

# **TRIPS Flexibilities on IP Enforcement**

## **-- From Economic and Legal Perspectives**

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(All statements are personal to the presenter.)

# Outline

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- I. Optimal IP Enforcement:**  
An Economic Analysis
  
- II. TRIPS Flexibilities on IP Enforcement:**  
A Legal Analysis
  
- III. WTO Case study:**  
US-China IP enforcement of Criminal  
Measures (WTO Doc. WT/DS362/7 )
  
- IV. Recommendations:**

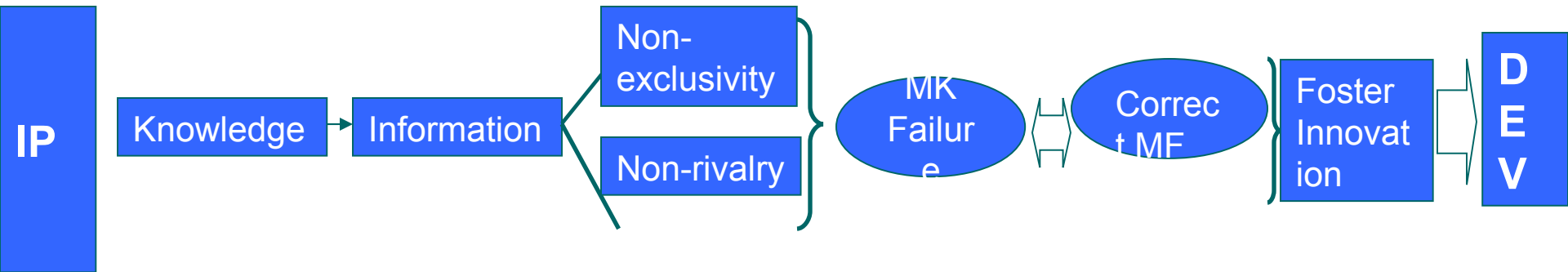
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# **I. Optimal IP Enforcement: -- An Economic Analysis**

- 1.1. Justification of IP Policy
- 1.2. Optimal IP Protection
- 1.3. Optimal IP Enforcement
- 1.4. Example: US's IP Policy

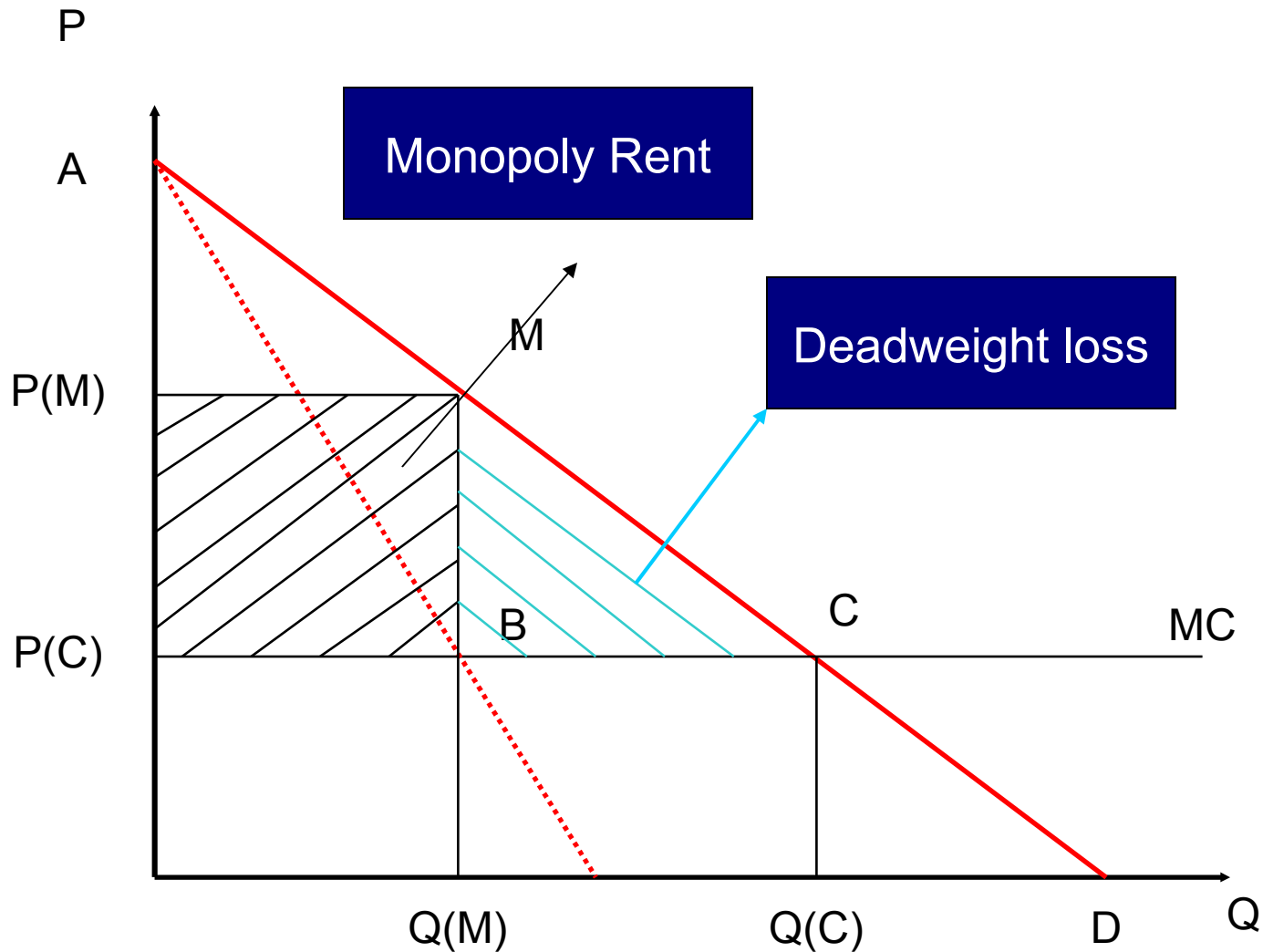
# 1.1. Justification of IP Policy

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**Utilitarianism Paradigm**

## 1.2. Optimal IP Protection



## 1.3. Optimal IP Protection and Enforcement

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<b>Cost</b>	<b>Static Loss</b>	<b>Consumer Welfare Loss</b>	
		<b>Deadweight loss</b>	
		<b>Enforcement cost</b>	<b>Judicial Cost</b>
			<b>Administrative Cost</b>
			<b>Litigation Cost</b>
	<b>Cost of Litigation Error</b>		
<b>Dynamic Loss</b>	<b>Anti-competitive Effect to Follow-on Innovation</b>		

# 1.4. Example: IP Protection in the US

## Copyright Act of 1790



## Patent

Year	Validity [Years]
-1789	-
1790–1835	14
1836–1860	21
1861–1994	17
1995-	20

Foreign works remain uncopyrighted in US

1790

1989

1995  
WTO

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## **II. TRIPS Flexibilities on IP Enforcement: A Legal Analysis**

- 2.1. Common Misconceptions on IP Enforcement
- 2.2. TRIPS Obligations on IP Enforcement
- 2.3. TRIPS Flexibilities on IP Enforcement
- 2.4. Example: China's IP Enforcement



## 2.1. Common Misconceptions on IP Enforcement

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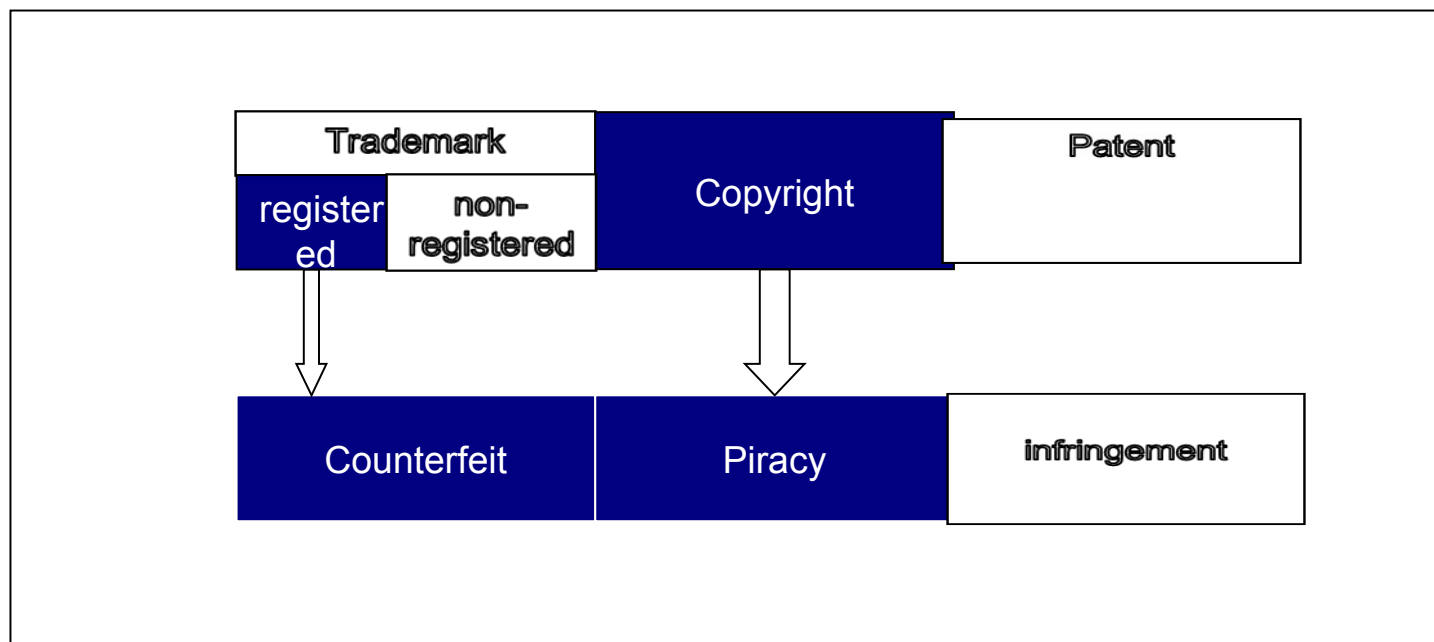
	<b>Misconceptions</b>	<b>Characteristics</b>
(1)	<b>Counterfeiting and piracy includes patent infringement</b>	<b>Definition</b>
(2)	<b>Government should take the primary responsibility of enforcement and cost of IP enforcement</b>	<b>Responsibility</b>
(3)	<b>WTO Members are obliged to provide border procedures for all type of transaction and all form of IPRs</b>	<b>Responsibility</b>
(4)	<b>Criminal procedures are obligatory to establish for IP infringing products</b>	<b>Responsibility</b>
(5)	<b>Customs administrations have authority to determine IP infringement</b>	<b>Authority</b>

## 2.2. TRIPS Obligations on IP Enforcement

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- TRIPS is specific on the obligations of WTO members with respect to IP rights enforcement. It requires countries:
  - *To make available* civil judicial procedures and remedies concerning the enforcement of IP rights, and criminal procedures and penalties at least in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale;
  - *To adopt procedures* to enable a right holder to lodge applications with competent authorities, for the suspension of the release into free circulation of goods validly suspected to involve trademark counterfeiting or copyright piracy;
  - The judicial authorities *to have the authority* to order disclosure of evidence, injunction, damages, prompt and effective provisional measures and disposition of infringing goods and materials and implements .

## 2.3.(1). Scope of IP Enforcement under the TRIPS



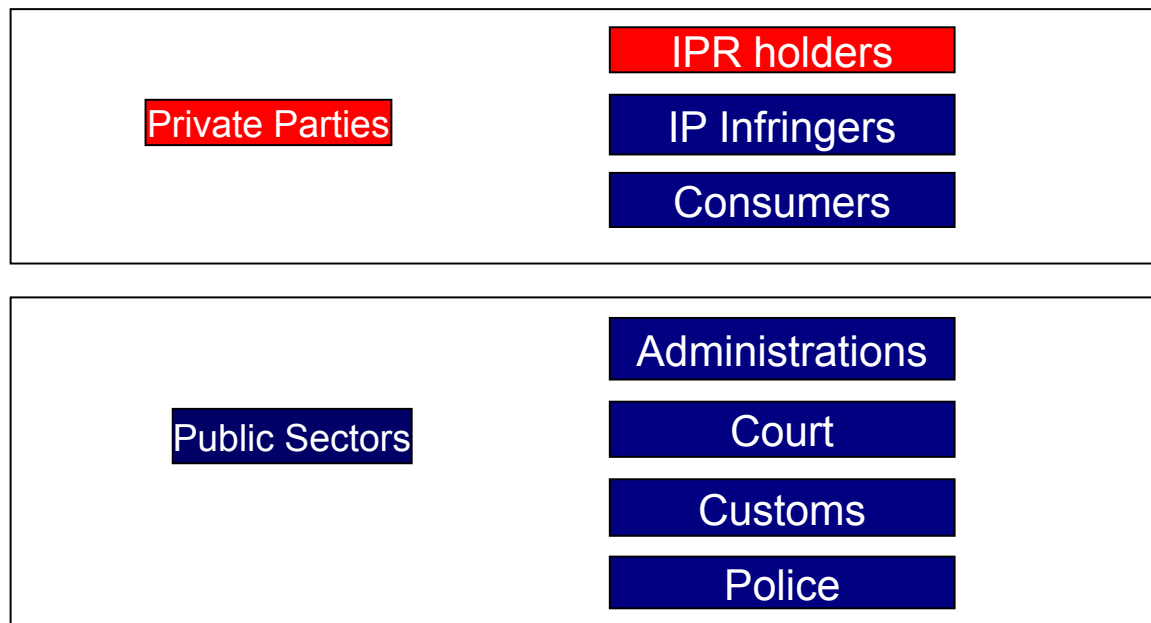
**Art 51.fn.14: (what constitutes "counterfeit trademark goods" and "copyright piracy"):**

- (1) identical or close similarity to intellectual property protected locally,
- (2) unauthorized use,
- (3) infringement in a country of importation, and
- (4) traded internationally

## 2.3.(2). Primary Responsibility for IP Enforcement

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**Preamble of TRIPS:** “...intellectual property rights are private rights”.



### **Article 41 of TRIPS:**

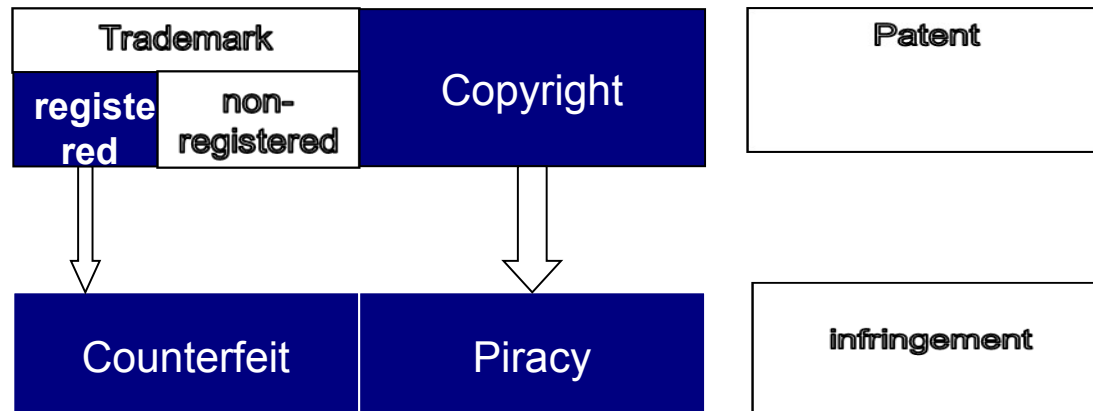
“...ensure that enforcement procedures...are available under their law so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement.”

## 2.3.(3). Scope of WTO Member State's Responsibility on IP Enforcement

### Article 51

Suspension of  
Release by  
Customs  
Authorities

..who has valid grounds for suspecting that the importation of **counterfeit trademark** or **pirated copyright goods**...  
counterfeit trademark goods refers to registered marks...



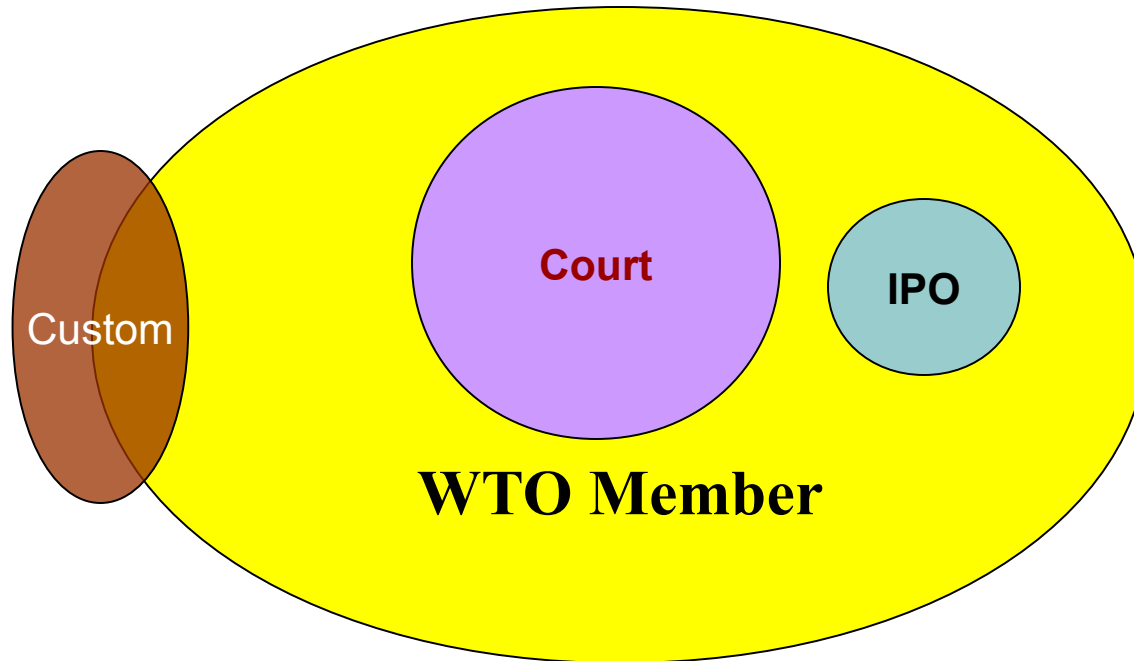
### Article 61

(criminal measures)

“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”.

## 2.3.(4). Competent Authority on IP Infringement Determination

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### **Art 41 of TRIPS:**

Members shall ensure that enforcement procedures “... be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.”

## 2.3. (5) Other TRIPS Flexibilities on IP Enforcement

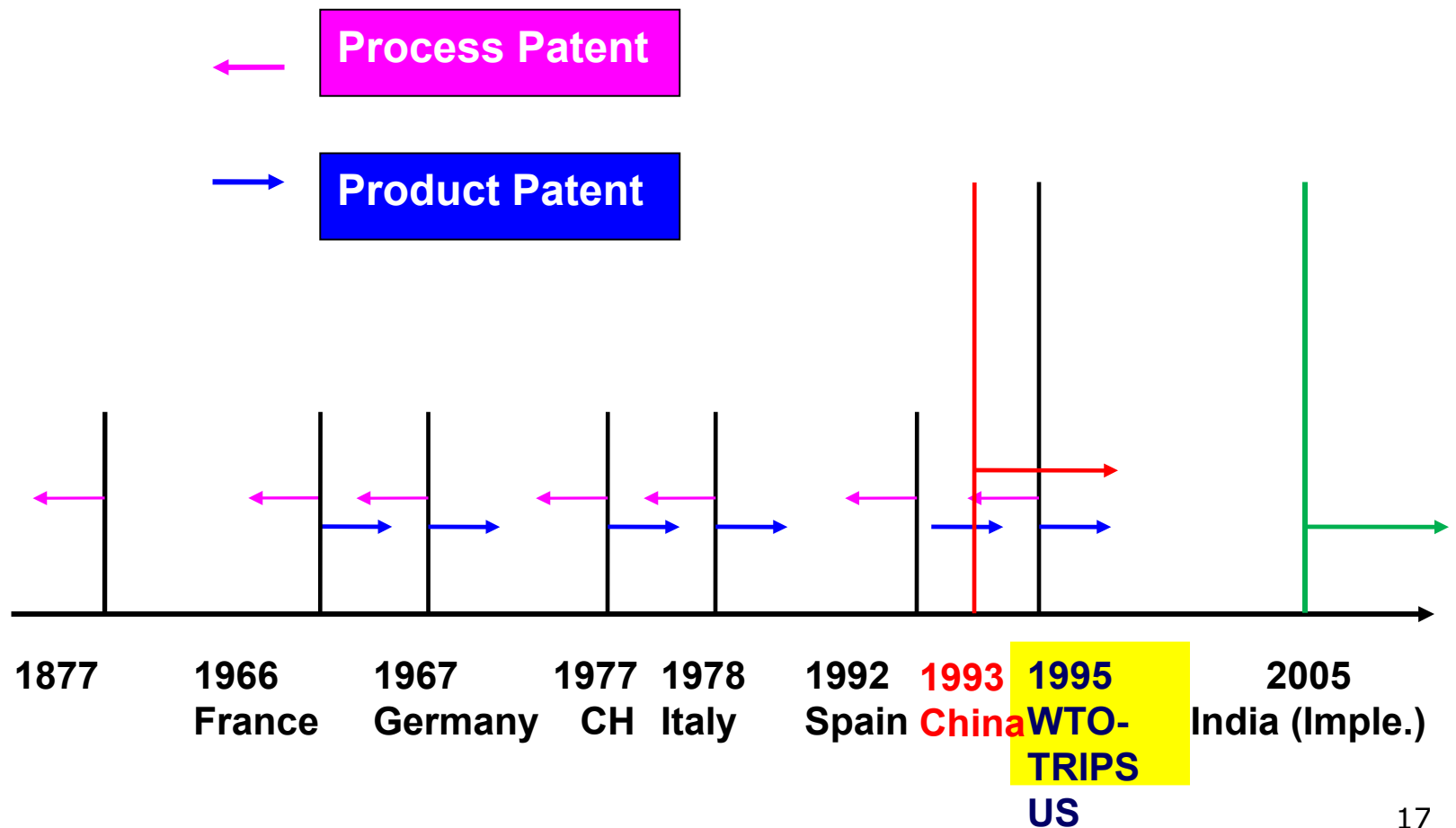
Issue	TRIPS Provisions	Flexibilities Related to Criminal Enforcement of IPRs	Remarks
Implementing Legislation	Article 1	<p>“Members shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice”.</p>	<p>It implies that the method of implementing the TRIPS Agreement can be freely determined within each member country’s “own legal systems and practice”. Considerable differences between legal systems remain globally.</p>
Objective	Article 7	<p>“The protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations.”</p>	<p>It indicates that a balance must be strike between rights and obligations regarding both protection and enforcement of IPRs.</p>

## 2.3. (6) TRIPS Flexibilities on IP Enforcement

<b>Purpose</b>	<b>Article 8</b>	<b>“Appropriate measures... may be needed to prevent the abuse of intellectual property rights by right holders or the resort to practices which unreasonably restrain trade or adversely affect the international transfer of technology”.</b>	<b>The principle recognizes the needs of Members to take measures to prevent the abuse of IPRs by right holders.</b>
<b>General Obligations</b>	<b>Article 41</b>	<b>“Nothing in this Part creates any obligation with respect to the distribution of resources as between enforcement of intellectual property rights and the enforcement of law in general”.</b>	<b>It clarifies that WTO Members have no obligation to prioritize the enforcement of IPRs over the enforcement of law in general.</b>

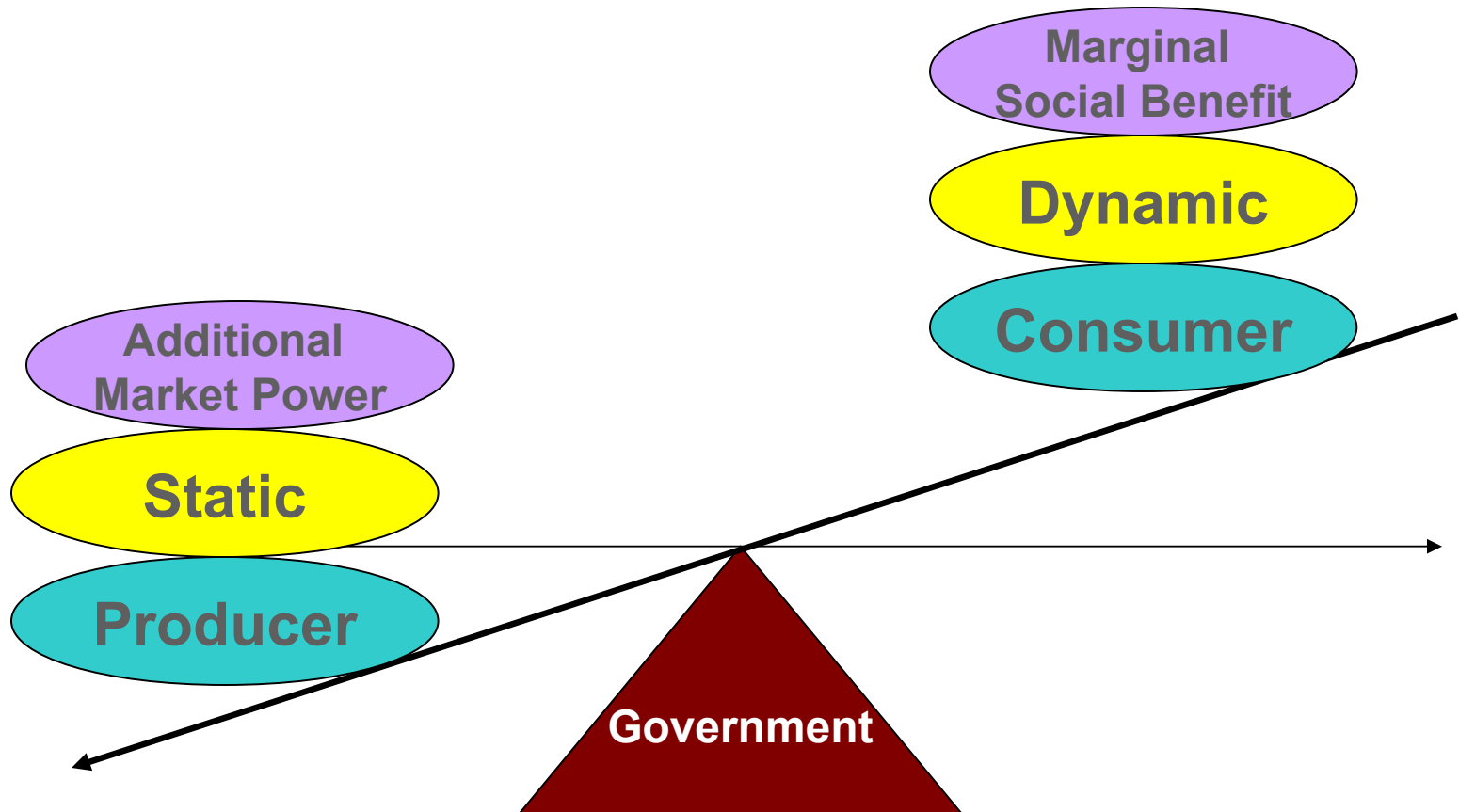


# 2.4. (1) China's Standard of IP Protection



## 2.4.(2). China's Practice of IP Enforcement

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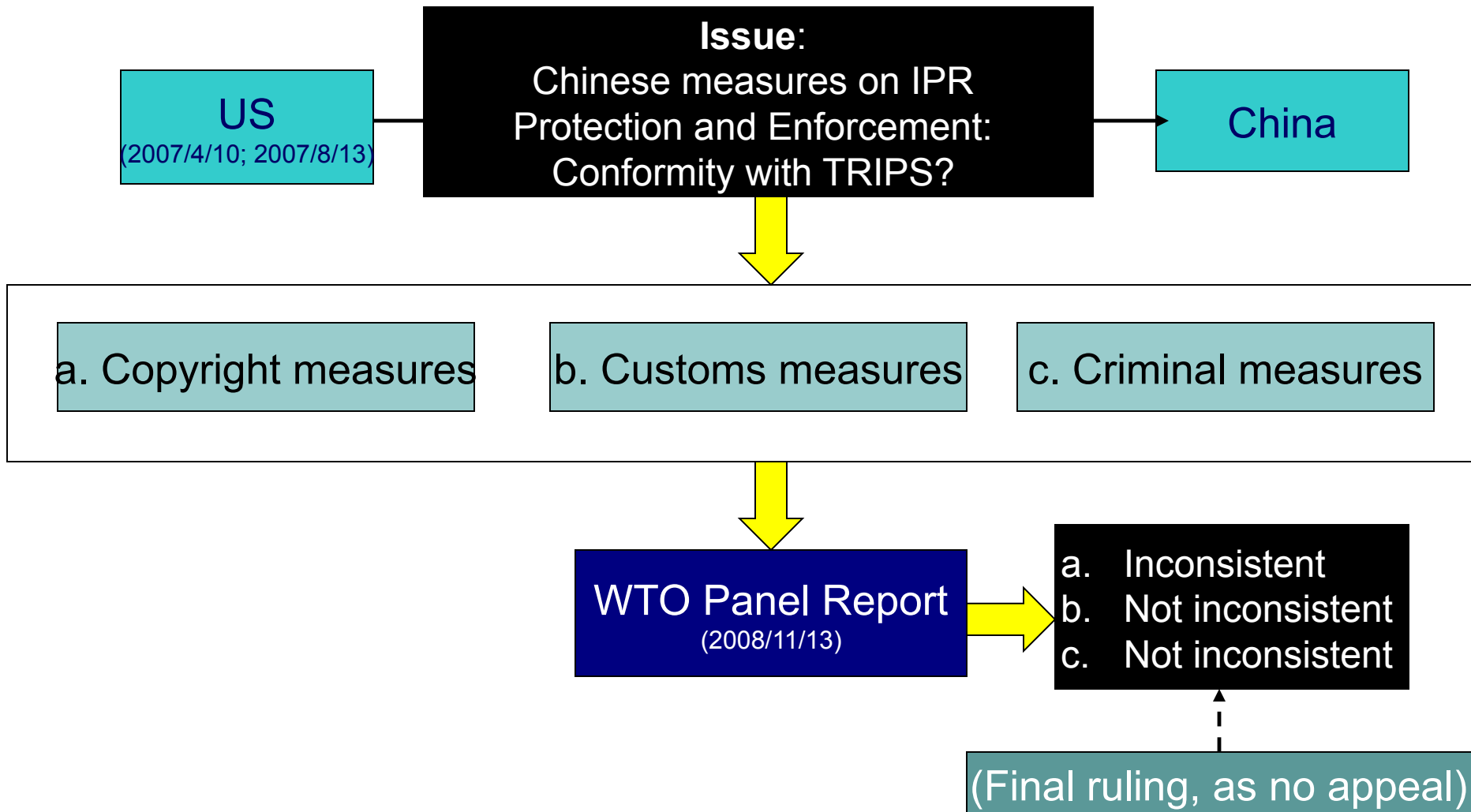


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# **III. WTO Case Study: US-China IP Enforcement of Criminal Measures (WTO Doc. WT/DS362/7 )**

- 3.1. Background
- 3.2. The Chinese Measures at Issue
- 3.3. Thresholds in China's Criminal Measures
- 3.4. Limitations to Scope of Obligations in Article 61
- 3.5. Panel Interpretation of the Obligations of the Parties

# 3.1. Background



## 3.2. The Chinese Measures at Issue

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### TRIPS 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.”

### Criminal Thresholds

1

Chinese Criminal Law

2

Judicial Interpretation No. 19 (2004)

3

Judicial Interpretation No. 6 (2007)

## 3.3.(1).The Thresholds on Trademark Infringements in China's Criminal Measures

Categories	Provisions	Scenario	Condition (thresholds)		Penalty
(a) use of a counterfeit trademark	Articles 213, the Criminal Law; Article 1, Judicial Interpretation No. 19	Serious circumstances	(a) A registered trademark infringed  (b) ≥2 registered trademarks infringed	Illegal business operation volume ≥ RMB50,000  Illegal gains ≥ RMB30,000  Illegal business operation volume ≥ RMB30,000  Illegal gains ≥ RMB20,000.  (c) Other serious circumstances	a. Imprisonment ≤ 3 years and/or b. fine
(b). selling counterfeit trademark commodities	Article 214 of the Criminal Law; Article 2 of Judicial Interpretation No. 19.	Relatively critical circumstances	Knowingly selling commodities which bear counterfeit registered trademarks	Sales ≥ RMB50,000	a. Imprisonment ≤ 3 years and/or b. fine
(c) Forgery of trademarks and sale of forged trademarks	Article 215 of the Criminal Law; Article 3 of Judicial Interpretation No. 19.	Serious circumstances	(a) forging or, without the authorization, making representations of the registered trademarks or selling such representations of  (a) forging or, without authorization, making two or more kinds of representations of the registered trademarks or selling such representations of	≥ 20,000 pieces, or  Illegal business operation volume ≥ 50,000 Yuan, or the amount of illegal gains ≥ 30,000 Yuan.  ≥ 10,000 pieces, or the illegal business operation volume of ≥ 30,000 Yuan, or  the amount of illegal gains ≥ 20,000 Yuan	a. Imprisonment ≤ 3 years and or b. fine
			(c) other serious circumstances		

## 3.3.(2). The Thresholds on Copyright Infringements in China's Criminal Measures

Categories	Provision	Scenario	Condition (thresholds)		Penalty
(a) criminal copyright infringement	Articles 217, the Criminal Law; Article 5, Judicial Interpretation No. 19, Article 7, Judicial Interpretation No. 6	(a) Relatively critical circumstance other serious circumstances	For the purpose of making profits, commits: a. reproducing b. publishing a book c. reproducing audio recordings... d. making, selling a work...	Illegal gains ≥ 30,000Yuan  Illegal business operation volume ≥ 50,000 YUAN. Reproducing distributing ≥ 1,000 pieces (replaced by reproducing distributing ≥ 500 pieces, according to JI No. 6.)  Other serious circumstances	a. Imprisonment ≤ 3 years and/or b. fine
		(b) Relatively critical or other serious circumstances			a. Imprisonment ≤ 7 years and b. fine
(b). selling copyright-infringing reproductions	Article 218 of the Criminal Law; Article 6 of Judicial Interpretation No. 19.	Relatively critical circumstance	For the purpose of making profits, Sells infringing reproductions	Amount of illegal gains ≥ 100,000 Yuan	a. Imprisonment ≤ 3 years and/or b. fine

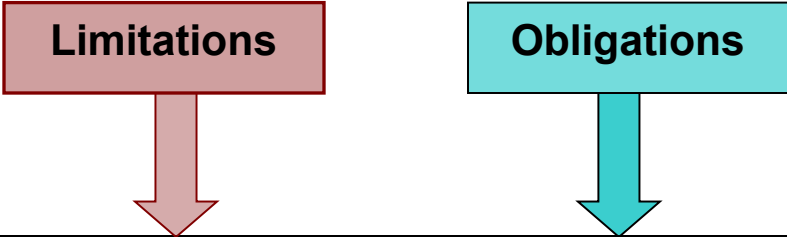
## 3.4.(1). Panel Interpretation of the Obligations of the Defendant and the Complainant

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Panel		The Defendant	The Complainant
Step 1: Obligation	Mandatory obligation	The obligation of a WTO Member is to provide procedures	Burden of proof
	Limitations to the obligation	<ul style="list-style-type: none"> <li>a. Scope</li> <li>b. Subject matter</li> <li>c. Intent</li> <li>d. Commercial scale</li> </ul>	
Step 2: Examination		China has fulfilled its obligation under the first sentence of Article 61	Complainant did not provide sufficient evidence for assertion.
Step 3: Panel Ruling		China won the case	



# 3.4.(2). Limitations to Scope of Obligations in the First Sentence of Article 61



<b>Subject matter</b>	No requirement for patent, trademarks and copyright	trade secret, etc.
<b>Scope of subject matter</b>	No requirement for copyright infringement.	other trademarks & Counterfeiting and piracy
<b>Intention</b>	No intent,	Willful no obligation.
<b>Scale</b>	No satisfaction being no obligation.	On a commercial scale "on a commercial scale",

*The Panel interpreted that a 'commercial scale' is the magnitude or extent of typical or usual commercial activity*

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## **IV. Recommendations**

# 4.1. Major Challenges for Governments

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**1**

**How to Maintain an Effective IP Enforcement Regime**

**2**

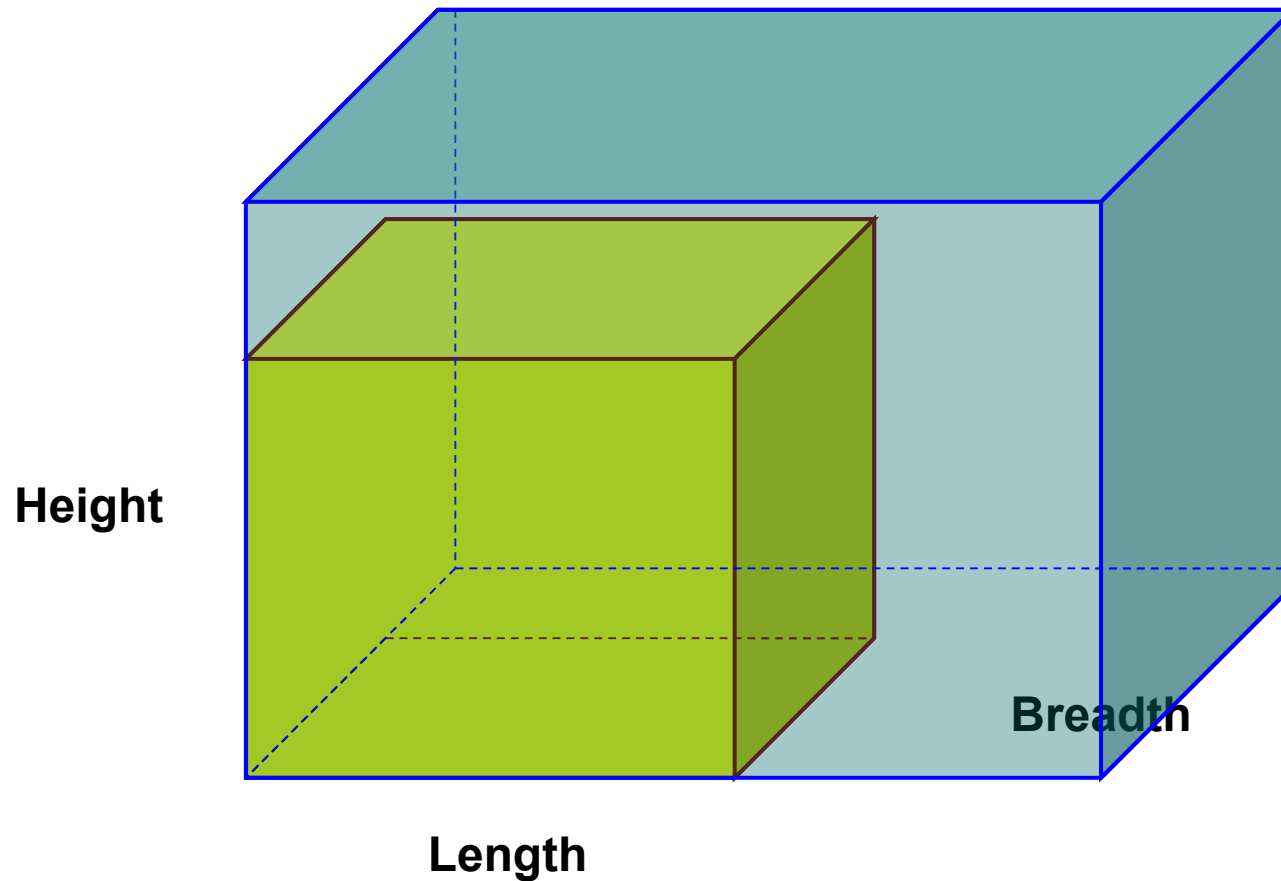
**How to Balance Right Holders' and Public Interest in the IP Regime**

**3**

**How to Prevent Abuse of IPRs by Right Holders**

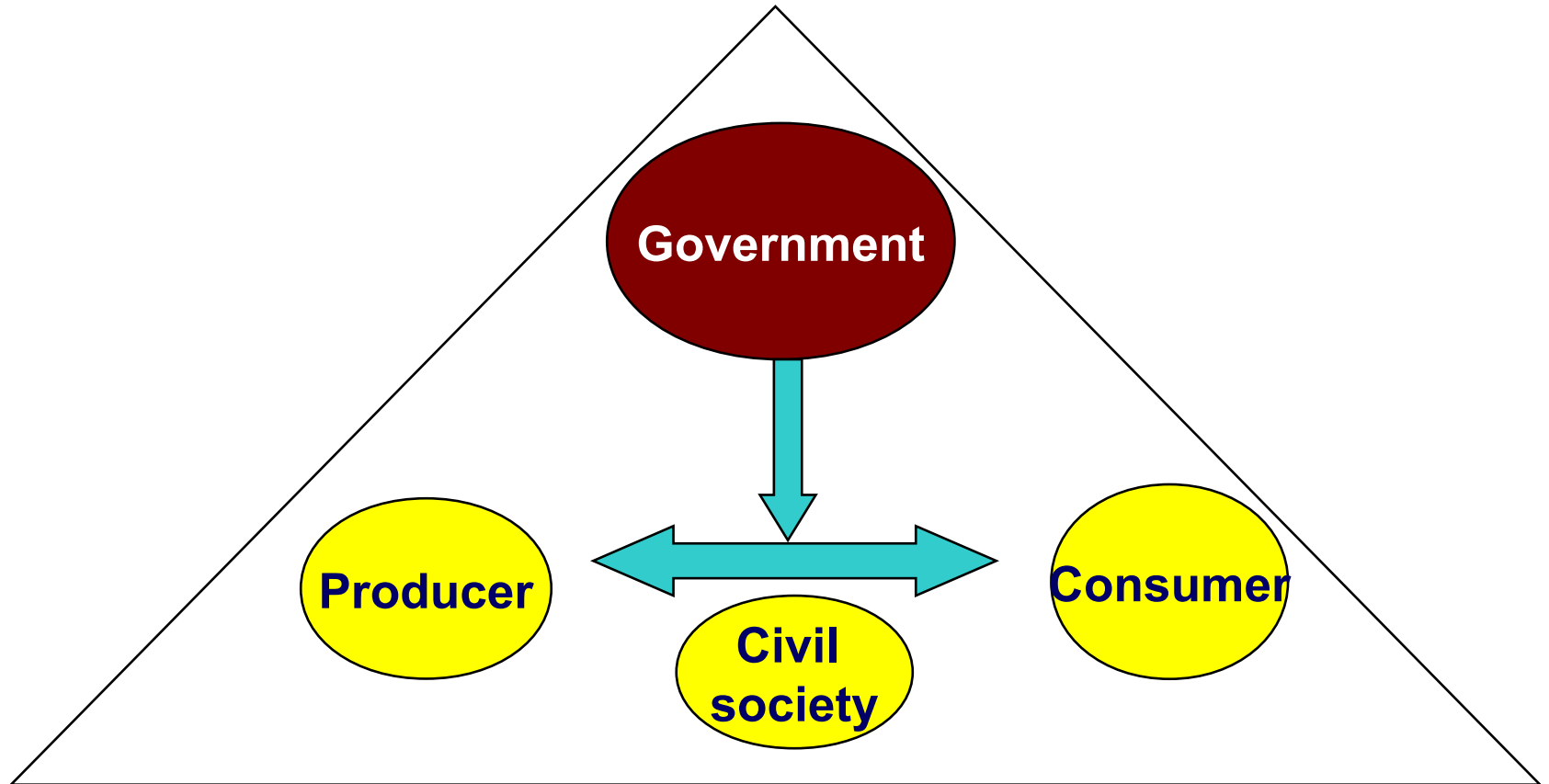
## 4.2.(1) Use of IP Flexibility Policy to Ensure Optimal IP Policy

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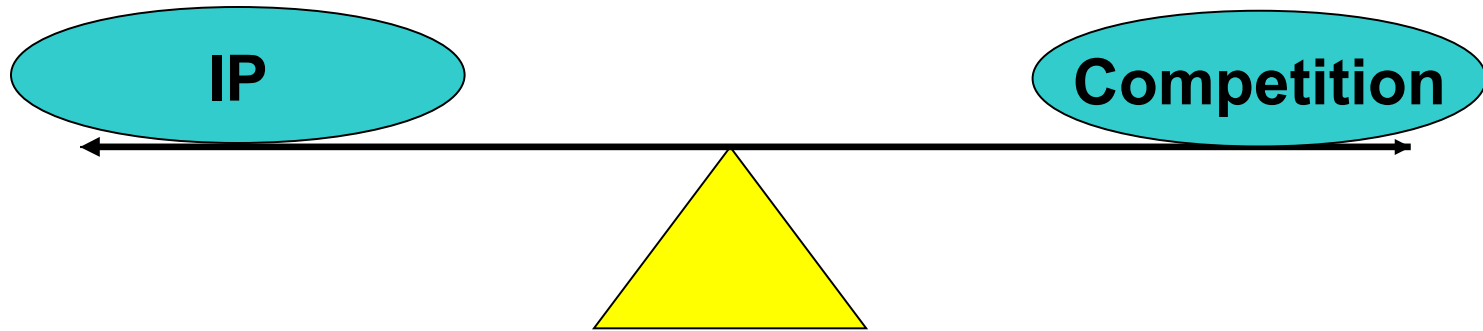
## 4.2.(2). Optimal IP Protection and Enforcement

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## 4.2.(3). Strike a Balance: IP & Competition Policy

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# Thanks!