



A I P P I

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Report

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Enforcement of Intellectual Property Rights
Exercice des droits de Propriété Intellectuelle
Durchsetzung von Rechten des Geistigen Eigentums

Report Q185

Enforcement of IP Rights

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I) Introduction

1) The Committee's First Report

On April 26, 2005, a Questionnaire was sent to the National Groups. The Questionnaire was aimed at an analysis of the specific aspects of producing evidence in IP proceedings in the various national systems. The Committee has received 37 answers containing comprehensive and extensive descriptions of the national legal frameworks. All answers are published on AIPPI's Website.

The Committee's analysis first concentrated on the jurisdictions of the European Union, namely the Czech Republic, Denmark, Germany, Greece, Hungary, Italy, Poland, Portugal, Slovenia, Spain, Sweden, The Netherlands, and the United Kingdom. The implementation of Directive 2004/48/EC of the European Parliament and of the Council of April 29, 2004 on the enforcement of Intellectual Property Rights (hereinafter: IP Directive) should have been finalised on April 29, 2006. However, it is only in a few countries of the European Union that the transposition process has already been accomplished. The first analysis of the Committee resulted in a Report which is published on the Website of AIPPI.

2) Continuing analysis

The continuing analysis is based on the result of the first Report, but covers in addition the answers of the National Groups of Argentina, Australia, Brazil, Bulgaria, China, Egypt, Indonesia, Israel, Japan, Malaysia, Mexico, Paraguay, Peru, Philippines, Romania, South Africa, Switzerland, Thailand and the United States of America.

The present Report is not aimed at repeating the content of the extensive and comprehensive assessments of the answers but, rather, is focused on highlighting existing gaps as to the standards set in particular by the TRIPS Agreement and elucidating existing differences between the national systems.

3) Common Law vs. Civil Law

The present Report can roughly be divided into two main legal approaches. One tends to follow the common law traditions and the other has its roots in the civil law systems.

Common law systems such as The United States (except Louisiana), South Africa, Australia and Malaysia have general and far reaching discovery proceedings. These systems have in common that they considerably exceed the minimum standards set by the TRIPS Agreement. They have, however, to deal with problems resulting from the extent and complexity of the proceedings. The latter criticism has especially been expressed by the US Group, which indicated that too extensive discovery proceedings with far reaching depositions and interrogatories may lead to increased costs although the proceedings can actually be very efficient in collecting evidence. It appears that the correct balance must be found between both factors – on the one hand the costs and on the other hand efficiency. It is also crucial for these systems that efficient legal means are available to reasonably limit the penetration into the sphere of the respondent in order to avoid the potential and eventual misuse of secret and confidential information.

The present analysis also addresses the Philippines and Israel, mixed systems with common law elements. These systems also include rather extensive discovery mechanisms and considerably exceed the minimum standards set by the TRIPS Agreement.

The present analysis examines jurisdictions in Latin America, Japan and continental Europe that follow the civil law system traditions. These systems are definitely more reluctant to allow access to the sphere of the respondent for the purpose of gathering evidentiary elements. They do not allow general and extensive discovery and the question whether the standards set by TRIPS are achieved is of predominant importance.

The procedural means vary from jurisdiction to jurisdiction and, in contrast to the common law system, the discovery means are mainly focused on specific objects and documents. A rather reluctant approach is also taken by the North African jurisdiction of Egypt and some Asian jurisdictions such as China and Thailand.

II) Article 43 of the TRIPS Agreement

1) Implementation status

a) Current status

- i) The implementation status as required by Article 43 of the TRIPS Agreement is quite far developed in the world. Only a few National Groups report about inefficiencies. For instance, the Bulgarian Group explains that the existing procedures in Bulgaria do not fully comply with Art. 43 TRIPS Agreement and improvements will be necessary in view of joining the European Union.

Most of these inefficiencies, however, do generally not relate to the legal rules, but are rather the result of a more or less weak and reluctant practical implementation of the rules by the governmental and judicial bodies involved.

The latter may have various reasons, such as the degree of experience and expertise with the enforcement of Intellectual Property rights. It goes without saying that the issue of education and awareness-building in all areas of Intellectual Property enforcement play an important role for the well-functioning of existing systems. At this point training, awareness-raising, related campaigns, as well as specialization through centralization may form a crucial element in improving the enforcement of Intellectual Property rights. For the implementation of these tasks in some countries, an important role is given to specific institutions which have recently been set up in some countries in view of concentrating and centralizing the common national

efforts. Besides training activities, such institutions are also used for defining and implementing new policies and collecting relevant information in view of preparing of statistics and studies. Furthermore, the introduction of specialized courts may also be an efficient instrument for improving existing enforcement systems.

The aspects of education, awareness-building and expertise including their impact on the well-functioning of existing systems and the reason for disharmonies between jurisdictions will, however, not be at the centre of the present analysis, which instead concentrates on purely legal aspects.

b) *Implementation modi*

As indicated above, the TRIPS standards will not form significant hurdles for jurisdictions based on common law systems providing for rather extensive general discovery mechanisms. This is not the same for civil law systems where the question of the extent to which and how the standards are implemented is more crucial.

In some jurisdictions, the implementation of the TRIPS Agreement is achieved by direct national application of its provisions. The latter is for instance the case in Brazil, where the TRIPS Agreement is directly applicable without any legal transposition by a public body such as a national parliament or the government being necessary. The same applies to Poland and Argentina. The Argentine Group however reports that although Article 43 of the TRIPS Agreement forms direct applicable law in Brazil, there is a desire for a more flexible application of the reliefs already available, in particular, the wish is expressed that confidential and secret information should be better accessible in court proceedings. In this respect, it has to be noted that the TRIPS Agreement does not give any indication or support on how confidential and secret information is to be treated in court proceedings or on the measures that have to be applied to avoid any misuse of it. Instead, this is left to the responsibility of the member states. Accordingly, a direct application of the TRIPS Agreement without any legal specifications adapted to the national particularities seems to be not yet satisfactory.

Similarly, the Paraguayan, Mexican and Peruvian Groups report that although their systems are considered to be in compliance with the TRIPS Agreement there is a desire to render the existing means more flexible in order to make searches possible to a broader extent. The Peruvian Group, whose system may refer, like the Mexican system, to administrative proceedings, even wishes an extension of "ex officio" proceedings not depending on a party's request.

The Indonesian and Chinese national rules are also considered to be generally in compliance with the TRIPS Agreement, but appear – according to their Groups – not to be sufficient.

An important point has been raised by the Chinese Group, which reports on diverging approaches applicable within Chinese territory due to the lack of detailed rules and the fact that far-reaching decision power is left to the discretion of the judges. For these reasons, the Chinese government and public recognise that the current system requires more detailed standards. In Thailand, it appears to be an advantage that only one court is competent, namely the Central Intellectual Property and International Trade Court, which has jurisdiction over all IP matters.

2) Requirements and Content

a) Introduction

The hurdles are reduced in common law systems with their general and far-reaching discovery proceedings. These systems have low procedural thresholds and generally contrast with jurisdictions based on civil law systems, which are considerably more reluctant to allow access to the sphere of the respondent for the purpose of gathering

evidentiary elements. The Groups of these jurisdictions report on intentions to liberalise and extend the existing systems. The harmonisation of law on an international scale should therefore take these systems as a starting point in view of lowering the highest thresholds. In common law systems comprising general and maybe too extensive discovery proceedings it appears that the complexity of the proceedings and the extent of the evidentiary information and elements gathered render the proceedings very costly in comparison to the typical European continental civil law systems. From this may follow the desire to limit the scope of a too extensive general discovery. Against the background of both extremities two major demands can be formulated. On the one hand the owner of the Intellectual Property right must have relief in the event of evidentiary difficulties, but this should on the other hand not be so far-reaching that the extent of gathered information which must be assessed in enforcement proceedings renders the whole proceedings unreasonably complex and exorbitantly costly. The latter unreasonably benefits financially strong companies compared to small and medium-sized companies. Their reduced financial possibilities may deny them the possibility of enforcement only because of the high costs involved.

b) Implication of the various Intellectual Property rights

Generally it is accepted that there is no need for the various Intellectual Property rights (patents, trademarks, design models etc.) to be governed by different laws. That is to say it is basically considered that there is no need to set up different mechanisms depending on what type of Intellectual Property right is concerned. The type of the Intellectual Property right concerned has generally no specific interrelation with the relief, for which reason a diversified treatment is not considered to be necessary.

c) Burden of proof

It is commonly acknowledged that the grant of the relief by the judicial authority should not depend on the burden of proof. The latter complies with the concept of Article 43 of the TRIPS Agreement.

d) Specification of the evidence concerned

i) The available relieves in view of producing evidence depend on different requirements. These requirements and their thresholds vary from jurisdiction to jurisdiction but commonly depend on a weighing of interests of both sides, namely the claimant's interest in proving the infringement and the respondent's interest in particularly keeping his privacy:

From all answers, it may generally be deduced that the result of the weighing of interests will be in favour of the respondent as soon as it appears that the relief is used as a so-called "fishing expedition". In such a case the relief should be rejected.

The latter requires that the requested elements (objects/documents) of evidence should be specified at least to some extent. The specification of the evidence in the relief may form a difficult task for the claimant. The evidence is normally located in the sphere of the respondent.

At least under the continental civil law systems, the respondent is generally not positively obliged to assist the claimant to fulfil this requirement. It appears from some jurisdictions such as Mexico that only previously determined and specified documents can be collected.

This is different in legal systems comprising general discovery means such as the US system, which allow fairly broad requests which can also be used to identify the possible existence of evidence or still unknown elements of evidence within the

opposing party's sphere. For example, an interrogatory under US law may be used to request that a party identify and explain what evidence there may be relating to the particular issue, including the indication of the physical location of the evidence and its nature.

As far as civil law systems without general discovery means are concerned, it appears from the answers that the degree of specification is to be determined on a case by case study and, in particular, should depend on the appraisal of the weight of the conflicting interests of the parties.

It also depends on the existence and efficiency of legal mechanisms for protecting confidential and/or secret information of the respondent whose main interest may be that the disclosure of such information to third parties including the claimant should be avoided. A well functioning mechanism for protecting confidential and secret information lowers the respondent's interests in withholding the information concerned. The degree of the required specification of the searched element can consequently be lowered.

In Japan, for instance, the claimant has to indicate the title of the document, the holder of the document and the facts he wishes to proof by means of the document. The Japanese Group, however, reports that in cases, in which it is extremely difficult to clarify the title or the contents of the document, the degree of specification can be lowered and it is sufficient to indicate "*the document holder will know which document is claimed*".

The latter, however, shows how difficult it is to find balanced and equitable solutions to the problem indicated. Predetermined guidelines cannot be established. The solution has rather to be found on the basis of a sensitive case by case analysis.

- ii) Furthermore, it appears essential and is commonly acknowledged by the National Groups that the claimant needs to indicate why he believes that the specific and requested element of evidence should be considered to be relevant for the proof of the underlying claim. Accordingly, the success of the relief may depend on a preliminary decision as to whether the evidentiary element sought is at all relevant for proving the underlining claim.
- e) Degree of proof of the underlying claim
 - i) As to the Intellectual Property right itself, a basic requirement to be fulfilled is that the claimant furnishes prove of his ownership or, if he is not the owner of the right and is, for instance a licensee, the proof of his legal entitlement which he derives from the owner. It appears from all answers that this represents a minimum standard which should at least be achieved in order to be successful with the relief.
 - ii) From the first Report it was apparent that at least some indicative evidence as to the underlying claim must be provided in order to be successful with the request. However, it seems that the degree of what actually has to be furnished and to what extent the infringement must already be proven varies from jurisdiction to jurisdiction. Even within the national systems it is rather difficult to identify a measurable and predetermined value which enables a clear predictability of the chances of a specific request. In some jurisdictions such as Italy at least a "certain likelihood" of the infringement must be given. Other jurisdictions such as Peru report that "reasonable evidence" for the infringement must be provided. The same appears to apply in China, where in practice at least reasonable available evidence is required for the request to be successful.

Although it appears from the answers that the success of such orders should be dependent upon a specific degree of proof of the underlying claim, it should be noted that the effectiveness of the mechanism can only be taken from a general appraisal of its functionality within the whole national legal system in which it is embedded. A recommendation as to the degree of proof suitable for obtaining such orders can therefore not be given.

f) Perseverance of evidence

In some jurisdictions, the claimant has also to prove that the evidence may be destroyed or lost or become difficult to obtain in the future. It appears, however, recommendable not to overestimate such requirement. The relief should be useful and efficient for the claimant, which is already reduced if the access to the evidence is retarded. In the case of a method patent (for instance) which is only used within the premises of the respondent, access to the premises should also be allowed even if there is no risk of destruction. The situation is different if it turns out that the claimant can also obtain the same evidence by other less dramatic ways.

3) Enforcement of the relief

The effectiveness of the relief and its result also depend on how it may be enforced and, in particular, how dramatic and incisive are the enforcement means applicable to the respondent. There may be a difference if the order is based either on criminal or civil law. Criminal law measures are generally more incisive. The present analysis is, however, only focused on civil law measures.

There is a wide range of different kinds of enforcement means in civil law matters. Two general categories of enforcement measures can be detected in the jurisdictions analysed. To the first category belong public constraints issued against the respondent, which may be directly applied for obtaining the desired element of evidence (such as the entry in the private sphere of the respondent (for example: the respondent's premises, seizure of the piece of evidence) by means of police force) or are imposed as a consequence of the incompliance (contempt of court, fines, imprisonment).

The second category draws negative conclusions from the behaviour of the respondent faced with the order. The latter can be called soft enforcement means which have mainly a consequence on the findings of the court during the litigation proceedings and the final decision (reversal of proof, the Court can itself find the fact argued by the party to be true, can find the other's party's allegation as to what was written in the document to be true).

Both categories of enforcement means may in some jurisdictions be applied in an accumulative or graduated manner in order to motivate and finally to force the respondent to comply with the order.

If necessary this can be done by means of police force and even without prior notice. In other jurisdictions, in particular in common law jurisdictions, the failure to comply with the order is contempt of court which can be punished by entry of judgment against the party in contempt and by fines and/or imprisonment. In jurisdictions where such enforcement is not possible, the non-compliance of the opposing party with such order may at least be evaluated in favor of the other party to proceedings, which may result in a situation close to the reversal of proof, or it is considered as a reversal of proof. This, however, requires, as indicated by the Paraguayan Group, that at least the existence of the evidence concerned can be proven. In Israel, the court may in the case of a failure even strike out the claim or it may treat the case as if no defence had been filed. However, according to the Israeli Group, the court would seek such extreme measures only in exceptional circumstances, where the court is convinced that the failure to comply with the order was deliberate.

In the USA most of the discovery proceedings may be used routinely without formal approval of the court. But if a party refuses to provide discovery in response to a request, then the requesting party may seek a formal order from the court. The court has wide latitude to determine what information should be provided and impose conditions for obtaining the information. If the party does not comply with the specific order, the court may provide different forms of relief as it considers appropriate. This may mean that the facts sought to be discovered are established for further purposes of the action or the party is prohibited from introducing any evidence on a certain issue. It is also possible to obtain discovery in the US from persons who are not formal parties to the action (usually pursuant to a subpoena).

It must be concluded that the enforcement of the relief, if the respondent fails to comply, does not represent a field of major problems. In all jurisdictions, efficient legal mechanisms – although different from country to country – are available and could be applied if necessary.

4) Protection of secrets

a) Definition

A crucial point of the present topic is the treatment of secret and confidential information. Neither TRIPS nor the Directive contain a definition of the terms "secret information" or "confidential information". It appears that a clarification of the meaning of these terms could lead to a better harmonisation of enforcement proceedings.

From jurisdiction to jurisdiction it remains vague what precisely is meant by the term secret or confidential information. As to its object, it should concern any information or compilation of information, facts, practice, process, instrument, and pattern. A general characteristic of secret and confidential information seems to be that it is unknown to a relevant portion of the public and therefore confers some sort of economic benefit upon its holder. For the latter reason it is also subject to some efforts to maintain its secrecy.

It results from the answers that jurisdictions with only limited discovery means and possibilities to enter the sphere of the respondent consequently do not dispose of the same sophisticated mechanisms as is the case in common law jurisdictions providing for rather extensive discovery mechanisms. For instance in Bulgaria and Paraguay, which are systems comprising limited discovery means, there is no special law and, since there are no legal provisions, it is left to the judge to adopt the appropriate measure in order to guarantee secrecy. As soon as the discovery means are broadened in a jurisdiction, the demand for more sophisticated and standardised mechanisms in view of protecting confidential and secret information increase as a result.

b) Mechanism for the protection of secret information

Almost all national systems already provide for a variety of means for the protection of secret information when a party is required to disclose evidence. The content of such protective mechanism depends firstly on how far the national legal system allows a penetration into the sphere of the opposing party in view of the collection of evidentiary means. On the one hand, systems with general and extensive discovery proceedings must consequently provide for more elaborate mechanisms than systems where only limited discovery means are available. The means can have a preventive and dissuasive character.

i) In several jurisdictions the protection of secret and confidential information is sought to be achieved mainly by a disclosure of secret information to only a limited group of people.

This is primarily implemented by rendering the proceedings or part thereof confidential, which could be considered as a restriction to the principle of public trial. All jurisdictions which were subject to the present analysis operate under the principle of public trial and acknowledge that the admission of the public to the court is considered a right.

For instance, a hearing may be held completely or partly behind closed doors without the public. The latter is possible in almost all jurisdictions which were subject to the present analysis. This is commonly called *in camera* proceedings. Such proceedings represent a limitation to the principle of public trial, but are generally considered to be justified in the light of the prevailing interests of the disclosing party. If it is necessary to refer to confidential information in the grounds of a judgement, its publication may also be limited in view of protecting the interests of the disclosing party. In jurisdictions where the files of the proceedings are open to the public, their assessment by third parties must be limited or even be avoided.

However, since it concerns a restriction to the principle of public trial, it will not be reasonable (and even not necessary) to render the whole proceedings *per se* secret as soon as there is any element of secret information involved. For instance in Japan, where *in camera* proceedings are allowed, a special mechanism is applicable: If the respondent asserts the confidential and secret quality of a document, a first review of the document will be carried out by the court in view of determining whether it indeed contains confidential and secret information and, if necessary, the concerned document will subsequently be presented to certain persons only (such as the attorney of the claimant) to give them an opportunity to provide their opinion on its confidential and secret quality. Accordingly, the information discovered is first put in a secured channel and the question whether and to what extent it is disclosed during the proceedings or not depends on a decision-making process which begins with the involvement of neutral persons only (such as the judge or a court expert) and subsequently involves the claimant's attorney. The latter requires the attorney to be bound to a secrecy obligation also in respect to his client, i.e. the claimant. The latter appears to be a problem, as the contractual relationship between legal counsel and client basically requires full information and it limits the right of the party concerned to get the full opportunity to be heard. However, if it turns out as a result of the above-described decision-making process not involving the claimant but only his counsel, that specific information cannot, due to its secret and confidential quality, be disclosed to him, he may take and accept this disadvantage since otherwise the information would not be available for the proceedings at all.

- ii) Excluding the public from the trial as described above is generally not yet sufficient to avoid the misuse committed by persons involved in the proceedings such as the parties to the proceedings. As already indicated above, these persons may be bound to secrecy obligations, which are subject to penalties and criminal charges in case of non compliance.
- iii) In jurisdictions where the order is not enforceable (that is, where non-compliance with the order may only lead to unfavourable conclusions by the court), a party trying to protect the secret can at least decide between either losing the lawsuit by choosing not to introduce the requested evidence or lifting the veil of secrecy in order not to lose the chance of winning the lawsuit.
- iv) Jurisdictions providing for general discovery mechanisms generally provide for specific and developed mechanisms to protect confidential information. In the USA for instance it is conventional practice to enter a "protective order" to block or to limit access to confidential materials. These orders typically limit access to specific types of information only to specific individuals, such as inside/outside counsel and

outside expert witness, who are legally bound to keep this information from their employer/client. The order will generally provide a specific mechanism for identifying the information to which access is limited (as by appropriate marking of selected documents or testimony). The restrictions are enforceable by motion for contempt of the court's order in the event of a violation.

Israeli law knows the concept of "*relative privileges*" concerning trade secrets. In contrast to absolute privileges (attorney-client privilege), such privileges may be lifted if the court finds that the interests of justice prevail over the interests in non-disclosure. Courts in Israel have broad discretion however to implement measures to ensure that a trade secret revealed in the legal proceedings will not become public; a claim for privilege may be decided by a judge upon the filing of a motion by a party to compel inspection. In such a case, the court may inspect the documents in order to determine whether they are indeed privileged under Israeli law and if it finds that the interests of justice prevail over the interests in non-disclosure, the privilege will be lifted. In this respect, the court will consider, *inter alia*, its importance to the case and the existence of alternative evidence. The bundle of protective measures includes implied secrecy obligations, the breach of which may represent contempt of court.

- v) Conclusions: There is certainly a need for specific mechanisms enabling suitable protection of secrecy interests. Such mechanisms may depend upon the specific case in issue and the conflicting interests involved. The surrounding legal framework and its possibilities including constitutional requirements must also be considered. Generally, a weighing of the conflicting interests is considered the starting point for the determination of the suitable measure to be applied for ensuring the secrecy interests.

As there is a remarkable intention in civil law jurisdiction to broaden existing means for discovery of evidence, it appears to be recommendable to establish written rules allowing the balancing of the conflicting interests. The latter may also lead to a better national harmonisation.

c) Undiscoverable contents

- i) To be distinguished from the problem of how and in which way the information used as means of evidence for the decision-making can technically be protected prior to, during and after the proceedings, is the question whether the information is discoverable at all, i.e. whether it may legally be the subject matter of the infringement proceeding and of the decision making. It concerns information which is excluded from the proceedings due to its value for the party concerned.
- ii) For instance, the parties may rely on privileges, such as attorney-client privileges. Generally, such privileges are at least construed as professional secrecy obligations which can be invoked without this being assessed negatively by the court. It results from the answers that it is generally acknowledged as a standard that negative inferences for the invoking party should not be drawn from the assertion of a privilege. The information is simply undiscoverable and cannot be used in the proceedings and for the decision making.
- iii) According to US law, attorney-client privileges concern the communication to and from an attorney in the course of seeking or receiving legal advice. The attorney-client privilege can be waived, as often happens when an exculpatory opinion of a counsel is produced to avoid a claim of wilful infringement. It is a direct consequence of the extensive discovery proceedings that the determination of the scope and limits of the attorney-client privileges plays a prominent role in the proceedings.

Israeli law distinguishes between absolute privileges and relative privileges. Absolute privilege is the client–attorney privilege, which may only be waived by the client. Relative privileges concern trade secrets with regard to which the court could decide to lift the privilege if it finds that the interests of justice prevail over the interests in non-disclosure. The related mechanism has been described in Chapter II) 5) b).

In jurisdictions with only reduced evidence gathering means, the question whether privileged information can be invoked does not have the same significance as in those jurisdictions where the current legal system allows greater means to gather evidence. I.e. the more the national authorities widen the possibilities for the right holder to obtain evidence from the opposing party, the more they have to consider the conflict which may arise if subject matters of an attorney–client relationship are concerned.

In some jurisdictions such as Japan there are no attorney–client privileges as long as the document is in the hands of the client. The opposing party will have to produce the document even if it is marked as attorney–client privileged if so ordered by the Court.

- iv) It must generally be concluded that there is a need for client–attorney privileges to guarantee a suitable and adequate working basis between the lawyer and his client, in particular in view of preparing a proper defence. The latter should not be limited to the course of the lawsuit, but should concern the whole results of the relationship between the lawyer and his client. It is understandable that in jurisdictions with reduced discovery means this problem does not yet have the same effect as in common law systems. Nevertheless, knowing that there is a general intention to broaden the current measures, it appears to be logical that rules as to the attorney client privilege must be established at the same time.

5) Scope of the order

a) Presumption (second sentence of Article 6 of the IP Directive)

No jurisdiction which was subject to the present analysis explicitly provides for a legal presumption according to which a reasonable sample of a substantial number of copies of a work or any other protected object is to be considered to constitute reasonable evidence. Article 6 (second sentence) of the IP Directive obviously provides for such a presumption. It has correctly been pointed out by several National Groups that the focus of this provision is not precise and it remains rather unclear what the aim of this presumption is supposed to be. In this connection, the Polish Group indicates that, on the one hand, it could be sufficient that one copy may be enough for proving the existence of an infringement, which is the practice in number of jurisdictions; however, on the other hand, such a presumption would not be acceptable for determining the scope of the infringement, in particular in view of quantifying a claim for damages. The provision rather refers to a problem arising in cases where large amounts of infringing items such as optical discs are to be seized temporarily.

As the 2nd sentence of Article 6 is a “may” provision, the national legislator will not be strictly obliged to establish such a presumption within national law. In any event, the Committee recommends giving a limited interpretation to such a provision. It clearly results from the reports of the National Groups that such a provision should not be applied for the determination of the scope of the infringement.

b) Banking or financial documents

According to Article 6 (2) of the IP Directive, it should be possible to order the communication of banking or financial documents provided that the infringement is committed on a commercial scale. It appears that this provision is aimed at ensuring access to information contained in such documents by means of which the claimant would be able to identify the beneficiaries of the infringement (on different distribution

levels), which appears to be in line with the right of information (see Art 47 of the TRIPS Agreement) allowing the identification of other beneficiaries of the infringement. It appears that a significant majority is in favour of this. Accordingly the claimant would also be enabled to pursue these persons, which renders the whole enforcement more efficient. The banking or financial documents may also be requested for other purposes such as the calculation of damages. The disclosure appears to be justified as soon as the respondent is adequately protected by the measures concerning secret and confidential information as described above.

6) Unjustified order

a) Damages

- i) In almost all jurisdictions, the courts may award damages to the party affected by an unjustified order. It is a general standard that damages arising to one party from the enforcement based on an order which is later lifted or annulled should be borne by the claimant. This obligation shall be independent of fault.
- ii) In addition to this, the reimbursement of the respondent's costs or at least a part of these should be imposed on the claimant.
- iii) Furthermore, in a considerable number of jurisdictions the order may be subject to a security bond covering eventual losses inflicted on the responding party by the improper grant of the relief. I.e. a claim to damages resulting from an unjustified order is secured by means of this bond and the respondent does not bear the risk of any insolvency or illiquidity of the claimant that may occur. The imposing of security to cover possible harm resulting from the enforcement of the order represents a significant firewall for a use of the means in bad faith.

b) Evidence resulting from the enforcement of an unjustified order

Another question is whether the evidence obtained by means of an unjustified order should be excluded from the proceedings or should be considered irrelevant. In some jurisdictions such as Bulgaria, the latter seems to be the case. In these jurisdictions the evidence is not admissible and cannot be used for the decision making. Other jurisdictions are more liberal. In this respect it has to be taken into account that in civil law proceedings in comparison to criminal law proceedings (where even a "*fruit of the poisonous tree*" doctrine may be justified) certainly a more liberal approach should be applied.

III) Article 50 of the TRIPS Agreement

Article 50 and Article 43 of the TRIPS Agreement generally have the same purpose. Their implementation and application therefore to a large extent pose the same questions, and for this reason the following analysis may refer to the conclusions and recommendations of the previous chapters.

1) Implementation status

Only a few National Groups such as the Bulgarian Group report that Article 50 TRIPS has not yet been implemented at all in the national law. Other jurisdictions, as already indicated in connection with Article 43 TRIPS, suffer from inefficiencies which are not caused by the written rules, but are the result of a lack of expertise in Intellectual Property matters. As already indicated above, it is evident that the issue of education and awareness-building play a prominent – if not the most important – role for the well-functioning of enforcement schemes. Also specialization through centralization may form a crucial element in improving the enforcement of Intellectual Property rights; in particular the introduction of specialized courts

may constitute an instrument for overcoming these inefficiencies. The aspects of education and awareness-building are, however, not at the focus of the present analysis, which instead concentrates on purely legal aspects.

The Mexican Group has pointed to a specific problem in the present context which appears to be unique and not the case in other countries. There the respondent is entitled to submit a counter bond which hinders the enforcement of the relief. The Mexican Group believes that such a mechanism does not comply with the TRIPS Agreement since in practice it is used by the respondent to completely prevent the enforcement of the order, which renders the whole proceedings ineffective. The Committee agrees with this standpoint.

2) Requirements and contents of the available measures

The requirements may depend on whether the measure is granted *ex parte* or with prior notice. In the US for instance a temporary restraining order and any related seizure of products is limited to the sole situation where substantial harm may result to the complaining party if advance notice is given to the respondent. This means that higher thresholds are applicable if the respondent is not previously informed about the enforcement. For the "temporary restraint order" under US law, the claimant must demonstrate a clear, ongoing violation of a valuable legal right and a strong likelihood that substantial "irreparable" harm will occur if advance notice is given to the respondent before the relief is obtained. Accordingly, four substantive criteria must be fulfilled: Likelihood of success on the merits, irreparable harm in the absence of the order, balance of equity between the parties, and public interest. The order will generally extend to the records related to sales of the relevant products needed to prove damage. If the conditions for obtaining a temporary restraining order are met, the party will generally be directed to inspect only for the specifically identified records in the proceedings (which may be followed by conventional discovery).

Generally, the requirements of such an order are the same as discussed in connection with Article 43 of the TRIPS Agreement. They mainly have the following focus:

- a) Ownership and entitlement to act on the basis of the Intellectual Property right;
- b) Validity of the Intellectual Property right;
- c) Infringement of the Intellectual Property right;
- d) Specification of the evidence sought and its location;
- e) Risk of loss and potential drawbacks faced by the claimant: Prevention of disappearance of existing evidence, likelihood that the taking of evidence would be endangered in the course of the civil action or at a later phase thereof.

The degree of proof of these requirements is different from jurisdiction to jurisdiction (likelihood, *prima facie* proof, etc.) and is also dependent upon a balance of interests and the quality of the infringement, "*commercial activity*" or, alternatively, it is "*not unsubstancial*".

As to the extent, it is commonly admitted that the measure shall be applicable to both the indemnification of an infringement and the determination of damages.

3) Enforcement and protection of secret information

To a large extent, implementation including application poses the same questions as Article 43 and Article 50 of the TRIPS Agreement. Accordingly, reference can be made to the chapters above.

IV) Article 47 of the TRIPS Agreement

- 1) Implementation status and content of available remedies
 - i) A considerable number of jurisdictions (Denmark, Spain, Greece, Portugal, Japan, Thailand, Egypt and Mexico) have not yet implemented rules in accordance with Article 47 of the TRIPS Agreement. As Article 47 of the TRIPS Agreement seems to be optional, an implementation obligation for jurisdictions within the European Union results from Article 8 of the IP Directive.

In the light of the broad nature of the information that can be obtained through discovery in the common law systems, it goes without saying that the information encompassed by Article 47 of the TRIPS Agreement would ordinarily be obtained through conventional pre-trial discovery methods rather than extraordinary court proceedings. These proceedings generally also allow discovery of third parties to the proceedings. The latter may be obtained pursuant to a subpoena¹.

The other national systems which are subject to the present study have implemented or directly apply the standards set by Article 47 of the TRIPS Agreement, such as Germany, the Czech Republic, Poland, Hungary, the Netherlands, and Italy (with the exception of copyright).

Even though this provision is directly applicable in Argentina, the Group believes it would be very important with respect to patent and copyright infringement to strengthen the right to request information regarding the identity of third persons involved in the infringing activities. The situation is different in trademark cases, where there is a right of information.

In Brazil also, Article 47 of the TRIPs Agreement is directly applicable. Nevertheless, the Brazilian Group considers that the implementation of Art. 47 of the TRIPS Agreement will demand further and deep modification of other statutes. The Brazilian Group is of the opinion that it should not be necessary for the right holder to prove that the IP right is being infringed in order to be entitled to assert this right. Nevertheless, it should be enforceable by means of preliminary injunction proceedings.

Even if there are ambitions to further improve the system, the Indonesian Group is of the opinion that the current system is in compliance with TRIPS. The investigating officers at the State Police of the Republic of Indonesia, Civil Servant Investigators are granted special authority as investigators. In 1991, Microsoft Corporation requested their proxy in Indonesia to conduct a raid on a number of computer dealers upon receiving information of copyright piracy of its software products. The law firm then cooperated with police officers to accomplish such action.

- ii) Conclusion: There is generally a remarkable ambition to implement Art 47 of the TRIPS Agreement in countries where such means are not yet available. However, it is generally suggested that the right holder should be obliged first to prove that his Intellectual Property right is being infringed in order to be entitled to assert this right. According to the Japanese Group, this opinion appears to be in line with the terms of Article 47 of the TRIPS Agreement, which reads "infringer" and not "accused infringer". It should, however, be enforceable by means of preliminary injunction proceedings.

¹ Witness summons commanding a person to appear *under penalty* (from Latin)

2) Enforcement of the right of information

Almost all National Groups are of the opinion that the right of information should be enforceable by means of preliminary injunction proceedings. The latter may conflict with the basic principles of preliminary injunctions due to their temporary nature and the fact that if the right to information is enforced by means of preliminary injunction proceedings, the effect would be irreversible.

3) Protection of secret information

Also in the present context, the protection of secret information has been identified by the National Groups as an area of particular concern. As to the treatment of confidential and secret information, reference can be made to the conclusions of the previous chapters.

V) Conclusions and recommendations

It may be concluded from the answers that the functionality and effectiveness of the mechanisms at issue depend on a plurality of factors which are particularly associated with the surrounding legal national framework; this is the implication of civil law, in particular civil procedural law, and even constitutional law will play an essential role in the integration of the mechanisms into national laws.

This specific national context, which differs from jurisdiction to jurisdiction, bearing particularly in mind that common law concepts contrast with continental concepts, will significantly influence the specific construction of the measures.

As to Article 43 and Article 50 of the TRIPS Agreement the following general demands, which are supported by the Committee, can be deduced from the answers:

- 1) In jurisdictions based on the civil law traditions a remarkable demand for broader discovery means can be identified. It is furthermore recognised that the introduction of broader discovery means require at the same time the establishment of adequate mechanisms for protecting the interests of the respondent to such relief.
- 2) In jurisdictions with far-reaching general discovery proceedings, a demand for the reduction of the extent can be detected, in particular, for rendering such proceedings affordable to all system users independently of their financial resources.

As to Article 47 of the TRIPS Agreement, a clear demand is expressed by the National Groups that such a right should be introduced in the system.

VI) Further work of the Committee

The Committee is continuously following the developments in the area of the enforcement of Intellectual Property rights. The members of the Committee will meet during the 2006 Congress in Gothenburg for further detailing of the Committee's future programme.