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FINAL PAPER ON THE FORUM ON ENFORCING AND PROTECTING
INTELLECTUAL PROPERTY RIGHTS IN THE COUNTRIES OF CENTRAL
AND EASTERN EUROPE AND THE CIS

Note by the secretariat

Introduction

1. The contents of this report are based on research, interviews and replies from companies and Governments to questionnaires that were specially prepared by the UN/UN/ECE secretariat.^{1/} The purpose of this report is to identify practical, concrete recommendations that can be implemented effectively in the transition economies of central and eastern Europe and the Commonwealth of Independent States (CIS).

2. This report was made available as part of the documentation for the Forum on "Enforcing and Protecting Intellectual Property Rights in the Countries of Central and Eastern Europe and the CIS", 26 October 1998. It was discussed and its recommendations finalized by the Working Party on International Contract Practices in Industry (WP.5) on 27 October. It is reproduced by the secretariat as background information for item 7(a) of the provisional agenda which will discuss the establishment of an advisory group.

^{1/} A copy of the two questionnaires used for this purpose can be found in the annex to UN/UN/ECE Information Bulletin, No 2, August 1998 (TRADE/WP.5/1998/3).

B. MAIN HIGHLIGHTS OF RECOMMENDATIONS (as found in paragraphs 73-76)

- ! The private sector has a role to play in the protection and enforcement of IPRs. Governments and the private sector need to work together to develop the right conditions for effective enforcement.
- ! Laws protecting intellectual property rights (IPRs) can only be effective if they are properly enforced. Many new laws are not enforced because of a lack of resources and/or a lack of will (due to an inadequate understanding of the importance of IPRs) on the part of the authorities and the enforcement agencies.
- ! Domestic companies should be encouraged and assisted to make use of their IPRs.
- ! Better coordination of IPR issues is required at the national level, by the creation of national intellectual property units, special task forces or other such bodies.
- ! An international advisory group, under the auspices of UN/ECE and in cooperation with the World Intellectual Property Organization (WIPO), composed of representatives of both the public and the private sector should be established to develop a constructive dialogue between the private sector and individual Governments and to implement the recommendations of the Forum within the region in a spirit of mutual cooperation and support.

C. NATURE AND SCOPE OF THE PROBLEM: ENFORCEMENT AND PROTECTION OF IPRs IN THE TRANSITION ECONOMIES:

3. Accessible, sufficient and adequately funded arrangements for the protection and enforcement of intellectual property rights (IPRs) are crucial for the economic development of the transition economies of central and eastern Europe and the CIS. Owners of rights must be able to register, buy, sell, transfer, license and enforce their rights in a speedy and fair way, which is not unnecessarily costly or complicated.

4. In the region, however, the ability of rights holders to obtain and exercise these rights is hampered in a number of ways: the slow pace of legal proceedings, the lack of knowledge about and the difficulties and high costs associated with the registration of such rights, the low level of damages and other remedies awarded by courts in cases where rights have been infringed, the weakness and the lack of authority of the customs administrations in tackling the cross-border trade in counterfeits, etc. All companies keenly feel the need for improvement, but in particular the representatives of the following:

- C newly privatized enterprises that need to protect their ownership rights over their intellectual property in their home markets and abroad, and to generate revenue from their sale or licensing;
- C small firms who need a conducive and secure environment from competitors to develop their new ideas into marketable products;
- C foreign enterprises whose goods and services are vulnerable to counterfeiting or copying;
- C joint ventures between domestic and foreign firms to develop technology, share R and D and develop products and processes in high technology industries.

5. The economic impact of weak enforcement and protection is difficult to quantify precisely; however, suffice it to say that as a result of the absence of an efficient IPR system, the growth of these companies' activities and consequently investment, trade and new enterprise development, suffer.

6. Governments are aware of the need to develop an appropriate system of IPR protection and enforcement. There are many related standards, conventions and practices, e.g. the Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement of the World Trade Organization (WTO), various conventions of WIPO and the European Union which set the parameters for Governments in creating such a regime. Problems, however, are found in the enforcement of these guidelines. Many of the institutions responsible for their implementation - the judiciary, customs, police, patent offices, trading standards officials, certification agencies, national prosecutors, etc. - have little or no experience in this area or in the undertaking of a range of completely new enforcement procedures. All this requires capacity building, training and support.

7. The Forum met with a twofold purpose; namely, to identify:

- C The tasks that need to be undertaken by Governments to improve the protection and enforcement of IPRs in the countries of central and eastern Europe and the CIS;
- C The potential roles that a specialized group, involving experts from the public and private sectors and involving the rights holders, under the joint auspices of UN/UN/ECE and WIPO, might play in assisting the Governments of the transition economies in this area.

I. WHAT ARE INTELLECTUAL PROPERTY RIGHTS?

8. Most economists recognize that for markets to work efficiently there must be a well-protected system of property rights. Intellectual property is one component. It consists of new products, designs, etc. whose creators have their rights protected by the law in the form of patents, copyrights, trademarks, industrial designs, etc. which prevent their work from being copied or imitated without their consent.

Patents

9. Patents protect the invention of new products and processes in scientific fields such as biotechnology, electronics, new materials, pharmaceuticals and chemicals. Patent rights are exclusive rights. Once an owner has been given a patent, that right is infringed by anyone who makes, uses or sells an article, or utilizes a process which falls within the scope of the monopoly right granted by the patent for a limited period of time.^{2/}

Registered designs

10. Designs relate to shapes and configuration, including layout designs (topographies) of integrated circuits. The proprietor can protect the shape and configuration or the decorative features of a design provided they are original. Registration gives the owner the exclusive right to manufacture and market any article in respect of which the design is registered for a limited period of time.

Copyright

11. Copyrights protect the authors of creative works such as books, music and computer software. For a copyright work to be infringed there must be copying of the work or of a substantial part of it.

Trade marks

12. Trade marks are words, symbols, etc. for the identification of a particular producer's service(s). A trade mark registration gives the owner the exclusive right to use the mark.

Plant varieties

13. Protection provides *sui generis* exclusive rights in plant varieties based on the model of the 1978 International Union for the Protection of New Varieties of Plant.

Trade secrets

14. Protection is given to confidential information and does not require registration or formalities.

^{2/} Not everything can be patented. The product, process, etc. must be new, non-obvious and useful. In some industries, successful development of new products does not always depend on patenting. Some firms indeed prefer secrecy to public registration. It is important to remember that patent rights are territorial. If an infringing article is manufactured or marketed in a territory where a company has no patent registered, then there can be no infringement in that territory and no redress.

15. Behind such legal terms are assets of great value to enterprises and economies alike. One type of *trademark*, for example, is a company's "brand" which may have become, with globalization, a most sought after commodity. For many enterprises, their "brands" are their single most valuable asset. There is a greater appreciation than ever before of the value of intellectual capital. It has become part of the information economy: companies succeed or fail on the basis of their management and development of these assets^{3/}

II. INTELLECTUAL PROPERTY RIGHTS AND ECONOMIC DEVELOPMENT IN CENTRAL AND EASTERN EUROPE AND THE COMMONWEALTH OF INDEPENDENT STATES

16. All economies, at whatever stage of development, have an interest in the protection and enforcement of intellectual property rights. National economies suffer costs from counterfeiting and copying of goods in the form of export and job losses, losses from tax revenue, etc. Consumers need to be protected from associated health and safety risks. Companies lose direct sales, become exposed to product liability claims and because of constant copying, suffer from the undermining of the integrity of their products. In addition, there are a number of specific reasons why the countries of central and eastern Europe and the CIS, post-privatization, have an interest in establishing an appropriate IPR regime.

17. **First**, many newly privatized enterprises find themselves in a precarious financial position and need to exploit their own intellectual property better. Assets such as patents or trademarks can be used as collateral for raising finance from banks or for revenue raising from their sale or licensing. In the past, such assets generally belonged exclusively to the State, were not traded, and had no real commercial value.

18. **Secondly**, enterprises in transition economies must be able to protect their rights against foreign competitors who might seek to "steal" new ideas and technologies and pass them off as their own in western markets. Transition economies need strong patent offices which can help these companies with domestic registration and filing of intellectual property and with advice on registration and filing abroad.

19. **Thirdly**, enterprises need to undertake more research and development. To date, the economies in eastern Europe and the CIS suffer from a lack of value-added production. As a general trend, in an effort to survive enterprises have focused their production on low value-added products using cheap labour or natural resources. However, their long-term economic success will have to be built on fast-growing, modern, high technology industries rather than cheap labour and natural resources. They will need to build advantages in a technology-based and knowledge-based economy and derive a greater proportion of the value added in

^{3/} See "Intellectual Capital: The New Wealth of Organisations", Thomas A. Stewart, Doubleday, 1997.

their economies from innovation - not only in respect of products, but also in respect of processes and their application; and not only in respect of manufacturing but also in services.

20. **Fourthly**, a better quality of foreign direct investment and transfer of foreign technology and know-how is required if this restructuring and technological upgrading is to be achieved.

21. **Fifthly**, enterprises in eastern Europe and the CIS must find ways to enter into the strategic alliances that have been forged in recent years between large companies in most high technology industries such as computers, semiconductors, software, telecommunications, biotechnology, etc. Participation in these alliances has become an important element in the integration of transition economies in the global economy. Companies who seek entry into these alliances must have something to bring, i.e. a new product or process and they must have secure legal ownership over their assets.

Enforcement of IPRs has contributed to the success of the Indian Software Industry

India has adopted various tools for enforcing IPRs in India, including the amendment of the Copyright Act thus making it one of the most stringent acts in the world. This active support by the Government has increased the appreciation of the significance of IPRs and fostered growing relationships with international customers.

<u>Year</u>	<u>Percentage of piracy</u>	<u>Software industry revenues</u> (in millions of rupees)
1993-94	89	17,150
1994-95	76	26,050
1995-96	68	41,900
1996-97	63	63,100
1997-98	60	104,000

Source: NASSCOM (National Association of Software and Service Companies, India).

22. None of these goals - raising funds, transfer of technology, higher value added production, more R&D - can be fully realized unless the IPR regime offers adequate protection and enforcement. While it is true to say that most of the foreign direct investment (FDI) that has entered eastern Europe and the CIS would have come irrespective of IPR enforcement, the higher quality FDI that is required will be deterred by an inadequate IPR regime. In the same way, R and D is undertaken even where weak enforcement exists because there are many non-commercial reasons why inventors invent new products and processes. Generally, however, investors will not make investments in R&D where there is a relatively high risk that the invention will be stolen. There is thus a strong case for improving the IPR regime. An effective IPR regime is an essential ingredient to success for a higher quality of FDI and a better quality of trade and investment.

In the conditions existing in many transition economies - unclear ownership rights, limited access to financing, prevailing insecurity - the best security for enterprises is, in all cases, to acquire patents and other relevant rights over their intellectual property.

III. NATURE OF THE INTELLECTUAL PROPERTY RIGHTS SYSTEM IN CENTRAL AND EASTERN EUROPE AND THE COMMONWEALTH OF INDEPENDENT STATES

23. The Governments of central and eastern Europe recognize the important economic benefits that can arise from an appropriate and an investor friendly IPR system. New laws have been enacted in support of such a system. But there has been in the region, as elsewhere, a hiatus between the enactment of new legislation in this area and its enforcement through the necessary legal institutions and enforcement agencies etc. This hiatus, or gap, is caused by the lack of resources that Governments have for enforcement, or a lack of will or awareness, or the sheer pressure they face from other priorities on their policy agendas.

24. The size of the gap varies considerably amongst the countries in the region:

- C In some, particularly in central Europe and the Baltic States, progress has been made although there is still work to be done.
- C In others, particularly in some CIS countries, more work is especially needed on the training of the right personnel in enforcement and the development of IPRs in a market-oriented way.

25. As a result of this gap, or hiatus, the IPR regime in the transition economies has a number of important characteristics.

Prevalence of infringements

26. *Copyright infringement:* The piracy of audio-visual material and software has been among the most frequent forms of IP infringement. Foreign and, increasingly, domestic companies are suffering from the absence of adequate enforcement. According to Business Software Alliance (BSA), the piracy rate of the transition economies as a whole was 77 per cent in 1997 compared with the western European region rate of 39 per cent. The countries with the highest rates were Bulgaria(93%), the CIS less the Russian Federation (92%), and the Russian Federation (89%). ^{4/}

27. *Trade mark (brand) infringements:* This is the most common type of infringement and it frequently affects companies with world-renowned labels. The newness of registration has also been a source of problems. In Russia, for example, the new office for registration has operated on a *first to file* basis, which has resulted in a "business" of registering trademarks, both foreign and

^{4/} Business Software Alliance (BSA) world-wide members include Adobe, Autodesk, Bentley Systems, Lotus Development, Microsoft, Novell and Symantec. Additional members of BSA's policy Council include: Apple computer, Compaq, Digital Equipment Corp., IBM, Intel, Intuit and Sybase.

Russian, and then offering them back to the original owners for a ransom. This practice has become quite widespread because the legal means to oppose such practices are inadequate.

28. *Patent infringements*: Except in the case of the pharmaceutical companies, where there is a problem to be addressed, such infringements are not so frequently mentioned in the transition economies. However, there is increasing evidence of infringements of the patents of eastern European rights' holders in the west.

29. *Trade secrets*: Persistent infringements by former employees of western companies and joint ventures in the transition economies have been reported.

30. Other overall characteristics of IPR infringement that have been noted:

C Infringements often tend to be large scale in nature and organized by criminal gangs. More recently, large local customers have directly ordered counterfeits from Asian countries, showing an ability: to obtain supplies from far away, without intermediaries; and to provide the manufacturer with the necessary instructions (designs etc.) These larger local customers who are willing to invest in counterfeit goods tend, in contrast to earlier patterns, to be genuine "entrepreneurs", not criminal organizations.

C It is difficult to characterize the problems in the region as being either one of the manufacture of counterfeits and copied goods or simply of the distribution of goods manufactured elsewhere. Many pirated software goods and designer clothes are imported from Asia; and the Baltic countries have become important transit routes in this trade. Other types of goods, such as pharmaceuticals and alcoholic beverages, are manufactured locally. Indeed, some of the local manufacturers have themselves become exporters of counterfeits to other regions. Manufacture of goods occurs everywhere but southeast Europe was particularly identified as an important location of the production of copied and counterfeit goods.

C Infringements of IPRs in central and eastern Europe and the CIS are generally more frequent than in other regions, although some of the central European countries and Baltic countries have recorded major improvements.

C Local officials are reported to be involved in some of these activities.

Brain drain

31. Uncertainty over whether innovators and entrepreneurs can receive rewards from developing their new ideas leads to the physical movement of persons to countries where enforcement and protection is more secure. In Bulgaria, there has been an exodus of experts in computer software to other countries, particularly the United States and Canada. There are, of course, other reasons to explain this "brain drain" phenomenon, e.g. quality of life, financial opportunity, and technological infrastructure but the issue of enforceable IPR standards not being at a sufficiently high level is a major factor in explaining its prevalence in countries in the region.

Limited transfer of technology from the west

32. The weakness of legislation for protecting trade secrets has affected the nature of technology transfer into eastern Europe and particularly to CIS countries where, for example, weaknesses have been identified in Ukraine and the Russian Federation. Enterprises are not introducing the latest technologies for fear of their being stolen by employees. Laws on joint ventures are also unclear about the rights of ownership and the powers of the domestic partner to use the IP of the foreign partner. As a result of such weaknesses foreign enterprises are reluctant to locate their R&D activities in the region.

Relatively little use by domestic firms of trademarks and patents

33. Few domestic companies bother to register patents or trademarks because of poor enforcement. In Belarus, for example, less than a hundred applications are filed annually. Poor enforcement is the main disincentive because potential IP holders are afraid of incurring high legal charges for litigation in order to enforce their rights. Some change has taken place, however, in Russia. There the number of resident as opposed to non-resident firms filing patents and registering trademarks has been increasing as domestic companies begin to use their intellectual property increasingly for raising finance. Intellectual property rights (or licences) are often contributed as the foundation capital to new businesses or joint ventures in the form of patent rights, trademarks, copyrights.^{5/}

34. Overall, domestic companies do not recognize the value of their intellectual property as much as their western counterparts do. Even in Russia, where awareness of the value of IPRs is growing, western companies are far more active in enforcement. This is because: (a) they regard their IP rights as more valuable than Russian companies and also because failure to protect their rights in one jurisdiction may adversely affect similar rights in other countries; and (b) there is a deep-seated distrust in the law enforcement systems inherited from the time of the former Union of Soviet Socialist Republics, which is not easy to overcome.

^{5/} Licensing and assignments of brands is increasing and by some estimates is being done nearly as much by domestic companies as foreign ones. In general the number of resident applications to register trademarks has increased markedly. Some 10 to 15 years ago Russian applicants filed annually about 3,000 to 5,000 trademark applications, of which about 60 per cent were those of foreign companies. Now this number is about 15,000. In total, from 1992 to 1996, Russian applicants filed 75,050 applications to register trademarks. For comparison sake, the number of for patents or trademarks. The picture is similar when examining the number of enterprises from the transition economies that register their IPRs abroad. In the United States, in 1993 only one transition economy - Hungary - was found among the top 20 foreign countries whose residents received a United States patent. trademark applications in the same period filed by foreigners constituted 49,578 including those filed under the Madrid Agreement, which amounted to around 40 per cent of the total.

35. Nevertheless, the total number of those registering IPRs in Russia is small in relation to other countries according to data produced by WIPO. Elsewhere in many transition economies, non-residents far outnumber residents as applicants for patents or trademarks. The picture is similar when examining the number of enterprises from the transition economies that register their IPRs abroad. In the United States, in 1993 only one transition economy - Hungary - was found among the top 20 foreign countries whose residents received a United States patent.

IV. WAYS AND MEANS OF IMPROVING THE PROTECTION AND ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS IN THE TRANSITION ECONOMIES

Overall objectives and general principles

Partnerships between the public and the private Sector

36. Governments can do much to improve the protection and enforcement of intellectual property rights, but because this involves new resources, specialist knowledge, training, etc., the burden needs to be shared with the private sector in a partnership. However, to be effective, such a partnership needs careful consideration and planning.

37. The private sector can assist officials in training, in learning to identify counterfeit goods, in raising awareness on the value of brands to companies, etc. but they need to see something in return from this effort. They often help enforcement officers but are frustrated when the police, customs, etc. are sometimes reluctant to inform them afterwards of the outcome of processes undertaken to uncover IPR infringements. By the same token, if governments do help in achieving better enforcement they will want to see commitment from enterprises in the form of greater trade and investments. Partnerships have to be a two-way process. They do not need to be formal, but the parties have to understand their respective roles.

"Sustainable enforcement"

38. The issue of enforcement involves more than strengthening and tightening enforcement procedures. Enforcement should be made "sustainable" by building up a local "clientele" of businesses able and willing to support enforcement of IPRs themselves. "Sustainable enforcement" implies encouraging domestic enterprises to become aware of the need to protect and enforce their intellectual property rights by assisting them in building their capabilities in the very industries where IPRs are infringed, namely the software, audio-visual, fast-moving branded consumer goods sector, pharmaceuticals, etc. Orders of closure on illegal CD-ROM manufacturers, for example, will only remain in force if local companies and/or legitimate domestic production are encouraged in their place. Success has occurred in Poland, Estonia, etc. because local enterprises have been in the forefront of raising enforcement problems with local agencies. Without sustainable policies there is more likelihood that, after some time has elapsed, the problems will reoccur.

39. Thus, the objectives for a programme to protect and enforce IPRs must focus simultaneously on:

- (i) countering copying and counterfeiting in those industries where infringements have occurred;
- (ii) developing the domestic industry's use of IPRs.

TRIPS Agreement

40. There are already major standards and conventions for constructing appropriate IPR regimes, which should form the basis for legislation; there is no point in "reinventing the wheel". Efforts have, for example, been made in the TRIPS agreement to establish standards concerning the enforcement of IPRs (Part III: Articles 41 to 61). All enforcement procedures must meet a number of general obligations in order to ensure effectiveness and due process. In addition, the Agreement provides for general safeguards, injunctions, damages, border measures, provisional measures and criminal penalties to ensure fair, effective and equitable proceedings.

41. However, the Agreement does leave discretion to policy makers and some of the provisions are written in relatively general language, which may give rise to problems of interpretation. In addition, there is a transitional period available to many transition economies before they are required to implement the TRIPS agreement. ^{6/} In fact, the Czech Republic has been the only country from the transition economies that has not exercised the option of using the four-year transition period for implementing the WTO Agreement on Trade Related Aspects of Intellectual Property Rights.

A. Priority tasks

42. The tasks, which should be tackled as a priority, are the following:

- C Establish the legal basis
- C Create real deterrence
- C Obtain more resources
- C Counter blatant infringements
- C Secure border crossings

Establish the legal basis

43. Nothing can be secured until all the laws protecting IPRs are on the statute book. Copyright laws, patent laws, trademark laws, etc. should be updated and enacted as quickly as possible. In addition, WIPO conventions must be complied with and ratified. Much progress had been achieved but there are still some gaps, e.g. trade secret laws, which act as a disincentive to foreign companies to transfer their latest technologies. Less progress has been achieved generally with regard to the enabling legislation designed to give powers to enforcement agencies to protect IPRs.

^{6/} There is concern that not enough is being done to help countries with compliance in the deadline set under the agreement.

44. Enforcement of actual laws remains the most difficult area. Judges have often little experience in dealing with cases of intellectual property violations. Quick action that can help those bringing cases under the laws is not always available. Preliminary or interlocutory injunctions for example, should be provided so that rights holders do not suffer losses while waiting for the outcome of civil proceedings. Obtaining evidence and gaining access to information about the violators of rights is often very difficult. Under these circumstances, provision should be made to permit them being obtained *ex parte* (i.e. without notice to the defendant) after a hearing held *in camera* (i.e. in closed court or a judge's chambers). With regard specifically to the transition economies, it is important that right holders receive quick information in *English* or another language commonly used in international trade. Some cases have occurred where the rights holders have been informed in the local language by local customs service that a seizure has occurred and that they have a few days to assign the case before the local tribunal. However, invariably, the rights holders were not able to understand the messages until after the terms had expired and the goods had been released.

45. In addition, other types of injunctions can be used to ensure that those involved in counterfeiting and copying do not abscond or dispose of their assets before the proceedings against them are completed.

46. It is essential to have access to complete and accurate information with regard to the laws and regulations in any country where IPRs are or may be infringed. In many CIS countries, even with assistance of local counsel, it is very difficult to obtain information on the titles of basic IPR legislation, let alone obtain access to the texts of those laws. It would be helpful if these laws, as well as procedural codes, could be made available in English. It is also essential that all important administrative and judicial decisions relating to infringement of intellectual property rights are fully reported and made available to the public. Reporting of administrative and judicial decisions is common in many jurisdictions and provides a ready means of objective invaluable guidance to IPR owners and their legal advisers.

Create real deterrence

47. Sufficient remedies are required if the enforcement systems in transition economies are to be strengthened. The remedies should involve closure of operations, as well as sufficient compensation, so that damages are awarded which restore the plaintiff to the position it would have had if the infringement had not occurred. This compensation can be made as a transfer of a sum of money equivalent to the profit made by the defendant from the infringement. Experience has shown that financial penalties have been among the most successful deterrents, as seen in Bulgaria where the fines imposed worked in deterring criminals who had undertaken the activity for financial gains.

48. The TRIPS agreement obliges contracting parties to "provide for criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale".^{7/} Custodial sentences are available in many jurisdictions but are not in use in the transition economies. Given the growing links between counterfeits and organized criminal gangs throughout the region, it is important that criminal law and custodial sentences are used.

49. Care, however, should be taken so that the enactment of new legislation does not undermine the liberal and open nature of the trade regime. In some jurisdictions, in order to tackle copying, the Government has resorted to the practice of issuing licenses in industries where these practices regularly occur, e.g. companies involved in CD production or in the import and export of equipment for manufacturing of optical disks.

Obtain more resources

50. Existing staff resources are often not adequate to meet these enforcement demands i.e. detection raids, criminal prosecution, etc. To this end, new bodies on a *pro tem* basis might be established or be reassigned in order to alleviate the problem and the burden on the regular administrative officials who carry out this work.

Counter blatant infringements: tackle the counterfeiters on the streets

51. All blatant signs of counterfeiting must be addressed by firm action. There is no point in undertaking capacity building, e.g. establishing patent offices etc., if most blatant forms of infringement, such as the sale of counterfeit goods, is taking place freely on the streets. Overall success depends on eliminating the most visible signs of a weak IPR regime.

Secure border crossings

52. Customs often lack the necessary resources to deal effectively with the importation of counterfeit or copied goods. The TRIPS agreement, it should be recalled, established that the customs services have an important role in fighting IPR infringements. It is, however, unfair to leave all the burden of recognition of counterfeit goods on customs. A system that would make it obligatory for trademark owners to register their trademarks with customs and to provide the name and address of authorized shipping companies and of their licensees and/or distributors, would make it possible to reduce the difficulties of local customs officers in identifying counterfeits. To this end it is helpful if customs establish close relations with the rights holders, for example, through a memorandum of understanding. Customs, too, can assist in the process of convicting those involved in the illegitimate trade, to establish evidence against the party and to identify the importer behind the trade. The World Customs Organization (WCO) is active in this area.^{8/}

^{7/} Article 6.1 of the GATT Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement).

^{8/} Article 6.1 of the GATT Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement).

B. Enabling measures

53. Enabling environments which facilitate undertaking these measures also need to be created and consist of the following:

- C Supportive government policy statements**
- C National coordinating units**
- C Standardisation and certification officers**
- C Education and training**

Government policy needs to be supportive

54. Governments may consider it useful to issue pronouncements on the need to protect and enforce IPRs. Policy must address: the widespread lack of information; lack of education; poor management of resources among enforcement agencies; and the absence of a working partnership with the private sector. Many countries, as part of their association with WTO and the TRIPS agreement, need to take greater interest in the development of such a policy and, as part of this process, need to make their public/consumers more aware of this issue. Such statements are valuable for demonstrating the importance of IPRs to the economy.

55. Some very simple steps could be taken to ensure that those engaged in commerce are aware of the existence of IPRs and the penalties for infringement:

- !** A notice could be distributed to all directors and managers of state and private enterprises providing basic information on the nature and scope of IPRs and the penalties for infringement. Such a notice would direct the recipients to the relevant government agencies for further advice and information regarding existing intellectual property rights of third parties.
- !** A notice such as that described in the above could be delivered to the promoters of all new enterprises.
- !** Enterprises seeking export licences should be provided with a similar notice to that referred to in the above and warned against undertaking contract manufacture without making full enquiries as to the right of the contractor to authorize the use of a trademark, copyright or design, or the use of technology that might infringe patent rights.

Establishment of a national body to coordinate intellectual property matters

56. It can be useful to establish within the government administration a body, commission or special unit that would coordinate all matters dealing with IP issues, economic development, enforcement, anti-piracy, etc. Such a body, where established, has proved effective. It should ideally consist of representatives of all the ministries that have an interest in the area - culture, justice, trade, industry, health etc. - a representative from the country's investment promotion agency, as well as foreign investors, representatives of local business, local experts and academics. This coordinating body would have the following functions:

- C To propose actions related to compliance with TRIPS, WIPO, European Union norms, conventions/standards and to make recommendations to the Government on revisions to its IP legislation.
- C To coordinate the advice and information received from multilateral agencies.
- C To give out information on legislation on IP matters including on judicial decisions relating to the same.
- C To recommend and to supervise the allocation of resources to where they are most needed in IP enforcement.
- C To develop a policy of innovation that supports SMEs and new industries.

57. In some countries these special IP bodies have been created under customs and excise. 9/ Nearer to the region, a special body has been established with success in the Czech Republic and in Estonia. 10/

Enhanced role of standards and certification officers

58. To recruit more resources to the task of enforcing intellectual property rights the role of standards and certification officers could be broadened to include the withdrawal of counterfeit products from local markets. A model agreement might be prepared between enterprises and public authorities, so that foreign companies can enlist the support of these officers to track down and remove offending articles. The UN/UN/ECE Working Party on Standardization could play a useful role in this area by establishing a model agreement between investors and standards officers.

Education and training of persons involved in intellectual property rights enforcement

59. The training of customs officials, patent officers, prosecutors, lawyers, etc. in IP matters is an expensive but very necessary undertaking in countries where laws have changed only relatively recently. People with responsibility for IPR matters need adequate training. Lawyers, Patent Attorneys and other service providers must

9/ In Hong Kong such a body has been strengthened and has powers to raid suspected sites at the production level as well as the retail and distribution levels. The officers in such raids work closely with the police. In tandem, these bodies appear impressive. In the first year alone, the territory's enforcement agencies seized more than 28 million suspected pirated optical disks.

10/ In Estonia, the Government, in an effort to combat piracy and counterfeiting in audio-visual activities, set up a commission of experts in 1997 to advise Government on its policy, to prepare draft changes in legislation and to advise police action where it is most effective. The commission consists of representatives of different ministries. It is the nearest thing to such a body and consideration, given its success, to make it permanent and give it a full coordinating and monitoring role will be influenced by the availability of resources.

be properly equipped to provide accurate information and proper guidance to their clients as to the operation of their national IPR system.^{11/}

60. Education for legal service providers should include:

- ! Specialist training and education with regard to national laws and regulations. This would include special education in relation to new legislation and regulations, as well as a system of continuing professional education for those wishing to practice in the intellectual property field.
- ! Direct training for enforcement officers (anti-monopoly committee; police; customs) as to their practices and procedures. This is particularly important when there is no opportunity to gain experience, as is the case in almost all the CIS countries at present.

61. It is important that all those dealing with IPR enforcement within public agencies, including the judiciary, receive regular training in relation to national laws, regulations and procedures. Individual agencies should also be regularly briefed on the roles and responsibilities of other agencies concerned with IPR enforcement. Even a basic understanding would facilitate cooperation and, therefore, the better use of resources.

62. Ideally, senior personnel should also be given the opportunity to improve their knowledge and understanding of the international aspects of counterfeiting and the multi-jurisdictional investigation and enforcement strategies that must be applied to combat counterfeiting.

63. In emerging markets the education of consumers, police, public administration and new business has been a useful tool in combating weak enforcement (e.g. a court case on IP infringement screened recently on Chinese television).

^{11/} A particular difficulty that arises in the CIS countries, which is due almost entirely to the transition, is that there has been a stratification of skills among service providers so that no one professional is adequately equipped to deal with IPR enforcement. There are patent and trade mark attorneys, most of whom have come out of the former Soviet intellectual property administration where there were concerned exclusively with the acquisition and maintenance of registered rights, at least in respect of patents and trade marks. While such individuals are familiar with the basic rights themselves, and may also have scientific qualifications, they have had little education and often no experience with civil, criminal, or administrative procedure advocacy. Such experience can be found among many lawyers who have, however, no basic understanding of intellectual property. It is important that ways be found to cross-fertilize these various skills areas so that clients can have ready access to professionals with all the relevant skills.

C. Sustaining progress

64. Removing the copied goods and counterfeiters by the measures described above, although necessary, will not provide success, which is sustainable, unless backed up with a number of measures aimed at longer-term development.

Promotion of Use by Domestic Companies of Intellectual Property Rights

65. A strategy for enforcement of IPRs should include measures to promote innovation and IPRs within local business. This programme would address the following: the means and the methods to file for patents or register their trademarks; the methodologies for valuing IPRs to show how trademarks, patents, etc. can be valued for effective commercial exploitation; on using international experience to assist domestic companies develop their own brands, trade marks; on how proprietary knowledge can be used to raise funds for companies as collateral, or through licensing, etc.

Increasing Small and Medium-Sized Enterprises' access to IPRs

SMEs, because of the high costs and lack of knowledge, need assistance from local patent offices to develop the use of patents and trademarks. In some countries, patent offices are being transformed into IP "shops" so that SMEs have easier access to their services.

66. Local companies have proved most effective in improving enforcement of IP rights as they are ideally placed to put pressure on the authorities to act. There needs to be a better understanding on the part of the business community, the public and the Government that protecting IP is in their own best interest and not just to please the west or WTO.

Making Patent and Rights Offices more Business Friendly

67. Governments must help their domestic companies to develop their IP capacities. Patent offices are rapidly becoming more business friendly in their operations. Knowledge and information about these new practices should be transferred to their counterparts in the transition economies. The work of WIPO in this area is useful.

Cooperation with the domestic private sector

68. National associations should be set up to promote IP protection and compliance in close connection with public authorities, for educating business partners and customers, and for training public servants on enforcement. In October 1997, a Russian Association of Trademark Owners was formed at the initiative of the Agency for Patents and Trade marks (ROSPATENT). Founding members

included Russian brand-owners such as Soyuzplodimport (vodka), Krasny Oktyabr (confectionery), and Maisky Chai (tea) which own marks that are well known in Russia. This Association is still in its formative stage, but could eventually become a source of internal pressure to improve enforcement. Other organizations are now working successfully in Poland and in Estonia.

Cooperation between Governments in the region

69. Much needs to be done between Governments if more progress is to be achieved. This will involve cooperation among the transition economies and with their neighbours where the sources of counterfeit goods production are often found. The experiences of the central European and Baltic countries are very important for CIS countries which have much more to do in order to establish IP regimes that meet the required standards. Among CIS countries, too, advances are obvious, e.g. Ukraine, and this process can be accelerated by better communication among Governments.

V. INTERNATIONAL SUPPORT FOR IMPLEMENTING THE INTELLECTUAL PROPERTY RIGHTS AGENDA

70. Both multilateral and bilateral assistance provide many programmes, which have assisted the transition economies in improving the protection and enforcement of intellectual property rights. Special mention should be made of the following:

- C Fixing standards The WTO-TRIPS agreement set minimum standards for enforcement. It gives powers to Customs. It extends the scope of IPR enforcement. Countries have been given assistance in meeting the needs for accession and hence TRIPS compliance. It has a dispute resolution system, which has been brought into being as a result of the Uruguay Round Agreement. WTO, however, does not provide countries with evaluations of whether their regimes meet the required standards.
- C New legislation The EU PHARE and TACIS programmes, along with bilateral aid donors, have assisted countries with audits and drafting new intellectual property legislation. The five-point EU TACIS programme on IPR is worth noting:
 - Conducting reviews of the current legal framework in the Newly Independent States and providing legal advice on changes that need to be introduced.
 - Assessing existing administrative and enforcement structures.
 - Providing continuous assistance to the new structures.
 - Assisting in a public awareness campaign.
 - Supporting development of necessary databases.

71. In addition, several CIS countries have benefited from WIPO assistance in drafting IP laws which implement WIPO Conventions.

- C Training has been provided by WIPO/WTO as part of a technical assistance programme to help countries meet the criteria for compliance with the TRIPS agreement. Other bodies are becoming more active in specific branches of

enforcement which are critical for success. WCO provides training and support to various transition economies.

72. These efforts are important but the budgets are relatively small, the subject area is huge - enforcement deals with infringements in copyright, patents, designs, trade secrets, computer software, etc., all with special problems and requirements, and the geographical area that needs to be covered is vast. Therefore, much remains to be done. There is no doubt that the agenda for action mentioned above is being implemented, but the pace tends to be rather slow, with gaps and an often ad hoc and unsystematic implementation.

VI. RECOMMENDATIONS OF THE FORUM

73. There is a need to fill the **GAPS** in these international cooperation efforts, particularly in the following areas:

- C Private companies individually play a limited part in international efforts on IP issues and could do more. However, their voice tends to be rather fragmented and they lack the right channels through which they can make an effective contribution. For example, through specific industry associations such as in music, software and films where an association-oriented strategy has been quite successful.
- C Training in crucial areas is weak, e.g. for judges; more could be done in this area.
- C Governments and their enforcement agencies within the region do not cooperate sufficiently. In view of the international nature of trade, the problems identified above need to be tackled on a regional basis.
- C The economic development aspect of IPR promotion is given insufficient attention. Trade and investment will be enhanced by an effective IPR regime - but little is being done to encourage its use, the development of SMEs in innovative areas, or in building links between universities and the private sector (as is done extensively in the west). This is very important, because without a domestic constituency, support for enforcing IPRs and the sustainability of such actions could be put at risk. It is not sufficient in the climate of the region to close illegal production; it is necessary to make a significant effort toward building business activities that can take their place.

74. The Forum recommends, in order to bridge these gaps, the following **ACTION**:

- C The creation of an advisory group, under the joint auspices of UN/ECE and WIPO, for the protection of intellectual property rights within the region with representation from both public and private sectors to ensure follow-up to the Forum's recommendations.

- C The holding of consultative meetings with individual governments to assist in their enforcement efforts and to discuss problems with relevant officials. (This will give Government officials and enforcement bodies an opportunity to discuss experiences from other countries with officials from neighbouring countries in the region. Many central European countries have made enormous strides, and meetings organised in these countries could also focus on presenting positive experiences to countries where progress has been less marked.)

- C The preparation of reports covering the status of: (i) protection of IPR rights and (ii) the economic contribution of IPRs. These would be prepared by members of a task force established to visit the country before the consultative meetings take place. These reports on developmental opportunities in innovative and high technology sectors would also provide good exposure and information to potential investors in the country and could become important investment promotion tools.

- C The development of technological partnerships between domestic and foreign enterprises that are based on sound and efficient IP protection (through meetings and seminars with universities, small business associations, patent offices etc.).

- C The holding of seminars on IP issues and training for enforcement officers in cooperation with relevant international bodies such as the ICC, and WCO. A major effort should be aimed at the training of judges and other appropriate officials in the area of intellectual property enforcement. Seminars on specific issues related to specific sectors e.g. pharmaceuticals could also play a useful part in raising awareness of the importance of IP issues to economic development.

75. This action should be properly inserted in the overall technical assistance efforts that are being undertaken by EU, WIPO, WCO, etc. and be designed to assist and implement their work in IPR. Accordingly, the proposed joint UN/ECE and WIPO group should cooperate with other international organizations and liaise with them in the following:

- ! Assist each country with implementation of the TRIPS, as well as with the specific recommendations of the Forum.

- ! Liaise with WTO, WCO and the European Union on the progress and experience of enforcement of IPR rights in the region.

- ! Help others such as the EU PHARE and TACIS programmes, bilateral assistance programmes and WTO to identify areas where assistance is needed.

- ! Prepare a set of best practices for business-friendly national IP institutions in order to be used by countries in the region.

- ! Explore the options for improving training, information and coordination on IP matters in the region with the objective of raising standards and improving the climate for trade and investment.

76. This advisory group should report on its progress and activities to both the UN/ECE Working Party on International Contract Practices in Industry, which will be responsible for its activities, and the World Intellectual Property Rights (WIPO) with whom it shall work in close cooperation and be accountable to the member governments of UN/ECE, with a view to ensuring close cooperation with EU, WTO and other international organisations involved in IP rights.

77. These **RECOMMENDATIONS** are designed to achieve the following:

- ! A higher quality of trade and investment and a more secure environment for the protection of intellectual property rights.
 - ! The building of trust and confidence between Governments and the business community over the promotion, enforcement and protection of intellectual property.
 - ! Greater cooperation with the private sector to ensure the success of EU, WIPO, WCO and WTO objectives.
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