



**АНДЕРСОН & АНДЕРСОН ХХН**  
**ANDERSON & ANDERSON LLP**

# **COMMENTS ON CURRENT IP LAWS**

## **Anderson's Comments on IP Laws**

**Anderson & Anderson LLP**

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# Current IP Laws of Mongolia

- **The Current Intellectual Property Laws of Mongolia**
  - Patent Law (2006)
  - Copyright Law (2006)
  - Trademark and Geographical Indication (2010)
- **Rules and Regulations of IPOM**
  - Intellectual Property State Control Rule
  - Conduct Rules of Legal Representative of IP
  - Official Standard for Patent License Agreement

# Treaties

- Mongolia is a signatory to the following International Treaties that are part of Mongolian laws, but often ignored by the courts to be used.
  - Convention Establishing the World Intellectual Property Organization (1967)
  - Berne Convention for the Protection of Literary and Artistic Works
  - Paris Convention for the Protection of Industrial Property
  - Nairobi Treaty on the Protection of the Olympic Symbol
  - Madrid Agreement Concerning the International Registration of Marks
  - Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks
  - Hague Agreement Concerning the International Registration of Industrial Designs
  - Patent Cooperation Treaty (PCT)
  - WIPO Copyright Treaty (WCT)
  - Beijing Treaty on Audiovisual Performances
  - Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks
  - Locarno Agreement Establishing an International Classification for Industrial Designs
  - Strasbourg Agreement Concerning the International Patent Classification
  - Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled



# Issues on International Treaties

- As for international treaties which Mongolia has become a contracting party, there are several good examples for IP protection and enforcement which are part of IP laws. For example, Mongolian courts can use some good provisions from Trade-Related Aspects of Intellectual Property Rights Agreement for civil proceedings to handle IP disputes.
- There are good regulations in such above mentioned Agreement with respect to injunctions, damages, indemnification of the Plaintiff, Administrative and Criminal Procedures.
- However, our Mongolian Courts often ignore all these measures which can be taken against infringers, due to court's lack of its knowledge of these International IP Treaties.

# Main Concerns on the Current IP Laws

- Lack of definition of types of infringement
- Weak protection to IPR holders
- Weak enforcement against IPR infringement
- The current IPR laws are not reliable and need to be improved in terms of types of infringement, remedies, protection, and enforcement.



# #1 Infringement

- In Mongolia, most court disputes related to IP laws are about IPR infringement.
- However, there is no clear definition of types of IPR infringement actions in IP laws. In most cases, Mongolian courts also did not clearly determine what infringement means.
- This is a problem because...
  - a court itself may have troubles in determining what exactly infringement means and may fail to make a right decision.
  - The degree or nature of infringement can be different, but always the same penalties apply to IPR infringement.
- Therefore, we should determine what types of action will be considered as infringement under the current IP laws.

# #1 Infringement

- Currently, Mongolian IP laws neither have a provision for definitions of types of infringement nor clearly state them. For example, the *Copyright Law*, Article 31.1 and 31.2 state as follows:

31.1 If the violation of the copyright legislation does not result in criminal liability, a judge or state inspector shall impose a fine...

31.2 If a fraudulent use of a intellectual property of the rights holder or knowing alteration, destruction, unlawful modification of such intellectual property or distribution or smuggling which does not result in criminal liability, a judge shall impose a fine..



# #1 Infringement

- Article 31.1 implies infringement as a violation of the Copyright Law which does not constitute a criminal case is a civil matter However, this definition is very broad and it is unclear what violation of the Copyright Law that does not result in a criminal case.
- Article 31.2 briefly states cases of infringement such as a fraudulent use of a intellectual property of the rights holder or knowing alteration of such intellectual property, etc, while explaining penalties against infringers. However, it also fails to specify each of the actions stated therein and it is not clear whether these stated actions are the same or different from infringement implied and stated in Article 31.1.
- Therefore, the current IP laws should be amended to include specific definitions of types of infringement.

# #1 Infringement

- Unlike Mongolian IP laws, other IP laws from foreign countries generally have a provision for types of infringement.
- For example, the *UK Patent Act 1977* has very specific regulations regarding two types of infringement and their definitions, which are primary and secondary infringement.



# UK Example

## *Primary Infringement*

- infringement of copyright by copying;
- infringement by issue of copies to the public;
- infringement by rental or lending of work to the public;
- infringement by performance, showing or playing of work in public;
- infringement by communication to the public; and
- infringement by making adaptation or acts done in relation to adaptation.

## *Secondary Infringement*

- infringement by importing infringing copy;
- infringement by possessing or dealing with infringing copy;
- infringement by providing means for making infringing copies; and
- infringement by permitting use of premises for infringing performance.

# UK Example

## *Other types of infringement under the UK Patent Act 1977*

- infringement by a co-owner;
- infringement by exclusive licensee;
- non-registration on infringement; and
- infringement of rights conferred by publication.



# #1 Infringement

- Unlike Mongolian IP laws, it is clear that what types of actions constitute infringement under UK IP laws and they are very specific.
- This is very important because under Mongolian IP laws, it is hard to know what action actually amounts to infringement. For example, under the *UK Patent Act 1977*, a person, who actually assists an infringer in renting property or importing, buying a infringing copies or possessing them, can be liable for infringement charges. On the other hand, such a person is not legally liable or cannot be punished under the current IP laws in Mongolia.

# #1 Infringement

- More importantly, each infringement should have different methods of proceedings and remedies depending on its different nature and degree of action, however, Mongolia laws have almost the same procedures and remedies regardless of nature or degree of the action.
- The current IP laws also should have specific types of actions and definitions of each infringement action in order for a judge to make a right decision and also in order to prevent anyone from escaping its liability for infringement.



# #2 Remedies

- The current IP laws of Mongolia also do not have enough remedies against infringement.
- There are only a few types of remedies, mostly criminal or administrative measures, such as imposing penalty, imprisonment, or injunction to cease infringing, disposing of infringing products, or compensating the IPR holder for property damages.

# #2 Remedies

- The *Copyright Law*, Article 31.1, the *Patent Law*, Article 29.1.1-3, and the *Trademark Law*, Article 34.1 all state that  
“...a judge or state inspector shall impose a fine of an amount 2-6 times the minimum wage level on individuals, and a fine of amount 10-25 times the minimum wage level on legal persons or a judge shall detain an individual or official at fault for up to 7-14 days, or a state inspector or a judge shall confiscate illegally earned profits in favour of the state, destroy the goods and stop the production.”
- The *Patent Law*, Article 16.1.5 states that  
“Patent owner is entitled to receive an appropriate fee from the profits earned as a result of using his/her invention or industrial design or innovation.”



# #2 Remedies

- The current IP laws have the same remedy clauses and there is no difference between remedies among the laws.
- Having not enough remedies can be also attributed to lack of definitions and types of infringement.
- Therefore, remedies and types and definitions of infringement have to be improved with more specific rules.
- With respect to remedies, there are several weakness found under the current IP laws and we will discuss these weakness and suggest our comments based on remedies in IP laws from other countries, here Korea, and USA.

# Issue (1)

- One of weakness on remedies under the IP laws of Mongolia is that imposing a fine does not reflect the exact amount of damages incurred by an IP holder and calculation of the fine is not clear how the minimum wage level on an individual or a legal entity will be determined. (e.g. per month or per year)

***The Copyright Law, Article 31.1, the Patent Law, Article 29.1.1, and the Trademark Law, Article 34.1*** all state that

“...a judge or state inspector shall impose a fine of an amount 2-6 times the minimum wage level on individuals, and a fine of amount 10-25 times the minimum wage level on legal persons...”



# Issue (1)

- In comparison with Mongolian law, Korean IP laws more clearly state the amount of a fine. For example,
  - *Patent Act*, Article 93, states that any person who infringes a patent right or exclusive license shall be punished by imprisonment not exceeding seven years or by **a fine not exceeding 100 million won.**
  - *Patent Act*, Article 95, any person who violates Article 91 (false marking) shall be punished by imprisonment not exceeding three years or by **a fine not exceeding 20 million won.**

# Issue (1)

- Exact damages caused to an IP right's holder must be a basis to calculate a fine against an infringer if actual monetary damages can be determined. (e.g. 2-6 times of damages incurred to the copyright holder)
- Also, considering examples from Korean law, a fine of a fixed amount of money must be set out depending on determined damages or nature and features of infringement.

For example, if an infringer causes loss or damages to a copyright holder and the loss or damages amount to more than MNT 500,000 or 1,000,000, the fine should be automatically MNT 5,000,000 or more.

- However, calculating damages and definition of damages are also not clearly stated in the current IP laws and will be addressed in the next section.



# Issue (2)

- Another weakness is that there are no clear rules for recovering and calculating damages incurred to a IP holder under the current Mongolian IP laws. There is even no definition of damage.
- Although there are some rules in the current IP laws that are applied to recovery of damages, in practice, they are not exact rules for recovering damages and there is a lot of confusion arising from these rules when a dispute arises at a court.

*Patent Law*, Article 16.1.5, specifies that a patent owner is entitled to receive an appropriate fee from profits earned as a result of using his/her invention or industrial design or innovation.

*Copyright Law*, Article 31.3, specifies that compensation for material losses suffered as a result of infringement of exclusive rights in copyrighted works shall be paid in accordance with the *Civil Code*.

# Issue (2)

- Article 16.5 states a right to receive an appropriate fee from profits, but it does not specifically state how to measure the appropriate fee.
- Article 31.3 states that it must be pursuant to the *Civil Code*, but the Civil Code also does not have any specific rule what recovering damage means and how IP right holders can recover such damages.



# Issue (2)

- In practice, most recent court decisions regarding IP disputes almost always apply the above-mentioned articles to order an infringer to pay damages to an IP holder.
- However, in the decisions, there is little information on how to calculate the damages. Without specific rules, a court often determines damage amounts based on suggestions of a defendant.
- Therefore, Mongolian IP laws must have some specific rules to resolve this issue. Some of articles to recover damages from foreign laws can be good examples . Here we will look to articles from US laws.

# Issue (2)

- According to the *US Patent Act*, a copyright owner is entitled to recover its actual damage from profits earned by an infringer pursuant to Article 504 (a).
- Article 504 (a) states that “an owner of copyright or patent is entitled to recover the actual damages suffered by him or her as a result of the infringement, and any profits of the infringer that are attributable to the infringement are taken into account in computing the actual damages.”



# Issue (2)

- With respect to how to measure damages, the Act also provides specific things to be considered pursuant to Article 504 (b).
- Article 504 (b) states that in establishing the infringer's profits, the copyright owner is required to present proof only of the infringer's gross revenue, and the infringer is required to prove his/her deductible expenses and the elements of profit attributable to factors other than the copyrighted work.
- Therefore, considering above examples from other countries, Mongolia should adopt or add rules that determine and measure damages.

# #3 Legal Protection

- The current IP laws do not have any warnings for infringers.
- It is difficult for a IP holder to prevent potential infringement **UNTIL** actual violations of law or damages occur.
- The current IP laws may frustrate IP holders to appropriately protect their rights in advance or in a timely manner even though they have evidence that an individual or company is going to infringe their rights **UNTIL** damages or violations of law occur.
- This may discourage IP investors in Mongolia or impede development of IP fields in Mongolia.



# #3 Legal Protection

- Therefore, the current laws should reflect good practices to improve protection and include warning clauses.
- Some examples can be found from Korean IP laws as below:

*Copyright Law*, Article 123, allows copyright holders to file a petition against an infringer to stop its infringement and also to file a petition for warning against a person who is likely to infringe rights of copyright holders; or

*Patent Act*, Article 126 a patentee or exclusive licensee may demand a person who infringes or is likely to infringe on his/her own patent right to discontinue or refrain from such infringement.

# #4 Enforcement

- One of the main concerns on the current IP laws will be weak enforcement of IP rights.
- We especially see some weak points in the performance of the IPOM based on the current laws. For example, pursuant to *Trademark and Geographical Indication Law*, Article 32.4, Dispute Settlement Commission (“DSC”) of IPOM is generally in charge of solving complaints and requests within six (6) months after receiving them.
- However, in practice, it is inefficient and unreasonable for an innocent party, who suffers damages caused by an infringer to its IP rights, to wait until the DSC examines a filed complaint up to six (6) months while suffering from infringement.
- Therefore, a dispute settlement period should be reduced down to two (2) months or less.



# #4 Enforcement

- Another problem is that the process of filing a complaint at DSC is very time-consuming as it requires a number of documents at an initial stage.
- In order to file a complaint, an infringed party is required to submit its contract with a copyright owner, accreditation, and other various documents to prove that it has properly and legally obtained and used a license at issue, including a copy of trademark certificate, evidence proving a violation of trademark rights, an infringer's address and contract, etc.
- In practice, such process discourages an infringed party to file a complaint because the infringed party may not be able to produce all the required documents.

# #4 Enforcement

- Therefore, filing a complaint to the DSC should be simpler and easier at the initial stage. In order to do so, it is recommended that IPOM should set out an online system to receive a complaint with all the necessary documents in an electronic form and also reduce its requirements of documentations at the initial stage.



# #4 Enforcement

- Pursuant to Article 26.1 of the *Copyright Law* and other laws, the IPOM shall be responsible for implementing and enforcing intellectual property rights and relevant laws.
- However, the IPOM has not been active in monitoring the current infringement and encouraging the public to be aware of IP rights and its legal issues. It does not provide enough and necessary action to protect IPRs and to reduce the current IPR infringement on a regular basis.
- The IPOM should monitor activities of business entities and officials and then inform the public of its found results in order to publicize IPR violations.
- For example, the IPOM should investigate current infringements by its own initiative and inform the public of counterfeit products and services on a regular basis. Based on our experience, consumers and the public have very little knowledge about IPR.

# #4 Enforcement

- Consumers believe that low-priced products are as good as original ones and consumers do not have enough knowledge to know that using counterfeit products is a violation of law or how it will negatively affect inventors and the current development of IPR in Mongolia. Sometimes public does not realize infringing products are dangerous or do not work.
- Although the current IP laws state that the IPOM shall be responsible for implementing IP and relevant laws, the current implementing mechanism of the IPOM is ineffective due to weak law enforcement.
- Therefore, the current IP laws should clearly obligate IPOM not only to investigate on-going infringing activities but also to inform and update the public of its active investigation of IPR infringements and the legal consequences of such infringements.



# #4 Enforcement

- Although the current IP laws state that the IPOM shall be responsible for implementing IPR and relevant laws, the current implementing mechanism of IPOM is ineffective due to weak law enforcement.
- In order to tackle this problem, the laws should specifically state that the IPOM can initiate a legal action against infringements by itself, depending on its own investigation in addition to proceeding in an action based on a complaint from an infringed company or individual.

# #4 Enforcement

- The nature of the IPOM dealings with IPR cases is currently very passive and ineffective. It is unreasonable to wait until a complaint is filed while serious and frequent infringement is going on.
- We believe that IPR infringements can be reduced through effective targeted investigations by the IPOM, so the IPOM should initiate legal actions against serious infringement by its own initiative rather than being passive. If the laws create an obligation of the IPOM to take legal action by its own initiative, such obligations may enable us to reduce IPOM's passive approach.



# #5 Other Recommendations (1)

- As Intellectual property has become one of the largest assets of a company and such IP rights has been more important in the business environment in Mongolia, new IP issues have been arisen in terms of protecting interests and rights.
- One of the issues can be employee invention compensation, specifically how to deal with interests in IPR between an inventor and its company in the employment relationship.
- Unfortunately, in Mongolia, the current IP laws do not have any provision to govern an issue of interests in IPR between an employee and employer. According to the *Copyright Law*, Article 17, an invention made by an employee shall belong to an employer. In other words, the current law does not recognize an ownership of invention by employee, although rights of the employee to an invention can be mentioned in a specific agreement.

# #5 Other Recommendations (1)

- In Mongolia, employee invention and compensations are governed by the *Copyright Law* as below:

The *Copyright Law*, Article 17.1 states that with respect of a work created by an inventor/author within the scope of his/her employment, non-material wealth shall belong to the author/inventor.

The *Copyright Law*, Article 17.2 states that an employer may enjoy exclusive rights in works created within the scope of the author/inventor's employment unless otherwise stated in a contract.



# #5 Other Recommendations (1)

- However, the current law does not have specific rules on determining a process of invention owner, compensation of an employee invention, rights of the inventor (employee) and employer, protections for the employer , etc.
- Such a lack of specific rules resulted and will result in taking very long time to resolve disputes related to employee's invention compensation, although there have been a few disputes filed at a court related to this issue.
- Therefore, this area of the law also must be improved in order to properly protect rights and obligations of an employee and employer.
- In UK, *the Patent Act 1977* regulates specific issues related to employee invention. Some of the rules are good examples that may be also adopted by the Mongolian IP laws.

# #5 Other Recommendations (1)

- For example, the *UK Patent Act*, Article 39 allows an employee to become an owner of invention subject to certain cases. Article 39 states:

“an invention made by an employee shall, as between him and his employer, be taken to belong to his employer for the purposes of this Act and all other purposes if—

- (a) it was made in the course of the normal duties of the employee or in the course of duties falling outside his normal duties, but specifically assigned to him, and the circumstances in either case were such that an invention might reasonably be expected to result from the carrying out of his duties; or
- (b) the invention was made in the course of the duties of the employee and, at the time of making the invention, because of the nature of his duties and the particular responsibilities arising from the nature of his duties he had a special obligation to further the interests of the employer’s undertaking.

However, **any other invention made by an employee shall, as between him and his employer, be taken for those purposes to belong to the employee.**



# #5 Other Recommendations (1)

- Compared to the article above, Mongolian law only and exclusively grants employers to rights to ownership of invention, but not employees. Under the current Mongolian law, employees in Mongolia are unlikely to be able to have ownership of an invention even though such invention is not made in the course of its normal duties under an employment agreement.
- Also, unlike the article above, Mongolian law does not have specific language and scope of invention patent rights, for example, “in the course of normal duties”
- Such lack of specific scope and language often makes a dispute complicated and unresolved. Some of Mongolian disputes regarding ownership of inventions between employer and employee took more than two years to be resolved by a court and shows that judges themselves struggled to resolve such cases under the current rules, which are too general.

# #5 Other Recommendations (2)

- With respect to employee invention compensation, the current law of Mongolia does not have concrete rules on rewarding compensation to an inventor (employee).
- It is not clear if the inventor (employee) can be awarded compensation according to Mongolian law unless an employer suggests first that an inventor should be compensated. Also there is no rules how to determine the compensation.
- In case of UK laws, an employee should be awarded compensation to be paid by the employer for certain inventions, and the court or the comptroller may award him such compensation of an amount determined under the law.
- Also, a method of determining the compensation is also clearly stated in the *Patent Act 1977* as below:



# #5 Other Recommendations (2)

- The *UK Patent Act*, Provision 40 states that:

where it appears to the court or the comptroller on an application made by an employee within the prescribed period that the employee has made an invention belonging to the employer for which a patent has been granted, that the patent is (having regard among other things to the size and nature of the employer's undertaking) of outstanding benefit to the employer and that by reason of those facts it is just that the employee should be awarded compensation to be paid by the employer, the court or the comptroller may award him such compensation of an amount determined under section 41 below.

# #5 Other Recommendations (2)

- The *UK Patent Act*, Provision 41 states that:

in determining the compensation amount to be awarded for an employee in respect of a patent for an invention which originally belonged to him, the court or the comptroller shall, among other things, take the following matters into account, that is to say—

- (a) any conditions in a license or licenses granted under the Patent Act or otherwise in respect of the invention or the patent;
- (b) the extent to which the invention was made jointly by the employee with any other person; and
- (c) the contribution made by the employer to the making, developing and working of the invention as mentioned above.



# Conclusion

- Therefore, considering the above recommendations and other comments on current IP laws of Mongolia, the current rules regarding infringement, remedies, protection and enforcement should be changed as we suggested above.
- Improving definition of infringement, remedies, protection, and enforcement of the current IP laws of Mongolia will attract foreign investment in IP area and enhance international trade between Mongolian and other foreign countries.

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# Thank You

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