Multinational patent enforcement

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maria campilho
Queen Mary (QMIPRI)

ilias-georgia charlafti
MAS IP ETH Zurich

Jules Fabre
CEIPI

Pallavi Kondapalli
MIPLC

Romina Petrova
Magister Lucentinus

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Abstract

The development of worldwide trade in recent years resulted in increasing cross border disputes regarding IP, thereby demonstrating that national courts' decisions with their lack of extraterritoriality are an insufficient form of protection. Therefore a special emphasis has been given to multinational recognition and enforcement of judgements, whilst more sophisticated solutions have been developed for example by the TRIPs agreement, the WTO dispute resolution mechanism, and the Brussels Regulation. However, if harmonisation of enforcement measures in Europe is far from being achieved and cross-border relief has been set back in the face of two recent ECJ´s judgements on this matter, discussed later on in this report, developing countries still struggle to overcome the institutional and infrastructural impediments to enforcement of IP. As a result, several requests for consultation were made to the WTO panel in respect to alleged failure of various countries to comply with TRIPs provisions on enforcement. The scope of this report is to underline and critically analyse the current situation in the field of multinational patent enforcement in Europe on the one hand and in developing countries on the other, taking China and India as an example. The assessment will be made in accordance with recent case law in conflicting decisions, in the case of India, and the existing requests for consultation made to the WTO dispute resolution panel by the US, in the case of China.

Multinational patent enforcement: A Study of Current Scenario in Europe, India and China

Team:
Maria Campilho
Ilias-Georgia Charlafti
Jules Fabre
Pallavi Kondapalli
Romina Petrova

Advisor: Paola Karam

ABSTRACT

The development of worldwide trade in recent years resulted in increasing cross border disputes regarding IP, thereby demonstrating that national courts' decisions with their lack of extraterritoriality are an insufficient form of protection. Therefore a special emphasis has been given to multinational recognition and enforcement of judgements, whilst more sophisticated solutions have been developed for example by the TRIPs agreement, the WTO dispute resolution mechanism, and the Brussels Regulation.

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The scope of this report is to underline and critically analyse the current situation in the field of multinational patent enforcement in Europe on the one hand and in developing countries on the other, taking China and India as an example. The assessment will be made in accordance with recent case law in conflicting decisions, in the case of India, and the existing requests for consultation made to the WTO dispute resolution panel by the US, in the case of China.

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1. Introduction: International legal framework of enforcement

The Paris Convention[1] and the Berne Convention[2] were the first legal texts introducing provisions on the protection of Intellectual Property (IP) Law. The importance of these Conventions and the business perspective which WTO provides in the field of IP, led to the replacement of the General Agreement on Tariffs and Trade (GATT) with TRIPs in 1995, where both conventions were incorporated. The TRIPs Agreement is to date the most comprehensive multilateral agreement on IP Law.

The general goals of TRIPs are to be found in the Preamble, which[3] reproduces the basic GATT negotiating objectives established in the TRIPs area by the 1986 Punta del Este Declaration and the 1988/89 Mid-Term Review. These goals include the reduction of distortions and impediments to international trade, promotion of effective and adequate protection of intellectual property rights, and ensuring that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade. Thus the TRIPs Agreement establishes not only minimum standards but also special provisions related to the enforcement of rights, allowing a member State to use the WTO Dispute Resolution Mechanism, previously not possible under the scheme of the other treaties. The WTO's procedure for resolving trade disputes under the Dispute Settlement Understanding is vital for enforcement and hence for ensuring smooth trade transactions. The importance of such a mechanism can be seen in the four successful dispute settlements at the level of the WTO, namely between United States and Denmark, Sweden[4], European Communities-Greece[5].

[1] The Paris Convention for Protection of Industrial Property of 1883 available at http://www.wipo.int/treaties/en/ip/paris/trtdocs_wo020.html
[2] The Berne Convention for Protection of Literary and Artistic Works of 1886, available at http://www.wipo.int/treaties/en/ip/berne/trtdocs_wo001.html
[3] TRIPS—WTO--Chapter 20—Trade Policy Courses (Francois Curchod); www.ipr-helpdesk.org
[4] Reference to www.wto.org/english/tratop_e/disput_e/cases_e/ds83_e.htm, and www.wto.org/english/tratop_e/disput_e/cases_e/ds86_e.htm
[5] WTO – Summary of the dispute to date January 22nd 2008; www.wto.org/english/tratop_e/dispu_e/cases_e/ds124_e.htm

In recent years, with the increasing need for international commerce, more sophisticated texts are the need of the hour. With the growth of cross-border shopping, particularly over the internet, traders and consumers may be involved in contractual and non-contractual disputes. Courts must therefore decide, whether they have competence to adjudicate such cases.

2. Enforcement in Europe

European Countries and the EU in particular have identified that, in the face of globalisation and emerging market players from the developing world, Europe has effectively, as a single market entity, not only identified developing markets as its commercial target, but in return is also being identified as target market by those countries. In this interplay, if money is to be made from IP rights, then only so if those rights are enforced, both in Europe and in the developing countries. It is the sheer complexity of the global market system therefore and the need for efficiency, that dictates the requirement for a uniform patent system in Europe with regards to enforcement, still governed by national law.

2.a Current Scenario and Problematic

Significant steps have been made in order to harmonise the patent system in Europe. Prime examples are the Enforcement Directive[6] and the Brussels Regulation[7].

The Enforcement Directive harmonises the provisions on evidence, interlocutory measures, seizure and injunctions, damages and costs, and judicial publication, while including remedies that are available in civil courts. Further, it provides for censure for those Member States that adopt 'unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays' in their civil procedures dealing with infringement. What is of particular interest with regard to provisional and precautionary measures, as described in Article 9 of the Directive, is an

[6] Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the Enforcement of Intellectual Property Rights, Official Journal of the European Union, L 195/16 was created under the provisions of the Treaty of Rome. It came into force in May 20th 2005 and date for implementation by the Member States was April 4th 2006

[7] Council Regulation (EC) No 44/2001, on jurisdiction and the recognition and enforcement of judgments in civil and commercial disputes, also known as The Brussels Regulation, adopted on 22 December 2000.

implied reference to cross-border injunctions. More specifically, paragraph 1 of said article prescribes that Member States shall grant the competent authorities the possibility 'to order the seizure or delivery up of the goods suspected of infringing an intellectual property right so as to prevent their entry into or movement within the channels of commerce'.

In 2000, the EU adopted the Brussels Regulation, which replaced and modified the 1968 Brussels Convention. The countries covered by it are all the EU Member States, except Denmark.[8] Switzerland, Iceland and Norway apply the rules of the 1988 Lugano Convention, which is similar to the Brussels Convention. In principle, Article 2 of the Regulation requires cross border litigation, to take place in the defendant's domicile.

There are exemptions to this rule, as in Article 6(1), which allow for cross-border relief, namely in cases involving several defendants. In *Kalfelis*[9], the ECJ added that in order for article 6(1) to apply, there must be a *"connection"* between the different claims, *"of such kind that that it is expedient to determine the actions together in order to avoid the risk of irreconcilable judgments resulting from separate proceedings"*.[10]

The Dutch courts[11] initially adopted a liberal view of article 6(1) and developed a regular practice of granting cross-border injunctions, provided that at least one of the defendants was domiciled in the Netherlands. In *Expandable-Grafts Partnership V Boston Scientific BV*, the Hague Court interpreted article 6(1) in the face of article 22(4) by developing a jurisprudence known as the spider-in-the-web, where the principal defendant could, for example, be the head office of a group of affiliated companies, or the company that co-ordinates the marketing of the allegedly infringing product. This court did not regard the existence of a

[8] However Denmark and the rest of the European community have an agreement to apply rules of the Brussels Regulation, see Agreement between the European Community and the Kingdom of Denmark on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, COUNCIL DECISION of 20 September 2005, (2005/790/EC)
[9] Case 189/87, Athanasios Kalfelis v Bankhaus Schröder, Münchmeyer, Hengst and Co. and others, [1988] ECR 5565
[10] Richard Taylor, Legal Update: IP/IT law: "Patents and Jurisdiction", Law Society Gazette, (2006) LS Gaz, 12 Oct, 31
[11] Ibid

challenge to the validity of one of the "foreign" patents as presenting any obstacle to the grant of a cross-border injunction against the spider in the web and its fellow infringers.

Other national courts followed, with the Paris Court of Appeal introducing the *exequatur* to Dutch's decisions[12], as well as cross-border injunctions[13], and then in the mid-nineties, the Düsseldorf *Landesgericht* assumed competence to try on the counterfeit of British patents.[14] However, some, especially common law, countries, were opposed to the enforcement of the Brussels Convention in the patent infringement field. The UK courts in particular, did not accept the approach of the Dutch courts and refused to assume jurisdiction over foreign patents.[15]

Article 22(4) of the Regulation, which gives a further qualification to both articles 2 and 6(1), stipulates that in proceedings concerned with the registration or validity of patents, the State where the right in issue is registered has exclusive jurisdiction over those matters. The interpretation and practical application of these rules has not been straightforward. Across Europe, different national courts have taken different approaches, with the German courts and English courts taking opposing view points with respect to issues of infringement and validity.[16]

In two judgements delivered on July 13, 2006 – *Roche Nederland BV and others V Primus, and Goldenberg*[17] and *GAT V LUK*[18] - the ECJ gave interpretations on both the article 6(1) and article 22(4) exceptions. In short, the cumulative result has been to substantially lessen the prospects of a patentee obtaining cross-border relief against multinational infringements. The practice previously established,

[12] Eurosensory V. Tieman and Blind Equipment Europe, RDPI, 1995, n° 57, p. 13.
[13] Banco de Santander V. Kortex International and Agro Informatica Y Communicaciones, PIBD 1997, III 221.
[14] François Dessemontet, Conflict of Laws for Intellectual Property in Cyberspace, page 12, available at http://www.unil.ch/webdav/site/cedidac/shared/Articles/Conflict%20of%20Laws%20in%20Cyberspace.pdf
[15] Fort Dodge Animal Health Ltd. v. Akzo Nobel N.V. [1998] F.S.R. 222
[16] Exclusive jurisdiction and cross border IP (patent) infringement: Suggestions for amendment of the Brussels regulation, CLIP European Max-Planck Group for Conflict of Laws in Intellectual Property, page 3.
[17] Roche Nederland et al v. Frederick Primus and Milton Goldenberg, C-539/03
[18] Case C-4/03, Gesellschaft für Antriebstechnik mbH & Co. KG v Lamellen und Kupplungsbau Beteiligungs KG

wherein courts of a Member State would assume competence for adjudicating foreign patents, was basically declared irreconcilable with the spirit and provisions of the Brussels Regulation.

In the *GAT v. LuK*, where both companies were German, during the proceedings for declaratory judgement, the defendant argued patent invalidity. The court of first instance assumed jurisdiction for the entire case, but the case was referred to the ECJ by the court of appeal, with the following question, namely whether Article 16(4)[19] of the Brussels Convention pertains to all proceedings concerned with the registration or validity of a patent, irrespective of whether the question is raised by way of an action or a plea in objection, or whether its application is limited solely to those cases in which the question of a patent's registration or validity is raised by way of an action.

The ECJ did not attribute relevance to the different wordings in English and other languages, and adopted a wide interpretation of the convention. It concluded that the exclusive jurisdiction applies in all proceedings where the validity of the patent is decisive, irrespective of whether this is raised by way of an action or a plea in objection. However it was silent about whether or not substantiation is required as a condition for this rule. It remains that the ECJ, in the *GAT* decision, still admits the possibility to bring infringement lawsuits before the courts of the defendant's domicile, as long as the question of the patent's validity does not become an issue.

In the *Roche v. Primus* case the American owners of a European patent filed an infringement suit against different companies of the Roche Group before The Hague court of first instance, aimed at obtaining injunctions against the defendants for all national parts of the European patent in question. As in the *GAT* case, the court of first instance assumed jurisdiction for the entire case (and the court of appeal as well), and the Dutch Supreme Court referred to the ECJ for questions of interpretation. According to the decision of the ECJ, the EU provisions on competence do not allow claims from different companies for the infringement of different parts of a European patent in a single lawsuit before the

[19] Article 22(4) of the Brussels Regulation

court of one EU Member State, even if said companies have a common or similar business policy. The Court thus refused to take into consideration the "*spider-in-the-web*" theory. The viewpoint of the court was that the alleged infringements in the different countries concern separate patents, which are governed by their respective national patent laws. This case law can be seen as a restriction of the multinational patent enforcement in Europe, and it is not certain that it will achieve a better legal security, owing to the fact that it will lead to an increase of litigation (with a greater risk of diverging decisions) and costs. The recent case of Document Security Systems[20] has only highlighted the problem of diverging decisions with the German and Dutch courts upholding the patent and English and French courts invalidating it.

2.b Proposals for a unified patent system

Having examined the two major efforts undertaken to achieve harmonisation in terms of IP rights protection and enforcement in the EU, where harmonisation is a prerequisite for the proper function of the common market, it is interesting to note that there is much more to be done in order to ensure legal certainty. The European Patent Organisation and the European Union are striving towards a unitary patent system through the European Patent Litigation Agreement[21] and The Community Patent Convention.[22]

The draft agreement and statute of EPLA, prepared by the Working Party on Litigation (WPL) formed by the contracting states of EPO, included a European Patent Judiciary (EPJ), consisting of the European Patent Court (1st Instance, Court of Appeal and a Registry) and the Administrative Committee. According to the proposal, the Court of Appeal would also function as a Facultative Advisory Council, providing legal opinions to the national Courts, as was discussed during deliberations in 2003. Cases are to be heard by three to five judges where at least one would be a technical judge and at least two would be legally qualified. The

[20] Emma Barraclough, "Euro Ruling strengthens patent licensing company", March 17, 2008, MIP, available at http://www.managingip.com/Article.aspx?ArticleID=1893024&LS=EMS169103
[21] European Patent Litigation Agreement, European Patent Office, http://www.epo.org/patents/law/legislative-initiatives/epla.html. Accessed 12.2007.
[22] For more information see http://ec.europa.eu/internal_market/indprop/patent/index_en.htm

three official languages of EPO would be preserved and representation would be mandatory and by a qualified European Patent Attorney.

At this point it is important to mention that, in parallel, the EU has also been working towards the introduction of a Community patent system for the EU member States. Care needed to be taken in order to avoid conflicts between patent rights being based on a Community patent system on the one hand and a European patent system on the other. The EPO played a key role in keeping the EPLA project alive, as it recognised that it would take a long time for the introduction of the Community patent and that there was already a great need for a Europe-wide patent litigation system for all those who were using the European patent system, and as such the draft for EPLA presented similarities with the agreement on the Community patent in the substantive law dealing with e.g. burden of proof and the definition of infringement.

Having looked at how EU case law evolved and attempted to achieve IP rights enforcement harmonisation in practice, it becomes obvious that the complexity of harmonisation efforts is high; it begs therefore to wonder, what the difficulties might be in the case of non-EU countries, which under a globalised trade are now faced with mounting pressure to comply with international agreements. In order to have a look at particularities and difficulties raised by harmonisation efforts undertaken by non-EU countries, national provisions will be looked at, with particular focus on enforcement of IP rights and discussion on relevant case law and current issues will be cited.

3 Enforcement in India

The patent system of India has recently completed 150 years of existence, since the first patent was granted in 1857. Since then, India has come a long way since passing the first Patent Act in 1911, then amending it in 1970. The accession to international treaties, such as TRIPs and Paris Convention, during the 1990s mandated a number of amendments to the Act, one of the most significant being the introduction of product

patents to drug and food related products. This was accomplished over a period of 10 years and three amendments, ending in 2005. The TRIPs agreement also had a 'mailbox'[23] provision for patent applications filed in the category of 'products related to food, drugs or medicine' during this period. About 9000 mail box applications were received during the transition period, out of which more than 80% were from non-Indian companies.[24] Additionally, if a patent for such applications was granted in any other country, then an Exclusive Marketing Right (EMR) to market the product in India under the product regime was put in force during the transitional period. The generic drug manufacturing industry in India is quite strong[25] today because of the lack of product patents until 2005, after which point the Indian Patent Act was amended to conform to TRIPs. The 10 year grace period was used to the full extent by the Indian generics industry by a number of small and medium size companies. The domestic pharmaceutical industry has reported a consistent CAGR[26] of 9.5%, in the new millennium and is expected to accelerate further at 13.6%.[27] The market for clinical trials alone is estimated to be around $70 million with a growth rate of 20%.[28]

Although there has been a steady increase in filing[29], the same cannot be said about the allocation of funding to the patent office to improve the infrastructure. The non-plan expenditure of the Patent office during 2005-2006 has been less than 10% of the revenue generated during that year[30]. This suggests that the problems of backlog and lack of infrastructure can be solved by improved planning and utilisation of resources. A positive step towards this direction is the approval by WIPO of a petition by the Indian Patent Office to operate as International Search Authority. This has generated a lot of interest in the field of IP in India giving rising to increased activity in India with emphasis on public awareness and industry. One example is the EU-India Trade and

[23] Averie K. Hason , Jean E. Shimotake , "Recent developments in patent rights for pharmaceuticals in China and India", 2006 Pace University School of Law.
[24] Janice M. Mueller, "The tiger awakens: the tumultuous transformation of India's patent system and the rise of Indian pharmaceutical innovation", University of Pittsburgh Law Review Spring, 2007.
[25] Frederick M. Abbott, "The WTO medicines decision: world pharmaceutical trade and the protection of public health", 2005, The American Society of International Law.
[26] CAGR, the Compound Annual Growth Rate, is "an imaginary number that describes the rate at which an investment would have grown if it grew at a steady rate" as defined by Investopedia at http://www.investopedia.com/terms/c/cagr.asp.
[27] Pharma vision 2020, presented by The Indian Pharmaceutical Congress Association, December 2006, Indian Pharmaceutical Congress.
[28] Ibid.
[29] Annual Report of the Indian Patent Office 2005-2006, available at http://ipindia.nic.in/main_text1.htm.
[30] Ibid

Investment Development program[31], which is partly concerned with providing training and raising awareness on IP.

3.a Current Scenario and Problematic

The hurdles faced by a multi national patent holder are reflected in the saga of Novartis case. In a decision reached on August 6th 2007, the Madras High Court rendered its judgement with regard to the well-known Swiss pharmaceutical firm's Novartis challenge to Indian patent law. In May 2006 Novartis decided to contest this decision before the Madras High Court and also argued that Section 3(d) of the Indian Patent Act was contrary to the TRIPs Agreement. On the latter point, the court found that a private company could not challenge a law as being TRIPs non-compliant, and that an Indian court is not the proper forum either to decide whether the Indian patent law is TRIPs compliant: this had to be taken before the WTO Disputes Settlement Body. However, the Swiss government, as the Member State where Novartis has its headquarters, has proclaimed no intention of taking the issue to the WTO. The decision is one part of an old litigation in which Novartis opposes the Indian government and generic manufacturers. In July 1998, Novartis filed a mail box patent application in the Chennai Patent Controller's office for the 'β-crystalline of imatinib mesylate', brand name being Glivec (Gleevec), a salt form of Glivec's active substance for which the firm had already been granted a patent in 1993. In 2003, it was granted Exclusive Marketing Rights for Glivec and proceeded with obtaining orders preventing local drug manufacturers from manufacturing generic equivalents based on this compound. From 1998, when Novartis filed a mailbox application, to 2003, when it was granted EMR by the Indian Patent Office, to 2007 and battling a refusal under Section 3(d)[32] of the Patent Act, it has been a long journey.[33] The efforts of Novartis to enforce the EMR against local companies for injunctions were diminished by contradictory decisions given by the Bombay High Court and the Chennai High Court, which has only led to legal uncertainty. Novartis filed suit against Adarsh Pharma in the High court of Madras, where it

[31] EU-India Trade and Investment Development Programme (TIDP), available at http://www.delind.cec.eu.int/en/eco/tidp.htm.
[32] Amongst other objections such as right of priority, novelty, inventive step etc
[33] History of Glivec in India, available at http://www.novartis.com/downloads/about-novartis/glivec-history-india.pdf

sought interim injunctive relief under Section 24A, and was granted an ex parte injunction on 20 Jan 2004. The Judgement referred to "well known principles of prima facie case, where balance of convenience and irreparable loss would be the prime materials"[34] in considering approving the temporary injunction. However a similar action filed at the High court of Bombay against Mehar Pharma[35] was refused, and the Judge citing previous case law in India and England, and public health reasons[36], ordered the defendants to maintain accounts of trade with respect to the particular drug to safeguard the interests of the plaintiff. Although both cases were different in that the defendants were different, the question of validity of the EMR was raised in both cases and dealt with in a different manner by each of the courts. Similar reasoning based on public health was used in a recent case filed by Roche against local generic company Cipla, where the New Delhi High court refused to grant an interlocutory injunction.[37] In such cases the courts tend to take into consideration other factors[38] such as price difference between the two products, whether the drug is a life saving one, non-working in India, etc.

Consequently, pharmaceutical companies are wary of investing in India, much more than their peers in other technologies and industries.[39] The Indian government is undertaking many initiatives to encourage the pharmaceutical industry by drawing up a plan for the future, called 'Vision 2020'.[40] Notwithstanding the tax incentives offered and the low labour costs involved, there are some other issues raising concern,such as compulsory licensing and lack of laws on data exclusivity, making pharmaceutical industry cautious when it comes to investing in India.

[34] Novartis AG & Anr Vs Adarsh Pharma & Anr, 2004 (29) PTC 108 (Mad), Para 17.
[35] Novartis AG and Anr Vs Mehar Pharma and Anr., 2005(30) PTC (Bom)
[36] According to the Judge, Novartis admitted to import of the drug as opposed to manufacture in India by the defendant, and also did not dispute the fact that the demand for the anti-cancer capsules was 30,00,000 per month.
[37] Shaleen Agrawal, "HC allows Cipla to sell Roche drug" , DNA MONEY Thursday, 20 March , 2008, available at http://sify.com/finance/equity/fullstory.php?id=14626687
[38] Manisha Singh, "Reversal of fortune", The World Intellectual Property Review, 2006 available at http://www.worldipreview.com/06/article17.html
[39] "Rising confidence: multi national pharmaceutical companies in China and India", Progressions 2006, The Ernst & Young Annual Global Pharmaceutical Report
[40] Supra note 27

The Indian government recently published[41] the "Intellectual Property Rights (Imported Goods) Enforcement Rules" to tackle enforcement issues. The circular allows for right holders to register with the Customs department to ensure speedy action by the Customs department. Other measures such as the Appellate Board to deal with IP cases being functional are taken up by the Indian government to address the aspect of specialised enforcement system. Still, there are very few cases filed in the courts in the field of pharmaceuticals or in other fields, which makes generalisation very difficult.

4 Enforcement in China

The rapid development of China's economy, science, technology and trade has led to IP protection playing an increasingly important role in its economic and social development. The importance has been emphasized in the Eleventh Five-Year Plan, a macro-development guideline of China and has been reflected in the formulation of the National Intellectual Property Strategy of China and also many special IP enforcement campaigns launched by China's government.[42]

Furthermore, China acceded to the WTO in November 2001. Before that time, Chinese Patent law had been amended twice, in 1993 and 2000, to make Chinese patent protection standards compatible with the TRIPs requirements. However, due to the short history of China's IP system, which is only about two decades compared with the hundreds years' history of some western countries, there are also many problems in China's patent protection, which have given rise to the need for the third revision of the Chinese Patent Law.[43]

In 2006, local IP offices nationwide received a total of 1,227 patent disputes over infringement and 43 other types of patent disputes. They also investigated and

[41] Peter Ollier, "India Customs issues new rules", March 17, 2008, MIP, available at http://www.managingip.com/Article.aspx?ArticleID=1892938&LS=EMS169103

[42] For example, special IP enforcement campaigns were launched during the period of March 15 and April 26, 2006, focusing on circulation sector by means of patent enforcement inspection and combating illegal patent behaviours in the field of food and pharmaceutical.

[43] The proposal of the revision of Chinese Patent Law has been submitted to the State Council of China by the State Intellectual Property Office of the People's Republic of China at the end of 2006 and is now being discussed by the State Council of China.

handled 33 cases of counterfeiting patents and 933 cases of passing off others' patents.

One special character of China's patent enforcement mechanism is the "two-channel operating enforcement system" or "dual enforcement system" for resolving patent infringement disputes, which means that civil law procedure and administrative procedures are parallel and the parties are free to choose either one to solve their patent disputes, and the administrative procedure can also be followed by civil procedure. Compared with civil law enforcement procedure, administrative enforcement used to be welcomed for the fact that it is cheaper and faster. However, after the second revision of Chinese Patent law to comply with TRIPs, the damage compensation and pre-litigation remedies can only be available from the courts, which may prevent patent right holders from going through administrative enforcement procedures.[44] The Chinese law also provides for criminal prosecution, which is possible if two conditions are met: "circumstances are serious" and "counterfeits other people's patents", which have been elaborated by the SPC in its judicial interpretation.[45]

The Border Control Measures under the *Regulations on the Custom Protection of Intellectual Property Rights of People's Republic of China*[46], custom offices of China have the authority to detain imported or exported goods suspected of infringing IP rights[47] upon request of the right holders.[48] To some extent, Chinese custom measures of intellectual property provide more protection than TRIPs requires because it does not only cover import goods, but also export goods.[49] Furthermore, once the custom offices doubt that the import or export good might infringe the IP rights having been

[44] Thomas Pattloch, "The Enforcement of Patent Rights in China", IIC, Volum 23,2005, p 285.

[45] See the special interpretation made by the Supreme People's Court of China, which was cited in Martin Lehner, "Patent Enforcement in the Peoples Republic of China", MAS IP Research Report, 2007-2008.

[46] Regulations of the People's Republic of China on Customs Protection of Intellectual Property Rights, effective as of March 1, 2004, available at www.customs.gov.cn/YWStaticPage/70212dc3bee3.htm. Accessed 03.2007.

[47] Including copyright, neighbour rights, trademark and patent rights, see Article 2 of the Regulations on the Custom Protection of Intellectual Property Rights of People's Republic of China.

[48] Article 12 of the Regulations on the Custom Protection of Intellectual Property Rights of People's Republic of China.

[49] Gao Lulin, "Intellectual Property" (Zhi Shi Chan Quan) 2003, No1,17.

registered in the General Administration of China Customs(GACC), they would inform the right holders[50].

In 2006 the Ministry of Public Security (the MPS) and GACC jointly printed and distributed the Provisional Regulations on the Reinforcement of Intellectual Property Rights Enforcement Cooperation on March 24. Under the guidance of the provisional regulations, local customs offices and public security organs investigated many cases, such as the illegal assembly case of "Motorola" and "Philips" used mobile phones, the counterfeit case of branded sports shoes like Nike, Adidas, and Puma.[51] Although cases are reported where companies like GlaxoSmithKline[52] and Bridgestone[53] are successful in enforcing their patents in China, the fact is also that the majority cases are related to copyright and trademark protection, not patent rights infringement, because of its complexity.

4.a Current Scenario and Problematic

However, China's efforts are being challenged by the United States at the level of WTO.[54] In fact, the US filed in total four complaints before the WTO's dispute settlement panel concerning matters as described below.[55]

The first complaint relates to the Chinese Criminal Law, where penalties are foreseen in the event of 'fairly large amount' (Art. 217) of illicit income or 'when there are other serious circumstances' (Art. 217).[56] In the provisions themselves there is no definition of the exact thresholds required to be met before a person

[50] Article 16 of the Regulations on the Custom Protection of Intellectual Property Rights of People's Republic of China.

[51] White paper on China's Intellectual Property Protection 2006, see:

www.sipo.gov.cn/sipo_English/whitepapers

[52] Tony Chen, Helen Cheng, "How to Protect Pharmaceutical Products in China With or Without a Patent", Jones Day Commentaries, available at http://www.jonesday.com/pubs/pubs_detail.aspx?pubID=3291

[53] Bridgestone Corporation, Japan V. Chaoyang Longmarch Tyre Co., Ltd, Posted by Interlingua Publishing at 1/25/2008, available at http://chinapiracyreports.com/2008/01/25/bridgestone-corporation-japan-v-chaoyang-longmarch-tyre-co-ltd.aspx

[54] WTO, Summary of the Dispute to Date, 22.01.2007, www. Wto.org/English/tratop_e/cases_e/ds362_e.htm. Accessed 03.2007

[55] , Summary of the Dispute to Date, 22.01.2007, www. Wto.org/English/tratop_e/cases_e/ds362_e.htm. Accessed 03.2007

[56] Criminal Law of the People's Republic of China（Provisions of Intellectual property Crime), http://www.customs.gov.cn/YWStaticPage/7021/951d7154.htm. Accessed 03.2007.

could be charged under Chinese Criminal Law and face penalties. However, the Interpretation 2004[57] clarified this in Article 5, setting the threshold at 1,000 of illegal copies, recently further lowered to 500 copies.[58]

According to the US, the thresholds are set too high and represent 'lack of criminal procedures and penalties for commercial scale counterfeiting and piracy' and as such 'appear to be inconsistent with China's obligations under Articles 41.1 and 61 of the TRIPs Agreement.[59] TRIPs as such does not specify numerical thresholds for triggering criminal penalties nor does it prescribe the exact nature of the remedies in case of IPR infringement. This is however to be expected, since TRIPs acts as a minimum standard setting and it is up to the individual Members, here China, to determine what acts as a "deterrent"[60], which in itself is not precise. Still, Article 217 of the Chinese Criminal Law complies with TRIPs only insofar as remedies are prescribed. For instance, under the current provisions a retailer could stock 499 unauthorised copies of copyright protected material without triggering application of Article 217.[61] Taking the theoretical possibility of 499 copies may not seem high, however in the greater context of the counterfeiting industry, the fact that a single retailer may stock up to 499 unauthorised copies of just one copyrighted material –what about other unauthorised copies?- appears to raise some concerns.

The second complaint deals with disposal of confiscated infringing goods, following removal of their infringing features, by the Chinese customs authorities. The provision for use in public welfare projects or auctioning of said goods[62] is contested by the US as inconsistent with Articles 46 and 59 of TRIPs,as it

[57] Interpretation by the Supreme People's Court and the Supreme People's Procuratorate on Several Issues of Concrete Application of Laws in Handling Criminal Cases of Infringing Intellectual Property, 22.12.2004, www.ipr.gov.cn/ipr/en/info/Article.jsp?a_no=121&dir=200603. Accessed 03.2007.
[58]Edmund L. Andrews, "Piracy Move on China Seen as Near", The New York Times, 07.04.2007, http://www.nytimes.com/2007/04/07/business/worldbusiness/07trade.html?_r=1&pagewanted=print&oref=slogin. Accessed 03.2007.
[59] WTO, Summary of the Dispute to Date, 22.01.2007, www.Wto.org/English/tratop_e/cases_e/ds362_e.htm. Accessed 03.2007
[60] TRIPS Article 41.1.
[61] WTO Case Challenging Weaknesses in China's Legal Regime for Protection and Enforcement of Copyrights and Trademarks, Trade Delivers, 04.2007, www.ustr.gov.Accessed 03.2007
[62] Article 27 of the Regulations of the People's Republic of China on Customs Protection of Intellectual Property Rights, effective as of March 1, 2004, www.customs.gov.cn/YWStaticPage/70212dc3bee3.htm. Accessed 03.2007.

prescribes that the right holder either has to actually buy the infringing goods, or must face the possibility of seeing such goods circulated in the market either through public welfare projects or through auctions, unless 'the infringing features cannot be removed', in which sole case the goods will be destroyed. One could imagine there is little likelihood of infringing goods being re-circulated in the market through welfare projects, thereby compliance with Article 46 'minimise risks of further infringement' and 'avoid harm caused to the right holder' is met. This is not the case however where auctions are provided for, especially since TRIPs Article 59 specifically prohibits that confiscated infringing goods be 'subject to a different customs procedure'.

The third complaint refers to the Chinese criminal procedure and penalties for unauthorised distribution or reproduction of copyright-protected works. The wording of Article 217 of the Chinese Criminal Law, requires that remedies be triggered where both unauthorised reproduction *and* distribution of copyrighted material takes place, Hence, those individuals who commit either one or the other act but not both cannot be penalised under 217 (or 218), which appears to contradict Article 41.1 and 61 of the TRIPs Agreement.

Finally, the fourth complaint regards the absence of copyright and related-rights protection and enforcement for works that have not been authorised for distribution or publication within China.[63] In China, all books, periodicals, and audiovisual productions, amongst other works, that are to be produced, reproduced or circulated in the country are subject to prior restraints i.e. censorship, by the government.[64] This implies that in the interim, between entering the review process and getting approval, nothing prevents counterfeiters from infringing upon IP rights. As such, the US claims this to be inconsistent with Article 41.1 of TRIPs.

[63] Article 4 of the Copyright Law of the People's Republic of China prescribing that 'Works the publication or distribution of which is prohibited by Law shall not be protected by this Law', http://www.chinaiprlaw.com/english/laws/laws10.htm. Accessed 03.2007.

[64] There are elaborate legal prescriptions in place, as to how this review process is to be carried out, for example, see the Notice Regarding the Printing and Promulgation of the 'Measures on the Recording of Important Topics of Books, Periodicals, Audio/Visual Productions and Electronic Publications' of 10.10.1997 under http://www.cecc.gov/pages/virtualAcad/exp/explaws.php#importanttopicslaw. Accessed 03.2007.

The Chinese government has of course responded to these complaints. In a statement issued by the Chinese mission to the WTO, China stressed its ongoing efforts to improve its IPR legislation, which is 'in full accordance with WTO rules'. Moreover, the mission stated that the intention of the US is 'to impose extra obligations on developing members'. In face of that, China will not 'accept obligations that go beyond what is prescribed in the TRIPs agreement' the statement concluded.[65]

Although mainly towards copyright and trademarks protection[66], these challenges reflect USA's general dissatisfaction with Chinese intellectual property rights enforcement situation and its aim of imposing pressure on China to improve it. However, these cases also produce doubts on how constructive this approach is with regard to strengthening Chinese IP protection, as it overshadows Chinese government's efforts and achievements in improving IPR protection and tightening enforcement of its copyright laws[67].

[65] WTO panel to probe US-China dispute on IPR protection. www.xinhuanet.com. Accessed 03.2007.
[66] A short summary of the disputes is given in the report, although the legal analysis of the challenges is not related to patent enforcement.
[67] See the statement of Tian Lipu, the Commissioner of State Intellectual Property Office of China, cited in Ting Low "The China IP syndrome" Entertainment Law Review, 2008 19(1), 12-14.

Conclusion

This report demonstrated how despite the current legal instruments offered to the patentees, multinational patent enforcement remains a complex issue. While, there has been a constant effort to achieve harmonized patent litigation and IP enforcement measures on the way to a uniform international trade community and in pace with globalization, obstacles persist. It becomes apparent that the key problematic as alluded to herein, requires clear and consistent case law, in order to support legal certainty.

It is true that the European Enforcement Directive has succeeded in setting a bare minimum of harmonization in terms of evidence collection and evaluation of damages; however, it does not extend beyond this point. A coherent enforcement of IP rights in multiple national jurisdictions at the European level remains a distant goal. Diverging proceedings are rather the case than the exception, and the various political considerations of national governments taken into consideration by the ECJ as well, make it difficult to arrive at a definitive agreement on a single jurisdiction and even on the admission of cross-border injunctions.

This problem is further perplexed, when the focus shifts to non-European countries, particularly developing countries such as China or India. The central point that emerges from this report is that the issues considered substantial in Europe are far removed from those dealt with in developing countries like India and China. Issues such as the interference of governments to protect national and regional interests, combined with an effort to ensure better access to medicines, jeopardize the compatibility of national legislation with the current TRIPs framework. However, problems in patent enforcement procedures in these countries should be examined in the context of their cultural and social circumstances. Mere criticism and pressure will not help resolve any issues, especially where there are public interests involved.

In conclusion, it is our firm belief that the way towards a more efficient multinational enforcement system shall pass through a redefinition of the current approach. As such, a unified and global system shall not be perceived as a concession that has to be made by the States over their national sovereignty and in favor of individual patentees, but

more as a concession towards the improved efficiency of today's globalized international economy, trade and industry. And of course, this implies a further adaptation of the notion of territoriality, envisioned back in the 19th century, to today's modern economic reality. The possibility for the application of a universal set of enforcement rules is essential as international commerce expands by the day, but what is required is the political will to look beyond nationalism and into the future.