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Response to public consultation on the state of intellectual property protection and enforcement in third countries

Introduction

DIGITALEUROPE wishes to flag the following specific issues relating to IPR protection and enforcement that are less than ideal in some third countries. However, this does not mean that the general IPR protection and enforcement regimes in all these countries are systemically problematic.

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China

Patent subsidies

Subsidies for patent applications and granted patents are a concern because they result in artificially high numbers of applications of dubious quality. This makes it extremely difficult for reliable good faith monitoring of third-party patent rights and distinguishing enforceable patents that genuinely need to be respected.

It is acknowledged, however, that there has been some tightening of government policies concerning the grant of the subsidy and adopting measures to ensure the quality of patents. For example, in *Several Opinions on Improving the Quality of Patents in Colleges and Universities to Promote the Transformation and Application* published by the PRC's Ministry of Education, Ministry of Science and Technology and SIPO on 19 February 2020, the three authorities require Chinese universities to stop offering subsidies for pending patent applications, and greatly reduce and gradually cancel subsidies for granted patents.

Patent damages

Where it is difficult to determine the losses suffered by the patentee, Art. 65 of the Chinese Patent Act poses a cap of ¥1 million (€150,000) for statutory damages. Statutory damages only apply when damages cannot be determined based for example on revenues from infringement, lost profits or other related aspects as prescribed in the legislations. The recently enacted 4th amendment to the Patent Act has raised this cap to ¥5 million, but such amount is still relatively low (about €650,000).

It is acknowledged, however, that there is some scope for awarded damages to be increased thanks to the discretion that Chinese courts have over the amount of damage award, such as by rendering damage awards exceeding the above statutory damage awards. The recent amendment of the Patent Act has also increased the limitation period from two to three years. However, a limitation period of five or six years would be more in line with European limitation periods.

Proof of patent infringement

It can be difficult to prove patent infringement in situations where a notarised purchase of the infringing products is not feasible. It would be desirable to ease the evidence on notarisation requirements.

Design and utility models

A major concern is the high number of utility models in China. A study by JZMC Patent and Trademark Law Office and Bloomberg in 2018 found that less than a quarter of new domestic patents in China were to new inventions, the rest were for design and utility models. Further, nearly 91 percent of new design patents were discarded within five years because their owners apparently deemed them not worthy of renewal.

Stricter enforcement criteria should apply particularly to utility patents. For example, during enforcement proceedings the court can request a patentability report from the China National Intellectual Property Administration (CNIPA). If the report is not provided the only consequence is that the proceedings are stayed. It would be preferable if failure to produce a patentability report resulted in withdrawal or nullification of the complaint.

Brand protection: counterfeiting and piracy

Recent reforms are aimed at creating a more transparent and effective system regarding IP protection and enforcement from a brand protection perspective in China. The government has introduced broad changes to its agencies responsible for IP-related matters. China has also embarked on judicial system reforms as well as reviewed and/or amended its IP legislation including its e-commerce law. For example, the new e-commerce law introduced inter alia joint liability for e-commerce platforms and counterfeiters who fail to 'take the necessary measures' to prevent and stop sellers from infringing IPR. The practical impact of the recent changes remains to be seen.

We note that China continues to be the leading source of counterfeit and pirated goods.¹ The OECD reports that 80% of counterfeit and pirated goods that are seized worldwide originate from China. China also continues to be listed in the *Special 301 Report*, issued by the Office of the US Trade Representative. Finally, Chinese brands continue to be present on the *Out of Cycle Review of Notorious Markets Report*. Continuous efforts by China towards decreasing the counterfeit market are essential. This should include further facilitating IP holders to bring cases against counterfeiters before Chinese courts, ensuring adequate penalties and adopting as well as enforcing measures to effectively discourage repeat infringers.

¹ OECD/EUIPO (2019), *Trends in Trade in Counterfeit and Pirated Goods, Illicit Trade*, OECD Publishing, Paris/European Union Intellectual Property Office, available at: <https://doi.org/10.1787/g2g9f533-en>



India

Patent formalities

Many formality requirements, some unique to India, have to be met during the filing and examination of a patent application in India on penalty of losing the patent application altogether. For example, the new shortened time limits (six months from first office action to acceptance) put undue time pressure both on examiners and applicants. Relaxation of the strictest formality requirements would be helpful for the patent system in India.

Patents: statement of working

There is a statutory obligation under Indian patent law to file, for each Indian patent, an annual statement regarding working in India of the respective invention during the previous calendar year. This is done on Indian patent office Form 27. There is currently a proposal to amend Form 27, but the proposed new form still calls for value information, albeit on a portfolio basis where the value accrued from a particular patented invention cannot be derived separately. Failure to comply with filing a Form 27 does not affect the validity of the Indian patent, but: (1) may create a presumption that the patent is not worked in India, and therefore may affect the patent holder's licensing activities in India and may also be a ground for grant of a compulsory license; and (2) could, in theory, result in a substantial per-patent fine. Furthermore, furnishing false information is punishable with up to six months' imprisonment, or a fine, or both.

The statement of working in India is burdensome and carries unfortunate risks for patent holders in India.

Patentability of computer programs

For many years, the regime of computer-related inventions in India, including the patentability of computer programs and algorithms has been unclear and confusing. The guidelines have changed several times in recent years. The decisions in these cases are not consistent and the guidelines are applied differently by the Controllers of the four different branches of the Patent Office. The most recent guidelines have taken such a cautious approach they do not even give examples of allowable and non-allowable patent claims, which is not helpful. A more predictable and consistent approach is needed.²

² More information on this issue can be found at <https://www.worldtrademarkreview.com/indias-critical-patent-examination-guidelines-three-revisions-three-visions>

Brand protection: counterfeiting and piracy

India is one of the most challenging regions regarding IPR protection and enforcement from a brand protection perspective. Brand owners continue to report sales of counterfeit and pirated goods, mainly in physical markets. The procedures at customs lack transparency and bureaucracy levels are high. Lack of modernised infrastructure at many ports makes the seizures less efficient and does not allow for quick identification of counterfeit goods and infringers. Legal proceedings are too lengthy.



Russia

Brand protection: counterfeiting and piracy

Online counterfeiting and piracy are rife in Russia. While it is possible to shut down rogue websites, sellers of counterfeits and distributors of infringing content are able to easily and quickly restore their website using a slightly modified URL or using a different ISP.

Enforcement remains a challenge as a lack of Uniform Domain-Name Dispute-Resolution Policy (UDRP) process and general unwillingness of intermediaries like ISPs to act mean that civil court actions are one of the only options to tackle online infringement and counterfeiting, even in the most clear-cut cases. Even following a successful court judgment, the infringements often continue in largely the same form under supposedly new ownership, making these civil actions largely futile. Under current court practice, the extent of the court's authority is limited to imposing sanctions against the specific defendants and websites detailed in the case.



Saudi Arabia

Brand protection: counterfeiting and piracy

Whilst historically the situation relating to IPR protection and enforcement of brand protection in Saudi Arabia has been very problematic, we have seen some recent positive developments as part of the government's plans to attract more foreign investment. However, Saudi Arabia has little to no enforcement against piracy and counterfeiters.

Penalties imposed are still relatively light and offer limited deterrent. In addition, there is very limited transparency regarding the destruction and disposal process of seized counterfeit goods.



UAE

Brand protection: counterfeiting and piracy

From a brand protection perspective, the UAE lacks efficient IP protection and enforcement measures. The UAE suffers from a shortage of enforcement particularly in the free trade zones, as well as scarce transparency and efficiencies in procedures, including the procedures for destruction of counterfeit goods.

The new IP Law signed by the UAE President in December 2016 allows for significantly greater penalties for counterfeiting offenses, but has still not been implemented by the authorities.



US

Patent litigation costs and costs recovery

Litigation costs in the US can often be high. A major source of these high costs arises from the wide scope of the 'discovery' process, whereby a large number of documents must be provided by opposing parties in the proceedings to the other party. The costs of finding, providing and reviewing all the disclosed documents derives not only from each party's lawyers but also their own internal efforts. While the relevant federal rule has language that introduces a proportionality test, omitting information because of a belief that the information is not needed is yet another matter that needs to be considered by both parties' legal teams. Accordingly, invoking proportionality could only add to the costs, meaning that it may in some cases be just easier to provide any non-privileged matter that is potentially relevant to any party's claim or defence. A more limited discovery regime tied to specific, relevant documents, as determined appropriate to the proceedings by a judge, would help to significantly reduce the costs of both parties.

The high costs of legal proceedings are also exacerbated because – contrary to most European jurisdictions – a successful party is unlikely to be able to obtain a reimbursement of any of its legal costs from a losing party. The prospect of high litigation costs can force a party to settle a case on less favourable terms than it might otherwise have done or when it might otherwise have been successful.

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About DIGITALEUROPE

DIGITALEUROPE represents the digital technology industry in Europe. Our members include some of the world's largest IT, telecoms and consumer electronics companies and national associations from every part of Europe. DIGITALEUROPE wants European businesses and citizens to benefit fully from digital technologies and for Europe to grow, attract and sustain the world's best digital technology companies. DIGITALEUROPE ensures industry participation in the development and implementation of EU policies.

DIGITALEUROPE Membership

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National Trade Associations

Austria: IOÖ

Belarus: INFOPARK

Belgium: AGORIA

Croatia: Croatian Chamber of Economy

Cyprus: CITEA

Denmark: DI Digital, IT BRANCHEN, Dansk Erhverv

Estonia: ITL

Finland: TIF

France: AFNUM, Syntec Numérique, Tech in France

Germany: BITKOM, ZVEI

Greece: SEPE

Hungary: IVSZ

Ireland: Technology Ireland

Italy: Anitec-Assinform

Lithuania: INFOBALT

Luxembourg: APSI

Netherlands: NLdigital, FIAR

Norway: Abelia

Poland: KIGEIT, PIIT, ZIPSEE

Portugal: AGEFE

Romania: ANIS, APDETIC

Slovakia: ITAS

Slovenia: GZS

Spain: AMETIC

Sweden: Teknikföretagen, IT&Telekomföretagen

Switzerland: SWICO

Turkey: Digital Turkey Platform, ECID

Ukraine: IT UKRAINE

United Kingdom: techUK