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## WIPO ASIAN REGIONAL SYMPOSIUM ON THE IMPORTANCE OF THE INTELLECTUAL PROPERTY SYSTEM FOR HIGH-TECH INDUSTRIES

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ACTIONS AND REMEDIES AND DISPUTE RESOLUTION MECHANISMS FOR THE  
EFFECTIVE ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS; THE  
ECONOMIC BENEFITS OF COMBATING PIRACY AND COUNTERFEITING

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## INTRODUCTION

The patenting process is a long, complicated, and expensive process. Thus when Intellectual Property (IP) owners commit resources to develop the innovations and protect them with duly issued patents and other intellectual property, issues regarding enforcement should be analyzed. Typically, intellectual property in the form of patents, copyrights, trademarks and service marks, trade secrets, maskworks, geographical indications, and industrial designs is enforced in national or regional courts having jurisdiction to resolve disputes involving such intellectual property. Jurisdiction over enforcement is usually granted to the judiciary by national or state legislation.

In addition to judicial resolution of intellectual property disputes, parties often invoke alternative dispute resolution mechanisms such as local or international arbitration, which may be binding or non-binding. Under binding arbitration, the adverse parties thereto agree in advance that the arbitrator's final ruling will be binding and not subject to judicial review. Advantages of arbitration are that it is typically less expensive than litigation and a final ruling is usually rendered in a shorter period of time. A benefit of binding arbitration is that the final judgment of the arbitrator is final and typically non-reviewable by the courts. In this manner, the typical lengthy periods for appeals are not permitted and the parties must accept the ruling of the arbitrator. This is an advantage for the successful party but may be considered a disadvantage by the losing party.

The present paper discusses actions, remedies, and dispute resolution mechanisms for the effective enforcement of intellectual property rights. The economic benefits of combating piracy and counterfeiting are also addressed. This paper is thus divided into two parts. Part I is directed to actions and remedies for the enforcement of intellectual property rights. Since the majority of actions for IP infringement are filed in courts, Part I of the paper will focus on judicial actions and related remedies. Part II of the paper is directed to a brief economic discussion of the benefits of combating piracy and counterfeiting. This part of the paper is presented from both an individual nation's domestic point of view as well as from an international perspective.

## PART I

### Actions and Remedies for the Enforcement of Intellectual Property Rights

#### A. Preparing for Enforcement

Before filing an action for intellectual property infringement, the IP owner must be sure of his case. For purposes of illustration, the following discussion will focus on patent actions since patent infringement is typically the most complex and expensive, and typically leads to the largest findings of damages — at times in excess of hundreds of millions of dollars.

One of the first tasks in establishing patent infringement is for the patent owner to purchase at least one of the accused products. The accused device is then inspected or reversed engineered to determine with certainty that the defendant's products infringe the claims of the patent. Oftentimes when complex technologies are involved, this process of reading the claims on the accused device is not as simple a matter because fully understanding all technical aspects of the accused product requires a high level of technical expertise.

In further preparing for enforcement, the patent owner will often hire a private law firm to draft a validity opinion and/or an infringement opinion. In a validity opinion, the law firm

first conducts a validity search of the prior art that may not have been cited to the patent office during prosecution of the patent application. The attorney then studies this new prior art to determine with a high degree of certainty that the issued patent is indeed valid over all possible prior art. The patent owner will also usually have the private law firm prepare an independent formal opinion that the accused products or methods infringe the patents at issue.

#### B. Preparing for Litigation

Once a patent owner has determined that its patents are infringed by a competitor's products, the patent owner typically puts the accused infringer on actual notice by issuing a "offer-to-license" letter or a "cease-and-desist" letter. The offer-to-license letter is a relatively non-threatening invitation to initiate business discussions directed at licensing the patent owner's patents. As an alternative to the "offer-to-license" letter, or in the case when such an invitation has been issued but ignored, the patent owner may issue a cease-and-desist letter. This type of letter is usually prepared with consultation from expert patent counsel. It clearly identifies the accused products, for example by model number or trade name, and the patents which are believed to be infringed by the identified products. This type of letter typically concludes with a statement that if the alleged infringer does not cease and desist with the manufacture, sale, or distribution of infringing products, the patent owner intends to sue the alleged infringer in court. If the infringing activity is not discontinued after a reasonable period of time from when the cease-and-desist letter was issued, the patent owner then files its complaint in court.

#### C. Filing a Complaint for Patent Infringement

Once the patent owner has decided to sue an alleged infringer, a complaint for patent infringement is filed in a court having jurisdiction over the matter. The patent owner typically always retains a private law firm having expertise in patent litigation to handle the infringement case. It is the patent litigation attorneys in these law firms who draft the complaint and represent the patent owner before the courts of competent jurisdiction.

After the complaint for patent infringement is filed with the court, the accused infringer prepares and files its answer to the complaint. The defendant's answer typically includes a number of defenses. These defenses usually include non-infringement, patent invalidity, anti-trust violations, patent misuse, and non-enforceability due to fraud or inequitable conduct.

#### D. Pre-Trial Discovery

In U.S. style litigation, a period of pre-trial discovery is conducted before commencement of the actual in-court trial, which may be argued before a jury. Pre-trial discovery is the process of collecting information and documentation from the opposing party by way of depositions, demands for documents, responses to interrogatories, and factory inspections. Both the plaintiff and the defendant are entitled to the court-ordered process of discovery. The demands for discovery are usually issued under the subpoena power of the court. If the opposing party is uncooperative with the discovery demand, the court may issue an order of contempt. This may include jail time and monetary fines.

#### E. The Patent Infringement Trial

Once discovery closes, the parties prepare for trial. Preparation for trial usually includes an active period of motion practice. Dispositive motions are those that would dispose of the litigation if granted in their entirety. Such motions include motions for summary judgment where there are no material issues of fact and the movant is entitled to judgment as a matter of law. Other typical motions include motions by the patentee/plaintiff for a preliminary injunction. If granted, the preliminary injunction will prevent the defendant from continuing the allegedly infringing activity during the course of trial. If a trial is necessary, a jury will be empaneled. The trial then proceeds with opening statements, testimony from called witnesses, and closing arguments. Shortly after the trial is completed, post-trial motions are often filed with the court. The court then issues its judgment - either for the plaintiff/patentee or for the defendant.

#### F. Court Ordered Remedies

If the plaintiff/patentee is successful, the court will order that the defendant compensate the plaintiff/patentee for the damage caused by the infringement. This compensation takes the form of either lost profits when such lost profits can be proven and are not speculative, or compensation based on a reasonable royalty calculation. Under U.S. litigation standards if the infringement is intentional, the damages may be trebled by court order. This trebling of damages is intended to be punitive in nature.

## PART II

### ABriefDiscussionoftheEconomicBenefitsofCombatingPiracyandCounterfeiting

#### A. CostsofPiracyandCounterfeiting

Most economists would agree that the costs of piracy and counterfeiting are undesirable from both a domestic point of view and from the international trade perspective.

When piracy and counterfeiting prevail in a domestic economy, local, state, and national governments are prevented from collecting taxes on what otherwise would be legitimate business activity. In addition thereto, and perhaps more importantly, piracy and counterfeiting have each a chilling effect on domestic research and development (R&D). The intellectual property system provides an incentive for national business organizations to invest in research and development. In many industries, the costs of research and development are high. If a business organization can rely on the IP system for protection, it will then invest in R&D since it can thereby recover its investment by way of profits in the marketplace while preventing infringers from having a "freeride" - that is, selling infringing products without having to shoulder the cost for R&D.

On the international front, when a particular nation is known to have a high occurrence of piracy and counterfeiting, foreign investors may be dissuaded from promoting R&D activities in that nation. Such activities may include forming joint ventures, mergers and acquisitions, distribution arrangements, franchises, licensing, and marketing agreements. The loss of such foreign investment can have a substantial impact on the domestic economy in a developing nation.

B. Economic Benefits of Supporting the Intellectual Property System

Thus in view of the above, one may appreciate that the economic benefits of supporting the intellectual property system are multifold.

Firstly, a strong national IP system promotes the development of national industries by protecting the inventors' markets so that they may recover their costs of developing the innovation without having to worry that free riders will undercut this price since they have no R&D cost to recover.

Secondly, supporting the IP system results in a more orderly and equitable marketplace because consumers are thereby better assured that the products and services they purchase are supplied by reputable manufacturers that are concerned with their reputation for quality.

Thirdly, a reliable national IP system attracts foreign investment. Such foreign investment improves the tax base and typically results in the creation of employment.

And fourthly, a well-maintained IP system facilitates the creation of wealth and employment by giving protectable life and thus economic value to innovation. Intellectual property is therefore a means for increasing economic activity anywhere there is creative human activity - which by some estimations is everywhere.

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