



Center for Strategic & International Studies  
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## **INTELLECTUAL PROPERTY RIGHTS IMPLEMENTATION AND ENFORCEMENT IN POLAND**

### **A WHITE PAPER (FINAL DRAFT)**

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#### **OVERVIEW**

Sound policy improvements for intellectual property rights (IPR) protections and fair, timely, and consistent judgments in disputes involving IPR are essential to growth in high technology fields that fuel economic prosperity in Poland and also essential to the assured quality that serves the needs of Polish citizens. This White Paper results from an examination of current conditions for IPR in Poland. The examination draws on global standards and experiences that are potentially useful to Poland. This White Paper also incorporates the findings of informal, independent IPR Roundtables held in Slovakia and Romania with participants from Bulgaria, the Czech Republic, Germany, Lithuania, Slovenia, and the United States. This Action Commission presents the following recommendations in order to help strengthen IPR implementation and enforcement in Poland.

***Introduction:** The American Chamber of Commerce IPR Committee and a coalition of associations representing pharmaceutical, software, and media services are presenting a detailed report to the Polish government of recommended actions for overcoming challenges and strengthening IP protections. This White Paper endorses these groups and their recommended actions. We hope that the Polish government will judge the actions highlighted by this white paper to be an efficient enhancement of government-business dialogue and a worthy contribution to the improvement of IPR implementation and enforcement.*

#### **THE IMPORTANCE OF EFFECTIVE ENFORCEMENT OF IPR**

The Polish administration is increasingly aware that innovation attracts investment in knowledge-based economic growth opportunities and is therefore crucial for the economic development of the country. This recognition is supported by empirical evidence of a high correlation between innovation and economic growth. According to the European Innovation Scoreboard (EIS), Poland scores comparatively well on all innovation indicators *except* for intellectual property. Poland's weak performance in Intellectual Property therefore offsets its successes in other areas of innovation and drags-down the country's overall score. This is a major reason why Poland is among Europe's poor performers, a group that the EIS refers to as the countries that are "losing ground".

This finding suggests that by improving IPR protection, Poland will be able increase its overall level of innovation and thereby boost economic growth.

The economic importance of IPR enforcement is similarly supported by the research of the International Intellectual Property Alliance (IIPA). According to the IIPA, Poland suffers substantial trade losses every year due to copyright infringements and piracy; in 2005, this loss was an estimated 334.3 million USD. While it is difficult to measure the exact price of IP violations, it is clear that Poland can reap significant economic gains by strengthening enforcement of IP laws.

In recognizing the importance of innovative high technology industries to its economic transformation, Poland is creating legal and business regimes that foster the growth of internationally competitive high technology firms. The capacity of government, police, prosecutors, and courts and judges to supplement and enforce commercial IP rights is a critical element of building successful high technology markets.

For countries aiming to participate in the knowledge-based economy by connecting the rule of law with economic growth, it is imperative to establish a healthy business environment. This requires the following conditions:

- Added consumer protection to ensure the safety of goods being used by the general public and the quality of goods purchased.

- Government action to encourage investment, safeguard legitimate business operations, and ensure that disputes are settled in a timely manner.

- A bridged understanding between business leaders and governments, among others, in regard to legislation that impacts business.

- Protection of Poland's development and innovation by providing incentive for young innovators to remain in Poland.

- A well-balanced legal environment where effective enforcement and fair, consistent and expeditious adjudication of disputes create confidence for corporate expansion.

## **MAJOR CHALLENGES FACING POLAND IN STRENGTHENING IPR ENFORCEMENT**

### 1. General Concerns Impacting Patents, Copyrights, and Trademarks:

- Improve environment for citizens and businesses through increased cross-government coordination and communications on steps to protect IPR.

- More aggressive steps are needed to complete modernization of legislative framework particularly supporting actions by the judiciary to meet new levels and complexity of IP adjudication, to include the introduction of specialized courts or specialized judges for IP cases.

### 2. Patent Protection:

- Grant patent-holders legal standing in the regulatory processes to investigate patent infringements.

- Immediate action to grant patent-holders legal standing in the regulatory processes (original drug approval and approval of generics) to investigate potential patent infringements.

- Remove patent-breaching generic copies of centrally-registered patented drugs.
3. Copyright and Trademark Protection:
    - Improve process for criminal proceedings by bringing the penal code and the copyright act and industrial property act into closer harmony.
    - Examine current media and software markets to assess that it is sufficiently comprehensive in protecting copyrights for goods and services.
    - Evaluate the apparent ease and low risk for counterfeit activities in Poland.
  4. Data Exclusivity:
    - Initiate a thorough examination of the level of transparency of regulation, reimbursement and pricing systems with actions to improve decision criteria and the appeals system and to reduce decision-making time.
    - Complete necessary steps to implement the new E.U. data exclusivity rules.
    - Remove generic copies of centrally-registered drugs registered in breach of exclusivity

## **RECOMMENDATIONS TO STRENGTHEN IPR IMPLEMENTATION AND ENFORCEMENT IN POLAND**

The following five areas are the focus for recommended improvements in IPR enforcement. We have also identified nine straightforward actions (noted in italics) for near-term cooperation between the Polish government and private sector experts in support of these recommended improvements.

**1. DEVELOPMENT OF NATIONAL LEADERSHIP CAPACITY FOR IPR.** Two actions of strategy and coordination are particularly valuable to Polish efforts to improve IPR enforcement.

**Formulation and communication of a national policy on intellectual property:** A set of clear and concise recommendations for the appropriate governmental bodies to carry out a coherent and effective IP policy for the country – a framework that governments might utilize to strengthen both the capacity of their institutions and communication among their agencies.  
*Action 1: Private sector experts could at the invitation of the government provide a set of guidelines reflecting successful national policy statements presented in other countries.*

**Improved cross-government cooperation on IPR enforcement:** The preparation of a national policy statement for IP should clarify the need for more effective cooperation among the multiple state organizations that are responsible for IPR implementation and enforcement in the country. Regular working meetings and specific reporting requirements can help improve this important aspect of national leadership capacity.  
*Action 2: Among the most important relationships is that between the Ministry of Culture and the Ministry of Justice. We recommend a roundtable for both ministries to identify key areas for the coordinated development of the penal code*

*and the copyright act. This roundtable should also include the Ministry of Finance (responsible for customs enforcement), the Ministry of Economy (responsible for IPR and the Patent Office), and the European Integration Office (responsible for European harmonization).*

## **2. STRENGTHENING IP LEGISLATION.**

**Poland's growing legal framework:** The legal framework for IPR enforcement in Poland is generally good. In order for Poland to maintain its compatibility with international standards, regular reviews of all relevant IP legislation should be conducted at the ministerial and parliamentary levels. Some critical gaps in the legal framework remain. At the moment, several patent, trademark, industrial design, and pharmaceutical industry-related legislative shortcomings are still unresolved. Proposed amendments to existing IPR and IPR-related laws should also consider changes to these laws' inconsistencies found in practice (as indicated by the highest court's rulings).

**Useful improvement will result from making maximum use of public-private partnerships for development and implementation of IP legislation:**

Maintaining compatibility and effective structure for IP legislation in Poland are continuing responsibilities that benefit from cooperative discussions with the local business community. A partnership between business and government is particularly useful both in terms of preferences and attempting to ensure compliance with international standards in a manner that conforms to particular national priorities.

**Four areas would benefit from further examination:**

- In Poland, criminal proceedings in copyright cases are generally initiated by ex officio following the request of a third party. The rights-holders would like to see more criminal proceedings initiated ex officio alone. This, however, will be difficult without changing the system into a registration of copyrights and access to that system by government officials.
- Currently, the only pirated goods covered by the criminal provisions of the copyright act are physical media – consequently, the acquisition of counterfeit goods via the internet is not subject to punishment.
- Implementation of the Transparency Directive 89/05 and Directive 2004/27.
- The Industrial Property Law (art 305) states that trademark infringement subject to criminal liability is “marking goods with counterfeited trademark or introduction into circulation of such marked goods”. A recent decision of the Supreme Court says it is only the first introduction of a good that is covered by this provision. Consequently, further distribution and sale of counterfeited goods is now not subject to prosecution. The definition of the crime should be re-examined to give trademark owners more adequate protection.

*Action 3: Among the most pressing priorities is full harmonization of Polish law with EU IPR and Copyright Directives. Draft implementing legislation already exists. The private sector is ready to provide any final input or technical assistance needed.*

**3. INCREASING EFFICIENCY OF ENFORCEMENT PROCEEDINGS.** Enforcement of IPR is expected to deter future infringement and criminal activity and be consistent. Timely dispute resolution is critical in the area of Intellectual Property. It is essential to high-tech, pharmaceutical and other brand-centered IP businesses, and delays in the enforcement of IPR will often result in companies shifting investment in new technologies to other countries for fear of losing their technological advantage to pirates. **At the police, prosecution and court levels, the following expectations should be met and will benefit from cooperation with the private sector:**

**Clear presentation of all IP and IP-related laws, (ex. Administrative, penal, procedural);** a published/internet-accessible collection of case law and detailed descriptions of individual IP laws in the language of the country is beneficial. Such collections are available in several CEE countries. This would be an ideal area for private sector input to improve and extend this type of resource in Poland.

**Clear presentation of legal IP procedures for all levels of enforcement** as a quick and informative reference in the Polish language for the purpose of mitigating judicial misunderstandings and improving judicial capacity.

- For easy reference, these procedures could be presented as a sequence of actions that must be taken at each step of the enforcement proceedings (e.g. from search and seizure of the infringing material to the final resolution of the case).
- Ideally, such procedural guides should be compiled for each of the enforcement bodies: police, prosecution, customs etc.
- Standard text/reference books written by experienced practitioners should be available explaining the principles behind IP laws and their enforcement mechanisms, and putting case law into context.

**Regular updating of enforcement procedures,** with new legislation being introduced in periodic training sessions:

- The high cost of IP enforcement requires resources to be conserved by implementing effective and expedient enforcement procedures.
- It is critical that training sessions include all enforcement personnel working on enforcement of IPR-related cases.
- In Poland, several legal databases maintained by governmental agencies (the Sejm, Ministry of Culture, Patent Office, etc.) exist. They contain not only applicable laws but also implementing regulations and often include related case law.

*Action 4: Databases – Consider cooperation with the private sector to organize the publication, internet access, and regular updating of references in the Polish and English languages of the following:*

- (1) Collection of case laws in IP and detailed description of individual IP laws.*
- (2) Procedural guide for procedures at all levels of IPR enforcement.*

**Establishment of standards for enforcement proceedings that will ensure timely processing of IP cases.**

- Expedient resolution of IP cases is essential. This is particularly important with criminal enforcement – swift police and prosecutorial actions work as effective deterrents to future crime.
- Establishment of internal guidelines from the Ministry of Justice to all courts where IP enforcement matters are treated as a priority. These guidelines should specify that counterfeiting must not be treated as a minor offense or an offense of small public damage.
- The high cost of IP development to business makes the timely resolution of IP disputes essential to credible enforcement.
- Fast paced high-technology development often renders IP crimes less damaging by the time they come to a delayed resolution (i.e. as technology continues to advance, enforcement officials may not be able to assess the full original impact of an earlier crime).
- Inexpedient resolutions of high-tech crimes often force legitimate businesses to change their growth strategies in ways that are not always beneficial to society in general and consumers in particular.

*Action 5: Timely processing – Conduct business-government review to examine the mechanisms and standards for efficiency in the German court system.*

**4. INCREASED JUDICIAL CAPACITY IN ADJUDICATION OF IP CASES.** In addition to the provisions for “Increased Efficiency of Enforcement Proceedings” (previously noted), judges have an added and unique responsibility for ensuring the credibility and effectiveness of the enforcement process through predictability, openness, and timely resolution of disputes. Openness is improving in the Polish judicial system. Improvement in predictability and a decision on IP specialization are key near-term steps to improve Polish judicial capacity.

**Adequate predictability in procedural requirements:**

- Submission of claims and evidence, i.e. any special requirements should be communicated to the parties in advance of a court case.
- In appropriate cases, courts should be allowed to shift the burden of proof to the defendant (a universally accepted general principle places the burden of proof on the plaintiff. However, reversal of this burden of proof in certain IPR infringement cases often works in practice – This is an idea often advanced by copyright right-holders, and merits government review.
- Presentation of cases – e.g. review of expert opinions. It would be useful for the government to have a more extensive pool of pre-approved experts available (local NGOs may be able to assist with training, etc.).

**Specialization of judges in IP matters is desirable and can be achieved in two ways:**

- Specialized IP court:  
Successful advocating for this option, which is gaining popularity in Europe and globally, requires more specific information on its reasoning as well as evidence of its success in other countries. However, the District

Administrative Court in Warsaw is a court that gradually gains large expertise and experience in IP matters because of its responsibility in all issues decided upon by the Patent Office. A similar experience may be derived from the functioning of the Community Trademark and Designs Court in Warsaw over the past year. The experiences from these courts, with more and more specialized judges building a consistent case-law approach to the IPR issues, shows that the option of a specialized IP court could be strongly recommended for consideration in Poland. One option, which has proven successful in Germany, is to designate one department of the District Court ("*sąd okręgowy*") to be responsible for all IP issues in that district.

- Specialized judges adjudicating IP cases:
  - Continuing training in IP law and casework for judges is essential given the rapid changes in high technology fields.
  - Training sessions set in an international context are particularly valuable.
  - Training that offers exposure to businesses that depend upon protection of intellectual property is an important addition to discussions of law and enforcement procedures.

**Adequate budget support should be provided to (1) acquire essential improved technology for court operation, and (2) train court staff to apply that technology.**

*Action 6: Participate in further meetings with the private sector to develop the best approach for Poland regarding specialized courts, judges, or other.*

## **5. PREVENTION OF IP CRIME AND PREVENTION OF UNNECESSARY LEGAL PROCEEDINGS.**

**Encouragement of steps that reduce the need to take IPR disputes to court:**

- Increased availability and acceptability of mediation and arbitration. This is used in Poland for other cases and should be applied more frequently in IPR cases.
- Increased cooperation with holders of infringed rights
- Increased administrative safeguards in patent-granting procedures (such as more exhaustive checks by state authorities to determine if patents already exist, preventing a claim from being registered in violation of existing patents).
- Increased consistency in the trademark-granting process and a reform of this process to exclude the ex officio check of relative grounds by the Patent Office and making this an option for third parties upon opposition/cancellation only.
- Strict compliance of Administrative Agencies with legally binding timelines for procedures (i.e. in patent procedures delays may block entitled entities' access to Administrative Court to review the decision) and other binding regulations in the area of patents (e.g. granting standing to entities entitled to oppose infringing claims).

*Action 7: A joint public-private examination of the UK court system's actions on patent/design/trademark infringement is recommended. These actions appear to be both efficient in use of court resources and effective in protecting IP rights. These actions could be adapted for introduction in Poland.*

**Establishing and enforcing penalties for IP crime cases that are commensurate with the severity of the crime** - essential to deterring future crime.

**Establishing and enforcing damages as well as rules for calculating damages in IP civil cases that are commensurate with the severity of the damage, also in relation to difficultly calculated damage as regards e.g. loss of renown** - essential to deterring future actions.

**Steps to decrease the incidence of counterfeit drugs:** Neither Polish law nor means of enforcement are adequate to reduce this danger to Polish citizens. The ease and low risk of counterfeit drugs fuels an environment in which protections for all types of IP are not respected.

*Action 8: Counterfeit drugs are a Polish government priority. The private sector is a ready source for best practices that may be affordable and adaptable for introduction in Poland. Further exchanges on this issue are welcomed.*

**Introducing programs that raise awareness of IP issues and IP related issues like administrative law among officials and the public** – an ideal forum for public-private partnership.

**Assuring transparency of administrative proceedings** (e.g. access to information on filed patent claims etc.)

- Administrative court review to ensure fair access to court proceedings and secure the right to judicial review, not only with regard to the administrative procedure, but also the merits of the case. The idea of a special patent and trademark court for appeals from administrative decisions (as well as a centralized IP infringement court) should be discussed.
- Currently, there are regulations that restrict the authority of the Supreme Administrative Court ("*Naczelny Sąd Administracyjny*") to procedural requirements fulfilled by the District Administrative Court ("*Wojewódzki Sąd Administracyjny*"). This regulation should be amended so that the Supreme Administrative Court can assess the grounds of the administrative decision.

**Educating the relevant officials and members of the public.**

- In law school, there is no mandatory lectures/exams on IPR. Even judges and lawyers are only briefly trained on IPR (e.g. one day of training).
- Emphasis on selected basic requirements (such as data exclusivity) will be beneficial.
- Training programs that bring participants from neighboring nations together are particularly valuable – cooperation with international IP organizations like WIPO, international IP programs such as PHARE, or



the CEELI Institute, as well as with interested NGOs, will help in organizing such training programs.

*Action 9: The Action Commission proposes to send a letter to the rector of each major Polish law school recommending that IPR be a general subject in their curriculum for all law students. Further, that IPR be an interdisciplinary subject since it is both domestic and international, and is a part of administrative, civil and international proceedings.*

**Provide support for the recommendation of the Amcham IP Committee on Cross-Border Operations:**

- Addition to Poland's custom law re-establishing the Protection of Intellectual Property Division.
- Simplified procedures in customs law so that IP holders can destroy counterfeit goods without going to court.
- Polish government action to strengthen coordination among police, border guards, and customs service in fighting piracy and counterfeit goods.

**NOTE:** Appendix on case studies to be published separately.