

Advisory Committee on Enforcement

Seventeenth Session
Geneva, February 4 to 6, 2025

MEDIATION AND ALTERNATIVE DISPUTE RESOLUTION

Contributions prepared by Kenya and Paraguay

1. At the sixteenth session of the Advisory Committee on Enforcement (ACE), held from January 31 to February 2, 2024, the Committee agreed to consider, at its seventeenth session, among other topics, the “exchange of information on national experiences relating to institutional arrangements concerning IP enforcement policies and regimes, including mechanisms to resolve IP disputes in a balanced, holistic and effective manner”. Within this framework, this document introduces the contributions of two Member States on the role of mediation and Alternative Dispute Resolution (ADR) mechanisms in addressing disputes related to infringement of intellectual property rights (IPRs).

2. Kenya’s contribution describes the role and effectiveness of ADR within Kenya’s legal framework for IPR enforcement. The contribution explains how the legislation concerning counterfeits provides for ADR through compounding of offences and how the Anti-Counterfeit Authority (ACA) of Kenya leverages ADR to address IP disputes efficiently. It also highlights how ADR mechanisms provide faster, flexible, cost-effective and business-friendly alternatives to traditional litigation methods to resolve disputes related to IP infringement.

3. Paraguay’s contribution describes the recent implementation of a mediation service by the National Intellectual Property Directorate (DINAPI) in collaboration with WIPO’s Arbitration and Mediation Center (AMC). The service focuses on promoting the use of mediation for disputes relating to registration procedures, as well as non-administrative intellectual property (IP) disputes, including cases of infringement. It highlights that the collaboration between DINAPI and AMC, which included capacity building and specialized training programs, laid down the foundations of a mediation service within DINAPI. It also resulted in development of internal mediation regulations, which were approved in 2023 and led to the implementation of a pilot plan for an effective roll-out of the service. Since its launch, the service has enabled users to

reach agreement without the need for complex legal proceedings, positioning mediation as the leading alternative for enforcement of IP rights.

4. The contributions are in the following order:

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[Contributions follow]

COMPOUNDING AS A MECHANISM OF ALTERNATIVE DISPUTE RESOLUTION IN INTELLECTUAL PROPERTY DISPUTES: THE KENYAN EXPERIENCE UNDER THE ANTI-COUNTERFEIT ACT

*Contribution prepared by Dr. Robi Mbugua Njoroge King'a, Executive Director and CEO of the Anti-Counterfeit Authority (ACA), Nairobi, Kenya**

ABSTRACT

This paper examines the role of Alternative Dispute Resolution (ADR) in Kenya's legal framework for Intellectual Property (IP) rights, emphasizing its foundation in the 2010 Constitution and the Anti-Counterfeit Act of 2008. ADR, including compounding of offences, is promoted as a faster, more cost-effective alternative to litigation. The Anti-Counterfeit Authority (ACA) leverages ADR to address IP disputes efficiently, with compounding proving especially effective since 2023, resolving 250 cases swiftly and maintaining business relations. This approach aligns with Kenya's constitutional mandate for accessible justice, offering advantages like speed, cost savings, confidentiality, and flexibility. ADR's integration into Kenya's IP enforcement aligns with global best practices, enhancing the effectiveness of IP dispute resolution and fostering a more supportive business environment.

I. INTRODUCTION: THE CONSTITUTIONAL PROVISION FOR ALTERNATIVE DISPUTE RESOLUTION IN KENYA

1. Alternative dispute resolution (ADR) has become a critical tool in managing disputes across various sectors, including criminal, civil and commercial cases. Its significance stems from its capacity to provide a less confrontational, quicker and more economical method of settling conflicts than traditional litigation. The 2010 Kenyan Constitution places a strong emphasis on alternative dispute resolution (ADR), mirroring a global trend towards more cooperative dispute resolution procedures. The Constitution¹ obligates courts and other quasi-judicial agencies to advance ADR methods such as conciliation, judicial settlement, arbitration, mediation and traditional dispute resolution mechanisms.

2. This constitutional imperative connotes a conscious intention by Kenya to lessen the excessive reliance on litigation, which is laden with many disadvantages such as cost, lack of privacy, technical procedures, limited control by litigants, excessive delay in the determination of resolution, the fact that it is based on a winner-takes-all mantra, inflexibility and the fact that judicial officers may not be subject-matter experts on the issue being litigated². The Kenyan constitutional order also reflects the recognition that not all disputes require a court-based solution, especially in areas like intellectual property (IP), where a swift and confidential resolution to a dispute may be more suitable for the parties involved.

3. The legislative framework supporting ADR in Kenya has evolved, with various laws incorporating ADR mechanisms as an alternative to formal litigation. In the realm of IP, particularly in combating counterfeits, the Anti-Counterfeit Act of 2008 is a landmark legal

* The views expressed in this document are those of the author and not necessarily those of the Secretariat or of the Member States of WIPO.

¹ Article 159 (2) of the Constitution of Kenya (2010).

² See G. Marube, O. Mogare and J. Mang'ere, *Mediation General Principles - An Alternative to Litigation* (Nairobi, 2022), pp. 7-19

instrument. It provides for ADR through the compounding of offences, which allows certain IP disputes to be resolved without recourse to formal judicial proceedings.

II. STRATEGIC FUNCTIONS OF THE ANTI-COUNTERFEIT AUTHORITY

4. The Anti-Counterfeit Authority (ACA), established under Section 5 of the Act, is a key institution responsible for the enforcement of IP rights (IPRs). It has a mandate to combat counterfeiting and ensure that IP rights holders are protected from the illegal production and sale of counterfeit goods. Its role is multifaceted and involves the detection and prevention of counterfeiting, public education and collaboration with other enforcement agencies to ensure that the law is upheld effectively. It is to detect and prevent the entry of counterfeit goods into the Kenyan market. It conducts regular inspections at key points of entry, such as airports, seaports and border posts³, and in retail markets. Those inspections are crucial in interdicting counterfeit goods before they reach consumers, thereby protecting the public from potentially harmful products and safeguarding legitimate businesses from unfair competition. The ACA works proactively to curb the proliferation of counterfeit goods.

5. Another critical function of the ACA is raising public awareness about the dangers of counterfeit goods. Counterfeiting not only infringes on IP rights but can also pose serious risks to consumer health and safety, particularly in sectors such as pharmaceuticals and electronics. To address that, the ACA actively disseminates information to the public, educating consumers on how to identify counterfeit products and on the risks associated with purchasing such items. By raising awareness, the ACA helps empower consumers to make informed decisions and avoid counterfeit goods.

6. The ACA is primarily responsible for fostering collaboration among governments, industries and international organizations in their efforts to combat counterfeiting. Since 2023, it has also hosted the International Symposium on Strategic Initiatives for the Protection of Intellectual Property Protection and Enforcement (ISSIPE)⁴, which focuses on bringing together experts to discuss advancements and strategies in anti-counterfeiting efforts.

7. The ACA also collaborates with other enforcement agencies in the public and private sectors to ensure effective enforcement of IP rights. ACA is a member of the Border Control and Operations Coordination Committee (BCOCC)⁵. This collaboration is essential for comprehensive enforcement, as counterfeit goods often enter the market through complex supply chains involving multiple jurisdictions.

8. In addition to its enforcement and awareness-raising functions, the ACA ensures compliance with IP laws by taking legal action against counterfeiters. It is empowered to initiate investigations, conduct raids and, where necessary, bring offenders to justice through prosecution or other legal mechanisms, such as compounding, as explained below. This enforcement of IP laws is crucial for maintaining the integrity of Kenya's market and fostering a business environment that respects IP rights.

³ The Authority has a presence at the Port of Mombasa, Jomo Kenyatta International Airport, Moi International Airport (Eldoret), Lungu Lungu Border Post, Malaba Border Post, Busia Border Post and Namanga Border Post.

⁴ The inaugural edition (ISIPPE-1) was held from June 13 to 15, 2023, in Bomas, Nairobi. ISIPPE-2 was held from June 5 to 6, 2024, at the Kenyatta International Convention Center (KICC) in Nairobi.

⁵ BCOCC was established under Section 75 of the Security Laws (Amendment) Act of 2014. Its main goal is to enhance coordinated border management (CBM) across various agencies. Members include the Kenya Revenue Authority, Kenya Police, Kenya Bureau of Standards and other law enforcement agencies. They work together to formulate policy, coordinate information exchange and oversee operations at points of entry.

9. Under the Act⁶, the ACA is also responsible for appointing inspectors, who are tasked with carrying out the Authority's enforcement activities. The inspectors in question can be divided into two groups: designated inspectors and appointed inspectors⁷. In both cases, they are vested with extensive powers, which include the ability to search locations, confiscate goods and examine records of alleged counterfeiting activity. The appointment of inspectors is essential for ensuring that the ACA can effectively execute its mandate across the country.

10. In summary, the ACA's functions under the Anti-Counterfeit Act are central to the enforcement of IP rights in Kenya. By detecting and preventing the sale of counterfeit goods, raising public awareness, collaborating with enforcement agencies and enforcing IP laws, the ACA helps to protect consumers and legitimate businesses from the harms caused by counterfeiting. The appointment of inspectors further strengthens the Authority's ability to combat counterfeiting effectively across the country.

III. PATHWAYS TO INTELLECTUAL PROPERTY DISPUTES RESOLUTION: PROSECUTION AND COMPOUNDING OF OFFENCES

11. The Anti-Counterfeit Act offers two main pathways for resolving disputes related to counterfeit goods: prosecution and the compounding of offences.

12. Prosecution, as provided under the Act⁸, is the traditional method of dealing with counterfeit-related offences. It involves taking the matter to court, where offenders are subject to criminal penalties upon conviction. This process is necessary for serious cases of counterfeiting, where the severity of the counterfeiting offence warrants formal legal action. However, prosecution can be a lengthy process, often consuming significant time and resources. Furthermore, the adversarial nature of litigation can damage business relationships, making it less ideal for disputes where ongoing partnerships are at stake.

13. An alternative to prosecution is compounding, as outlined under Kenya's anti-counterfeiting law⁹. Compounding allows for the resolution of disputes without formal litigation. Rather than going to court, the offender might satisfy the requirements stipulated by the ACA or pay a certain amount. This approach offers a quicker and less contentious conclusion, which is especially advantageous for preserving commercial ties. Compounding offers a cooperative means of resolving conflicts outside of the legal system, saving time and money while also lessening the negative effects on the reputation of all parties.

14. The Anti-Counterfeit Act 2008 was enacted to address the growing problem of counterfeit goods in Kenya, which pose a substantial threat to the economy and public health. The Act aims to protect IPRs and ensure that counterfeit goods do not penetrate the market. To that end, it provides the legal framework for detecting, investigating, prosecuting and preventing counterfeiting activities. One notable feature of the Act is the provision for ADR mechanisms, whereby the Executive Director of the ACA has the power to allow compounding of offences. Compounding is an out-of-court settlement process where the offender agrees to pay a prescribed fee or to fulfil certain conditions in exchange for the withdrawal of formal charges. This process aims to swiftly and effectively settle counterfeiting and IP disputes, thereby relieving the court system of some of the weight and enabling offenders to carry on with their business without fear of a criminal record.

⁶ Section 22 of the Anti-Counterfeit Act.

⁷ See J. Akoten in *Determining the Magnitude of Counterfeiting Among Manufacturers and Suppliers in Kenya* (Anti-Counterfeiting and IP Law and Practice, Discussion Paper Series (2024), Nairobi) pp. 15-18.

⁸ Section 30 of Anti-Counterfeit Act 2008

⁹ Section 34A of the Act

15. The introduction of compounding is a significant advance in the country's IP enforcement system. It is especially advantageous in cases where the infringement is not severe and both parties are open to negotiating a settlement. It is also in line with broader constitutional principles, as it offers an alternative to prosecution, which can be expensive, time-consuming, and harmful to business relationships. The introduction of compounding represents a significant advancement in Kenya's IP enforcement system by offering an alternative to prosecution and a more flexible and business-friendly approach to tackling the problem of counterfeit goods.

IV. ACHIEVEMENTS OF THE ANTI-COUNTERFEIT AUTHORITY IN THE PROSECUTION OF IP INFRINGEMENTS THROUGH ALTERNATIVE DISPUTE RESOLUTION MECHANISMS

16. Since its establishment, the (ACA has made significant strides in the enforcement of IP rights, particularly through the prosecution of IP-related disputes and the application of ADR mechanisms. As a result, the Authority has prosecuted about 420 cases in court¹⁰ thereby. The ACA's role in prosecuting these cases has contributed to upholding the integrity of the market and to deterring future counterfeiting activities.

17. Although Section 34A of the Anti-Counterfeit Act, which allows for the compounding of offences, was introduced in the Act to provide an alternative to formal prosecution, it was not utilized until February 2023. Compounding allows IP disputes to be resolved outside of the courtroom by requiring the offender to pay a fine or meet other conditions, without the need for a protracted legal process. This mechanism provides an efficient and less adversarial means of resolving disputes while preserving business relationships.

18. Since the first invocation of this section in February 2023, close to 250 IP disputes have been resolved through compounding orders, making it a highly effective tool in the resolution of IP-related disputes. These compounding orders are considered equivalent to a decree issued by the High Court, which underscores their legal validity and enforceability. By issuing these orders, the ACA has expedited the resolution of a significant number of IP disputes and thereby the enforcement of IPRs. That in turn has reduced the burden on the court system helped to maintain business relationships and facilitated uninterrupted business engagements, enabling quicker enforcement of IP rights.

19. The success of the compounding mechanism has marked a pivotal shift in how IP disputes are handled in Kenya, with a clear preference for ADR emerging over traditional litigation. The ACA's use of compounding also aligns with global best practices in IP dispute resolution, whereby ADR mechanisms are increasingly being adopted to handle complex IP issues.

20. Through both prosecution and the implementation of ADR mechanisms such as compounding, the ACA has demonstrated its commitment to protecting IP rights in Kenya. By utilizing Section 34A effectively, it has significantly increased its capacity to resolve disputes efficiently, while still maintaining the necessary legal rigor to deter counterfeiting activities.

V. THE BENEFITS OF ALTERNATIVE DISPUTE RESOLUTION FOR RIGHTS HOLDERS AND INFRINGERS

21. ADR mechanisms such as compounding provide several advantages over traditional litigation in resolving disputes, particularly in the area of IP. One significant benefit is speed.

¹⁰ Anti-Counterfeit Authority Strategic Plan 2023-2027

ADR processes generally result in faster resolutions compared to the often lengthy procedures in the court system.

22. Cost-effectiveness is another key advantage. ADR methods are typically less expensive than litigation, making them more accessible to smaller businesses that might not have the financial resources to engage in prolonged court battles.

23. Confidentiality is also a major benefit of ADR. Settlement of disputes through ADR is often done privately, helping to protect the reputation of all parties involved. That is particularly important in commercial settings, where public legal battles can damage a company's image.

24. Flexibility is another hallmark of ADR. Unlike court judgments, which are often rigid, settlements reached through ADR can be tailored to meet the specific needs of the parties.

25. Lastly, ADR is generally less adversarial than litigation. Because it focuses on negotiation and compromise, it helps to preserve business relationships that might otherwise be damaged by the confrontational nature of court proceedings.

VI. CONCLUSION

26. Integrating the compounding of offences through ADR mechanisms into Kenya's anti-counterfeiting legal framework signifies a pivotal advance in the pursuit of efficient resolution of IP disputes in Kenya. This approach not only aligns with Article 159(2)(c) of the Constitution, which advocates for cost-effective alternatives to litigation, but also enhances the overall effectiveness of IP enforcement in the country.

[End of contribution]

MEDIATION AS AN ALTERNATIVE MEANS OF RESOLVING ENFORCEMENT-RELATED DISPUTES IN PARAGUAY AND COLLABORATION BETWEEN DINAPI AND THE WIPO ARBITRATION AND MEDIATION CENTER

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ABSTRACT

This document provides an analysis of the recent implementation of the mediation service of the National Intellectual Property Directorate (DINAPI), in collaboration with the Arbitration and Mediation Center of the World Intellectual Property Organization (WIPO). Through capacity-building for employees, specialized guidance to develop internal regulations and the provision of computer platforms, users were given the opportunity to utilize mediation for disputes relating to registration procedures, as well as non-administrative intellectual property (IP) disputes, including cases of infringement. Since the launch of the service, all the requests received relate to infringement. In mediation hearings, parties have reached agreements without the need for complex legal proceedings, which positions mediation as a leading alternative in the enforcement of intellectual property rights (IPRs).

I. ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS IN PARAGUAY

1. Cases of infringement of IP in Paraguay are prosecuted in both civil and criminal courts, as provided for in the relevant regulations. In the case of trademarks and copyright, both options are available, and the choice ultimately depends on what the affected party aims to obtain from the court. Civil proceedings will be chosen if the goal is to seek damages and cessation of use, and criminal proceedings will be pursued if the aim is to punish the offender.
2. For criminal proceedings, there are specialized prosecution services and courts, as well as other IP-centered institutions that collaborate on investigations, such as DINAPI (General Directorate of Enforcement), the police force (specialized department for combating intellectual property infringement) and the customs service (administrative coordination office for customs investigations), to name a few.
3. In Paraguay, IP offenses are publicly actionable, and they may therefore be pursued ex officio by the Office of the Public Prosecutor. This also enables specialized State institutions to conduct independent investigations and file complaints without the need for a request from the rightsholder. The usual penalty for such offenses is a five-year prison sentence, which can be increased to eight years in particularly serious cases.
4. These investigations, which tend to involve criminal cases of counterfeiting and piracy, are noted for their speed as the duration of the investigation, from the date of the complaint to the destruction of the offending articles is normally between six and nine months. In case of criminal offenses, the offenders may be eligible for alternatives to prison sentences.

* The views expressed in this document are those of the author and not necessarily those of the Secretariat or of the Member States of WIPO.

5. Civil proceedings are completely different. Firstly, the rightsholder is the only person able to bring such actions, which are non-specialized proceedings heard by ordinary civil and commercial judges. These courts, owing to the large volume of cases of all types that they handle, have a significant backlog of cases.

6. This has an unavoidable impact on the costs of the lawsuit, as it is a prolonged process with various procedural requirements. On many occasions, this discourages the affected party from using the civil pathway and consequently the said party tries to find protection through the criminal system, the purpose of which is punishment, not compensation.

7. Choosing an unsuitable pathway is clearly detrimental to a potential agreement between the parties. For instance, the first investigative action in criminal proceedings is a search action against the infringing person or entity, which involves the affected rightsholder, the police and the prosecution service. In other words, the parties become engaged in a confrontation and a process marked by the use of force.

A. ALTERNATIVE TO LEGAL PROCEEDINGS: CEASE-AND-DESIST LETTER

8. In view of the cost of litigation and the existing backlog of civil cases, rightsholders, upon becoming aware of infringements occurring in Paraguay, normally, first opt for out-of-court actions to defend their interests, most commonly a cease-and-desist letter.

9. In such cases, the right holder or their representative goes to the place where the rights are being infringed, accompanied by a notary public, who records the IP infringement (through test purchase, photograph or any other means) and then delivers to the alleged offender a letter ordering the immediate cessation of the actions affecting the rightsholder and the requirement of a signature to indicate a written commitment to desist,, among other demands.

10. However, while these actions are flexible and inexpensive, no specialized institutions are involved and there is no impartial third party that could help to settle disputes. As a result, in many cases, the alleged offender ignores these letters and an agreement between the parties is not possible owing to the rigidity of the negotiations.

11. It was therefore necessary to establish a process that is the middle way between a private cease and desist letter and legal action, enabling the affected rightsholders to find an amicable resolution to disputes which involves a specialized and impartial body.

II. THE DINAPI MEDIATION SERVICE AND COLLABORATION WITH THE WIPO ARBITRATION AND MEDIATION CENTER

A. BACKGROUND

12. DINAPI has had a Mediation and Conciliation Directorate since 2013, when it issued Decree No. 460/2013, regulating Act No. 4798/2012 establishing DINAPI. However, this unit, under the General Directorate of Enforcement, did not have any formal operating procedures or a regulatory framework. In almost a decade, it had processed only a few mediation cases, and without having reached agreements between the parties.

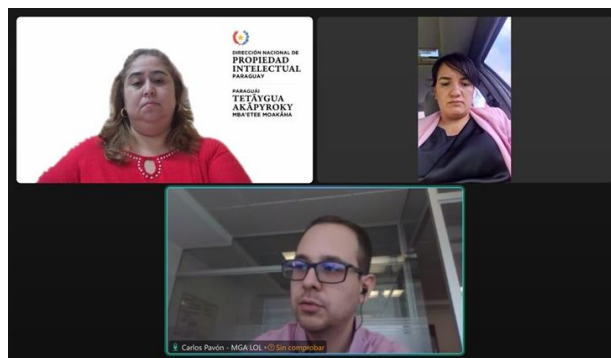
13. It was not until 2022 that DINAPI began to collaborate with the WIPO Arbitration and Mediation Center (hereinafter, the Center), which enabled them to build the foundations of a mediation service within DINAPI by training staff as mediators, including through specialized training such as the WIPO Academy DL-317 course.

14. In addition, the guidance provided by the Center contributed to the development of internal mediation regulations, which were approved in May 2023 and led to the implementation of a pilot plan for an effective roll-out of the service.

B. PRE-IMPLEMENTATION STAGES

15. In August 2023, the Center provided DINAPI with access to a computer platform under development for the monitoring and management of cases, as well as a module for holding remote hearings; these tools were integrated into the institution's systems and made it possible to conduct initial tests. The documentation needed for the internal processing of cases, such as orders, notifications, confidentiality acts and agreements, was also developed.

16. During these pre-implementation stages, test hearings were carried out both remotely and in person, leading to the first agreements since the establishment of the Mediation and Conciliation Directorate.



C. IMPLEMENTATION OF THE MEDIATION SERVICE PILOT PLAN

17. After having conducted test cases successfully, and thanks to the continuous updating of the platform provided by the Center, which provided DINAPI with a stable, secure and reliable computer tool for service provision, a pilot plan for the mediation service was formally implemented in July 2024. Among other provisions, this established that the service would be free of charge as long as it was operational and that requests could be submitted either on paper or electronically.

18. The option of an electronic process with remote hearings facilitated the participation of parties unable to go to the DINAPI offices in person. Rightsholders and alleged infringers are thus able to attend hearings from anywhere in the country, including their homes or workplaces, granting the service flexibility, affordability, adaptability and convenience.

a) Impact on users

19. Since the formal implementation of the mediation service, over 30 requests have been received and processed. Surprisingly, all of them have concerned IP infringements, mainly in the area of trademarks. It should also be noted that these requests for mediation came from both large foreign companies as well as small Paraguayan entrepreneurs. In some cases, these parties already tried to issue a cease-and-desist letter and either they did not receive a response or the alleged offender showed no inclination to cease the infringement or undertake in writing to desist. In practical terms, although there are no limits on the participation of foreign

users in mediation proceedings, large foreign companies are represented by local proxies who attend these mediation hearings following their instructions, to defend their interests.

20. It is also noteworthy that in the mediation hearings conducted during these cases, eight agreements have been reached between parties that allowed disputes to be resolved through reciprocal concessions in an environment of mutual trust, assisted by a third party with specialized knowledge of the field and an institutional structure unconnected to the conflict.



III. CONCLUSION

21. Mediation is emerging as a leading alternative means of resolving disputes related to the enforcement of IPRs in Paraguay, providing parties with a confidential, flexible and affordable process that enables them to reach outcomes that promote the creation of a safer and more competitive business environment.

22. These mediation processes, known for their high level of specialization in the field and their use of remote hearings, are gaining ground on traditional litigation among both large foreign companies and Paraguayan entrepreneurs.

23. Collaboration between the WIPO Arbitration and Mediation Center and DINAPI is a good example of how such partnerships promote the implementation of better, innovative services that raise public awareness of IPRs and the importance of respecting them.

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