of nothing.

Mr. Sanchez identified some good reasons for bringing a patent suit in the U.K. He observed that litigating in the U.K. is less expensive than in some other jurisdictions, such as the U.S., and may cost only a fraction of the settlement of a global litigation. He also pinpointed the following attributes of U.K. patent litigation:

- timely, high-quality decisions by judges with strong technical backgrounds;
- civil procedure rules provide that a testifying expert has an overriding duty to assist the court, which helps to ensure objective consideration of the issues;
- cross-examination of experts improves the expert evidence. Experts tend to be more careful, because they will have to defend their statements before a judge;
- trying all issues in one case (infringement and validity) helps to prevent contradictory, self-serving arguments; and
- significant limitations on documentary disclosure and the production of a product process description (PPD) save considerable time and cost.

Other options

It is also important to keep in mind other options for resolving disputes. European countries benefit from an effective customs regulation that can be called upon in seizing shipments of infringing goods when they first enter the European Economic Area. The threat of litigation (and its cost) also plays a significant part in helping to produce commercial out-of-court resolutions to potential disputes.

Mediation plays an increasingly important role in helping parties to resolve their disputes without resorting to litigation, and often results in commercial solutions that extend beyond the right or product in dispute. Arbitration can be used successfully in relation to global disputes, avoiding the need to litigate in several countries in parallel. The U.K. Intellectual Property Office (IPO) has introduced a non-binding opinion service that of-

fers the views of an experienced patent examiner, on written application, in relation to validity and/or infringement issues. Parties can use these non-binding opinions to help resolve their disputes without recourse to litigation. The IPO recently delivered its 100th opinion since launching the service in October 2005.

Even were one to assume that the current patent litigation system in the U.K. meets cost-benefit expectations for those that use it, there is no doubt that a significant number of cases are not litigated because of the high cost involved. This cannot be good. It is, therefore, worthwhile to consider the potential benefits of a less costly patent litigation system.

Patents are a government-sponsored facet of the economy, justified as providing further incentive for innovation. Patent offices around the world review applications to determine which inventions deserve this special protection; however, their resources are limited and workloads high. While no criticism is intended, they unavoidably do an imperfect job, that being the nature of the system in place. However, the system provides that if those imperfectly granted rights become commercially important, there will be an opportunity to review whether a specific patent should have been granted in the first place.

The EPO opposition procedure arguably offers one level of such protection. It is simpler and less costly than national litigation, especially given that it covers all European countries in one procedure. However, the fact that the procedure takes three to six years to complete is unsatisfactory and inefficient. In the course of reform discussions, significant industry feedback was provided about situations in which not only are right owners hindered in enforcing their rights by the costs and risks inherent in litigation, but companies have taken licenses and paid considerable royalties although they considered the underlying rights invalid because the cost of challenging them was unaffordable.

Changing their ways?

The European Commission (EC) is moving ahead with a proposal for a Unified Patent Litigation System, under which there would be a single Europe-wide jurisdiction for patent disputes (see the article "A single patent court for Europe: Dream or Reality?" on page 12). A pan-European court would potentially offer a more cost-effective and efficient system for litigation. However, the quality



of the procedure and operation of the Court in practice will ultimately determine whether the new system will indeed improve access to justice within Europe that is cost-benefit balanced.

The U.K. is examining the cost of IP litigation as part of a more general enquiry into the costs of civil litigation. This is being undertaken by a committee headed by Lord Justice Jackson that has just delivered its final report at the end of a year-long review of civil litigation costs – including IP litigation. The Jackson Committee investigated the costs of the type of litigation already taking

This proposal would create a truly differentiated forum for litigating patents in lower cost cases. There are many points yet to be addressed, and much will depend on how the procedure is put into practice and the extent to which robust case management is actually applied. In that regard, the new system's success will hinge on how well judges manage and hear individual cases. The sole judge presiding over the PCC, The Honorable Judge Fysh, is due to retire in the summer of 2010. He will be a hard act to follow, and finding a suitable replacement for a position that offers a relatively modest salary will not be easy.



The U.K. Intellectual Property Office offers a range of services to help resolve disputes including a non-binding opinion service

place and proposed potential reforms that could lead to a more cost-effective system, and supports a proposal by the Intellectual Property Court Users' Committee for reforming the Patents County Court (PCC). At present, the jurisdiction and procedure of the PCC are identical to those of the Patents Court of the High Court. There is no limit on remedy and no difference in procedure, as a result of which costs are often identical. In general, the PCC is mandated to handle simpler, less commercially important cases, but there is no mechanism to enforce this difference, nor is there any difference in the principles based on which costs can be recovered by the successful party.

Along with renaming the PCC the Intellectual Property County Court, a radical reform of the PCC's jurisdiction and procedure is proposed. Damages would be limited to a maximum of £500,000 (at present, there is no limit on jurisdiction or remedy), and cost recovery by the winning party would be capped at £50,000 (there is currently no limit). Procedure would be radically streamlined, and parties would primarily be required to present their cases by sworn sequential written arguments. Judges would impose robust case management, and trials would be limited to one or, at most, two days. Documentary disclosure (discovery), experiments, factual evidence, expert evidence and cross-examination would only be permitted after a cost-benefit test.

One of the principal concerns of a litigant in the High Court is that costs (the claimant's as well as the defendant's) are extremely difficult to predict. The reformed PCC would enable a party to commence litigation knowing that maximum cost exposure for the defendant would be £50,000. The simpler procedure would also enable the party to reach a sensible arrangement with its lawyers and more accurately estimate its own (perhaps even capped or fixed) costs, thus paving the way for a more reliable cost-benefit analysis. That could improve access to justice and help the system to operate more efficiently and effectively, with an appropriate level of quality and rigorous procedure – certainly a good thing.

Reform is critical

The ability to challenge patents – as much as the ability to enforce them – through cost-effective and efficient litigation is a fundamental tenet of the patent system. The EC made a similar point in the framework of its recent enquiry into the European pharmaceutical sector. The proposed EC Unified Patent Litigation System, the U.K.'s investigation into civil litigation costs and the possible reform of the PCC are important steps in the right direction.

This author, however, fears that the U.K. system still caters only for those at the extremes – either those litigating patents that have considerable commercial importance, so-called "big ticket" litigation, at one end or those involved in more modest, low-value disputes at the other. There seem to be a significant number of companies caught in the middle that cannot make use of either alternative. Reform of the court system and the provision of a cost-effective, efficient system for enforcing, and challenging, patents in which all interested parties have access to justice is therefore critical to the fair operation of the patent system.

AN EU COMPETITION LAW PERSPECTIVE ON REVERSE PAYMENTS

The issues reviewed in this article by **Sean-Paul Brankin**, Counsel, Crowell & Moring, are considered in greater depth in an article by the author in the *Journal of Intellectual Property Law and Practice*, Volume 5, Issue 1 (Jan 2010), entitled "Patent Settlements and Competition Law: Where Is the European Commission Going?"

In the Final Report on its Pharmaceutical Sector Inquiry, the European Commission identified patent settlement agreements as a focus for European Union (EU) competition law enforcement in the industry. The Commission's concerns relate to so-called "reverse payment" settlements. These are settlements involving a payment (or some other value transfer) from the patent holder to the generic company challenging the patent.

The Commission's interest in reverse payment settlements has clearly been inspired by the activities of the U.S. Federal Trade Commission (FTC). For a number of years, the FTC has pursued reverse payment settlements as potential infringements of U.S. antitrust rules. Specifically, the FTC argues that reverse payment settlements should be presumed to be unlawful if:

- the reverse payment is substantial;
- the generic challenger is unable to immediately enter the market with a competing product; and
- there is no proof of any motive for the payment other than the delay to generic entry.

However, the FTC's position is controversial. Senior U.S. courts have, to date, consistently rejected its approach, for example in the famous *Schering-Plough Corp. v. FTC* dispute, or in the Tamoxifen case.¹ Instead, as in the Tamoxifen case, courts have held that reverse payment settlements are generally lawful, provided generic entry is delayed only during the lifetime of the relevant patent and in relation to products that would infringe it.

This raises a number of questions for European lawyers. What is the FTC's reasoning and is it right? How does that reasoning apply in an EU context? And, ultimately, what approach is the European Commission likely to adopt?

Is the FTC right?

Simply put, the FTC's fundamental concern regarding reverse payments is that the patent holder is using part of the profits from its patent monopoly to buy off competitive entry. An advisor to FTC Chairman Jon Leibowitz recently said, "As a matter of economics, it will generally be most profitable if the brand and the generic firm avoid the possibility of competition and share the resulting monopoly profits."²

Such concerns may not be misplaced. In fact, the issue may not be whether some reverse payment settlements are anti-competitive, but whether the FTC can effectively distinguish those settlements that are anti-competitive from those that are not. It is not clear that the presumption of illegality proposed by the FTC achieves this, or that there are workable alternatives available. Certainly the U.S. courts have not been convinced.

There appear to be three fundamental concerns with the FTC's approach in the U.S. context. The first is that settlements are generally efficient and socially beneficial. They avoid unnecessary litigation costs and, more important, create certainty that allows parties to plan and invest for the future. U.S. antitrust law recognizes these benefits and, as a result, settlements are not generally considered to infringe antitrust rules even where they may have an adverse effect on competition (see, for example, the aforementioned Tamoxifen case). The second relates to the extent to which there would be greater competition in the absence of a settlement. In other words, the counterfactual analysis. Initially, for example in the *Schering-Plough* dispute, the FTC argued that, absent the reverse payment, the parties would have reached a settlement involving an earlier generic entry date: "[I]f the patent holder makes a substantial payment to the challenger as part of the deal,

¹ *Schering-Plough Corp. v. FTC*, 402 F.3d 1056 (11th Cir. 2005) cert. denied, 126 S. Ct. 2929 (2006); *In re Tamoxifen Citrate Antitrust Litig.*, 466 F.3d 187 (2nd Cir. 2006); *In re Ciprofloxacin Hydrochloride Antitrust Litig.*, 544 F.3d 1323 (Fed. Cir. 2008), cert. denied, 129 S. Ct. 2828 (2009).

² Michael Kades, *Whistling Past the Graveyard: The Problem with Per Se Legality Treatment of Pay-for-Delay Settlements*, *Competition Policy International*, Volume 5, No. 2, Autumn 2009.



Photo: iStockphotos



The European Commission's interest in reverse payment settlements has been inspired by the activities of the U.S. Federal Trade Commission (FTC).

absent proof of other offsetting considerations, it is logical to conclude that the *quid pro quo* for the payment was an agreement by the generic to defer entry beyond the date that represents an otherwise reasonable compromise." This argument is, however, problematic. As the FTC recognized in the Schering-Plough dispute, in some cases the parties may not settle at all absent a reverse payment. Indeed, the U.S. Court of Appeal for the 11th Circuit described the FTC's counterfactual analysis in that case as "untenable."

The FTC now argues that if no settlement could be reached then continued litigation would "yield a greater prospect of competition."³ But this is also problematic. The existence of a reverse payment shows only that the patent holder believes there is some risk that the patent will be held invalid or not infringed. It does not show that the risk is greater than 50 percent. If the risk is less than 50 percent, then applying the balance of probabilities standard of proof in civil cases, the counterfactual argument would be that the patent is valid and infringed. In that case, the settlement will have no adverse effect on competition (unless generic entry is excluded beyond the lifetime or scope of the patent) since the patent entitles its owner to exclude the generic regardless of the settlement.

The third concern relates to the extent to which an individual settlement significantly restricts competition. As mentioned, if the patent is valid, a settlement that delays generic entry within its scope and duration should have no anti-competitive impact. Importantly, the position may be similar if the patent is invalid or likely to be so. As the

U.S. Court of Appeal for the 2nd Circuit explained in the Tamoxifen case: "while the strategy of paying off a generic company to drop its patent challenge would work to exclude that particular competitor from the market, it would have no effect on other challengers of the patent, whose incentive to mount a challenge would also grow commensurately with the chance that the patent would be held invalid." As the Court went on to observe, although in theory it might be possible to pay off all potential generic challengers, in practice this is unlikely to be economically viable.

On the face of it, the above three concerns appear to justify the position of the U.S. courts that reverse payment settlements should generally be treated as lawful. However, the FTC has a potential response to at least some of these concerns. Under the Hatch-Waxman Act, the first company to file with the U.S. Federal Drug Administration for generic approval obtains a 180-day exclusivity period during which other generic companies cannot enter the market. As originally drafted, the 180-day period would begin only once the first filer launched its product. As a result, a settlement in which the first filer agreed to delay the launch of its product would effectively extend the exclusivity period and exclude **all third party generic entry** during that time. Such a settlement is potentially substantially anti-competitive. However, in 2003, the Hatch-Waxman Act was amended so that the first filer may forfeit its exclusivity period if, among others, it fails to launch its product promptly. The FTC argues that this amendment has not been effective and settlements can, in principle, still be used to extend the exclusivity period and blockade third party entry.⁴ Other commentators appear to take the view that the amendment has removed the concern.⁵

The EU context

The EU context differs from that in the U.S. in at least two important respects. First, EU competition law contains no equivalent to the U.S. rule that settlements are not generally unlawful even if they may have some adverse effect on competition. Instead, the European Court of Justice has held that settlements should be treated in the same way as other types of agreements.⁶

³ *FTC v. Cephalon*, FTC pleadings available at: <http://www.ftc.gov/os/caselist/0610182080213/complaint.pdf>

⁴ Michael Kades, *ibid.*

⁵ Anne Layne-Farrar, *Reversing the Trend? The Possibility that Rule Changes may Lead to Fewer Reverse Payments in Pharma Settlements*, *Competition Policy International*, Volume 5, No. 2, Autumn 2009.

⁶ *Case 65/86 Bayer v. Sülthöfer* [1988] ECR 5249.

Second, there is no equivalent under EU rules to the Hatch-Waxman Act or the 180-day exclusivity period for the first generic challenger. As a result, the FTC's potential response to concerns regarding its proposed presumption of illegality is not available in the EU context.

Overall, therefore, while EU competition law may seem to weigh in favor of a presumption of illegality, the differing EU regulatory context weighs against it.

The European Commission's likely approach

Interestingly, it seems the Commission does not, currently, intend to follow the FTC and apply a general presumption that reverse payment settlements are unlawful. The Final Report of the Pharmaceutical Sector Inquiry indicates in §763 of the Technical Annex, that reverse payment settlements would not be "deemed" unlawful without a full investigation of the facts, and the head of the Inquiry Task Force recently said the Commission "will not take the view *per se* that patent settlements are probably illegal."⁷

So what will the Commission do? First, it is likely to take the view that reverse payment settlements that delay generic entry beyond the period of patent exclusivity or in relation to products not covered by the patent automatically infringe competition rules. The U.S. courts do consider such settlements to be *per se* violations of antitrust law.⁸

Second, the Commission may pursue an approach originally proposed by the U.S. Department of Justice (DoJ). The DoJ initially strongly opposed the FTC's presumption of illegality (although, following the appointment of a new head of its antitrust division by the Obama administration, it now supports the FTC line). As an alternative, it suggested an assessment of reverse payment settlements based on "a limited examination into the relative merits of the patent

claims and other relevant factors surrounding the parties' negotiations."⁹

This proposal raised concerns regarding the ability of courts or competition authorities to make any assessment absent a full trial on the merits and has not been pursued in the U.S. However, there is some precedent for such an approach under EU law. In assessing the compatibility of trademark delimitation agreements with EU competition rules, the Commission has previously made its own assessment of the ability of relevant marks to co-exist.¹⁰ Whether an equivalent approach is appropriate in the more technical patent context may be open to debate.

If the Commission does go down this path, it is likely to be particularly interested in the internal documents of the parties (particularly the patent holder) relating to patent validity, the assessment of likely success in litigation and the settlement negotiations. If it can identify cases where such documents suggest the patent holder is likely to lose the litigation and the

purpose of the reverse payment is to avoid this, they may be tempting candidates for enforcement action. Interestingly, Servier's patent in the case the Commission has announced it is investigating was found by the U.K. Court of Appeal to be "very plainly" invalid and "the sort of patent which can give the patent system a bad name."

Finally, it should not be excluded that the Commission could ultimately pursue an FTC-style presumption of illegality. A second reverse payment case is currently before the U.S. Court of Appeal in the 2nd Circuit, *Arkansas Carpenters Health and Welfare Fund et al. v. Bayer et al.*, and there are indications that the Court may consider overturning its previous case law and adopting the FTC approach. If this were to happen, the European Commission may also consider changing its view. It is to be hoped it does not.

Photo: US Federal Government



The U.S. Federal Circuit Court has held that reverse payment settlements are generally lawful, provided generic entry is delayed only during the lifetime of the relevant patent and in relation to products that would infringe it.

⁷ Abigail Rubenstein, *EU to Request Drug Patent Deal Details*, Law 360, 19 November 2009.

⁸ *In re Cardizem CD Antitrust Litig.*, 332 F.3d 896 (6th Cir. 2003), cert. denied, 543 U.S. 939 (2004).

⁹ Brief for U.S. as *Amicus Curiae*, *FTC v. Schering-Plough Corp.*, 126 S. Ct. 2929 (2006) (No. 05-273).

¹⁰ Case IV/C-30.128 *Toltecs-Dorcet* OJ L 379, 1982, p. 19.

A SINGLE PATENT COURT FOR EUROPE

Dream or Reality?

Alejandro I. Garcia, Associate, Bird & Bird, U.K., practices law in England and Wales, New York and Chile, concentrating on international arbitration and cross-border litigation of disputes involving IP, information technology, telecommunications and complex commercial issues. In this article Mr. Garcia discusses the imminence of a single patent court for Europe.



Photo: iStockphotos

Resolving the issue of multi-jurisdictional patent litigation would require legislative action; that is the approach being pursued in Europe since 1999.

In *Ungar v Sugg* (1892), Lord Esher commented with unparalleled eloquence on the distress suffered by patentees seeking to enforce their rights: "What, that a man had better have his patent infringed, or have anything happen to him in this world, short of losing all his

family by influenza, than have a dispute about a patent." One wonders whether Lord Esher would have found words to describe the challenges inherent in modern patent litigation, particularly in an international context.

At the time that *Ungar v Sugg* was decided, international trade was based on tangible goods; as was the wealth of countries. National authorities granted patent rights according to the requirements they deemed fit – often paying little or no attention to the practice in other countries. Patent litigation was rare and took place in only a handful of countries.

The 20th century, particularly its last decades, saw a fundamental shift in most economies in the world. Intellectual creations became the economic engine of most developed countries. Developed and developing economies became interdependent. International trade became truly global; with the Internet no country or player is too small. The patent system, to some extent, adapted to this new reality, particularly by making it easier for inventors and companies to secure patent rights in several countries at once. The 1970 Patent Cooperation Treaty (PCT) provided a single procedure for filing patent applications in each of its Contracting States. The European Patent Convention (EPC), signed in 1973, provided for a centralized patent prosecution mechanism.¹

These instruments enable patentees to exploit their IP rights on a global scale. Patent litigation, however, has remained confined to the jurisdiction of national courts.

International enforcement of patent rights may involve legal proceedings in multiple jurisdictions (and even proceedings within proceedings in some countries, such as Germany), which are generally subject to the laws of the country granting the patent. The aggregate costs of enforcing patent rights in multiple jurisdictions can be enormous. A February 2009 report requested by the European Commission cites the average legal costs parties must bear in patent litigation in four countries, namely, France, Germany, the Netherlands and the U.K.² The report estimates that, in big commercial cases, at first instance, party costs amount to €200,000 in both France and the Netherlands, €250,000 in Germany and €1.5 million in the U.K. Such costs often prevent small and medium-sized enterprises (SMEs) from enforcing their patent rights in all the jurisdictions in which a pan-European patent infringement might take place.

Various solutions to the issue of multi-jurisdictional enforcement have been put forward. Parties to a multi-jurisdictional patent dispute may conclude arbitration agreements whereby they agree to resolve their dispute before a single arbitral forum. In such "consolidated" cases, arbitration is often cheaper and quicker than resorting to litigation in several jurisdictions. The main drawback of arbitration in this respect is that it requires the consent of all parties involved, an unlikely prospect in many patent infringement cases. In theory, patentees may attempt to "consolidate" a multi-jurisdictional case in a single national court. This potential solution has been rejected by certain national courts³ and, in any event, would bring about serious cross-border enforcement issues.

¹ At present, all European Union (EU) countries are EPC members, as are some non-EU countries – such as Croatia, Iceland, Norway and Switzerland.

² http://ec.europa.eu/internal_market/indprop/docs/patent/studies/litigation_system_en.pdf

³ See e.g. in the U.S. *Voda v Cordis Corp*, Fed Cir App No. 05-1238.

Unifying European patent courts

The EPLA

Considering the limitations of the above measures, it might appear that resolving the issue of multi-jurisdictional patent litigation would require legislative action. That is the approach being pursued in Europe. Since 1999, an alternative agreement to the EPC that would provide for the creation of a unified court system has been under consideration within the framework of the European Patent Organization.

In November 2003, the Working Party on Litigation published a draft European Patent Litigation Agreement (EPLA), providing for the creation of such a system. But in February 2007, an interim legal opinion by the European Parliament's Legal Service caused a major setback when it concluded that the EPLA touched on issues under the exclusive jurisdiction of the European Community (EC) and, consequently, would breach, *prima facie*, Article 292 of the EC Treaty.

The UPLS

The European Commission has made significant efforts to resolve the issues arising from piecemeal patent litigation. In its April 2007 communication entitled "Enhancing the Patent System in Europe," the Commission recommended creating a single European Patent Court whose decisions concerning disputes over patents granted by the EPO would have effect in all EU member states. Following subsequent discussions, a proposal for the possible structure of a European Patent Court was prepared in October of that year.⁴

In late 2007 and 2008, it became clear that EU member states disagreed as to whether such a court would constitute an international entity or an EC body. In the first half of 2009, the Commission recommended to the European Council the negotiation and adoption of an agreement creating a Unified Patent Litigation System (UPLS). A compromise solution, that system would be a hybrid between an international organization and a full EU body.⁵ The patent court system would have the following main features under the UPLS:

- jurisdiction over European and Community patents (once granted) for infringement and revocation actions;
- decisions would have effect in all countries in which the patents at issue are in force (i.e., EU and non-EU countries); and
- it would provide for a single judiciary composed of specialist judges, following standardized procedures.

One of the main reasons for supporting the adoption of the UPLS is economic. According to a report published on February 26, 2009, by 2013, users of a unified European patent system would save €148 to €289 million per year, compared to the costs of piecemeal litigation.⁶ Such reductions in legal costs could allow many SMEs to enforce their patent rights in all EU and EPC countries.

Hurdles to adopting the UPLS

Nevertheless, the UPLS has yet to overcome certain legal hurdles. In April 2009, the EU Presidency (Czech Republic), in accordance with the wishes of the majority of its member states, requested that the European Court of Justice (ECJ) issue an opinion on the compatibility of the UPLS with the EC Treaty.⁷ The ECJ would have to decide two specific issues: (a) whether an international organization may render decisions on Community issues; and (b) whether the patent court would be allowed to refer issues to the ECJ (as proposed under the UPLS). It may take the ECJ up to 18 months to provide its opinion.

The UPLS, being connected to the establishment of a Community patent, may still be hindered in its progress by certain concerns, particularly in relation to the language(s) of legal proceedings. In December 2009, the Competitiveness Council met to discuss "political issues" in relation to the UPLS. A press release by the Swedish Ministry of Foreign Affairs (Sweden then held the EU Presidency) claimed, "the Competitiveness Council [...] reached a unanimous agreement on the general focus of the European patent regulation and Council conclusions on a common European Patent Court."⁸ However, issues related to the language of proceedings and translation requirements were not resolved.

More dream than reality

Although the establishment of a unified patent system in Europe might seem to be near, some of the issues that caused the EPLA to fail in 2007 remain. As such, it is uncertain whether piecemeal patent litigation in Europe will become a thing of the past. For now, to the disappointment of many patentees – who might well share Lord Esher's trepidations – a single patent court for Europe is more dream than reality.

4 <http://register.consilium.europa.eu/pdf/en/07/st14/st14492.en07.pdf>

5 <http://www.epo.org/patents/law/legislative-initiatives/community-patent.html>

6 http://ec.europa.eu/internal_market/indprop/docs/patent/studies/litigation_system_en.pdf

7 <http://register.consilium.europa.eu/pdf/en/09/st09/st09076.en09.pdf>

8 <http://www.regeringen.se/sb/d/12407/a/136614>

IP LITIGATION IN AFRICA

This article by **Darren Olivier**, Head of Brand Enforcement, Bowman Gilfillan, South Africa, highlights some of the more recent IP dispute developments across the African continent. Mr. Olivier is a co-founder of the *Afro-IP* blog, which publishes regular articles and updates on IP in Africa.

Africa, a continent of 54 countries, with a population of around one billion, produces relatively few reported cases of IP-related disputes. Apart from a steady stream of IP decisions emanating from South Africa, there is a dearth of information from the rest of the continent and such information, if and when available, tends to reach only those in the know. Most IP practitioners are, therefore, unaware of how IP is enforced on the continent. As a consequence, IP investment in Africa has been treated with some apprehension, or there has been an assumption that effective IP rights enforcement is not a prerequisite for doing business there. However, there is evidence that this is changing.

to generate future wealth for the country. According to the settlement, Ethiopia will select the global distributors for its coffee and set the conditions for sale. Ethiopia charges no royalty fees for coffee distribution licenses but, in return, asks distributors to market each type of coffee under its particular brand name. (See "Making the Origin Count: Two Coffees," WIPO Magazine 5/2007.)

South Africa - Trademarks on the front line

No less than four trademark cases reached the Supreme Court of Appeal, South Africa's highest commercial court, in 2009, and a significant number of other cases appeared in the law reports of the High Court. This is indicative of the ongoing healthy debate on IP issues in South Africa, where information on IP enforcement in the country has become increasingly accessible, in particular in the areas related to counterfeiting and domain names.



Some 15 million people in Ethiopia depend on the coffee sector, which generates 60 percent of the country's export earnings.

Online media, such as *Afro-IP*, World Trade Mark Review, Managing Intellectual Property and the WIPO Magazine, have stepped up efforts to facilitate access to information on the IP situation in Africa. The cases below are but a few of those that have recently come to light. Whether it is that more is now known about African IP rights enforcement or that its effectiveness is improving is not altogether clear. However, one thing is certain – that IP dispute resolution is alive and well in most economically vibrant economies on the continent.

Ethiopia's coffee

In an IP dispute with Starbucks over U.S. registration and use of trademarks for its premium coffee beans, Ethiopia recognized an opportunity to negotiate with the company and settled the dispute in an innovative way that may have long-term benefits for its people. Instead of attempting to extract cash in the form of royalty payments, the settlement aimed to increase Ethiopia's brand recognition and the demand for its coffee beans in a bid

In 2010, the country will be hosting the FIFA World Cup football tournament, whose revenues directly depend on the country's ability to adequately protect the IP rights of its official sponsors. There have already been a number of cases of international brand owners effectively enforcing the ambush marketing provisions of the Merchandise Marks Act 1943, as amended. (See "Defending its turf: FIFA combats Ambush Marketing," WIPO Magazine 4/2009.)

No passing off in Namibia

The strength of Namibia's IP system was tested recently in the passing off case of *Guido-Dirk Gonschorek and Others v Asmus and Another* (SA 11/2007) [2008] NASC 3 (15 April 2008). The case arose after Asmus sold part of its ASCO branded business (car hire, panel-beating, properties and yacht chartering) to Gonschorek. Asmus sued successfully both on the grounds of passing off and under the Close Corporation Act

26 (1988). In dismissing an ensuing appeal, the Judge considered what was meant by an "undesirable name" and "calculated to cause damage" in the Close Corporation Act, as well as the principles of passing off, when applied to the sale of part of a business (including its name) and the purchaser's subsequent use of that name for other business purposes.

Kenya – A controversial patent decision

In a case that has already led to much discussion in Kenya, the Industrial Property Tribunal has ruled that it has no jurisdiction to hear applications to revoke patents granted by the African Regional Intellectual Property Organization (ARIPO). The ruling arises from an application by Chemserve Cleaning Services Ltd to revoke patent AP 773 held by Sanitam Services (EA) Ltd. The decision:

- indicates, unsurprisingly, that the provisions of national laws are very important when enforcing and defending rights to ARIPO-granted patents; and
- may provide more reasons for IP portfolio managers to use the ARIPO system because of the difficulties in having certain rights revoked. Filing for rights using both the local and ARIPO systems may give litigators useful options.

An Appeal Board judgment at ARIPO

The Kenyan company Sanitam Services (EA) Ltd was again in the spotlight when it appealed ARIPO's decision to remove its patent AP 773 "Foot Operated Sanitary/Litter Bin" from the register due to non-payment of annual maintenance fees. The patent was granted on October 15, 1999, but maintenance fees were consistently received late. The Appeal Board concluded that both parties were to blame for the delays in payments as ARIPO had failed to send reminders, which it ought to have done. Consequently, the Appeal Board ordered that the patent be reinstated in Kenya and Uganda (the appeal was dropped in respect of Botswana, Zambia and Zimbabwe).

ARIPO was urged to strictly respect the Harare Protocol on Patents and Industrial Designs, in particular with regard to time limits, information delivery, application procedure and processing, appeals procedure and the rules of natural justice.

Lessons from Uganda

The High Court of Uganda in *Anglo Fabrics (Bolton) Ltd and Ahmed Zziwa v African Queen Ltd and Sophy Nantongo* ruled that African Queen Ltd and Sophy Nantongo were infringing the registered trademark "Mekako" and passing off their medicated soap product. The plaintiffs were granted an injunction, and the defendants ordered to pay a fine. The case is interesting in a number of respects:

- Speed: The case was decided within 16 months of its being launched.
- Transfer of ownership: The case has significant implications for brand owners acquiring or disposing of trademarks in Uganda, who may be best advised to include a separate transfer of ownership document – duly stamped – in their records.
- Reliability: The tests for both infringement and passing off used by the Court will be familiar enough to common law lawyers. For example, the Judge was guided by the five pointers in the English case of *Reckitt & Coleman Ltd v Borden Inc* (also known as the Jiff Lemon case) for determining passing off.
- ARIPO recognition: The judge inferred that ARIPO-registered trademarks designating Uganda would be enforceable.
- Costs: The Court ordered that interest be paid at the rate of 25 percent per annum.

Turning west – Nigeria

The Nigerian Copyright Act has long provided for civil enforcement against copyright infringement. However, with a slow-moving justice system and few copyright-trained attorneys, civil enforcement seemed to be more dream than reality. That changed in 2009 when the Musical Copyright Society of Nigeria (MCSN) successfully sued telecommunications provider Zain for copyright infringement, to the tune of 100 million Naira (approximately US\$674,000). Infringed works had been used in advertisements and sold as ringtones. The fact that MCSN was able to obtain a judgment of infringement of foreign-owned songs is good news for international collecting societies, as well as for Nigeria (Source: Aurelia J. Schultz, Afro-IP).

RESOLVING IP DISPUTES IN JAPAN

Counting the Cost

John A. Tessensohn, Board Member and Shusaku Yamamoto, founder-owner, Shusaku Yamamoto, Japan, are co-authors of this article detailing Japan's mechanism for the resolution of IP disputes.

Japan is known to be one of the world's most expensive countries, with Osaka and Tokyo regularly topping the rankings as the world's priciest cities. This high-cost perception has clouded the surprisingly refreshing truth that Japan is in fact a relatively affordable and reliably expeditious IP dispute resolution venue.

The dispute resolution framework

Japanese IP dispute resolution currently uses a two-track system, with the Board of Appeals of the Japan Patent Office (JPO) hearing invalidation appeal (IA) challenges and the District Court hearing patent infringement actions. The JPO Board of Appeals panel consists of experienced appeal examiners and reviews all relevant invalidation grounds.

Patent infringement proceedings are heard before the Osaka or Tokyo District Court, which have exclusive jurisdiction over different geographical areas. Both district courts have designated IP divisions, whose technical advisors (*saibansho chōsakan*) brief judges on the complex technical matters often involved in patent infringement cases.¹

Under Japan's patent law, only the JPO has the jurisdiction to invalidate a patent, but the infringement courts can decline to enforce a patent if there are grounds for invalidation. The Intellectual Property High Court of Japan (IPHCJ), the country's specialist IP appellate court, reviews, on a *de novo* basis, all JPO invalidation and District Court infringement decisions.

An appeal mechanism against IPHCJ decisions is available through the Supreme Court, Japan's highest appellate court. The Supreme Court rarely overturns the IPHCJ's decisions as appeals are restricted to reviewing the legal reasoning behind the decision, not the facts of the case. It has the discretion to accept or decline to review an appeal.

Bennishi and *bengoshi*

The Japanese IP bar consists of *bennishi* (patent attorneys) and *bengoshi* (attorneys-at-law). Japanese patent attorneys, like their American counterparts, usually have a technical background and a legal mandate to practice patent and other IP law before the JPO, IPHCJ and Supreme Courts. They can also litigate patent infringement matters as co-counsel with *bengoshi*. Most *bengoshi*, like Japanese judges, rarely have a science or technology background; therefore, the ideal litigation team for complex high technology patent matters would consist of *bennishi* and *bengoshi*.

Bennishi and *bengoshi* routinely charge on an hourly basis for invalidation and infringement proceedings – rates vary from US\$180 to US\$550. However, fees based on economic value are common in Japan, and *bengoshi* customarily charge an initial retainer and a success (contingent) fee for achieving a favorable settlement.

The initial retainer fee is calculated on the basis of the economic value sought in the complaint, and the success fee is based on the amount actually obtained. As the amount at issue increases, the rate of fees gradually decreases. As an indication, attorney's fees in small patent litigation should be less than US\$300,000, with medium-sized patent litigation at around US\$550,000 and larger or more complex patent litigation costing upwards of US\$850,000.

Many Japanese attorneys still estimate their fees according to the Japan Federation of Bar Associations standard for attorney's fees that was

¹ Naoki Koizumi and Toshiko Takenaka, "The Changing Role of the Patent Office and the Courts after Fujitsu/TI" in *Law in Japan: A Turning Point*, 558-559 (Daniel Harrington Foote, ed. 2008).

Japan's Dispute Resolution Framework

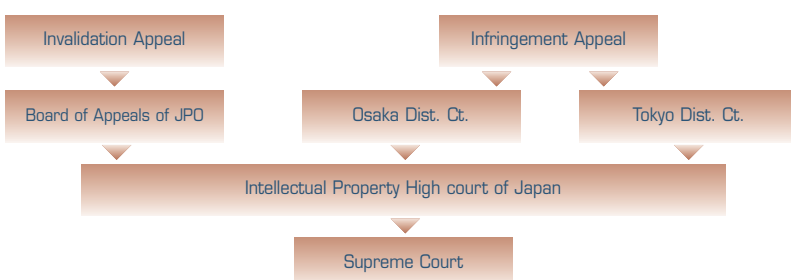




Photo: Wikipedia

JPO decisions can be appealed in the Intellectual Property High Court which can, in turn, have its decisions appealed in the Supreme Court, but only on points of law, so it is rather rare.

abolished in 2004. Foreign clients should nevertheless be able to negotiate billing arrangements that suit their respective circumstances.

Even so, IP attorneys' fees are generally lower in Japan than in the U.S., because there are no discovery procedures or deposition practices which largely make up the high cost of U.S.² patent litigation (see "U.S. Contingency Fees – A Level Playing field," page 3). However, all court-filed documents must be in Japanese, meaning that foreign litigants usually incur sizeable translation costs for patent litigation.

Invalidation proceedings

Japan's *mukou shimpan* – invalidation appeal – procedure came into effect on January 1, 2004, replacing the former opposition system. Over the years, the JPO has worked to streamline and expedite the handling of invalidation appeal proceedings, which are conducted on a preferential basis, using oral proceedings to expedite the examination process. According to the JPO Annual Report 2009, the average IP deliberation period in 2008 was an astonishingly quick 9.5 months, down 2.5 months from the average in 1998 which was already a respectable 12 months.

Given the swiftness of the JPO's invalidation proceedings, coupled with its familiarity and experience with enablement, completion or obviousness analysis of complex technologies, such as biotechnology and information technology, the JPO is the invalidation forum of choice in IP dispute resolution matters.

The average cost of preparing and prosecuting an invalidation appeal before the JPO is from US\$25,000 to US\$120,000 – but may be more depending on the complexity of the case. The costs cover drafting of briefs, translation of references and other documents and preparation of experi-

ments, as well as securing expert opinions where applicable. Each party bears its own attorney's fees. Although JPO invalidation decisions conclude by ordering the losing party to bear the costs of the Appeal proceedings "under Section 61 of the Code of Civil Procedure *mutatis mutandis* in Sec. 169(2) of the Patent Law," such costs do not include the losing party's attorney's fees and the recoverable amount is so nominal that no one seeks to recover them.

Patent infringement action

The Japanese District Court patent infringement proceedings are not held on a single day or over several consecutive days – as is the case in most U.S. hearings. Instead, a series of hearings is usually held at one or two-month intervals until the completion of deliberations. The parties submit briefs, evidence and expert opinions at each hearing. Live examination of witnesses is extremely rare. Sometimes, the District Court may suggest a court-mediated settlement, but if mediation is inconclusive, the infringement deliberations resume. If an infringement liability is found, the Courts will request briefings and accounting expert reports for damage assessment.

The plaintiff must pay an official filing fee to the District Court, calculated as a percentage of the economic value of the case. For example, if the amount at issue is US\$1,000,000, the official filing fee will be about US\$4,000, and if the value is US\$10,000,000, the filing fee will be about US\$30,000. The economic value of a patent litigation case generally consists of the cost of prohibiting future infringement³ plus the amount of damages claimed.

The average pendency period of first instance IP lawsuits was more than halved – from 31.1 months to 12.5 months – between 1996 and 2006.⁴

² Robert Kneller, *Bridging Islands: Venture Companies & the Future of Japanese & American Industry* 153 (2007) (noting that the "costs of litigating patent infringement in Japan are lower than in the USA perhaps by a factor of five").

³ Standards for calculating the amount are available from the Intellectual Property Division of the Tokyo District Court at www.courts.go.jp/tokyo/saiban/tetuzuki/ip/index.html

⁴ Peter Ganea and Sadao Nagaoka, *Japan in Intellectual Property in Japan*, 148 (Paul Goldstein and Joseph Straus, eds. 2009).



District Court – Attorney’s fees awards

Each party generally bears its own costs in patent infringement actions, but courts have the discretion to order the losing party to pay costs to the winner. But a successful litigant is unlikely to recover all or even a substantial portion of its attorney’s fees. Judges assess the costs after either party makes a petition to fix the amount of costs. Stamp fees, including the official filing fee, and other costs allowed under the rules of the court could be covered, but not the actual attorney’s fees borne by the parties.

In patent and other IP right cases, the plaintiff can add a certain portion of the attorney’s fees as part of the damages suffered. In practice, courts usually allow up to 10 percent of damages to cover attorney’s fees, and they consider factors such as the degree of difficulty of the case, total damages awarded, file history and conduct of the litigation.

IPHCJ appeals

Either party, dissatisfied with a JPO or District Court decision, can appeal to the IPHCJ. Proceedings in the IPHCJ are similar to those in the District Court. In 2008, the average pendency period for IPHCJ proceedings was 7.7 months.⁵

The IPHCJ may convene a technical presentation, during which the parties may use multimedia aids to explain the technology concerned in the patent dispute. As in the district courts, the IPHCJ judge is briefed by technical advisors.

During the appeals of both infringement and JPO decisions, the IPHCJ gives litigants wide latitude to introduce new evidence, but not new issues, to support issues previously pleaded. This can include new expert opinions, experimental results, references and any other evidence, provided that it does not change the gist of the issues previously pleaded. For example, if obviousness was argued in the original JPO invalidation proceeding, it is possible to introduce new obviousness prior art references to the IPHCJ. It is not permissible to introduce a novelty argument and/or prior art reference at this stage: the challenger

would need to initiate a separate invalidation appeal proceeding based on novelty at the JPO.

Each party bears its own costs for IPHCJ appellate proceedings, and attorney’s fees can range from US\$75,000 to US\$250,000 (or more) depending on the complexity of the case – complex cases sometimes last longer than the average eight-month pendency period.

Supreme Court Appeal Costs

The IPHCJ decision can be further appealed to the Supreme Court of Japan but such cases are very rare and limited to points of law. The estimated cost of preparing a petition to the Supreme Court depends on the case’s complexity (and ranges from US\$5,000 to US\$25,000). If the Supreme Court accepts to hear the appeal, the cost of briefing and attending the hearing could be between US\$15,000 and US\$25,000 (again depending on complexity).

Conclusion

Today’s technology-centric, globalized economy provides many opportunities for right holders to maximize the value of their IP portfolios through enforcement and licensing activities that could have a significant impact on competitors. Competitive imperatives give potential defendants and licensees an incentive to challenge such asserted patent and other IP rights internationally. Given the rapidity of resolution of IP invalidation (9.5 months at the JPO) and infringement (13.7 months in first instance courts) proceedings and the relative affordability of contentious IP proceedings, Japan is an extremely compelling and attractive market for IP dispute resolution.

Litigants in Japan can count on reasonable costs for protecting their IP in the world’s second-largest free-market economy. Japan’s cost-friendly and expeditious IP dispute resolution system should therefore play a central role in any global, IP-centered business strategy.

⁵ Administrative Bureau of Supreme Court of Japan statistics at www.ip.courts.go.jp/eng/documents/statistics.html

A COST-EFFECTIVE ALTERNATIVE

The growing number of international IP transactions has substantially changed the ways in which cross-border disputes are resolved worldwide. Due to the significant length, costs and complexity of IP court litigation, parties increasingly employ alternative dispute resolution (ADR) mechanisms, often seen as more efficient.

As portrayed in the previous articles in this WIPO Magazine, IP litigation before national courts can undeniably be very expensive and lengthy. The table¹ below describes the average length and costs of patent litigation in various jurisdictions.

The WIPO Arbitration and Mediation Center

Established in 1994, the WIPO Arbitration and Mediation Center (the WIPO Center) offers ADR options for the resolution of international commercial disputes between private parties. The WIPO Center is recognized as an international and neutral forum especially appropriate for cross-border and cross-cultural disputes. It has developed different types of ADR procedures that are conducted under the WIPO Mediation, Expedited Arbitration, Arbitration and Expert Determination Rules (WIPO Rules).

Country	Characteristics of Legal System	Average Duration	Average Cost
France	<ul style="list-style-type: none"> - Civil law - Unified litigation - No specialized courts 	First Instance: 18-24 months Appeal: 18-24 months	€80,000-150,000 (1st Inst.)
Germany	<ul style="list-style-type: none"> - Civil law - Bifurcated litigation - Specialized court for invalidity 	First Instance: 12 months Appeal: 15-18 months	€50,000 (1st Inst.) €70,000 (App.)
Italy	<ul style="list-style-type: none"> - Civil law - Unified litigation - Specialized courts 	First Instance: few months - 24 months Appeal: 18-24 months	€50,000-150,000 (1st Inst.) €30,000-70,000 (App.)
Spain	<ul style="list-style-type: none"> - Civil law - Unified litigation - Commercial courts 	First Instance: 12 months Appeal: 12-18 months	€100,000 (1st Inst.) €50,000 (2nd Inst.)
U.K.	<ul style="list-style-type: none"> - Common law - Unified litigation - Specialized courts - Mediation promoted 	First Instance: 12 months Court of Appeal: 12 months House of Lords: 24 months	€750,000-1,500,000 (1st Inst.) €150,000-1,500,000 (App.) €150,000-1,500,000 (House of Lords)
China	<ul style="list-style-type: none"> - Civil law - Bifurcated litigation - Specialized courts 	First Instance: 6 months (in law) Appeal: 3 months, no limit when foreigners litigate	US\$150,000 (1st Inst.) US\$50,000 (App.)
Japan	<ul style="list-style-type: none"> - Civil law - Bifurcated litigation - Specialized courts 	First Instance: 14 months Appeal: 9 months	US\$300,000 (1st Inst.) US\$100,000 (App.)
U.S.	<ul style="list-style-type: none"> - Common law - Unified litigation - Specialized court of appeals (CAFC) - Jury trial available - Mediation promoted 	First Instance: up to 24 months Appeal: 12 + months	Up to US\$4,000,000 (1st Inst.) US\$150,000-250,000 (App.)

¹ This table has been developed by the WIPO Arbitration and Mediation Center, based on figures provided in "Patent Litigation, Jurisdictional Comparisons, The European Lawyer Ltd, London 2006", as well as the insights and experience of patent practitioners in particular jurisdictions. It provides an indication of the average duration and cost of patent litigation in those jurisdictions.



The WIPO Rules contain specific provisions particularly suitable for IP, technology and entertainment disputes, such as those concerning confidentiality and technical evidence. The WIPO Center makes available, in different languages, model clauses and agreements that parties may use as a basis for submitting disputes to WIPO.

Experience has shown that the effectiveness of ADR depends largely on the quality of the mediator, arbitrator or expert. The WIPO Center maintains a database of over 1,500 qualified neutrals from 70 countries with further candidates added according to case needs. The candidates on the WIPO

List of Neutrals range from seasoned dispute resolution generalists to highly specialized practitioners and experts in the different areas of IP. The WIPO Center assists parties in the appointment of neutrals so that each procedure under the WIPO Rules is decided by neutrals who share the Center's commitment to time and cost-effectiveness.

The WIPO Center operates on a non-profit basis. Fees for ADR procedures – payable to the Center and the mediator, arbitrator or expert – are calculated in accordance with a schedule of fees based on the amount in dispute and in consultation with the parties and neutrals. The Center believes effective dispute resolution must be affordable and is committed to providing ADR mechanisms that save time and costs.

ADR procedures offered by the WIPO Center

ADR allows parties to solve their disputes outside of court with the assistance of a qualified neutral intermediary of their choice. It affords parties the opportunity to exercise greater control over the way the dispute is resolved than would be possible in court litigation. This increased autonomy can result in a faster process and cost savings, as parties are free to choose the most efficient procedure for their dispute. For instance, they can resolve globally – through a single procedure – disputes relating to the same technology protected

by patents registered in several jurisdictions, instead of filing multiple costly court proceedings in all relevant jurisdictions. Other benefits of ADR include flexibility, neutrality, finality, confidentiality and, very importantly, the expertise of the neutral.

WIPO Mediation

Mediation is an informal procedure in which a neutral intermediary, the mediator, assists the parties in reaching a dispute settlement by facilitating dialogue and helping the parties to identify their interests. Unlike an arbitrator or judge, the mediator does not render a decision on the merits of the dispute. Settlements in mediation proceedings are reflected in an enforceable contract between the parties.

Because of its less adversarial nature, mediation is an efficient and cost-effective means of dispute settlement. It allows parties to explore workable and interest-based solutions, to determine the outcome of the procedure according to their business needs, and to preserve the relationship in the long term.

There are two sets of fees for WIPO mediation procedures. First, the WIPO Center's administration fee, which amounts to 0.10 percent of the value in dispute, up to a maximum of US\$10,000 where that amount is US\$10 million or more. Where no disputed amount is indicated, as in most cases, the administration fee is US\$1,000. Second, the mediator's fees, which are negotiated at the time the mediator is appointed. Those fees are usually calculated on an hourly or daily basis, at a rate taking into account the circumstances of the dispute, such as its complexity and economic importance, as well as the experience of the mediator. The WIPO Center takes an active role in negotiating reasonable mediator fees. The Schedule of Fees for the WIPO Mediation Rules sets out indicative hourly and daily rates for mediators' fees. Based on the Center's experience, WIPO mediation costs average between US\$6,000 and US\$60,000.

Mediation proceedings are often settled rapidly and therefore minimize the cost exposure normally associated with dispute resolution. In WIPO mediation, 73 percent of cases have settled with-



The effectiveness of ADR depends largely on the quality of the mediator, arbitrator or expert. The WIPO Center maintains a database of over 1,500 qualified neutrals from 70 countries.

WIPO Mediation of a Trademark Coexistence Dispute

A North American company requested mediation in a dispute with two Italian companies and one Spanish company, based on a mediation agreement the parties had reached under the WIPO Mediation Rules. The goal of mediation was to help the parties avoid confusion and misappropriation of their similar trademarks and to regulate future use of the marks.

The Center proposed potential mediators with specific expertise in European trademark law and fluency in English and Italian. The parties selected an Italian mediator with a trademark practice. The mediator conducted an initial telephone conference with the parties' lawyers, during which he set the timing of mediation and agreed on the procedure.

Two months later, the mediator met with the parties in a two-day session in Milan. The meeting was held in joint session with the exception of two brief caucuses. At the end of the second day the parties – with the assistance of the mediator – drafted and signed a settlement agreement covering all pending issues in dispute. The total cost of mediation amounted to US\$15,000.

in one to seven months, including some very complex patent and information technology disputes. Most settlements occur during the mediation phase, consistent with the parties' intent in using that mechanism and with the role of the mediator, although a certain number of WIPO cases also settle after completion of the mediation. By enabling the parties to identify their interests and better understand the dispute, mediation can provide a sound basis for direct negotiation between the parties after mediation.

In light of the undeniable advantages of mediation and the comparatively low costs involved, a number of disputes pending before national courts are being referred to WIPO mediation in order to increase the chances of settlement.

WIPO Arbitration and Expedited Arbitration

Arbitration is a private procedure in which parties submit a dispute to one or more chosen arbitrators for a formal decision based on the parties' rights and obligations. The award rendered is final and enforceable internationally under the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Unlike court decisions, which can generally be contested through one or more rounds of litigation, arbitral awards are not normally subject to appeal and can therefore result in time and cost savings.

The cost-effectiveness of arbitration proceedings depends largely on the quality of the arbitration clause and how the procedure is conducted.

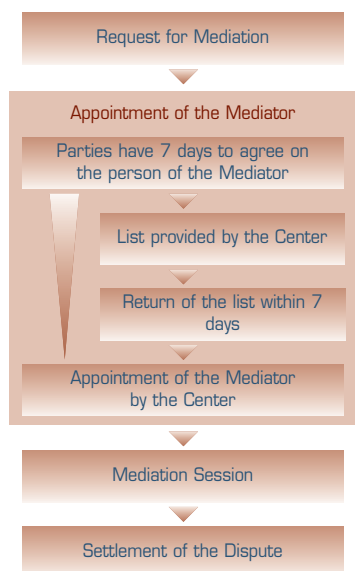
Statistics show that 82 percent of the costs involved in arbitration relate to the parties' lawyers fees and expenses in connection with the presentation of their case.² If well managed, arbitration can save the parties time and money. One option is to use the WIPO Expedited Arbitration Rules. WIPO Expedited Arbitration provides for a sole arbitrator and is carried out in a shortened time frame at reduced cost. The time limits that apply to the various stages of arbitral proceedings are shorter and the fees lower than those related to arbitration conducted under the WIPO Arbitration Rules (as shown in the WIPO Arbitration Schedule of Fees available at www.wipo.int/amc/en/arbitration/fees/index.html).

Limiting the amount of evidence parties may produce during arbitration also helps to reduce the duration of arbitration proceedings and related costs. In a recent case, a U.S. company that supplies data processing software and services commenced a WIPO expedited arbitration proceeding against an Asian bank, claiming infringement of an agreement regarding the provision of account processing services. The contract between the parties included a WIPO Expedited Arbitration clause, indicating that New York would be the place of arbitration, and that no discovery would be permitted. The parties agreed upon a sole arbitrator who held a two-day hearing. The parties and arbitrator agreed to use the WIPO Center's electronic case communication facility "WIPO ECAF," which allows for secure filing, storing and retrieval of case-related submissions in an elec-

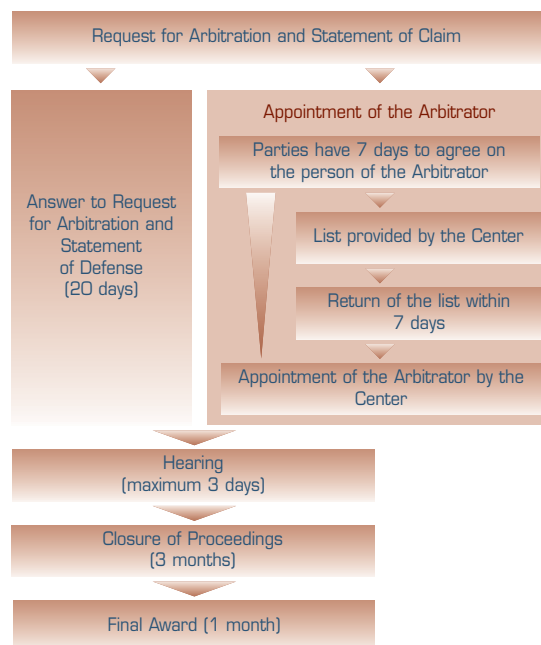
² "Techniques for Controlling Time and Costs in Arbitration", Report from the ICC Commission on Arbitration available at www.iccwbo.org/uploadedFiles/TimeCost_E.pdf



Mediation for Film and Media



Expedited Arbitration for Film and Media



tronic docket.³ Three months after the request for expedited arbitration, the arbitrator rendered a final award finding partial infringement of the agreement and granting damages to the U.S. company. The total costs of this expedited arbitration amounted to approximately US\$50,000.

Another cost-effective dispute resolution option is to use escalation clauses that provide for a first phase of mediation followed by arbitration or expedited arbitration, or to use mediation at different stages of arbitration in order to maximize the chance of settlement. Parties to WIPO proceedings have elected to use escalation clauses in 20 percent of cases.

WIPO Arbitration cases cover a broad range of disputes, including complex patent licenses, trademark and IT disputes. The amounts claimed range from the thousands to millions of dollars. WIPO Arbitration proceedings generally last from 3 to 14 months.

Other tailored ADR procedures

In addition to administering disputes under standard WIPO mediation and arbitration procedures, the WIPO Center develops tailor-made dispute resolution procedures for specific types of recurrent IP disputes. For example, the Center developed WIPO

Expedited Arbitration Rules for AGICOA – a procedure for certain audiovisual disputes – tailored to the specific needs of AGICOA right holders.⁴

More recently, the WIPO Center launched the WIPO Mediation and Expedited Arbitration Rules for Film and Media, specifically tailored to resolve potential disputes in the film and media sectors, such as those arising out of co-production, distribution, broadcasting, copyright, music synchronization, artist and talent or new media agreements. For such disputes, the Center's administration fee and mediators' and arbitrators' fees have been reduced in order to adapt them to the typical features of the disputes in the relevant sectors.

As shown in the above diagrams, the WIPO Mediation and Expedited Arbitration Rules for Film and Media provide for a mediation procedure and expedited arbitration procedure that can either be combined or used independently at the parties' discretion. These rules take into account the specific needs of those in the media and film sectors seeking an expedited procedure. The time limits in the WIPO Arbitration Rules that apply to the various stages of the proceedings are shorter in order to expedite the chosen dispute resolution mechanism.

³ For more information on WIPO ECAF, see: www.wipo.int/amc/en/caf/index.html

⁴ See "Collective Management of Audiovisual Works," WIPO Magazine 5/2009

KEEP IT CHEAP

TEN TIPS FOR MINIMIZING IP DISPUTE SETTLEMENT COSTS

IPKat blogmeister **Jeremy Phillips** is once again contributing a list of top ten recommendations to the *WIPO Magazine*. Last time his advice was for businesses trying to use their IP to attract financing (see “IP Financing: the Ten Commandments” in issue 5/2008), this time he advises on how to save money in IP disputes.

Some things are so obvious they are easily overlooked. One of them is the contrast between IP laws and the rules that govern the resolution of disputes involving IP rights.

For more than a century, nations have worked to harmonize their IP laws, making IP law one of the biggest and longest-lasting areas of cooperation between countries and resulting in national laws that give citizens and businesses of other countries the same rights and benefits as they accord to their own. In contrast, every country in the world has a dispute resolution system that reflects its culture, historical roots and political ideology. Those national characteristics are deep-rooted, often cherished and tenaciously defended whenever talk of reform is in the air. Consequently, while IP rights are increasingly comparable the world over, the cost and effectiveness of their enforcement reflect each nation’s economic and cultural DNA.

The quest for global truths

This contrast raises the question: if IP enforcement mechanisms and costs are different everywhere, is it possible to point to any general truths that hold universally, and that can be applied in the litigation-happy U.S. and court-shy Japan, in industrial economies such as Germany and in developing nations where enforcement of rights and the protection of legitimate interests may be viewed as a matter for tribal loyalties and local custom rather than – or as well as – the remote application of arbitrary rules?

Before answering this question myself, I sought the advice of readers of my weblog, who are drawn from nearly 150 countries. The one overar-

ching truth that emerged came from readers of common and civil law backgrounds and from both developing and developed economies – that is, that anyone contemplating IP litigation, arbitration or another form of dispute resolution should think carefully before they act. The word “carefully” is mine. I was initially skeptical as to whether careful thought would help to reduce dispute settlement costs, as it could encourage would-be disputants to bring proceedings they otherwise might not have. However, on the basis that careful analysis (i) might persuade disputants to drop a claim not worth bringing and (ii) might more easily result in an early and satisfactory consensual settlement thus cutting out courts or other arbitral costs, it deserved to be included.

The 10 tips

Here, then, are my 10 tips for minimizing IP dispute settlement costs everywhere – or almost everywhere:

- 1. Think carefully before entering an IP dispute.** This is not merely for the reasons given above, but because some IP disputes can be solved more cheaply or easily by treating them as business problems rather than as legal ones. For example, in the case of lookalike products or packaging, a business that has few or weak IP rights might find it cheaper to redesign its own product around stronger IP rights and use that as the basis of a re-launch rather than press ahead with expensive litigation of which the outcome is highly uncertain.
- 2. Identify the best and worst possible outcomes of the dispute.** If even the best outcome will not get an IP owner what it wants or if the worst possible outcome is intolerable, the IP owner should hesitate before committing to a dispute.



3. Keep accurate, up-to-date and accessible business records. Small and medium-sized businesses are often poor record-keepers, and this can add to the expense and inconvenience of IP dispute resolution in many ways. For example, in disputes with a former employee over IP that a business claims for itself, it is imperative to have at hand copies of the employment contract and miscellaneous instructions, memos or e-mails amending its terms or the employee's duties. Likewise, in an infringement claim relating to damages for loss of profits, it is a rare judge or arbitrator who will order payment of a sum in the absence of evidential guidance as to what those profits might have been. Also, where works are commissioned from independent designers, software writers or the like, has a document recording an assignment been executed? If so, in whose cupboard is it hidden? The cost of finding one's own evidence, in terms of stress and disruption to the workplace if not in actual financial terms, cannot be ignored.



Save money by photocopying and bundling documents to be sent to other participants in the dispute.

many laypersons, a lawyer is a lawyer, and it doesn't matter what sort of lawyer they get. But that is not the thinking vis-à-vis other professions: a gynecologist and a brain surgeon may both be medically qualified, but rarely would a patient consider the one to be an acceptable substitute for the other. Additionally, while IP specialists may charge higher rates, the cost of obtaining their advice may be lower in the long term than if one were to consult a general legal practitioner who charged less but took longer.

5. Keep control of the decision-making process. A good professional representative will give clear, comprehensible advice but leave it to the client

to make its own informed decision as to how to proceed. It is unfair for a business to ask a lawyer to decide whether or not it is worthwhile to continue with a legal dispute. That is fundamentally a business decision, just as choosing a new computer system is a business decision. A lawyer in private practice would not have the same information or knowledge as does the client regarding the potential consequences of such a decision, including the repercussions for the client's shareholders, employees, suppliers and distributors. Also, legal representatives will be aware that they are open to being accused of recommending that the client sue merely out of self-interest.

6. Talk to your representative about likely and actual cost. "How much will this cost me?" is not a question that can usually be answered accurately in advance of a dispute, particularly if the losing party appeals or the IP owner is faced with counterclaims and attacks on the validity of its IP rights. That said, it is important to ask what the likely costs will be and what might happen in cases where the losing party pays some or all of the winner's costs. The final amount is not the only issue: timing is everything for any business that watches its cash-flow. Do I pay up front or later? Can I have regular statements of the expense incurred and clear and timely warnings whenever actual costs jump above the estimated budget?

7. Remember that your IP representatives are not a clerical service. Not everything that lawyers and IP attorneys do can be described as a legal service. There is a lot of routine activity that goes on, such as photocopying and bundling documents to be sent to other participants in the dispute as well as judges, arbitrators or mediators. It is more expensive for law firms to do this than for the client to do it properly itself, and a lot of money can be saved this way (it was once unkindly remarked of a law firm that its photocopiers earned more revenue in a year than one of its lawyers). Likewise, lawyers are not a postal service, storage facility or secretarial back-up system for their clients. So remember to ask what you can do yourself rather than having your representative do it more expensively.

8. Watch the calendar, watch the clock. Almost as inevitable as rain and sunshine is the phenomenon of the missed deadline. Disputants fail to file responses, evidence, fees or other vital items within the period laid down by law and then have to apply to the tribunal to have their plea or right reinstated. This costs money and is an unnecessary expenditure, even when it succeeds. Litigants sometimes blame their legal representatives for not meeting deadlines for them, while representatives often complain that clients have “left everything until the last minute,” which is sometimes too late – particularly where no account is taken of public holidays, staff illnesses or the mechanical failure of faxes and computers. The forward-planning IP disputant can enter relevant deadlines into its diary twice, once on the day itself and once a few working days earlier, with a reminder to check with the legal representative that the deadline has been met.

9. Act in a firm, consistent manner. Where a dispute arises, one side having a clearly-stated, identifiable and consistent policy often enables the other side to take an early decision as to whether, and to what end, it is worth persisting with the dispute or better to settle sooner and at less expense. Examples of clearly and consistently applied dispute resolution policies may be found in the enforcement activities of McDonald’s – in relation to its fast-food services and products in nearly 120 countries – and those of the easy Group whose brands, prefaced with the word “easy-”, are found in some 60 countries. While these businesses’ vigorous pursuit of their enforcement policies has met with some criticism and unfavorable media publicity, there is no doubt that their deterrent effect has reduced not only their own litigation spending but that of others who might otherwise wish to contest IP issues with them.

10. Don’t turn a business dispute into a matter of principle. Courts almost everywhere bear silent testimony to the phenomenon of a dispute pursued beyond the boundaries of business reason

and good commercial sense by a litigant who sues or defends an action “as a matter of principle,” “to teach the other side a lesson,” “as a point of honor” or for another such motive. This is often a consequence of one party perceiving its treatment by the other as based on some form of malice or personal slight. Little is gained from such suits in terms of genuine gratification by the time the party that has thus acted comes to pay its bills. It is wiser to choose the path of dignity. Treat each dispute as a business matter,

and keep it as far as possible from the slippery slope of insults, invective or unsubstantiated allegations of impropriety – the fuel that fires such futile action.

Ten – or more?

Good practice in IP dispute cost management does not consist of ticking each box and then moving on to the next issue, but of re-evaluating one’s position. Factors that emerge after a dispute breaks out – such as the addition of further parties, the applicability of new laws or the reinterpretation of old ones, and the insolvency of a disputant or its merger with another entity – may make it critical to revisit the suggestions listed above.

The 10 items here are the author’s personal selection. Readers may have favorites of their own (whether generally applicable or focused on particular countries or types of dispute resolution). Since the cost of litigating IP will continue to trouble both IP owners and those with whom they are in dispute, one can never have too many helpful tips. It would be good to see more of them in a subsequent issue of the WIPO Magazine.



Photo: McDonald's
McDonald's clearly-stated, identifiable and consistently-enforced IP policy has reduced their litigation spending.

INTRODUCING THE NEW TOP MANAGEMENT TEAM

WIPO welcomed its new top management team on December 1, 2009, when the four Deputy Directors General and three Assistant Directors General took up their appointments following the completion of the term of the outgoing team. The appointments, which include three WIPO insiders and four newcomers to the Organization, were approved by WIPO's Member States at the Coordination Committee meeting in June 2009, on the basis of proposals submitted by Director General Francis Gurry.

The seven Deputy and Assistant Directors General, together with the Executive Director of the Office of the Director General (Chief of Staff), formally comprise the Senior Management Team of the Organization. The Team is responsible for assisting the Director General in providing the strategic direction of WIPO's programs, managing the budgets, activities and human and financial resources of their respective Sectors in accordance with agreed work plans, and ensuring delivery of results in line with the Organization's nine strategic goals.

*Mr. Geoffrey Onyeama,
Deputy Director General,
Cooperation for Development*



Photo: WIPO/Migliore

Mr. Onyeama (Nigeria) has had a 24-year career at WIPO. He joined in 1985, was appointed Director of the Cooperation for Development Bureau for Africa in 1999, then Assistant Director General responsible for the Coordination Sector for External Relations, Industry, Communications and Public Outreach in December 2006. Prior to joining WIPO, he worked for the

Nigerian Law Reform Commission, and practiced as a solicitor and advocate of the Supreme Court of Nigeria.

Mr. Onyeama assumes responsibility for the Cooperation for Development Sector. This now incorporates WIPO's programs on Development Agenda Coordination; cooperation with African, Arab, Asia and the Pacific, Latin America and the Caribbean countries; least developed countries (LDCs); and the WIPO Academy. The Sector's key objective is to facilitate greater participation by developing countries and LDCs in the benefits of innovation and the knowledge economy.

Mr. Onyeama notes that most developing countries now have modern IP laws, functional IP offices, respected research institutions and dynamic creative industries. And all have a wealth of resourceful entrepreneurs, inventive minds, traditional knowledge, biodiversity, cultural expressions, imaginative designers and diverse agricultural products. Thus, he believes, the elements exist for policymakers in developing countries to develop strategies and policies that use IP as a means of achieving real economic, technological and cultural growth for their countries. "Developing countries," he observed, "have seen how the strategic use of intellectual property has contributed to the spectacular economic growth of countries with little or no natural resources. They have the capacity and will to achieve the same."

Under the strategic goal of "facilitating the use of IP for development," Mr. Onyeama describes the main challenges as partnering effectively with developing countries to design IP policies and strategic plans that provide a coherent framework for WIPO's cooperation with the countries; and, within that framework, elaborating and executing projects with clear timelines and concrete, measurable deliverables which address, meaningfully, the development goals of the countries.



*Mr. James Pooley,
Deputy Director
General, Patents*

Mr. Pooley (U.S.) brings to WIPO extensive experience as an IP practitioner in the private sector. He started his legal career in 1973 in California, just as Silicon

Valley began to attract high-tech innovators and entrepreneurs, and was a partner at Morrison & Foerster LLP before his appointment at WIPO. He has also been very active in teaching and writing, and in chairing/participating in many professional associations and commissions, including the American Intellectual Property Law Association (AIPLA), the National Inventors Hall of Fame and the National Academies of Science Committee on IP Rights. Involvement in boy scouting has also been a lifelong personal pursuit.

Mr. Pooley is responsible for the Patents Sector, which covers WIPO's programs on patent law – including support for the work of the Standing Committee on the Law of Patents (SCP) – as well as the administration of the Patent Cooperation Treaty (PCT), which employs 33 percent of the staff of the Organization and generates some 73 percent of its income.

Mr. Pooley describes his priorities as ensuring the continued improvement and expansion of the PCT, to the benefit of all of its users, as well as providing full support to Member States in their continued search for a balanced and productive way forward in norm-setting. He hopes to achieve these goals by emphasizing service and outreach to the PCT user community (including the completion of some exciting initiatives already underway); and by encouraging continued trust-building within the SCP. "Progress in the SCP will follow as respectful discussion helps to reveal important areas of common interest," he explained.

*Ms. Binying Wang,
Deputy Director General,
Trademarks, Industrial Designs
and Geographical Indications*

Ms. Wang (China) joined WIPO in 1992 in the Cooperation for Development Bureau for Asia and the Pacific, and held senior positions in the Office of the Director General, prior to her ap-

pointment as Assistant Director General in December 2006. Before joining WIPO, Ms. Wang served in a number of government posts in China, and headed the China Trademark Service, then under the State Administration for Industry and Commerce (SAIC).

Ms. Wang assumes responsibility for the Trademarks, Industrial Designs and Geographical Indications Sector. Along with supporting the work of Member States in the Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications (SCT), the Sector administers the Madrid System for International Trademark Registrations; the Hague System for International Design Registrations; and the Lisbon System for International Registrations of Appellations of Origin.

"The challenge is to further improve the operation of the three registration systems" explained Ms. Wang, "so stakeholders receive efficient, cost-effective, user-friendly and easy to operate services with quality-controls." She noted that the Sector will also continue to work in close collaboration with the SCT, which will be addressing a number of topical issues.





Photo: WIPO/Migliore

*Mr. Johannes Christian Wichard,
Deputy Director General,
Global Issues*

Mr. Wichard (Germany) previously served as deputy director general for commercial and economic law in the German Federal Ministry of Justice, where he was responsible for all aspects of the government's IP policy.

From 1998 to 2006, he worked at WIPO in the Industrial Property Law Division and the WIPO Arbitration and Mediation Center.

Mr. Wichard will head the newly-created Sector for Global Issues. This sector brings together a number of programs that address horizontal, cross-cutting issues, notably: Traditional Knowledge (TK), Traditional Cultural Expressions (TCEs) and Genetic Resources (GR); Arbitration, Mediation and Domain Names; Cooperation with Certain Countries in Europe and Asia; Economics and Statistics; Small and Medium-sized Enterprises (SMEs); Building Respect for IP; the new program on IP and Global Challenges; Communications; and External Relations.

For Mr. Wichard, the overarching challenge for his Sector is to re-establish WIPO's position as the leading intergovernmental forum for international IP policy. He describes how all the programs under the Global Issues Sector can be highly instrumental in achieving this goal, for example, by facilitating negotiations on the development of a legal instrument for the protection of TK, TCEs and GR; by contributing objective information about the economic aspects of IP protection; by interacting more efficiently with other intergovernmental organizations and with non-governmental organizations; and by engaging actively in debates on the major challenges facing humankind, such as economic development, climate change, public health and food security.



Photo: WIPO/Migliore

*Mr. Trevor C. Clarke,
Assistant Director General,
Copyright*

Mr. Clarke (Barbados) comes to WIPO after six years as Ambassador at the Permanent Mission of Barbados to the United Nations Office and Other International Organizations in Geneva. This fol-

lowed a successful career of over 40 years in telecommunications engineering and management in the British multinational corporation Cable & Wireless. He played a key role in the telecommunications liberalization negotiations with governments, both in Barbados and the Organisation for Eastern Caribbean States.

Mr. Clarke leads WIPO's diverse activities in the complex field of copyright and related rights, which range from supporting the normative work of Member States in the Standing Committee on Copyright and Related Rights (SCCR) to capacity-building, awareness-raising and infrastructure-related activities.

Mr. Clarke describes his key priority as assisting the Director General in "building an Organization which is better positioned to address the multiple challenges to the functioning of the international intellectual property system in the rapidly evolving global environment." In this regard, he considers the contribution of WIPO's work on copyright and related rights to be critical. He highlights the management challenge of meeting the expectations of Member States at a time of increasing demands on WIPO's resources and reduced income. Those expectations include building on the normative foundation to ensure that the Organization maintains its leading role as the world authority on copyright; adopting creative approaches to meet the current demands of Member States; and charting WIPO's role in the shifting sands of copyright in the digital future.

*Mr. Ambi Sundaram,
Assistant Director
General, Administration
and Management*

Mr. Sundaram (Sri Lanka) brings to WIPO more than 30 years of experience and expertise in public administration and management.

He previously directed the Department of Operational Support and Services of the World Health Organization, where he began his career in 1979, after having started his professional life as a management consultant at Arthur Andersen & Co, U.K.



Photo: WIPO/Migliore

As part of the major reorganization carried out under WIPO's Strategic Realignment Program, all programs related to the administration and management of the Organization have been brought together within the Sector headed by Mr. Sundaram. This includes Finance, Budget and Program Management; Human Resources Management and Development; Administrative Support Services; Information and Communication Technology; Conference and Language Services; Security; and Buildings.

Mr. Sundaram highlights the central role his Sector will play in establishing a corporate culture focused on performance and customer service, and ensuring that core administrative and management processes are efficient, responsive, service-oriented and cost-effective.

*Mr. Yoshiyuki Takagi,
Assistant Director
General,
Global IP
Infrastructure*



Photo: WIPO/Migliore

Since entering WIPO in 1994, Mr. Takagi (Japan) has been Director of several divisions, most recently having set up and directed the new department for Global IP Infrastructure. He began his career in the Japan Patent Office in 1979, and also served in the Ministry of Foreign Affairs of Japan, participating in numerous WIPO meetings and the negotiations of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement).

Mr. Takagi leads the Global IP Infrastructure Sector, which has been established to achieve WIPO's new strategic goal of "coordination and development of global IP infrastructure." The work of the Sector brings together certain key services and strategic assets provided by WIPO, and coordinates and develops new components, with the aim of facilitating knowledge-sharing and underpinning sustainable knowledge infrastructures to support the protection and use of IP assets and information by all countries. The programs covered by the Sector include the international classification systems, WIPO IP standards, international IP information services and the modernization of infrastructure at IP offices.

Having assisted a number of IP offices in their transition from paper-based to IT-assisted systems in his former capacity as Director of the WIPO Permanent Committees on IP Information, Mr. Takagi has a clear vision of the road ahead. "Recent technological developments for interconnecting systems, such as intelligent search engines, multi-linguistic and analytic tools and common platforms for sharing IP knowledge, will," he notes, "facilitate the creation of a global IP infrastructure that will support deeper and open collaboration among IP offices."

*Mr. Naresh Prasad,
Chief of Staff*



Photo: WIPO

The Senior Management Team includes the Executive Director of the Office of the Director General (Chief of Staff), Mr. Naresh Prasad (India), who was appointed on May 11, 2009. Mr. Prasad led a distinguished career in India's premier civil service, the Indian Administrative Service, with some 30 years' experience in assignments at the national and international levels. These included over 10 years in senior positions in the Indian Ministry of Commerce and Industry, the last four as India's focal point for IP issues. Mr. Prasad also served for three years in the United Nations Industrial Development Organization (UNIDO). He was India's chief negotiator for IP matters in several bilateral and multilateral fora.

The Office of the Director General is responsible for overall strategic planning, and for ensuring efficient coordination in support of WIPO's goals, both across internal sectors, and between the Secretariat and its Member States and other external stakeholders. "My endeavor," Mr. Prasad explains, "is to ensure that the priorities and goals, as set out by the Director General, are met both in letter and spirit."

NEW PRODUCTS



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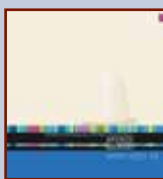
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