

European Intellectual Property Review

2003

Article

PROCEDURES AND REMEDIES FOR ENFORCING IPRS: THE EUROPEAN COMMISSION'S PROPOSED
DIRECTIVE

William R. Cornish.

Josef Drexler.

Reto Hilty.

Annette Kur.

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Legislation: Proposal for a Directive on measures and procedures to ensure the enforcement of intellectual property rights COM(2003) 46 final

Agreement on Trade-Related Aspects of Intellectual Property Rights 1994

Subject: INTELLECTUAL PROPERTY

Keywords: EC law; Enforcement; Intellectual property

Abstract: Discusses the legal basis for the Proposal for a Directive on measures and procedures to ensure the enforcement of intellectual property rights. Compares the Proposal with the remedies required by the TRIPS Agreement. Considers whether proposals which relate only to IP are justified in the light of proportionality and subsidiarity.

***447** The Commission has published its plan for a Directive which aims to secure harmonised procedures and remedies for intellectual property infringement in the national laws of EU States. [FN1] The main object of the Directive, it seems, is to enhance the level of protection across the Union as a contribution to the fight against piracy and counterfeiting. Most people abhor deliberate imitators of protected products, who can offer no justification for what they are doing, who have no intention of taking any licence and who are out for whatever profit they can get. At their most organised, pirates are gangland operators. Who can doubt that, in its lower depths, IPR enforcement is dirty business?

The Commission's aim is to help in stemming this dark tide. One view of the draft Directive is that it does not do enough. Some Member States, doubtless at the behest of producer interests, are already objecting to feebleness in the proposals. Our concerns, however, are rather different. Instead of relating only to piracy and counterfeiting, the draft is couched in more general terms. True--it is confined in its scope to "infringements carried out for commercial purposes or causing significant harm to the right holder". But any limitation that this may imply will be minimal at best: for patents, trade marks and other industrial property, infringement is anyhow limited to commercial activities; and in the area of copyright, acts such as uploading music files or other internet-related behaviour, even if done privately, would mostly fall under the second category of infringements to which the proposal relates, i.e. infringements causing significant harm. This means that in principle, every kind of IP infringement of practical significance will fall within the proposed harmonisation measures.

Perhaps it must be so: a Directive which would relate only to wilful and/or fraudulent conduct, or to cases of severe infringement, would introduce an awkward division. Community law would govern the lower half of IP enforcement, national law would continue to determine the upper half. Be that as it may, the proposal has to be taken on its own terms. Hence the questions: does the draft satisfy the constitutional basis for action, i.e. that it contains harmonising provisions "which have as their object the establishment and functioning of the internal market" (Art.95(1) EC Treaty)? Is it proportional? Does it respect the principle of subsidiarity? We have doubts on all these scores.

(Cite as: E.I.P.R. 2003, 25(10), 447-449)

The Directive lies in the field that has already been provided with a plethora of ground rules by TRIPs concerning enforcement of those IPRs within that Agreement's purview. These the Member States are obliged to observe as part of their own WTO membership and, within the reach of internal Community legislation on IPRs, also as a matter of Community law and the Community's WTO membership. Were the Commission to be seeking to ensure that each state is respecting these TRIPs obligations, that would be an objective that could be critically examined as and for itself. [FN2] But this forms no part of the justification offered for the Directive. The essential measures therefore aim to improve on TRIPs standards. The main objective of these super-TRIPs requirements is said to be to reduce the prospect of pirates taking "particular advantage of the disparities in the means of enforcing" IPRs--the advantage being that "counterfeited and pirated products are more likely to be manufactured or sold in those countries which are less effective than others in combating counterfeiting and piracy". [FN3] What are they, these super-TRIPs requirements? Examples include double licence fees as a regular measure of damages, a right to be informed about the participation of third parties in infringing activities, [FN4] *448 seizure of infringing products from everyone found in their possession, including private parties, and irrespective of fault or bad faith, [FN5] etc. [FN6]

Can it be seriously maintained that current differences over the extent of remedial relief (largely in civil process) is exercising pirates in choosing where to do their buccaneering business? Do they sit down with their lawyers and say "Let's concentrate on Softland--no double damages there!" "No, no, Secretland would be better--can't be required to reveal our source there!" The Commission produces no evidence that they do. Of course not. What they want to know is how much time and money is available for their pursuit by the police, customs and consumer protection agencies, as well as enforcement bodies set up by interest groups; and how effective these operations tend to be. The proposed Directive does not deal with such hard-line questions of resources in any significant way. [FN7] It is hard to imagine that a Directive to Member States could ever do so. [FN8]

In this connection one is compelled to ask why questions of legal procedure have so far been left to national law. Has this been wise practice in a matter of subsidiarity? We believe that it has been. Procedural law, civil as well as criminal, encapsulates a whole set of balances concerning fundamental freedoms of individuals when they face the operations of the justice system. How much of their private affairs should defendants be obliged to reveal? Who will keep control over the proceedings? Who will decide on the merits, who on the remedial consequences? In procedural law lie the real tests of how punitive, and therefore preventive, legal redress should be. The tests have evolved in different countries out of long experience with their own system, each with its virtues and idiosyncrasies. In large measure they apply to all types of claim, not just to particular fields, such as intellectual property, and that is a highly desirable presumption to be maintained. [FN9]

What the Commission is proposing is a set of super-TRIPs refinements to national laws on procedure and remedies which will apply to IP cases alone. Of course, there are precedents in most systems for shaping procedure in IP to meet special needs. [FN10] But with these proposals the question will be asked: why are they case-specific? Remembering that the proposals are in the main intended for all cases of IP infringement, and not just for serious cases of deliberate piracy, we find it hard to see the justification for separate treatment in these ways. Again the Commission offers no convincing argument. It appears to ignore the recent commitment of all the Community institutions-- Commission, Parliament and Council alike--to gainsay further fragmentation of Community law at the secondary level, notably in fields of private law. [FN11]

Where and when are separate procedure codes justified for IP? First and foremost, the technical subject-matter of patent law demands its own modulations. And now, quite independently of anything in the draft Directive under discussion, it emerges that EU law will have to evolve its own procedure for patent disputes. The announcement by the Council that the Community patent system is to be established by a Regulation which will include a separate jurisdictional structure for patent disputes, from first instance upwards, makes this necessary. That will be a complex and inevitably controversial exercise which will traverse much beyond the issues proposed in the Directive under review. There is another case--less challenging, but equally suggestive-- for EU intervention to deal separately with IP litigation procedure. We already have Member State courts exercising Community law jurisdiction to enforce and determine validity of Community rights--in plant varieties, trade marks, and registered and unregistered designs. So far distinct procedural rules and remedies for these rights have been kept to a minimum. There may well be a case for examining whether they deserve standardised treatment as a group by the elaboration of common rules which complement those being reached for patents.

With these prospects in mind, we are concerned about the effectiveness and the desirability of inserting Community principles into parts of national procedural laws which otherwise have general, not IP-specific, effect. Our concerns are increased by the fact that the present efforts are accompanied by the steam and clamour inevitably produced by talk of piracy and counterfeiting. Haste and political pressure from interest groups do not make for good counsel when it comes to

(Cite as: **E.I.P.R. 2003, 25(10), 447-449**)

regulating complex and sensitive fields like *449 that of sanctions and procedural measures for IP protection. This is not to say categorically that it is inappropriate or premature for legislative activities on the Community level to address those issues--the time indeed may be ripe for that. However, this should be done with calm deliberation, involving not just IP specialists, but also those concerned for the integrity of national legal systems generally. And last but not least, Community activities in this field should preferably be directed to the area where sound, efficient and consistent solutions are needed most--establishing a common system of adjudication, and elaborating a unitary catalogue of procedural interventions, sanctions and remedies for the infringement of Community rights.

WILLIAM CORNISH

Herchel Smith Professor of Intellectual Property

Cambridge University

JOSEF DREXL

RETO HILTY

Directors

Max Planck Institute for Intellectual Property,

Competition and Tax Law

Munich

ANNETTE KUR

Max Planck Institute for

Intellectual Property,

Competition and Tax Law

Munich

Associate Professor at the University of Stockholm

Supported by [FN12] Lionel BENTLY, London; Niklas BRUUN, Helsinki; Titia E. DEURVOORST, Amsterdam and Utrecht; Vincenzo DI CATALDO, Catania; Gustavo GHIDINI, Rome; Willem GROSHEIDE, Utrecht; Thomas HOEREN, Münster; Bernt HUGENHOLTZ, Amsterdam; Peter GÖTTING, Dresden; José Antonio GOMEZ SEGADE, Santiago de Compostela; Marie-Christine JANSSENS, Leuven; Anselm KAMPERMAN SANDERS, Maastricht; Gunnar KARNELL, Stockholm; Hans-Georg KOPPENSTEINER, Salzburg; Michael LEHMANN, Munich; Marianne LEVIN, Stockholm; Ulrich LOEWENHEIM, Frankfurt; Per-Jonas NORDELL, Lund; Marcus NORRGÅRD, Helsinki; Ansgar OHLY, Bayreuth; Lars PEHRSON, Stockholm; Yves REBOUL, Strasbourg; Ole- Andreas ROGNSTAD, Oslo; Jan ROSÉN, Stockholm; Joanna SCHMIDTSALEWSKI, Lyon; Jens SCHOVSBO, Copenhagen; Jaap SPOOR, Amsterdam; Are STENVIK, Oslo; Paul TORREMANS, Nottingham and Gent; Luigi UBERTAZZI, Milan; Hanns ULLRICH, Neubiberg and Florence; Dirk VISSER, Leiden.

FN1. See n.12, below.

FN1. Proposal for a Directive of the European Parliament and of the Council on Measures and Procedures to Ensure the Enforcement of Intellectual Property Rights: COM (2003) 46 final, January 30, 2003.

FN2. Would it not be in more appropriate proportion to call for information about what was necessary and what has been done to comply with this aspect of TRIPs?--If it turns out that Member States do not comply with their obligations, this could indeed justify Community legislation reinforcing the TRIPs standards. If Member States do

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comply, however--as appears to be the case in the absence of any evidence to the contrary--any harmonisation measures should be confined to those areas where the standards set out in the TRIPs Agreement are considered insufficient by the Commission. This would call for precise argumentation rather than the sweeping generalisations underlying the present proposal.

FN3. The Commission also claims that consumer interests are seriously jeopardised by piracy and counterfeiting. Consumers will be misled by the passing off involved in counterfeiting; but that does not occur with simple piracy that makes plain that the goods do not come from the rightowner. Since in such cases the goods are usually cheaper, where is the detriment? Exaggerated claims of this type are unfortunately a common part of Community law-making.

FN4. cf. Art.47 TRIPs, where the right to information is mentioned as an optional remedy.

FN5. In Art.46 TRIPs ("Other remedies"), it is stipulated that, when considering requests for seizure and disposal of goods, courts have to take into account "the need for proportionality between the seriousness of the infringement and the remedies ordered as well as the interests of third parties". Nothing of that can be found in the proposed Directive.

FN6. Further examples are that courts should have power to close down an infringer's business on a provisional or permanent basis, to recall infringing products from the market at the infringer's expense, and to order protection against circumvention of technical devices intended to prevent the manufacture of fake goods. The draft Directive even goes so far as to propose criminal sanctions against natural and legal persons, ignoring the fact that to impose criminal sanctions against legal entities is a feature heretofore unknown in the judicial systems of some Member States.

FN7. The Community has acted in this area by enacting Reg.3295/94, amended by Reg.241/1999 to be replaced with effect from July 1, 2004 by Council Regulation 1383/2003 of July 22, 2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights (O.J. L196/7).

FN8. Should the measure nevertheless be allowed through on the basis that it is wellintended, even though it is ineffectively aimed at its objective? Is it enough to propose the setting-up of a low-platform acquis, perhaps so as to raise it later? Surely that would amount to a form of negative disproportionality? Legal change is always costly in ways both direct and indirect. It must therefore be seen to meet the stated objectives proposed in justification for its enactment.

FN9. This is even confirmed in Art.41(5) TRIPs: "It is understood that this Part does not create any obligation to put in place a judicial system for enforcement of intellectual property rights distinct from that for the enforcement of laws in general ...".

FN10. A classic example was the British Statute of Anne, 1710, giving publishers the right to demand the destruction of copies and a penalty of a penny a page of copyright infringement (half of which went to the crown).

FN11. Council of Tampere. See also the Action Plan of the Commission for "A More Coherent European Contract Law" (February 12, 2003), where the Commission proposes "a common frame of reference" to be taken into account by the European legislator also in drafting future legal instruments. Definition of core concepts of private law, in particular regarding standards of liability, fault and negligence, as well as the understanding of "damages", would obviously clash with that announcement.

FN12. All supporters are professors teaching, or having taught, IP law at universities in the cities indicated above.

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