International Obligations
in the Agreement on
Trade-Related Aspects of Intellectual
Property Rights (TRIPS)

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What is Impact of Counterfeiting & Piracy?

Consumer Perspective:

- Only luxury goods, DVDs, occasional harm occurring outside of the U.S.
- Limited to lost profits for large, wealthy corporations
- IPR theft is a victimless crime
- Low priority

Photo (cc): Anthony Catalano
What is Impact of Counterfeiting & Piracy?
TRIPS: Enforcement Fundamentals

• Standards
  – Establishes minimum standards of IPR protection that are compulsory requirement of WTO membership

• Enforcement
  – Establishes requirements for domestic procedures and remedies for the enforcement of IPR (i.e., framework with various tools to combat counterfeiters and pirates)

• Dispute Settlement
  – Disputes about TRIPS obligations subject to WTO dispute settlement mechanism
TRIPS: Enforcement Fundamentals

Why is IP enforcement in a trade agreement?

What is the most effective way to establish an IPR enforcement framework? Is TRIPS-sufficient?

What are the challenges?
- Limited resources to revise legislation; develop specialized IPR units, etc.

Who is involved?
- Customs, Police, Prosecutors, Judges, IP Office, Ministry of Health, Private Industry, Public, etc.

Does your system have the right tools to take down criminal networks?
- Effective criminal enforcement that functions as deterrent
- Every member in the enforcement chain is critical
TRIPS Enforcement Provisions

Enforcement Framework

- General Obligations (Art. 41)
- Civil & Administrative Procedures & Remedies (Art. 42-49)
- Provisional Measures (Art. 50)
- Border Measures (Art. 51-60)
- Criminal Procedures (Art. 61)
Border Measures
Border Measures

- TRIPs establishes broad framework that allows some flexibility in implementation
- TRIPS makes distinction b/n infringing activity in general, in which, civil procedures & remedies must be available, and counterfeiting & piracy
- For these most serious forms of IPR infringement, additional procedures and remedies must also be provided, namely border measures & criminal procedures
- Consider how TRIPs takes into account different legal systems for border measures and criminal procedures
Border Measures

Suspension of Release by Customs Authorities (Art. 51):

- Members **shall** adopt procedures to enable right holder to apply for suspension of release of goods by Customs into free circulation where:
  - Valid grounds for *suspecting* that the importation of counterfeit trademark or pirated copyright goods *may* take place; and
  - Right holder submits written application with competent authorities (administrative or judicial).

- **May** provide corresponding procedures for other types of infringement (patents, trade secrets)
- **May** provide corresponding procedures for exports
Border Measures

Suspension of Release by Customs Authorities (Art. 51):

• Members shall adopt procedures to enable a right holder to lodge an application in writing for suspension of release of goods by Customs into free circulation where:
  » Valid grounds for suspecting that the importation of counterfeit trademark or pirated copyright goods may take place; and
  » Right holder submits written application with competent authorities (administrative or judicial).

• May provide corresponding procedures for other types of infringement (patents, trade secrets)

• May provide corresponding procedures for exports
Border Measures

Application (Art. 52):

• Right holder shall be required to provide adequate evidence establishing *prima facie* case of infringement and provide detailed description of goods

• Authorities shall inform applicant whether application accepted and period during which they will take action within a reasonable time
Border Measures

Duration of Suspension (Art. 55):

- If Customs authorities not informed that proceedings leading to a decision on the merits have been initiated w/in 10 working days, or that provisional measures extending the suspension have been imposed, goods shall be released.
- Subject to extension for an additional 10 working days.
- If proceedings have been initiated, right to be heard and right of review upon request of defendant shall take place “within a reasonable period” and shall decide whether measures should be modified, revoked or confirmed.
- However, if suspension of release is pursuant to provisional judicial measure, Art. 50 shall govern.

How is this handled in U.S. and E.U.?
What is the most effective way to enforce IPR at the border?
Border Measures

Remedies (Art. 59):

Without prejudice to other rights of action and subject to judicial review:

» Destruction;

» Disposal;

» For counterfeit trademark goods, no re-exportation in unaltered state, or application of different Customs procedure, other than in exceptional circumstances
Criminal Procedures (Art. 61):

- “Members shall provide for criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale.”

- Remedies available shall include:
  - Imprisonment;
  - Monetary fines;
  - “Sufficient to provide a deterrent.”
Criminal Procedures (Art. 61) (continued):

- In appropriate cases, remedies shall also include for goods and any materials and implements the predominant use of which has been in the commission of the offence:
  - Seizure;
  - Forfeiture;
  - Destruction.
Members **may** provide for criminal procedures and penalties to be applied in other cases of infringement of intellectual property rights, in particular where they are committed wilfully and on a commercial scale.
Counterfeit Goods Endanger the Public Health & Safety: Skin Lotion
Counterfeit Goods Endanger the Public Health & Safety: Candy
Counterfeit Goods Endanger the Public Health & Safety: Vaseline
Provisional Measures

Why are they necessary?
- Prevent distribution/redistribution during pendency of case
- Prevent irreparable harm

What risks do they present?

Why *inaudita altera parte*?
Provisional Measures

Provisional Measures (Art. 50) (Para. 1-2):

• Judicial authorities shall have the authority to order prompt and effective provisional measures:
  » To prevent an infringement;
  » To prevent the entry in to the channels of commerce of goods, including imported goods;
  » To preserve relevant evidence;

• Judicial authorities shall have the authority to adopt measures *inaudita altera parte* (without notice), for example where there is a risk of destruction.
Provisional Measures (Art. 50) (Para. 3-6):

- Applicant/Plaintiff may be required to provide:
  » Evidence that Applicant is right holder;
  » Evidence that Applicant’s right is being infringed or infringement is imminent; and
  » Bond or security.

- Where measures adopted *inaudita altera parte*, affected parties must be given notice without delay after execution of the measures, and shall be given a right to be heard on whether the measures should be modified, revoked or confirmed.

- Measures dissolve if proceedings leading to a decision on the merits are not initiated promptly (20 working days or 31 calendar days).
TRIPS Enforcement Provisions

Enforcement Framework

- General Obligations
- Civil & Administrative Procedures & Remedies
- Provisional Measures
- Border Measures
- Criminal Procedures
General Obligations

Article 41. Members **shall** ensure:

- Remedies which are: (Para. 1)
  - Expeditious
  - Deterrent

- Procedures which are: (Para. 1)
  - Not barriers to legitimate trade
  - Have safeguards that prevent their abuse

- Procedures which are: (Para. 2)
  - Fair and equitable
  - Not complicated or unnecessarily costly
  - Without delay
General Obligations

Art. 41 continued

• Decisions which are preferably: (Para. 3)
  • Written
  • Reasoned

• Decisions which shall be:  (Para. 4)
  • Made available to the parties to the proceeding without delay
  • Based “only on evidence in respect of which parties were offered the opportunity to be heard”
  • Subject to review by judicial authorities (for administrative decisions), or, subject to a Member country’s law, appeal of the legal aspects of initial decisions on the merits
  • However, no obligation to provide review of acquittals
Civil and Administrative Procedures and Remedies

• Fair and Equitable Procedures (Art. 42):
  • Right holders shall have available enforcement procedures;
  • Defendants have a right to timely written notice of claims;
  • Parties may be represented by counsel;
  • No overly burdensome requirements to make (mandatory) personal appearances
  • Right to present evidence;
  • Right to protection of confidential information.
Evidence (Art. 43):

- Judicial authorities **shall** have authority to order the production of evidence, where:
  - Party has presented “reasonably available evidence sufficient to support its claims;” and
  - “has specified evidence relevant to substantiation of its claims which lies in the control of the opposing party;”
  - Oftentimes only infringer has evidence;
  - U.S. system of discovery

- If party does not provide evidence or access to evidence within a reasonable time, or impedes enforcement procedure:
  - Judicial authorities **may** be given the authority to “make preliminary and final determinations on the basis of information presented to them;”
  - Subject to opportunity to be heard.
Civil and Administrative Procedures and Remedies

Injunctions (Art. 44):

- Judicial authorities **shall** have authority to order a party to desist from infringement including to prevent the entry of IPR infringing imported goods into the channels of commerce immediately after customs clearance of such goods
- “shall” versus “may”
Civil and Administrative Procedures and Remedies

Damages (Art. 45):
To create an effective deterrent to infringement:

“Judicial authorities shall have authority to order the infringer to pay the right holder damages adequate to compensate for the injury suffered” provided:

» Infringer acted knowingly; or

» Had reasonable grounds to know that conduct was an infringement—no willful blindness (Aimster).

» “Judicial authorities shall also have the authority to order the infringer to pay” expenses, which may include attorneys fees.
Damages (Art. 45):

- Members *may* also authorize judicial authorities to order:
  - Recovery of profits; and/or
  - Pre-established damages
  - Even where infringer did not act knowingly or with reasonable grounds to know of infringement.
Civil and Administrative Procedures and Remedies

• Other Remedies (Art. 46):
  • Judicial authorities shall have the authority to order that infringing goods be:
    » Disposed of outside the channels of commerce and without compensation; or
    » Destroyed

• Judicial authorities shall also have the authority to order that “materials and implements the predominant use of which has been in the creation of the infringing goods” be disposed of outside the channels of commerce.
Right of Information (Art. 47):

Members may provide that judicial authorities shall have the authority to order the infringer to inform the right holder of:

» The identity of third parties involved in the production and distribution of the infringing goods; and
» Their channels of distribution.

TRACE INFRINGEMENT TO ITS SOURCE
TRIPS Enforcement Provisions

Enforcement Framework

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- Civil & Administrative Procedures & Remedies
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- Border Measures
- Criminal Procedures
“TRIPs Plus”—the next step

• Shall provide pre-established damages available at election of rightholder
• Seizure of documentary evidence related to infringement
• Goods found to be infringing and the materials and implements used to create them shall under ordinary circumstances be destroyed
“TRIPs Plus”—the next step

- Shall have authority to order infringer to provide information regarding others involved in infringement, means of production and channels of distribution
- Enforcement procedures for technical protection measures and rights management information
- *Ex officio authority* for criminal and border measures
“TRIPs Plus”—the next step

- Criminal procedures even where no motive of financial gain
- Seizure and forfeiture of goods, assets, means to produce and evidence
- Criminal procedures for trafficking in counterfeit labels for audiovisual works and computer programs
- Internet Service Provider Liability
Economic Harm is Massive and Increasing as Counterfeit Economy is Growing

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Mid-Year FY 2008 Domestic Value</th>
<th>% of Total Value</th>
<th>Mid-Year FY 2007 Domestic Value</th>
<th>Difference FY 08 vs FY 07</th>
<th>% Increase or Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Footwear</td>
<td>$40,300,057</td>
<td>36%</td>
<td>$39,736,686</td>
<td>$563,391</td>
<td>1%</td>
</tr>
<tr>
<td>Wearing Apparel</td>
<td>$15,785,209</td>
<td>14%</td>
<td>$16,695,645</td>
<td>$99,664</td>
<td>1%</td>
</tr>
<tr>
<td>Handbags/Wallets/Backpacks</td>
<td>$9,890,934</td>
<td>9%</td>
<td>$7,464,525</td>
<td>$2,426,409</td>
<td>33%</td>
</tr>
<tr>
<td>Consumer Electronics/Electrical Articles</td>
<td>$9,709,170</td>
<td>9%</td>
<td>$9,418,165</td>
<td>$291,005</td>
<td>3%</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>$9,255,168</td>
<td>8%</td>
<td>$9,930,473</td>
<td>($675,305)</td>
<td>-7%</td>
</tr>
<tr>
<td>Cigarettes</td>
<td>$4,619,353</td>
<td>4%</td>
<td>$3,861,114</td>
<td>$758,239</td>
<td>19.6%</td>
</tr>
<tr>
<td>Computers/Technology Components</td>
<td>$3,627,558</td>
<td>3%</td>
<td>$4,315,743</td>
<td>($688,185)</td>
<td>-16%</td>
</tr>
<tr>
<td>Watches/Parts</td>
<td>$3,303,237</td>
<td>3%</td>
<td>$11,461,038</td>
<td>($8,157,801)</td>
<td>-71%</td>
</tr>
<tr>
<td>Media</td>
<td>$3,094,108</td>
<td>3%</td>
<td>$4,175,134</td>
<td>($1,081,028)</td>
<td>-28%</td>
</tr>
<tr>
<td>Sunglasses/Parts</td>
<td>$3,016,280</td>
<td>3%</td>
<td>$1,038,469</td>
<td>$1,977,800</td>
<td>190%</td>
</tr>
<tr>
<td>All Other Commodities</td>
<td>$10,644,850</td>
<td>0%</td>
<td>$6,576,378</td>
<td>$4,068,481</td>
<td>62%</td>
</tr>
<tr>
<td><strong>Total Domestic Value of All IPR Seizures</strong></td>
<td><strong>$113,245,922</strong></td>
<td><strong>9%</strong></td>
<td><strong>$110,198,350</strong></td>
<td><strong>$3,047,572</strong></td>
<td><strong>3%</strong></td>
</tr>
<tr>
<td><strong>Total Number of Seizures</strong></td>
<td><strong>7,166</strong></td>
<td></td>
<td><strong>7,245</strong></td>
<td><strong>-79</strong></td>
<td><strong>-1%</strong></td>
</tr>
</tbody>
</table>

Source: U.S. CBP Mid-Year 2008 Seizure Stats
Thank You

Questions? Comments?

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