



Guidelines for National and Regional Group Reports

The majority of the National and Regional Groups follows the Guidelines for the arrangement of their Reports and thereby contributes to a quicker and cheaper printing of the Summary Yearbooks. We are most grateful for this support and would like to draw your attention to following Guidelines:

- 1) The National and Regional Groups are responsible for the contents, spelling and trilingual Summaries in their Reports. The texts will normally be printed without further correction.
Please avoid sending us full translations of the Group Reports. Summaries in the two other languages will be sufficient.
- 2) Drafts cannot be accepted. Please only send final versions.
- 3) Please deliver your Reports by e-mail only. Our address is: mail@aippi.org. If you cannot provide the Reports by e-mail please contact us.
- 4) Please rewrite/include the questions in your Reports.
- 5) Please try to stick to a clear and simple presentation of the Group Reports without too many sub-paragraphs.
- 6) Please avoid too many and long footnotes.
- 7) We shall not be able to publish extracts of National Laws as Annexes. If necessary please make a reference to the laws in questions (websites).

For further questions concerning the presentation of Group Reports you are kindly invited to contact the AIPPI General Secretariat at mail@aippi.org.

Please make sure that your Reports are sent before **April 24, 2006**.

AIPPI General Secretariat, Zurich

Working Guidelines

by Luis-Alfonso DURAN, Reporter General
Jochen E. BÜHLING and Ian KARET, Deputy Reporters General
Dariusz SZLEPER, Thierry CALAME and Nicolai LINDGREEN,
Assistants to the Reporter General

Question Q192

Acquiescence (tolerance) to infringement of Intellectual Property Rights

The intellectual property rights are characterized by their immaterial nature.

Their implementation can thus generate situations in which coexist in fact, licitly or unlawfully, several signs, models or inventions, identical or similar.

In the almost totality of the cases, except in exceptional legal provisions (such as: private use, tests and experiments, etc), such exploitations constitute, when they are not authorized, acts of infringement of former intellectual property rights.

These infringements of the former intellectual property rights, when they continue during a certain time without any reaction from the holders of these rights, can give place to situations difficult to solve.

It raises the question of economic security: wouldn't a person who, for a long time, exploits, even unlawfully, a prior intellectual property right belonging to a third party, have, in the absence of any reaction from the holder of this right, the possibility of continuing his/her exploitation?

Indeed because of the private nature of the intellectual property rights, their holder may decide not to oppose them to third parties who infringe these rights, and this for various reasons: costs and risks of the legal procedures, but also the fact that the use, even unauthorized, of its right can reinforce the knowledge which public can have of its creation or invention.

These situations are even more difficult to resolve since the intellectual property rights are based on the exclusive character of their exploitation.

And this exclusiveness opposes to the mere idea of the coexistence of rights relating to the same object.

The various legal systems reacted, sometimes in manner very diverse to these situations.

On one hand, the system of *Common Law* recognized for a long time that a third party exploiting an intellectual property right in good faith can, in spite of the existence of a former right, oppose as defence mean against a complaint for infringement, the fact that the holder of the former right tolerated his activity.

On the other hand, in the majority of the countries of civil law (in particular in continental Europe), the tolerance by the holder of the right was regarded as not conferring any right to the third party even in good faith.

This rule was rigorous because it applied whatever the duration and the importance of the litigious exploitation.

And if it had an undeniable advantage for the holder of the prior intellectual property right, since it exempted him from any fast action to put an end to the counterfeit, it strongly penalized the third party using in good faith a prior intellectual property right.

It is however advisable to note that the recognition provided by the system of *Common Law* to the acquisition of rights under the terms of the tolerance, was extended within the European Union, by the Directive of 1988 on the trademarks which founded the system of limitation by acquiescence in this field.

From the point of view of the international harmonization of the intellectual property rights, and in particular of the distinctive signs in the world, it is thus necessary to seek a common rule which would settle the question of the influence of the tolerance of the acts of infringement by the holder of intellectual property rights on the situation of an unauthorized user of this right when this one acts either of good or bad faith.

And one can put the question to know if the tolerance constitutes a means of defence (as in the system of *Common Law*) or if this tolerance by the holder of the former right confers on the owner second in date an effective intellectual property right.

In this context, the AIPPI decided to put this Question on the Agenda of the Congress of Gothenburg of 2006.

This Question is new for the AIPPI, even if certain Questions, and in particular the recent Questions such as Q143, Q134 A, Q134 B and Q155, did already refer incidentally on this subject.

It is thus important that the Groups provide complete information on the state of their substantive law and make recommendations on a possible rule of harmonization, so as to be able to release the best possible system if a harmonization could take place on this aspect of the intellectual property rights.

The first part of the orientation of work will study the existing substantive law in the various countries of the Groups belonging to the AIPPI.

The second part will relate to the general recommendations that the Groups could formulate for a possible international harmonization of the intellectual property laws in the field of the effect of the tolerance of the infringement acts.

The object of this Question need to be clarify to avoid conjunction of the Question of acquiescence and other subjects of intellectual property right.

First at all, for the purpose of this study, the Question of acquiescence must be dissociated from the Question of the prescription period.

Consequently, the National Groups are invited, when explaining conditions and effects of acquisition of intellectual property rights by tolerance by the holder of former intellectual property rights, not to deal with problem of prescription period and its effects.

And the object of the Question is also not to deal with dilution of intellectual property rights or with valuation of damages.

Questions

The Groups are invited to answer the following questions under their national laws:

I) Study of the substantive law

- 1) *The Groups are invited to indicate if, in their system of national law, rules are provided conferring an effect on the tolerance expressed by the holder of an intellectual property right with regard to a third party who infringes his/her right.*

Does this effect of the tolerance applies to all intellectual property rights (patents, models, marks and other distinctive signs) or only to some of them?

The Groups are also invited to give the justifications advanced in their country to introduce this rule of the acquisition of rights by the effect of the tolerance and to define the range of it.

Finally, the last question is to know if rules relating to acquisition of rights by effect of tolerance shall be exactly the same for all intellectual property rights.

Do national laws distinguish intellectual property rights subject to registration from the intellectual property rights which are simply conferred by use and not by registration.

- 2) The acquisition of the rights by the tolerance remains subjected to conditions relating in particular to the duration of this tolerance and the attitude expressed by the third party which exploits without authorization a prior intellectual property right.

The Groups are thus invited to indicate which the necessary duration is so that the tolerance can confer a right to a third party and deprive the holder of the intellectual property right of the possibility of acting against this third party.

And the question is also of knowing which the starting point of this duration is and which is the act that the holder of the right must achieve to interrupt it.

Thus the Groups are invited to answer the question of knowing which the requirements are so that the tolerance is regarded as interrupted: is it necessary to initiate a legal procedure or is it enough to protest, for example by a letter, against the presumed infringement?

- 3) The tolerance supposes that the holder of the former right knows the existence of the infringement to his right and accept it in an intentional way.

The question arises then of knowing which is the degree of knowledge of the acts of infringement which the holder of the former right must have to be considered as having accepted the litigious exploitation.

Can this knowledge be supposed or must it be proven in a positive way?

- 4) In the same way, the Groups are invited to indicate what are the requirements to which the third party exploiting the prior intellectual property right without the authorization of its holder, must meet.

Does this exploitation have to be carried out in good faith?

And according to which criteria jurisprudence and the national law define this good faith?

The Groups are also invited to indicate if the third party who exploits prior intellectual property rights without authorization must be in the ignorance of the existence of this right to be considered as having acted in good faith or if the knowledge of the former right does not exclude the good faith?

- 5) The Groups should also indicate if their legal system provides other conditions (as for example the value or the geographical extent of the infringing activity) to which the exploitation of the second right by the third party shall meet in order to may call upon the benefit of the tolerance of this right by the holder of the former right.

Another question relates to the conditions that have to be fulfilled by the use of the intellectual property rights which are subject to tolerance.

Do national laws provide conditions of this use relating to its importance, duration or its continuous nature.

- 6) If the system of the national law provides the acquisitive effect of the tolerance, the question arises of knowing what are the consequences from the point of view of the rights of the third party who benefits from this tolerance.

First of all, the Question arises of knowing if this third party can only continue the same exploitation as that which profited from the tolerance from the holder of the former right or, if on the contrary, he can modify the nature as well as the extent of the exploitation which he undertook.

The Groups are thus invited to indicate if, in their country, the jurisprudence and the legal provisions limit the exploitation of the right former by the third party to the possibility of continuing it under the precise conditions of the operation taking benefit of the tolerance (as well from the point of view of the form, the sign, the model or the product being the subject of a patent as territorial and economic extent of this exploitation).

In addition, the question arises of knowing if the intellectual property right profiting from the tolerance (mark or another distinctive sign, model or invention) can be transferred to another third party and if this third party also profits from the tolerance from which its predecessor did take advantage.

Thus, the question is to know if the tolerance has an effect limited to the person who profited from it by the holder of the former right or if it is attached to the sign, model or invention which was used, independently of the person who carries out this exploitation.

The Groups should expose the solutions adopted on this subject by their national laws.

7) *In the same context the question of the exhaustion of the right intervenes.*

*Indeed, if the products or the signs profiting from the tolerance are put on the market, the question of the freedom of circulation of these goods arises since they hardly can be regarded **a priori** as commercialised with the authorization of the holder of the former right.*

It thus should be known if the tolerance is limited to the acts of the exploitation achieved by the person who profits from it initially or if it also extends its effects to the third parties which bought products, in particular for their export abroad.

8) *The acquisition of rights by the effect of the tolerance raises also the question of the final and irrevocable character of this acquisition.*

One can indeed wonder about the question of knowing if it is not possible to call into question the effects of the tolerance for example by a regulation which would organize the coexistence of the two rights.

The Groups are thus invited to indicate if such a regulation is possible in their national systems and how can it be organized.

9) *Lastly, the Groups are invited to give their appreciation on the operation of the mechanism of the acquisition of the rights by the effect of the tolerance in their country.*

And the Groups are also invited to indicate if the rules as they exist in their country, can be used as a basis for a possible international harmonization.

II) Proposals for the harmonization

The Groups are invited to formulate the suggestions about the possible international harmonization of laws of intellectual property in the field of the effect of the tolerance of acts of infringement.

These suggestions should be founded on the evaluation that the Groups make of the legal system of their country so as to base the future harmonization on the legal solutions which appear to be the most effective and easy to implement.

- 10) *First of all the Groups should formulate an opinion as for the rights of the intellectual property which could be struck by the effect of the tolerance of infringement.
Does this tolerance have to take effect with regard to all the intellectual property rights or only for some of them (for example for the distinctive signs)?*
- 11) *The Groups are also invited to give their opinion as for the nature of the tolerance if it were to be the subject of an international harmonization: is it limited to be a means of defence in the event of infringement proceeding or confers it a right pertaining to the person second in date?*
- 12) *The Groups are also invited to formulate suggestions as for the conditions (such as: duration, extent and the knowledge of the infringement by the holder of the former right etc) which the tolerance should fulfil to produce the legal effects in the event of a possible international harmonization of the intellectual property rights.*
- 13) *Finally the Groups can formulate any additional opinion as for the possible international harmonization of the rules of the intellectual property rights about the conditions and effects of the acquisition of the rights by the effect of the tolerance.*

Note:

It will be helpful and appreciated if the Groups follow the order of the questions in their Reports and use the questions and numbers for each answer.