

# **Module 8: The TRIPS Agreement and enforcement issues**

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## **Objectives**

When you complete this module, you should be able to

- describe, in about 100 words, the dispute settlement mechanism put in place by the TRIPS Agreement;
- list and describe, in about 50 words, each of the remedies available under the TRIPS Agreement;
- list and describe, in about 100 words, each of the most common enforcement actions and remedies under domestic law;
- explain, in about 100 words, what the Anti-Counterfeiting Trade Agreement and free trade agreements refer to and how they go beyond the TRIPS Agreement;
- explain which law applies to infringement and enforcement issues and why private international law is relevant in this respect; and
- explain, in 50 words, the relationship of the WIPO Development Agenda with enforcement issues related to the TRIPS Agreement.

## **Study note**

This module should take you around nine hours to complete. There is a convenient stopping point after section 3.

# 1.0 Introduction

While other modules have referred to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), this module shall examine some of its most significant provisions. The issue of the enforcement of copyright and related rights will be covered in more detail, under both the provisions of the TRIPS Agreement and domestic law. Let us begin by revisiting the TRIPS Agreement.

## 2.0 The TRIPS Agreement

Previous modules have already highlighted the most important and substantive provisions of the TRIPS Agreement. The Agreement was negotiated as an integral part of the Uruguay Round of international trade negotiations under the General Agreement on Tariffs and Trade that led eventually to the creation of the World Trade Organization (WTO). This ensured that the vast majority of countries worldwide have adhered to the TRIPS Agreement and are implementing its provisions. In general terms, the TRIPS Agreement builds on the achievements of the historical international conventions, such as the Berne Convention for the Protection of Literary and Artistic Works and the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations. It does not abrogate any of their provisions and it deliberately copies the cornerstone provision on national treatment to which it adds its own trade-related basic principle of most favored nation treatment.

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Audio 1      ***Substantive copyright and related rights provisions***

More specifically, in relation to copyright, the TRIPS Agreement obliges its contracting parties to comply with the substantive provisions (i.e. Articles 1 to 21 of the Berne Convention) with the exception of the moral rights provision (i.e. Article 9(1) of the TRIPS Agreement). In addition, computer programs shall be protected as literary works and protection shall also be given to compilations of data or other materials if they constitute intellectual creations by reason of the selection or arrangement of their contents. A rental right in respect of computer programs and cinematographic works was also introduced as a minimum standard.

In relation to related rights, the standards set by the Rome Convention were improved. Performers are given the right to control the fixation of their performance on a phonogram, as well as its reproduction. They are also given the right to prevent the broadcasting and communication to the public of their live performances. Producers of phonograms are given the rights to control the direct or indirect reproduction of their phonograms. A rental right for phonograms is also introduced as a minimum standard. The term of the rights for those two categories is also extended to a minimum of 50 years from the end of the year in which the performance took place or in which the recording of it was made. Broadcasting organizations are given the right to control the fixation, reproduction, rebroadcasting and communication to the public of their broadcasts. That right shall last at least 20 years from the end of the year in which the broadcast took place.

However, there is a potentially even more important aspect of the TRIPS Agreement. Apart from imposing higher minimum standards of substantive protection for, among others, copyright and related rights, the TRIPS Agreement also deals with enforcement issues and dispute settlement procedures. In this module, we will focus on these latter elements of the Agreement and explore some issues beyond TRIPS, as well as highlighting some of the actions and remedies that exist under domestic laws.

All in all, there has been a significant strengthening of the level of effective protection for intellectual property rights (IPRs). The geographical scope of that protection was also extended significantly. In addition, while Articles 7 and 8 of the TRIPS Agreement on its objectives and principles seem to introduce a level of flexibility, it is important to note that these provisions are not directly enforceable and that any flexibility only comes into play when the requirements of the TRIPS Agreement have been complied with. It is also noteworthy that the TRIPS Agreement does not impose a uniform approach to the exhaustion of rights (because of a lack of consensus on this point) (Article 6). There are nevertheless flexibilities in the TRIPS Agreement (these shall be examined in detail in Module 13). Only minimum standards are imposed and the three-step test leaves room for tailor-made exceptions and limitations within its three parameters.

### 3.0 Enforcement of copyright and related rights

The TRIPS Agreement starts by establishing the general obligation for contracting states to provide, within the context of their normal judicial system, effective, fair and swift enforcement procedures for intellectual property (IP) infringement cases, including those relating to copyright and related rights. This is held to include expeditious remedies that will, at the same time, deter further infringement and offer adequate compensation to the right holder. Any final administrative decision must be open to judicial review (Article 41 of the TRIPS Agreement).



This general obligation is followed by specific rules on

- civil and administrative procedures and remedies,
- provisional measures,
- border measures and
- criminal procedures

This much stronger emphasis on the private direct enforcement of copyright and related rights in comparison to the greater emphasis on 'rights and exceptions' in the Berne Convention is explained by a strong increase in cross-border exploitation of copyright, in combination with the ease of copying in a digital environment. This business reality highlights and strengthens the need for effective private enforcement. Right holders should themselves be able to act in a swift and effective manner.

## Civil and administrative procedures and remedies



These procedures need to be made available to right holders to enforce any IPR covered by the TRIPS Agreement. Such procedures must be fair and equitable and must allow all parties to present their arguments. The judicial authorities should also have the power to order any party to produce evidence under its control.

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### Audio 2 *What are the main remedies?*

The two main remedies that need to be made available are injunctions and damages.

Injunctions mean that the judicial authorities have the power to order a party to desist from an infringement, for example to prevent the entry into commercial circulation of infringing goods.

Damages can be imposed on the infringer in order to adequately compensate the right holders for the injuries suffered as a result of a negligent or deliberate infringement of their rights.

In addition to these two main remedies, contracting states are given the option of introducing measures that lead to the disposal outside commercial channels and without compensation of any infringing goods and any materials or implements that are used in the creation of these infringing goods. In certain circumstances, the infringer may also be obliged to inform the right holder of the identity of third persons who are involved in the production and distribution of the infringing goods or services and of their channels of distribution.

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Ultimately, this is a flexible approach. The TRIPS Agreement establishes the principle and the main parameters, but member states retain a substantial degree of flexibility when it comes to the detailed implementation of the remedies and procedures.

However, this is not a one-way system in favor of the right holder. Contracting states are given the opportunity to provide that adequate compensation be paid to the party who has wrongfully been enjoined or restrained. This compensation is to be paid by the right holder at whose initiative these ultimately unfounded measures were taken (Articles 42-49 of the TRIPS Agreement).

### Provisional measures

Speed is often of the essence in IP cases. For example, it is vital that the release of pirated music files or films, often of a low quality, is stopped before thousands of them are released to the public. After that stage, effective remedies are hard to obtain and damages are not sufficient. Similarly, it is vital that evidence is preserved in cases of illegal copying (known as

illegal 'burning') of CDs. It would be rather easy for the alleged infringer to make any evidence disappear if they were given advance warning through notice of the main proceedings.

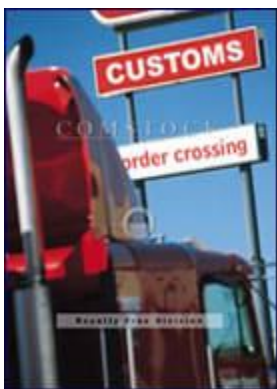
The TRIPS Agreement deals with this issue by obliging contracting states to put in place a system of provisional measures. These provisional measures can be applied for without the defendant being given advance notice in those cases where a delay would lead to irreparable harm or where there would be a demonstrable risk of evidence being destroyed (see the Autodesk case study). The applicant for these measures has to show that they have a reasonable case on the merits and they need to supply the court with a full set of information covering all aspects of the case. The applicant also has to provide security in case they lose the case and avoid abuse of the procedure that could cause harm to the defendant. Once the provisional measures have been granted, the defendant needs to be informed and given the opportunity to apply for a review of the case.

In any case, provisional measures can only be ordered

- to prevent an infringement of an IPR from occurring or
- to preserve relevant evidence with regard to the alleged infringement.

The TRIPS Agreement also places a limit on the validity of any such provisional measures. The defendant can ask that any such measures be revoked or cease to have effect if proceedings on the merits of the case have not been brought within a reasonable period. Provisional measures cannot be used as a final solution to the dispute, unless all parties agree. They address urgent issues, but they do not aim to solve the whole issue. It is left to the contracting states to determine the length of this reasonable period, but the TRIPS Agreement provides some guidance. This guidance refers to the longer of two alternatives, either a period of 20 working days or one of 31 calendar days. If provisional measures lapse in this way or are revoked or where it is subsequently found that no infringement took place, compensation will be payable by the applicant for the provisional measures for the injury caused (Article 50 of the TRIPS Agreement).

## Border measures



Counterfeit or pirated goods are most easily intercepted at the border, before any distribution or sale takes place. Once they have been distributed it becomes much more difficult to trace, identify and seize them. This has been the main reason for the contracting states to the TRIPS Agreement to include a strong set of border measures.

These provisions oblige the contracting states to adopt procedures to enable a right holder who has valid grounds for suspecting that the importation of pirated copyright goods may take place to lodge an application in writing with the competent authorities for the suspension by the customs authorities of the release into free circulation of such goods.

The applicant has to provide adequate evidence that there would be a prima facie infringement under the laws of the importing country, as well as a sufficiently detailed description of the goods to make them readily recognizable. The applicant will also have to provide security to protect the defendant and the authority involved from abuse of the procedure.

The applicant and to the importer shall be notified promptly of any suspension of release. The applicant will then have ten working days to bring infringement proceedings on the merits. Failure to do so will normally result in the goods being released and the forfeiture of the security to the benefit of the defendant. Additionally, any wrongful detention of the goods will result in damages for injury being payable.

In principle, both the right holder and the importer will have the right to inspect the goods and, where a positive identification has been made, the authorities involved will have the right to inform the right holder of the names and addresses of the consignor, the consignee and the importer of the goods, as well as the quantity of these goods.

Contracting states may also require the competent authorities to act on their own initiative. In any case, these authorities shall have the right to order the destruction of the disposal of the infringing goods, in accordance with the equivalent rules on civil procedure and subject to the right of the defendant to seek judicial review of any such decision (Articles 51-60 of the TRIPS Agreement).

Goods in transit, which have, technically speaking, not been imported, give rise to very specific problems. This is specifically the case if the goods in transit are protected by copyright in the transit country, but not in the country of destination. It may then appear problematical for the transit country to detain the goods on the basis of copyright infringement. On the other hand, suggestions that goods in transit should always be covered by the (copyright) law of the country of destination have been rejected by a vast majority of countries. The way forward seems to be the inclusion in domestic IP law of a provision that will not be infringed by transit, on the one hand, and, on the other hand, a narrow interpretation in customs law of what amounts to transit. This is very much an ongoing debate that is illustrated well by the Nokia and Philips case study.

There is also the problem of distinguishing the import of pirated goods with that of the parallel import of genuine goods. If the importing country adopts the international exhaustion of rights, then the importation of the goods released into the market of another country with the permission of the right holder is not an infringing copy and is not subjected to border measures. It is important that countries provide express provision in domestic law to ensure that parallel import provisions are not defeated by border measures. The flexibility provided in the TRIPS Agreement for transit goods and parallel import can be effectively used to promote the goals of the World Intellectual Property Organization (WIPO) Development Agenda, while complying with obligations on border measures.

## **Criminal procedures**

Finally, contracting states are obliged to provide for criminal procedures and penalties for blatant cases of infringement. The TRIPS Agreement singles out cases of willful trademark counterfeiting and copyright piracy on a commercial scale. In such cases, the normal criminal sanctions should apply, but the seizure, forfeiture and destruction of infringing goods and materials and implements used in their production should also be available (Article 61 TRIPS Agreement).

Article 61 of the TRIPS Agreement requires criminal penalties and procedures to be available for all "commercial scale" copyright piracy and trademark counterfeiting. Member states can set the commercial use threshold, but that has to be in line with market realities. Whether acts of counterfeiting or piracy are "on a commercial scale" depends on factors such as the product at issue -- whether it is a designer watch, DVD or software title -- and the particular market in

which it is sold. Determining what constitutes a "commercial scale" must take into account the impact of technological developments, such as the Internet and the evolution of marketing practices that can enable pirates and counterfeiters to flourish with lower costs and in more pervasive ways.

The WTO Dispute Settlement Body in *China — Measures Affecting the Protection and Enforcement of Intellectual Property Rights*, WT/DS362/R, [January 26, 2009] had, inter alia, the occasion to examine the scope and meaning of commercial scale. In this dispute, the United States of America alleged that China had not provided for criminal procedures and penalties to be applied in cases of willful trademark counterfeiting or copyright piracy on a commercial scale that failed to meet certain thresholds. It was argued that the thresholds fixed by the law of China excluded certain commercial activities from criminal responsibility, thereby violating the obligation under Article 61 of the TRIPS Agreement. The observation of the Panel on the scope of the term "on a commercial scale" is worth noting":

"The Panel .....in light of the evidence considered above, finds that a "commercial scale" is the magnitude or extent of typical or usual commercial activity. Therefore, counterfeiting or piracy "on a commercial scale" refers to counterfeiting or piracy carried on at the magnitude or extent of typical or usual commercial activity with respect to a given product in a given market. The magnitude or extent of typical or usual commercial activity with respect to a given product in a given market forms a benchmark by which to assess the obligation in the first sentence of Article 61. It follows that what constitutes a commercial scale for counterfeiting or piracy of a particular product in a particular market will depend on the magnitude or extent that is typical or usual with respect to such a product in such a market, which may be small or large. The magnitude or extent of typical or usual commercial activity relates, in the longer term, to profitability."

The interpretation by the Panel gives adequate flexibility to countries to decide the scope of "commercial scale" to fix criminal liability taking note of the market conditions. This could be carefully used by countries to limit criminal liability and facilitate access to copyright goods in order to promote the goals of the WIPO Development Agenda.

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Audio 3      ***Does all of this constitute an effective arsenal against infringers?***

The TRIPS Agreement represents a major step forward in the area of the enforcement of copyright and related rights. From now on, the right holders will have a serious arsenal of measures at their disposal to enforce their rights against any infringer. The availability of civil and administrative procedures to enforce those rights is undoubtedly important, but the availability of provisional measures that counter any threat instantly and avoid the risk of evidence disappearing is even more important.

Border measures can stop any distribution of infringing articles in its tracks and its real significance can hardly be underestimated. However, such measures might not be sufficient to deter persistent and deliberate infringers. For them, the risk of criminal sanctions may prove more of a deterrent.

At the same time, however, the rights of the defendant are also respected. Unfounded proceedings and any form of abuse are compensated by the forfeiture of security and the payment of damages.

Overall, this is a workable enforcement system that strikes a balance between the rights of all parties involved.

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**SAQ 1**

Which four types of measures, procedures or remedies are contracting states to the TRIPS Agreement required to make available to right holders?

Type your answer here

## **4.0 Dispute prevention and settlement**

There is also the potential for disputes between contracting states concerning the correctness of each other's implementation of the international copyright and related rights conventions. If at all possible, these disputes should be prevented from arising and from becoming a full-blown point of contention. When they arise despite all preventive efforts, an effective and expedient settlement mechanism is required.

One of the main problems associated with the implementation of the Berne and Rome Conventions was the fact that the dispute resolution system that they provided never worked in practice. While it was abundantly clear that on certain occasions some contracting states did not implement all their obligations fully and correctly, no contracting state ever brought a case before the International Court of Justice and private individuals hardly had any recourse available to them either.

The TRIPS Agreement changes this situation. The standard WTO dispute resolution mechanism now also applies in the context of IP and the TRIPS Agreement. Contracting states unhappy with the way in which another contracting state to the TRIPS Agreement implements its obligations under the Agreement can start the dispute resolution mechanism.

In a first stage, consultations will take place between the contracting states concerned and an amicable solution to the problem will be sought.

If this first stage fails to resolve the problem satisfactorily, a contracting state can ask that a WTO panel be convened to deal with the problem. Such a panel will examine the problem in the light of the TRIPS Agreement and it will issue its findings by way of a report. In practice, the panel sits as a quasi-judicial tribunal and once adopted, its report becomes binding. If contracting states do not comply with the report, the other contracting states involved can be authorized to impose trade sanctions on the non-complying contracting state. In practice, some of the concessions made under the most recent round of trade negotiations can then be revoked and the countermeasures need not necessarily fall within the scope of the TRIPS Agreement.

This system has already proven its effectiveness in cases such as those between the European Union and the United States of America concerning the exemption under United States copyright for certain types of restaurants and bars that the European Union considered

to be unduly broad under the provisions of the TRIPS Agreement (Article 64). This dispute was discussed in Module 5 under limitations and exceptions.

On top of the dispute resolution mechanism, the TRIPS Agreement provides for transparency in terms of laws and regulations. These need to be published and lodged with the TRIPS Council. The TRIPS Council provides the contracting states with a forum for discussion and the Council also checks, by means of a review process, whether a contracting state's copyright and related rights laws and regulations comply with the provisions of the TRIPS Agreement (Article 63).

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## SAQ 2

Describe the main elements of the processes established for dispute prevention and settlement under the TRIPS Agreement.

Type your answer here

## 5.0 The Anti-Counterfeiting Trade Agreement and free trade agreements: beyond the TRIPS Agreement

The Anti-Counterfeiting Trade Agreement (ACTA), is a multinational treaty that aims to establish further international standards for the enforcement of IPRs. The Agreement aims to establish an international legal framework for targeting counterfeit goods, and copyright infringement on the Internet, and would create a new governing body outside existing forums such as the WTO or WIPO. The agreement was signed by Australia, Canada, the European Union, Japan, Mexico, Morocco, New Zealand, the Republic of Korea, Singapore and the United States of America. Industrial groups with interests in copyright said that ACTA was a response to "the increase in global trade of counterfeit goods and pirated copyright protected works". Organizations such as the Motion Picture Association of America are understood to have had a significant influence over the ACTA agenda. There has been a huge wave of criticism, however, as it was argued that ACTA would infringe the freedom of expression and the right to privacy. The fact that the agreement had been negotiated in an environment of secrecy clearly did its reputation no good either. In the end, the European Parliament decided not to support ACTA and at present there are not sufficient ratifications for the agreement to enter into force. It is even questionable whether that will ever happen.

However, ACTA is merely an example of a widely perceived need to further develop the international framework for the enforcement of IPRs. Provisions on this point are also found in the numerous free trade agreements that have been concluded over the years. These

agreements often contain TRIPS+ provisions that go beyond the TRIPS Agreement, both in terms of the protection offered by substantive IPRs and in terms of the enforcement of IPRs.

## **6.0 Enforcement actions and remedies under domestic law**

The TRIPS Agreement imposes obligations in the area of enforcement on the contracting parties. The contracting parties have implemented these in their domestic laws and, in the process, they have added a substantial amount of detail. It is worth taking a closer look at these provisions of domestic law.

Copyright and related rights can be enforced in four ways under most domestic laws. Most commonly civil actions are used: Criminal proceedings, administrative proceedings and measures of self-help complete the picture.

- Civil actions
- Criminal proceedings
- Administrative proceedings
- Measures of self-help

### **Civil actions**

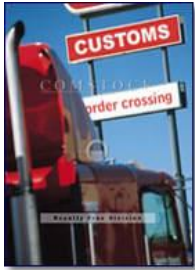
Copyright and related rights grant private rights to individuals. These rights are characterized in many jurisdictions as property rights or rights that are similar to property rights. The way in which such a right is affected in cases of infringement can be described as tortious in nature. Essentially, what we are dealing with are torts committed against property. On top of that come the actions between assignors and assignees and between licensors and licensees, some of which are contractual in nature, because their claim is not based on the infringement of the IPR involved, but on a breach of the contractual provisions that had been agreed. This can lead to actions for breach of contract. It is clear that actions in tort and in contract are civil actions that are brought in the civil or the commercial courts. More details are provided below.

### **Criminal proceedings**

Criminal proceedings could play an important role in the area of IP. These types of proceedings are specifically concerned with cases of infringement that are seen as particularly serious from a public policy point of view. Obvious examples are actions against copyright pirates.

As per Article 61, countries are bound to provide criminal remedies in cases copyright piracy on a commercial scale. Remedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, applied consistently with the level of penalties for crimes of a corresponding gravity. In appropriate cases, remedies available shall also include the seizure, forfeiture and destruction of the infringing goods and of any materials and implements the predominant use of which has been in the commission of the offence.

## Administrative procedures



Customs officers, trading standards authorities, advertising standards authorities and similar administrative authorities play an ancillary role in the enforcement of IPRs. Only the role played by customs officers is really of great significance in relation to copyright and related rights. At the request of the right holder, they may arrest infringing imports, such as infringing copies of literary, dramatic or musical works, sound recordings or films, at their point of entry. Their role in this respect is vital in the fight against piracy and counterfeiting, as it is much more difficult to take infringing goods out of circulation once they have moved down the distribution chain and right holders no longer have an easily identifiable place where they can target them. Chinese IP law is a key example on this point. China has a complete set of administrative procedure and courts to enforce copyright and presents a somewhat atypical but excellent example when it comes to the use of administrative procedures to enforce copyright.

## Self-help measures

One cannot overlook the importance of the role played by the right holder. Not only is it often the right holder who takes the initiative in customs actions by tipping off the customs authorities that a shipment of infringing goods is expected, it is also vital that right holders actively try to detect infringing copies of their works. An important example of this type of self-help action is carried out by trade associations of publishers and record companies. Another important aspect of the self-help scheme is the development and the implementations of schemes that allow for the easy identification of original copies of a work and of devices and other technical measures that counter attempts to copy the work.

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### SAQ 3

The contracting parties have implemented obligations imposed by the TRIPS Agreement into their domestic law. List the four ways in which domestic law may enforce copyright and related rights.

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Type your answer here

Now that we have looked at all four, let us return to the most important type of action and look at some of the civil remedies that are available in most domestic laws.

## 6.1 Civil remedies in more detail

These consist of

- injunctions,
- delivery up,
- damages and
- account of profit.

### Injunctions

The right holder's first concern in cases of infringement is that the infringement of their right stops. The sooner this happens, the easier it will be to limit the damages to their trade, rights and reputation. The injunction is an order of the court that directs a party, here the alleged infringer, to carry out an act or to refrain from carrying out an act. It is therefore an excellent tool and remedy for that purpose that is frequently used in copyright and related rights cases. The injunction will almost necessarily be prohibitory and will either stop the threatened commission of infringing acts or the continuation of infringing activities. The order is normally highly effective. In most common law countries this is, in part, because its willful disobedience will amount to contempt of court. This contempt is typically punishable by a fine, imprisonment or the sequestration of assets in most of these common law jurisdictions. Most civil law jurisdictions now operate a system whereby the judge can couple the non-implementation of the injunction with the payment of a substantial amount of money for each day of delay.

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#### Audio 4 *Interlocutory injunctions and final injunctions*

If you discover that a rival trader is seeking to attack your market share by flooding the shops with bootleg records or illegal copies of your videogame, there is no time to waste. Allowing this trade to develop will obviously be harmful to you, yet the losses will be difficult to calculate precisely. Immediate action is therefore necessary and the obvious legal route to take is to seek an injunction to prevent the allegedly illegal trade that is about to develop. The usual delays in the civil justice system are not helpful and it is therefore necessary to expedite matters with the use of an interlocutory injunction in an attempt to stop the situation before damage can start to occur, pending a subsequent trial on the merits. Of course, the reality in many cases is that proceedings are subsequently abandoned or settled and the interlocutory stage is thus the only formal litigation that is ever recorded. This means that the basis of such proceedings must be examined closely. Domestic laws will often require urgency and a strong prima facie case as prerequisites. The TRIPS Agreement now also limits the possible duration of an interlocutory order if no substantive proceedings are brought afterwards.

Apart from interlocutory injunctions, most domestic legal systems also grant final injunctions. A final injunction can be granted as a remedy after a trial in which the infringement of the plaintiff's right was established. Such an injunction is readily granted against the proven infringement of copyright and related rights. Otherwise, the plaintiff would be unable to stop the continuation of the infringement and would be compelled to grant a de facto license.

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### Delivery up

An injunction may stop any further infringement, but the defendant may be left with a supply of infringing goods. The pile of illegally copied CDs may still be sitting in a warehouse. An order for the delivery up of all infringing articles is the ideal tool to solve this problem. The defendant is ordered to hand over all infringing articles or documents and these will normally be

destroyed. These measures will effectively remove the infringing goods or documents from circulation.

## **Damages**

Damages are awarded, with the aim of undoing the effects of a breach of contract or the commission of a tort by the defendant. The plaintiff is compensated for the harm that is caused by the tort or the breach of contract. However, most domestic laws normally exclude losses that are unforeseeably remote.

There is no standard rule for the assessment of damages in IP cases. In a first scenario, the plaintiff and the defendant may be competitors. If the plaintiff would have been willing to grant a license if the defendant had applied for one, the amount of damages will often be calculated on the basis of the royalties and other costs that would have been payable under the license. If the plaintiff would not have been willing to grant a license, the amount of damages is normally calculated on the basis of the losses suffered by the plaintiff through the defendant's competition. Lost profits, lost opportunities and any competitive position acquired by the defendant may all be taken into account. In a second scenario, the parties do not find themselves in a competitive relationship. Damages are then calculated on the basis of a reasonable royalty for a license for non-competing use.

Some countries also have provisions allowing their courts to impose and award damages that amount to two or three times the loss suffered by the right holder. The aim is to cover the unquantifiable part of the damage, as well as the direct and indirect procedural costs.

## **Account of profits**

This type of remedy is found almost exclusively in common law jurisdictions. Plaintiffs are entitled to reclaim the amount earned by the defendant by way of unjust enrichment through the infringement of the plaintiffs' IPR. To achieve this, the plaintiffs can use the remedy of an account of profits, which is restitutionary in nature. Rather than be compensated by damages the plaintiffs may opt to investigate the actual accounts of the defendant and to require that any profit that was made as a result of the infringement of their rights to be handed over to them. That profit may be the profit on each article that is sold and in which the protected subject matter is included or the increase in the defendant's profit made through the use, other than by inclusion in the defendant's products, of the protected subject matter.

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### **SAQ 4**

Interlocutory injunction, a final injunction and damages are three types of remedies that may be awarded in copyright and related rights infringement cases. What is the difference between them?

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Type your answer here

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**SAQ 5**

Eugenia owns the copyright in a very popular TV series contained on DVDs. She seeks your advice in relation to the following events that she considers to amount to an infringement of her right. How should she react?

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1. Patrick has bought one copy of the DVD. He has now made 1000 copies of each of these DVDs and Eugenia has been tipped off by one of his employees that he plans to start shipping them to distributors from his warehouse in the next few days.
  2. Sue has already shipped her unauthorized copies of the DVDs. Eugenia regularly receives complaints from customers who complain about the bad quality of what they think is an original authorized copy.
  3. Sam is copying hundreds of DVDs in Utopia, but the Utopian authorities have failed to take action against him despite detailed evidence being provided by Eugenia each time she files a complaint. This has been going on for three years and Eugenia has now asked the government of her home country of Ruritania to take up the matter. Both Ruritania and Utopia are contracting states to the TRIPS Agreement.
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Type your answer here

## 7.0 Enforcement – national treatment – private international law

We have now looked at enforcement in a domestic context to a reasonable extent. The TRIPS Agreement effectively only imposes standards, which domestic law needs to meet.

However, copyright is now exploited at an international level and therefore infringement and enforcement are also likely to have an international character. That brings us inevitably to private international law. In terms of jurisdictions, there are no special rules for copyright. The normal jurisdiction rules apply and these normally allow for a case to be brought either in the domicile of the defendant or in the courts of the place where the infringing act took place (either the place where the act leading to the damage took place or the place where the damage occurs). That leaves us essentially with the question of which (copyright) law applies. It is indeed not the case that the Berne Convention or any other international instrument imposes a standard international copyright law. Instead, Article 5(2) of the Berne Convention explicitly refers to national law for issues such as the extent of protection and the means of redress. For these issues the law of the country where protection is claimed, also called *lex protectionis*, will apply. This law will apply territorially on a country-by-country basis. There will be as many applicable laws as there are countries involved in the case.

Let us now consider in a bit more detail to which issues the *lex protectionis* applies.

## 7.1 The creation of the right

The Berne Convention leads to the application of the law of the protecting country to issues related to the creation of copyright, as these issues form part of the non-contractual 'property' category. In defining the extent of protection, one first needs to know the object of that protection. It is therefore logical to deal with the creation of the right under the same *lex protectionis*. Which issues, though, are related to the creation of copyright?

### (a) The types of works that will be protected

Rules on the types of works that will be protected are a first example of rules that relate to the creation of copyright. Article 2 of the Berne Convention restricts itself to stating the principle that "literary and artistic works", which include "every production in the literary, scientific and artistic domain", will be protected, and Article 2bis allows for certain limitations without obliging member states to introduce them. The precise definition of the types of works that will be protected and the decision of whether or not to introduce any limitation is left to the member states and their domestic legislation. Even if they are not large, differences exist between the laws of the member states. Whether a work comes within a category of works that will be protected and, if so, in which category of works will be determined by the law of the protecting country.

### (b) Fixation in a material form

Copyright is not simply created because a work comes within one of the categories of works that are protected. On top of this, fixation in some material form may be required. Article 2(2) of the Berne Convention leaves it up to member states to decide whether or not to introduce this additional requirement. Whether or not this additional requirement is applicable is also an issue related to the creation of copyright and thus the issue will be decided under the law of the protecting country.

### (c) The qualification requirement

The qualification requirement also needs to be met if copyright is to be created. Article 3 of the Berne Convention contains fairly detailed rules that do not leave a lot of discretion to the member states; nonetheless, minor differences exist between the domestic legislations of member states. It is the law of the protecting country that determines the precise qualification requirements that have to be met if copyright is to be created.

## 7.2 The scope of the right

Once copyright has been created it is important to know what the content of the exclusive right will be. How far will the protection and the restriction of competition extend? Logically speaking, this issue is inextricably linked with the decision to grant copyright, as it determines what exactly is being granted. The issue should therefore be decided under the same applicable law. The law of the protecting country should apply. The law of the place where the right is used has to decide whether the right exists and what its content is.

This choice of law point is important in practice as the Berne Convention does not define the scope of protection in a rigid way, but rather sets minimum standards. While it is generally accepted that the right holder has the exclusive right to reproduce the work and make public representations of the work, certain national legislations add to this the exclusive right for the copyright holder to distribute copies of the work.

Exceptions and limitations are also part of this category. Restrictions placed on the exclusive right modify the content of the latter. As a result, if all issues relating to the content of the exclusive right granted by copyright are to be governed by the law of the protecting country, exceptions to the rights granted to the right holder form the next issue in this category. The precise scope of the rights granted is, indeed, only to be determined when these exceptions are also taken into account. For example, the right holder's exclusive right to make copies of the work is restricted by the exceptional right of the user to make a copy for personal use. Further exceptions might exist for reporting current events, research and private study, among other things. The same exceptions obviously also play a role as defences against copyright infringement.

Civil remedies are the final issue in this category. The availability of damages and injunctions restraining further encroachments on the exclusive rights of the right holder make the rights effective. This includes the issue of who can sue; for example, whether a licensee can sue independently for copyright infringement or whether they need to rely on the right owner to do so. They determine the real scope of the right involved and should, therefore, come under the law of the protecting country. The parties cannot use the law of the contract to change the rights to sue that each of them has, insofar as that change is to have effect against third parties. However, the traditional procedural restrictions apply in the situation where the law of the protecting country is not equally the law of the forum. For example, the quantification of damages issue will be governed by the law of the forum.

### **7.3 Termination of the right**

This issue is important because the Berne Convention only sets out a minimum term of protection, i.e. the life of the author plus 50 years. Member states are free to introduce longer terms of protection into their legislation. The term of protection could thus be different depending on which law is applicable.

The question of which law should be applicable to the issue of the termination of copyright becomes easier to answer when it is considered that what is really involved is the term of copyright and that the question can be reformulated as meaning: for how long is the exclusive right created? Looking at it this way, it seems logical to opt for the same applicable law as the one that is applicable to creation issues. The law of the protecting country will therefore govern the duration and the termination of the right.

### **7.4 Validity of the right**

The question concerning the validity of the right is answered by looking at the criteria for the creation of the right. The test is whether the criteria for the creation of the right were present at the time they right allegedly came into existence. The strong link with the creation of the right militates strongly in favor of the application of the same choice of law rules in both cases.

### **7.5 Transferability of the right**

We are not concerned here with the actual transfer of the right. Before a transfer of a right enters the picture, there is a preliminary issue that needs to be addressed. This is the issue of whether the right can be transferred in the first place. Does the issue of the scope of the right that is granted also include the issue of whether the right holder is able to transfer the right to another party? This transferability issue is linked with the grant of the right, rather than with the transfer of the right by means of a contract. Transferability and assignability are closely linked to the issue of what can be assigned, for example pecuniary rights and moral rights or pecuniary rights only, and with the scope of the right. It would clearly not be desirable

to apply the law of the contract to it and allow the parties to choose a law that allows the transfer of the right at their convenience. It is, therefore, submitted that the issue of transferability should be governed by the law that governs the creation and scope of the right.

This approach was followed by the Court of Appeal in Paris in *Anne Bragance v. Olivier Urban and Michel de Grèce* (1<sup>st</sup> Chamber, Paris I, February 1989, *Revue Internationale du droit d'auteur* 142 (1989): 301-7). The concerned the contract between Anne Bragance, who had helped Michel de Grèce with the writing of his book, and the latter was governed by United States (New York) law and included a transfer of all aspects of copyright to Michel de Grèce. This included both the moral and the pecuniary aspects of copyright. Owing to the publication of the book in France, French law was the law of the protecting country. The French court ruled that moral rights were not assignable under French law and it was therefore impossible for the contract and the law of the contract to transfer these rights effectively. Pecuniary rights were, on the contrary, assignable under French law and the assignment was valid under the law of the contract. In practical terms, the outcome of the case was as follows: Anne Bragance gained the right to be identified as an author on every (French) copy of the book, but she did not gain any further pecuniary compensation, as she had effectively assigned all her pecuniary rights.

## **7.6 Infringement and remedies**

One may wonder why infringement does not figure explicitly in the list. This is because the Berne Convention starts by granting rights, i.e. from the positive end. Immaterial rights such as copyright are, however, exclusive rights to reproduce the work and to communicate it to the public and, importantly, to stop others from doing so without consent. In practical terms, an immaterial right comes to life through enforcement. What is therefore, on the one hand, the scope and extent of the right for the right holder becomes known as infringement to the third party acting without consent. It is therefore obvious that any infringement and enforcement actions are also addressed under the *lex protectionis*.

We are dealing here with applicable law, but it should not be forgotten that until recently there were countries that would simply not allow their courts to take jurisdiction to hear cases concerning the alleged infringement of foreign IPRs, including copyright. As the Lucasfilm case study shows, this is luckily a stage we have increasingly managed to pass.

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**SAQ 6**

**What issues are addressed under the *lex protectionis*?**

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Type your answer here

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**SAQ 7**

**Why do we distinguish between contractual issues surrounding the transfer of the right and transferability?**

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Type your answer here

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## **8.0 Relationship of the WIPO Development Agenda with the TRIPS Agreement and enforcement issues**

Enforcement of IPRs in the TRIPS Agreement is one area where countries are given considerable freedom. The countries also have the freedom to follow the enforcement measures available in their legal system in the case of infringement of copyright. The minimum obligations on civil and criminal remedies are also general in nature. Only in cases of infringement on a commercial scale is the use of criminal law mandated and, as seen from the WTO Panel decision, countries could use this for promoting access to works. The freedom given to deal with transit goods and the freedom to treat parallel import goods as legal and not infringing for taking broader measures could also be used by countries to facilitate access. It is therefore possible for countries to use enforcement provisions intelligently to promote the goals of the WIPO Development Agenda without affecting the legitimate interest of the right holders.

## 9.0 Summary of the TRIPS Agreement and enforcement issues

For many years, the effective enforcement of copyright and related rights has been the weak part of the protection chain in many countries, even if strong copyright and related rights rules were on the statute book. The TRIPS Agreement changed this. It contains detailed provisions on enforcement and it obliges all of its contracting states to introduce effective enforcement mechanisms. These mechanisms include civil and administrative procedures, criminal measures, border measures and provisional measures. In addition, there are effective dispute resolution mechanisms in the TRIPS Agreement for those instances where one contracting party feels that another contracting party is not faithfully implementing its obligations under the TRIPS Agreement.

TRIPS+ provisions are provided in ACTA and the numerous free trade agreements that have been concluded over the years between states. However, ACTA has not been a success so far.

All of this translates into enforcement provisions and actions at the national level. Of particular importance to the right holder in this respect are the civil remedies that can be imposed. These can include damages, injunctions, delivery up orders and an account of profits

When infringement and enforcement are addressed at the national level important choice of law issues arise. On the basis of Article 5(2) of the Berne Convention, the *lex protectionis* is applied as the law applicable to these issues.

## Further reading

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