



FÉDÉRATION INTERNATIONALE DES CONSEILS EN PROPRIÉTÉ INDUSTRIELLE

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DRAWN UP BY: Eric Le Forestier, Reporter, Workshop 2

SUBJECT: Report on Workshop 2 - " Criminal sanctions of IP infringement "

PURPOSE: For information

TABLED TO: All attendees

REPORT
Seville ExCo – Workshop No. 2
Criminal sanctions of IP infringement

Chair: Coleen Morrison
Reporter: Eric Le Forestier

1) Attendance

Appended hereto is the attendees list*.

2) Workshop opening

Coleen Morrison opened the workshop by welcoming the attendees.

3) Criminal sanctions for patent infringement

The basic issue put on the table was whether criminal sanctions for patent infringement are appropriate or not. Some of the implications associated with criminal sanctions for counterfeit goods were also discussed.

The background of this question is that criminal sanctions could be seen as a powerful tool for discouraging infringement, but at the same time that criminal exposure of people driving innovative business might discourage innovation.

In Austria, Criminal proceedings for patent infringement are available, provided that there is infringement was intentional. “Intentional” merely means here that the defendant was aware of the existence of the patent, e.g. through a warning letter.

Criminal proceedings are therefore seen in Austria as a strong deterrent of infringement, for patents inclusive, especially against ‘professional’ infringers.

The system however remains reasonable as an invalidity defense can normally be used for staying the criminal proceedings.

In Brazil, civil proceedings can take a “quasi-criminal” dimension as the police, financially supported by the plaintiff, can help in investigating on the infringement and collecting evidence. This contrasts to places like Canada and other common law jurisdictions wherein the criminal process does not normally encompass consideration of the rights of third parties nor their direct involvement in the proceedings. Criminal proceedings are available for all types of IP infringement and very useful to fight against professional counterfeiting in Brazil. The court can request the intervention of police whenever necessary.

In Italy, the patent owner can file a criminal complaint and then participate as a third party, but he loses control of the proceedings. An intentional behavior from the defendant has to be shown, as well as a harm to the general interest.

Criminal proceedings in Italy have the advantage of being much quicker than civil proceedings. The cost is low as all investigation, evidence collection and prosecution cost is borne by the state.

However, there is no requirement by the law that the criminal proceedings should take into account the possible invalidity of the IP title. If civil nullity action is started, the criminal judge is not constraint to stay criminal proceedings. Invalidity is therefore not an effective defense.

Financial penalties are symbolic, but up to 8 years of imprisonment can be decided.

In France, criminal proceedings for patent infringement are also available. No intentionality has to be shown. However, such criminal proceedings are not often used, being seen as quite unpredictable, with criminal judges basically having no IP education.

A question was raised about what does 'intentionality' mean. Is it an intention to deliberately violate identified IP rights or an intention to deceive the public, etc. No clear convergence was found.

Another issue was on available remedies in case of abuse of criminal action or threat for action.

Taking the example of Austria, a warning letter to the direct infringer with indication of potential criminal offence does not expose the patent owner to cause for abuse. However, a letter to an indirect infringer could give rise to unfair competition defense.

From the New-Zealand perspective, it is felt that criminal sanctions for patent infringement can lead to significant imbalance. A concern is that criminal authorities had very poor skills for appreciating whether a patent is infringed.

Similarly in Greece, the ordinary criminal courts are not familiar at all with IP matters, and it is believed that no patent infringement case would succeed in criminal proceedings. The problem of criminal judge IP qualification is also an issue in Italy.

In Brazil, there is a specific practice where the police authorities can seize samples and the criminal court can appoint an IP expert to determine whether there is infringement or not. Depending on the expert opinion, the case qualifies or not for criminal proceedings.

There was also some debate as to whether criminal sanctions should not be applied exclusively to straight, visible copying of a protected work or article (e.g. trademark or copyright piracy), but not to cases such as patent infringement where some more complex reasoning comes into play.

An interesting observation is that the desire for the availability of criminal proceedings highly depends on how the civil enforcement system works and also how easily or not evidence can be gathered through civil routes. Inappropriate or ineffective civil remedies can lead to the development of a criminal enforcement system.

In countries like New-Zealand, civil interim injunctions can be obtained very quickly, so that criminal sanctions are of no use.

In Argentina, implementation of interim injunctions based on TRIPS has had a great success and is much more effective than the prior practice where the defendant just had to secure a bond in case he would continue the infringing acts during the court proceedings.

To the contrary, civil sanctions in Brazil are poorly effective, so that the criminal route can bring more efficiency.

It was noted at that stage that the proposed EU directive on criminal sanctions passed the parliament with the removal of patents and utility models and plant varieties from its scope.

It seems that the directive is now blocked not so much because of its contents but because some member states question the fact that the European Commission is entitled to rule on criminal matters.

A further remark is that the availability of civil proceedings only does not imply that the police authorities will not come into play. In America, it is common for the civil plaintiff to pay for the services of police for investigating on counterfeiting.

Back to Argentina, criminal proceedings are not practically available for patent matters, contrary to trademark or copyright matters where imprisonment can be decided.

The political trend is to limit the development of criminal sanctions and to rely on an effective civil enforcement.

In China, the IP law provides criminal sanctions including for patent infringement if the situation is 'serious', i.e. if the public interest or the national interest is threatened.

The 'serious' character is decided by the police authorities or the court.

A recent example of public interest (although not actually by IP counterfeiting) is the marketing of a drug that was announced as being patented and had very detrimental side effects on the health. The fact that there was actually no patent was a basis for criminal proceedings.

Still in China, there are thousands of criminal sanctions per year based on IP counterfeiting. In many instances, counterfeiters do get imprisoned.

Defenses based on limitation period and/or grant of a compulsory license should be available, but it seems no case law deciding in favor or such defenses exists.

In addition, criminal proceedings in China help a lot in respect of investigating counterfeiting activities, and in deterring to counterfeiting.

In Mexico, only the civil route (together with administrative route for patent invalidity) is available. Damages are calculated as a low percentage of the goods price.

Criminal proceedings (ex parte) are however available for copyright matters.

Another limit of the criminal sanctions is that in certain countries, including Greece and Portugal, people can avoid prison by paying a fine instead. Criminal sanctions are therefore less effective than civil measures such as interim injunctions. Criminal sanctions come as a supplement.

In Portugal, there are very few criminal cases for IP cases because only fines are practically available. Another issue is that the plaintiff loses control of the proceedings.

In the European Union, the recent directive on IP enforcement is supposed to make collection of evidence easier, so that the utility of criminal proceedings from this standpoint might become lesser.

Turning now to northern Europe, criminal proceedings for patent infringement appear to be available in Norway, Sweden, Denmark and Finland but hardly ever used. The existence of harm to the general interest would have to be proven.

The existence of potential criminal sanctions is however brought forward in warning letters for increasing their potential impact.

At the same time, civil damages are very low particularly in Norway, and there is not much case law.

In the UK, the Chartered Institute of Patent Agents does not support criminal sanctions for patent infringement. The overall feeling is that the civil enforcement system as it exists is effective enough, and that another level of sanctions would not be necessary.

The same applies to Canada inasmuch as it is unlikely that the criminalization of patent infringement would add a useful tool to the arsenal of available options.

In South Africa, there is no substantive examination of patents, so that many potentially invalid patents are granted. Therefore, criminal proceedings for patent infringement would not be advisable as they would shift the cursor still further in favor of patentees, i.e. further unbalancing the system.

Another general remark is that if criminal sanctions become widely available for patent infringement, this will be a further tool for patent trolls, which is not desirable.

It was then concluded that the approaches to criminal sanctions for patent infringement are nowadays extremely nation-specific. It is difficult to see how a harmonized position could be arrived at.

Another patent-specific issue is that the question of patent validity is most of the time put on the table, which is hardly compatible with criminal proceedings where title validity and infringement are more or less to be taken for granted.

However, in Austria, the system works well as an administrative invalidity action will stay the criminal proceedings until the validity of the patent. Judges take a reasonable approach and abuses are less liable to occur.

It could go differently in countries like France where the criminal judge has great powers and could take very punishing decisions even if the patent validity is questionable.

4) Criminal sanctions for other IP violations

In many countries including Italy, Greece and Colombia, it is felt that criminal proceedings are a quick and effective route for e.g. trademark counterfeiting where there is no substantive debate on title validity or assessment of infringement.

This led to the point where it is generally felt that there are substantial differences between 'infringement' and 'counterfeiting', where counterfeiting could also cover acts which do not violate specific IP rights but raise other public interest issues such as health or safety issues.

And even for trademarks, there could be a substantial difference between counterfeiting (i.e. deliberate exact copy) versus a less intentional imitation of a protected sign).

5) Customs

The Chair then brought the discussion to the administrative (customs) tools for fighting against infringement/counterfeiting.

Customs action is being felt as very useful, although still offering quite a lot of room for improvement.

It was generally admitted that patent infringement should not be something in which customs should get involved, because – much like for the criminal judge – it raises complex issues that customs staff is not educated to properly address.

A different point was that patent infringement could be indeed handled by customs in cases where the protected features are easily perceivable.

In a country like Argentina, very strong powers (and duties) are being given to customs

personnel, who are prohibited from allowing importation or exportation of IP infringing goods (including goods infringing patents).

The problem is how to make it work and there might be some future changes in the law, in particular limiting the customs action to trademarks and copyright.

From the standpoint of the profession, customs proceedings might be preferred to criminal proceedings as the IP rights owner, duly assisted by his IP attorney, is more likely to keep better control of the proceedings, including filing the necessary requests of forms with the customs, and assessing the situation with client when customs detects suspicious goods and notifying the client or the attorney.

6) Conclusion

The discussion, although very thorough and interesting, did not at this stage reveal any strong point of convergence that could be the basis of a FICPI position or resolution.

The main conclusion at this stage is that criminal sanctions especially against patent infringement remains controversial, although the controversy is also explained by the fact that the civil enforcement systems are fast, reliable and effective in certain countries, and are far from meeting these standards in other countries.

Should the topic of criminalization be raised again internationally, as was the case in respect of the recent European Directive, FICPI might wish to undertake a more thorough investigation as to the “best approach” for incorporating such sanctions whilst minimizing the concerns of those concerned about the associated effects.

Further work is needed in terms of the issue of criminal provisions for counterfeiting as well as border measures available for rights enforcement.

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WORKSHOP 2		CRIMINAL SANCTIONS FOR INFRINGEMENT
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NZ		Mike Hawkins
PT		Gonçalo de Sampaio
SE		Lars Thyresson
ZA		Bastiaan Koster
Total		19