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Proposal for a

DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
on measures and procedures to ensure the enforcement of intellectual property rights

(presented by the Commission)

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INTRODUCTION

A. Objective of the Community initiative

Counterfeiting and piracy, and infringements of intellectual property in general, are a constantly growing phenomenon which nowadays have an international dimension, since they are a serious threat to national economies and governments. In the European Internal Market, this phenomenon takes particular advantage of the national disparities in the means of enforcing intellectual property rights. These disparities seem to influence the choice of where counterfeiting and piracy activities within the Community are carried out, and this means that the counterfeited and pirated products are more likely to be manufactured and sold in those countries which are less effective than others in combating counterfeiting and piracy. They therefore have direct repercussions on trade between the Member States and a direct impact on the conditions governing competition in the Internal Market. This situation leads to diversions of trade, distorts competition and creates disturbances on the market.

The disparities between the national systems of penalties, apart from hampering the proper functioning of the Internal Market, make it difficult to combat counterfeiting and piracy effectively. This leads to a loss in confidence in economic circles in the Internal Market, and hence to a reduction in investment. In addition to the resultant economic and social consequences, counterfeiting and piracy also pose problems for consumer protection, particularly when public health and safety are at stake. Increasing use of the Internet enables pirated products to be distributed instantly around the globe. Finally, this phenomenon appears to be increasingly linked to organised crime. Combating the phenomenon is thus of vital importance for the Community especially when these illegal activities are carried out on for commercial purposes or cause significant harm to the right holder.

The aim of this Directive is to tackle this situation by harmonising national legislation on the enforcement of intellectual property rights.

B. Basis for the initiative: consultation by the Commission

On 15 October 1998, the Commission presented a Green Paper on the fight against counterfeiting and piracy in the Single Market¹ in order to launch a debate on this subject with all interested parties. The areas of intervention suggested in the Green Paper related in particular to action by the private sector, the effectiveness of technical security provisions, penalties and other means of ensuring compliance with intellectual property rights, as well as administrative co-operation between the national authorities.

¹ COM(98) 569 final.

The Commission received a large number of contributions which became the subject of a published summary report². Together with the German Presidency of the Council of the Union, the Commission organised in Munich on 2 and 3 March 1999 a hearing open to all interested circles³, as well as a meeting of experts from the Member States on 3 November 1999. The European Economic and Social Committee submitted its opinion on the Green Paper on 24 February 1999⁴. The European Parliament adopted a Resolution on this subject on 4 May 2000⁵.

This consultation exercise confirmed, in particular, that the disparities between the national systems of penalties for intellectual property rights were having a harmful effect on the proper functioning of the Internal Market. The interested parties expressed the desire for this question to be tackled energetically and for far-reaching measures to be taken at the level of the European Union.

Subsequent to this consultation exercise, the Commission presented on 30 November 2000 a follow-up Communication to the Green Paper containing an ambitious action plan to improve and strengthen the fight against counterfeiting and piracy in the Internal Market⁶. Among the measures proposed in that action plan, the Commission announced that it would be presenting a proposal for a Directive aimed at harmonising the legislative, regulatory and administrative provisions of the Member States on the means of enforcing intellectual property rights, and at ensuring that the rights available enjoy an equivalent level of protection in the Internal Market. That is the aim of this proposal.

The Commission Communication, and in particular the announcement of a proposal for a Directive on the enforcement of intellectual property rights, was welcomed by interested circles. In its supplementary opinion of 30 May 2001⁷, the European Economic and Social Committee approved the intention of the European Commission to present a proposal for a Directive on this subject in the near future.

PART ONE:

ACHIEVING THE INTERNAL MARKET IN THE FIELD OF INTELLECTUAL PROPERTY

A. Enforcing the substantive law of intellectual property

Up till now, the action taken by the Community in the field of intellectual property has focused mainly on the harmonisation of national substantive law or the creation of a unitary right at Community level. Certain national intellectual property rights, for instance, have been harmonised, such as trade marks⁸, designs⁹, patents for biotechnological inventions¹⁰, and

² http://europa.eu.int/comm/internal_market/en/indprop/piracyen.pdf.

³ http://europa.eu.int/comm/internal_market/en/indprop/piracy/munchen.htm.

⁴ OJ C 116, 28.4.1999, p. 35.

⁵ OJ C 41, 7.2.2001, p. 56.

⁶ COM(2000) 789 final.

⁷ OJ C 221, 7.8.2001, p. 20.

⁸ First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks, OJ L 40, 11.2.1989, p. 1.

⁹ Directive 98/71/EC of the European Parliament and of the Council of 13 October 1998 on the legal protection of designs, OJ L 289, 28.10.1998, p. 28.

¹⁰ Directive 98/44/EC of the European Parliament and of the Council of 6 July 1998 on the legal protection of biotechnological inventions, OJ L 213, 30.7.1998, p. 13.

certain aspects of copyright and related rights¹¹. The recent adoption of the Directive on a resale right for the benefit of the authors of original works of art¹², and the Directive on the harmonisation of certain aspects of copyright and related rights in the information society¹³, are in this respect a major step forward in the process of harmonising copyright and related rights. This last Directive will make it possible to adapt the protection of right holders to technological developments, in particular in the digital field. The Community has also intervened to extend the duration of patent protection for medicinal products and plant protection products¹⁴, as well as to lay down common rules for geographical indications and designations of origin¹⁵. The Commission has also made proposals for harmonisation with a view to clarifying the legal situation regarding the patentability of computer-implemented inventions¹⁶.

The Community has also taken action to create unitary rights at Community level, immediately valid throughout the EC, such as the Community trade mark¹⁷, the Community system of protection for plant varieties¹⁸ and, more recently, Community designs¹⁹. It should also be noted that legislative proposals are currently under discussion at the level of the Council of the EU for the creation of a Community patent²⁰.

¹¹ Council Directive 91/250/EEC of 14 May 1991 on the legal protection of computer programs, OJ L 122, 17.5.1991, p. 42; Council Directive 92/100/EEC of 19 November 1992 on rental right and lending right and on certain rights related to copyright in the field of intellectual property, OJ L 346, 27.11.1992, p. 61; Council Directive 93/83/EEC of 27 September 1993 on the co-ordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission, OJ L 248, 6.10.1993, p. 15; Council Directive 93/98/EEC of 29 October 1993 harmonising the term of protection of copyright and certain related rights, OJ L 290, 24.11.1993, p. 9; Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases, OJ L 77, 27.3.1996, p. 20.

¹² Directive 2001/84/EC of the European Parliament and of the Council of 27 September 2001 on resale rights for the benefit of the authors of original works of art, OJ L 272, 13.10.2001, p. 32.

¹³ Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, OJ L 167, 22.6.2001, p. 10.

¹⁴ Council Regulation (EEC) No 1768/92 of 18 June 1992 concerning the creation of a supplementary protection certificate for medicinal products, OJ L 182, 2.7.1992, p. 1; Regulation (EEC) No 1610/96 of the European Parliament and of the Council of 23 July 1996 concerning the creation of a supplementary protection certificate for plant protection products, OJ L 198, 8.8.1996, p. 30.

¹⁵ Council Regulation (EEC) No 2081/92 of 14 July 1992 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, as last modified by Regulation (EC) No 1068/97, OJ L 156, 13.6.1997, p. 10.

¹⁶ Proposal for a Directive of the European Parliament and of the Council on the patentability of computer-implemented inventions, COM(2002) 92 final of 20.2.2002.

¹⁷ Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark, OJ L 11, 14.1.1994, p. 1.

¹⁸ Council Regulation (EC) No 2100/94 of 27 July 1994 on Community plant variety rights, OJ L 227, 1.9.1994, p. 1.

¹⁹ Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs, OJ L 3, 5.01.2002, p. 1.

²⁰ Proposal for a Council Regulation on the Community patent, OJ C 337 E, 28.11.2000, p. 278.

The powers of the Community in the field of the substantive law on intellectual property, which appears more and more to be a field for priority intervention for the Community in order to ensure the success of the Internal Market, are today fully recognised²¹. It is thus a logical extension that the Community should take an interest in the effective enforcement of the intellectual property rights which it has harmonised or created at Community level. At the level of principles, the fact that the enforcement of intellectual property rights, which are today governed essentially by Community law, should be ensured according to systems which sometimes vary widely from one Member State to the other appears difficult to reconcile with the objective of guaranteeing right holders an equivalent level of protection in the Internal Market.

B. Promoting freedom of movement and ensuring fair and equal competition in the Internal Market

Article 3(1)(c) of the EC Treaty lays down that the activities of the Community include an internal market characterised by the abolition, as between Member States, of obstacles to the free movement of goods and services. In addition, Article 14(2) of the EC Treaty lays down that the internal market comprises an area without internal frontiers in which the free movement of, in particular, goods and services is ensured.

While the gradual harmonisation of substantive law on intellectual property rights has promoted the free movement of goods between the Member States and has made the rules applicable more transparent, the means of enforcing intellectual property rights have not yet been subject to any harmonisation. Moreover, even when the national legislation provides right holders with effective means of enforcing their rights, it sometimes happens that the practical implementation of those means is not ensured. As pointed out by interested circles during the consultation on the Green Paper, these loopholes have naturally been exploited by counterfeiters and pirates, who have taken advantage of national differences to market their products, thereby causing diversions of trade and market disturbances. Harmonisation of the national provisions governing the enforcement of intellectual property rights will ensure better movement within the Internal Market, greater transparency in the systems of penalties and improved application of the means made available to right holders.

Furthermore, the creation of fair and equal conditions of competition between all economic operators in the field of intellectual property is essential in order to allow these operators to make effective use of the fundamental freedoms set out in the EC Treaty. The conditions for fair and equal competition are weakened or nullified by differing national rules on enforcing intellectual property rights. Under certain circumstances, the results are distortions of competition which jeopardise the free movement of goods and services in the Internal Market.

Distortions of competition in the Internal Market may come not only from differences in the scope and extent of intellectual property rights by virtue of national law, but also from differences in the systems of penalties applied to protect those rights against counterfeiters and pirates. From the point of view of the latter, the strictness of the local system of penalties can be taken into account in the production costs of illegal products. These costs will depend

²¹ It took a judgment of the Court of Justice in 1995, handed down in relation to Regulation (EEC) No 1768/92 concerning the creation of a supplementary protection certificate for medicinal products, for it to be fully recognised that patents are not a field reserved for the Member States, and that the Community may adopt harmonisation measures in that field (judgment of 13.7.1995 in *Spain v. Council*, Case C-350/92, ECR 1995, p. I-1985).

on the penalties applied in the event of proceedings (seizure of the illegal goods, payment of fines, need to pay workers more to offset the risk of retaliation measures).

The result is that, in the absence of legislation to harmonise the systems of penalties for intellectual property rights in the Internal Market, there will continue to be a situation of differences in terms of the risks and, hence, of the costs for the operators of counterfeit and pirated products. Since such counterfeit and pirated goods are, by definition, substitutes in the economic sense for the lawfully marketed goods which they imitate, the divergences in the cost base in the Internal Market for illegal operators will also give rise to differences in the conditions of competition for the lawful operators. It can be considered that, in those parts of the Internal Market where the system of penalties is relatively ineffective, the market share for counterfeit and pirated products is likely to be higher, and the prices of both legal and illegal goods lower, than in countries which have stricter penalties for intellectual property rights.

This means that divergences in the systems of penalties are likely to lead to distortions in the conditions of competition and to diversions of the natural trade flows of legal goods which would take place if the penalties for intellectual property rights were harmonised throughout the Internal Market.

Counterfeiting and piracy are a phenomenon which spreads by exploiting the differences between national legislations. Moreover, in those countries in which this phenomenon arises, businesses have to face the competition from counterfeit and pirated products on the markets in which they are developing, which leads to losses in market share and disorganisation in their distribution networks. When the market is flooded with counterfeit and pirated products which are easier to sell than the genuine articles, retailers are sometimes loath to order the genuine articles. They may even be tempted to sell copies, if necessary alongside genuine articles. This situation is not such as to ensure the transparency and equality of the conditions of competition in the Internal Market. Only the harmonisation of national legislation will be able to eliminate distortions of competition arising from this phenomenon.

Having said that, in sectors in which competition is particularly fierce, such as the market for spare car parts, the fight against counterfeiting and piracy must not be used to try to keep unwelcome competitors out of the market or to hamper legitimate competition. Such action would risk not only causing serious damage to the businesses concerned, but also - and above all - doing a disservice to the objective pursued, which is to prevent the marketing of products which infringe intellectual property rights and in many cases involve risks to the health or safety of consumers²².

C. Supplementing the measures at the external frontier and *vis-à-vis* third countries

This proposal for a Directive is also intended to supplement, for the needs of the Internal Market, the measures already taken on the basis of Regulation (EC) No 3295/94, as amended²³, on checks for counterfeit and pirated products at the external frontier of the EU. These rules apply only to movements of suspected counterfeit and pirated goods between third countries and the Community. They do not enable the monitoring of movements within

²² Regulation (EC) No 1400/2002, OJ L 203, 1.8.2002, p. 30.

²³ Council Regulation (EC) No 3295/94 of 22 December 1994 laying down certain measures to prohibit the release for free circulation, export, re-export or entry for a suspensive procedure of counterfeit and pirated goods (OJ L 341, 30.12.1994, p. 8), as amended by Council Regulation (EC) No 241/1999 of 25 January 1999, OJ L 27, 2.2.1999, p. 1.

the Community. Moreover, given that the checks at the frontier are carried out by all Member States on the basis of a selective approach in order to maintain a fair balance between the free flow of international trade and the fight against fraud, it cannot be excluded that counterfeit or pirated products may enter the territory of the Community illegally to be subsequently marketed there. There is therefore a need for a means of fighting counterfeiting and piracy specific to the requirements of the Internal Market. This Directive will thus provide right holders with a number of measures and procedures for enforcing their rights against all illegal goods, including those intercepted by customs authorities under Regulation (EC) No 3295/94, as amended.

Another objective of the Directive is to supplement the measures taken to combat counterfeiting and piracy in the context of the Community's relations with third countries and the multilateral agreements to which it is party. This applies, in particular, to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), concluded in the framework of the World Trade Organisation²⁴, to which all the Member States of the European Union are parties, as well as the Community as regards matters within its competence²⁵, and which lays down minimum provisions as regards the means of enforcing intellectual property rights.

PART TWO:

MEETING THE NEEDS OF A MODERN ECONOMY AND PROTECTING SOCIETY

While the principal objective of this measure is to achieve the Internal Market in the field of intellectual property by ensuring that the *acquis communautaire* in the substantive law of intellectual property is applied correctly in the European Union, other major objectives are worthy of emphasis.

A. Promoting innovation and business competitiveness

Innovation has become one of the most important vectors of sustainable growth for businesses, and of economic prosperity for society as a whole. Businesses must constantly improve or renew their products if they wish to keep or capture market shares. Sustained inventive and innovatory activity, leading to the development of new products or services, puts businesses at an advantage in technological terms and is a major factor in their competitiveness.

If businesses, universities, research organisations²⁶ and the cultural sector²⁷ are to be able to innovate and be creative under good conditions, it should be ensured that creators, researchers and inventors in the Community benefit from an environment favourable to the development of their activities, including as regards the new information and communication technologies. In this context, the free movement of information should also be ensured and access to the Internet not made more difficult or costly by, for instance, imposing excessively heavy obligations on Internet intermediaries.

²⁴ Council Decision 94/800/EC of 22 December 1994 concerning the conclusion on behalf of the European Community, as regards matters within its competence, of the agreements reached in the Uruguay Round multilateral negotiations (1986-1994), OJ L 336, 23.12.1994, p. 1.

²⁵ In its Opinion 1/94 of 15 November 1994, the Court of Justice declared that the competence for concluding the TRIPS Agreements was shared between the Community and its Member States (ECR 1994, p. I-5267).

²⁶ Title XVIII of the EC Treaty stresses the importance of research and technological development.

²⁷ The importance of the cultural sector is explicitly highlighted in Article 151(4) of the EC Treaty.

Businesses, which often invest large amounts of money in research and development, marketing and publicity, must be in a position to recoup their investments. Appropriate and effective protection of intellectual property helps to establish the confidence of businesses, inventors and creators in the Internal Market and is a powerful incentive for investment, and hence for economic progress.

The phenomenon of counterfeiting and piracy leads to businesses losing turnover and market shares (loss of direct sales) which they have sometimes had difficulty acquiring, not to mention the intangible losses and the moral prejudice they suffer because of the loss in terms of brand image with their customers (loss of future sales). The spread of counterfeit and pirated products in fact leads to a prejudicial downgrading of the reputation and originality of the genuine products particularly when businesses gear their publicity to the quality and rarity of their products. This phenomenon also involves additional costs for businesses (costs of protection, investigations, expert opinions and disputes) and in certain cases may even lead to tort actions against the *de facto* right holder of the products marketed by the counterfeiter or pirate where the proof of good faith cannot be brought.

In the light of the responses which the Commission received to its Green Paper on the fight against counterfeiting and piracy in the Internal Market, it transpires that, within the European Union, counterfeit and pirated goods account for 5 to 10% of vehicle spare parts sales, 10% of sales of CDs and MCs, 16% of film (video and DVD) sales and 22% of those of shoes and clothing²⁸.

According to a survey carried out in France in 1998 by KPMG, Sofres and the Union des Fabricants²⁹, the average loss to the businesses which replied to the survey, and which were able to estimate the turnover lost through counterfeiting, was put at 6.4% of turnover. A study carried out in June 2000 by the Centre for Economics and Business Research (CEBR) on behalf of the Global Anti-Counterfeiting Group (GACG)³⁰ shows that the average annual reduction in profits in the sectors considered is considerable: EUR 1 266 million in the clothing and footwear sector; EUR 555 million in the perfumes and cosmetics sector; EUR 627 million in the toys and sports articles sector; EUR 292 million in the pharmaceuticals sector. In the field of software, a study carried out by the International Planning and Research Corporation (IPR), on behalf of the Business Software Alliance (BSA)³¹, showed that, in western Europe (EU + Norway + Switzerland), the losses due to piracy in 2000 amounted to more than USD 3 billion.

If counterfeiting and piracy are not punished effectively, they lead to a loss of confidence amongst operators in the Internal Market as an area for developing their activities and protecting their rights. The effect of this situation is to discourage creators and inventors and to endanger innovation and creativity in the Community.

B. Promoting the preservation and development of the cultural sector

Intellectual property rights hold particular relevance for the cultural sector, especially in the audiovisual sphere. A lack of adequate protection would not only severely trammel the development of a major economic sector but would, above all, pose a threat to our heritage and cultural diversity.

²⁸ http://europa.eu.int/comm/internal_market/en/indprop/piracy/piracyen.pdf, pp. 14-15

²⁹ "Votre entreprise et la contrefaçon", KPMG, Sofres, Union des Fabricants, 1998.

³⁰ "Economic Impact of Counterfeiting in Europe", Global Anti-Counterfeiting Group, June 2000.

³¹ Sixth Annual BSA Global Software.

What marks this sector out from others is the fact that it constitutes a key element of our society, so that it is essential not only to preserve it but especially to promote its development. Yet it is particularly under threat from piracy. The cultural sphere (including the music publishing and audiovisual sectors) puts its losses through counterfeiting and piracy at more than 4.5 billion euro annually. On the audiovisual side, for example, piracy of works that meet with a certain degree of success not only deprives the authors of their rights but also makes it impossible to maintain plurality. This applies in particular to works published in a limited quantity, often stemming from the cultures of smaller Member States where there are no economies of scale. Moreover, the replacement of analogue by digital media has considerably exacerbated the problem.

C. Preserving employment in Europe

In social terms, the damage suffered by businesses because of counterfeiting and piracy is reflected ultimately in the volume of employment they offer. However, the effect of counterfeiting and piracy on employment in industry is difficult to measure precisely.

According to the study carried out in June 2000 by the CEBR on behalf of the GACG³², more than 17 000 jobs were said to have been lost per year in the European Union because of counterfeiting and piracy activities. According to the survey carried out in France in 1998 by KPMG, Sofres and the Union des Fabricants³³, the number of jobs lost in France through counterfeiting is about 38 000. In a study carried out in the United Kingdom in 1999 by CEBR for the Anti-Counterfeiting Group (ACG), a British association for combating counterfeiting, the number of jobs lost each year in that country is said to be more than 4 000³⁴. Finally, according to a study undertaken in 1998 by PricewaterhouseCoopers on behalf of the BSA³⁵, a 10% reduction in the pirating of software, i.e. to the level in the United States, would create more than 250 000 jobs in Europe by 2001.

D. Preventing tax losses and market destabilisation

Counterfeiting and piracy also do a great deal of damage to national economies and particularly those of the industrialised countries. This phenomenon results in a loss of revenue for the government or for the Community (customs duties, VAT) and may give rise to multiple infringements of, for instance, labour legislation when the counterfeit or pirated products are manufactured in clandestine workshops by unregistered workers or sold on the street by clandestine workers.

Tax losses caused by counterfeiting and piracy are considerable. In the phonographic sector, for example, VAT losses incurred by EU governments as a result of counterfeiting and piracy are said to amount to EUR 100 million³⁶. The study conducted in June 2000 by the CEBR on behalf of the GACG³⁷ shows that counterfeiting in the EU leads to a high average loss of tax revenue in the sectors considered: EUR 7 581 million in the clothing and footwear sector; EUR 3 017 million in the perfumes and cosmetics sector; EUR 3 731 million in the toys and sports articles sector; EUR 1 554 million in the pharmaceuticals sector. According to the

³² Cf. footnote 30.

³³ Cf. footnote 29.

³⁴ "The economic impact of counterfeiting", Anti-Counterfeiting Group, juin 1999.

³⁵ "The contribution of the packaged software industry to the western European economies", Business Software Alliance, May 1998.

³⁶ http://europa.int/comm/internal_market/en/indprop/piracy/piracyen.pdf, page 16, para. 7.2.1.

³⁷ Cf. footnote 30.

survey carried out in the United Kingdom in 1999 by the CEBR on behalf of the ACG³⁸, counterfeiting was said to lead to a reduction in GNP of GBP 143 million per year and to a GBP 77 million increase in government borrowing.

This phenomenon is a genuine threat to the economic equilibrium of society since it can also lead to a destabilisation of the — sometimes very fragile — markets, such as that of textile products³⁹, which it attacks. In the multimedia products industry, counterfeiting and piracy via the Internet are steadily increasing and, despite the relatively recent development of the web, already represent considerable losses.

E. Ensuring consumer protection

Consumer protection is a major concern in Europe. Striving for a high level of consumer protection, particularly as regards their health and safety, is an essential element of Community action. Counterfeiting and piracy, and infringements of intellectual property in general, frequently have pernicious consequences for consumers.

Although this phenomenon has sometimes developed with the complicity of the consumer, it comes about mostly against his will and in any event is always to his disadvantage. Counterfeiting and piracy are generally accompanied by deliberate cheating of the consumer as to the quality he is entitled to expect from a product bearing, for instance, a famous brand name, since counterfeit or pirated products are produced without the checks made by the competent authorities and do not comply with the minimum quality standards. When he buys counterfeit or pirated products, the consumer does not in principle benefit from a guarantee, after-sales service or effective remedy in the event of damage. Apart from these drawbacks, the phenomenon may pose a real threat to the health of the consumer (counterfeit medicines, adulterated alcohol) or to his safety (counterfeit toys or parts for cars or aircraft)⁴⁰.

Harmonisation of national legislation on the means of enforcing intellectual property rights will contribute to consumer protection and will be a useful addition to the existing legislative arsenal in the this field at Community level, and in particular the European directives on product liability⁴¹ and general product safety⁴².

F. Ensuring the maintenance of public order

Counterfeiting and piracy are a genuine threat to public order. Apart from the economic and social consequences, this phenomenon infringes labour legislation (clandestine labour), tax legislation (loss of government revenue), health legislation and the legislation on product safety. Moreover, it has already been established that counterfeiting and piracy are activities

³⁸ Cf. footnote 34.

³⁹ In the context of the WTO agreement on textiles and clothing (ATC), a process of gradual liberalisation was set in motion which will lead to the abolition of quantitative restrictions between WTO members by 1 January 2005.

⁴⁰ Other examples were cited in the consultation: defective medical material, detergents with caustic substances, adulterated antibiotics, carcinogenic substances in clothing, low-quality motor oil, toxic alcoholic beverages, defective household electric goods, ineffective anti-rabies vaccines, defective filters for diesel engines, etc.

⁴¹ Council Directive 85/374/EEC of 25 July 1985 on the approximation of the laws, regulations and administrative provisions of the Member States concerning liability for defective products, OJ L 210, 7.8.1985, p. 29.

⁴² Council Directive 92/59/EEC of 29 June 1992 on general product safety, OJ L 228, 11.8.1992, p. 24, currently being revised (COM(2000) 139).

which to a certain extent go hand-in-hand with organised crime, which finds in these activities a low-risk means of recycling and laundering earnings from other illicit trafficking (arms, drugs). Counterfeiting and piracy, which were once craft activities, have become almost industrial-scale activities. They offer criminals the prospect of large economic profit without excessive risk. In the context of the Internet, the rapidity of illegal operations and the difficulty of tracking the operations further reduce the risks for the criminal. Counterfeiting and piracy carried out on a commercial scale are even said to have become more attractive nowadays than drug trafficking, since high potential profits can be obtained without the risk of major legal penalties. Counterfeiting and piracy thus appear to be a factor in promoting crime, including terrorism. For the rest, the consultation of interested circles launched with the 1998 Green Paper confirmed, with the support of examples in the field of music and software, the links between counterfeiting and piracy and organised crime.

Harmonisation at Community level of the means of enforcing intellectual property rights will therefore help Member States preserve public order.

Strengthening and improving the fight against counterfeiting and piracy in the Internal Market stand alongside the horizontal measures taken in the field of justice and internal affairs, and in particular the strategy of the European Union aimed at preventing and monitoring crime in line with the provisions of the Treaty of Amsterdam, the conclusions of the Tampere European Council of 15 and 16 October 1999⁴³, and the measures proposed by the Commission in its Communication on the prevention of crime and the work of the European Forum for the prevention of organised and economic crime⁴⁴. Finally, this initiative is in line with the Commission's overall strategic approach to combating fraud⁴⁵ and the measures taken to protect Community interests.

PART THREE:

DETAILS AND CHARACTERISTICS OF THE MEASURES PROPOSED

A. The limits of the TRIPS Agreement

The measures and procedures for enforcing intellectual property rights were the subject of *de facto* harmonisation with the entry into force of the TRIPS Agreement, which lays down minimum provisions for the means of enforcing trade-related intellectual property rights. These means comprise:

- the general obligation to put in place effective measures for enforcing intellectual property rights, including measures for provisional protection and remedies which have a deterrent effect;
- fundamental aspects of civil and administrative procedure: fair and equitable procedures, rules applicable to the production of evidence;

⁴³ OJ C 124, 3.5.2000, p. 1.

⁴⁴ The European Forum for the prevention of organised and economic crime is a Commission initiative aimed at organising work on crime prevention at European level. It is a framework for networking experts and launching initiatives.

⁴⁵ Point 1.4.2 of the Commission Communication entitled "Protection of the Communities' financial interests – The fight against fraud: For an overall strategic approach", COM(2000) 358 final.

- the establishment of certain civil (or administrative) remedies such as injunctions, damages, seizure and destruction of infringing goods and, on an optional basis, the right of information;
- minimum requirements to be met by the provisional measures for the protection of intellectual property rights;
- the implementation of criminal procedures and criminal sanctions in certain cases.

However, certain means of enforcing rights are not provided for in the TRIPS Agreement (for example, recall, at the counterfeiter's expense, of counterfeited goods placed on the market), while others are provided for only on an optional basis (for example, right of information). Finally, the rules for applying the measures and procedures laid down by the TRIPS Agreement may thus vary considerably from one country to another. In the Community, this is the case with the rules for applying provisional measures, which are used in particular for safeguarding evidence, the calculation of damages and with the rules for applying the procedures when the counterfeiting or piracy activities have ceased.

B. The *acquis communautaire* with regard to the enforcement of intellectual property rights

At Community level, the measures to enforce intellectual property rights have focused above all on protecting the external frontier of the Community⁴⁶. As regards the Internal Market, some sectoral instruments contain specific provisions on enforcing intellectual property rights⁴⁷. However, no detailed horizontal instrument has yet been adopted at Community level in this field.

C. The legal situation in the Member States

Despite the implementation of the TRIPS Agreement, the legal situation in the Community shows major disparities which do not allow the holders of intellectual property rights to benefit from an equivalent level of protection throughout the Community. For instance, the procedures for stopping counterfeiting or piracy activities (injunctions), the provisional measures used in particular to safeguard evidence, the calculation of damages and the level of civil and criminal penalties vary widely from one Member State to another. In certain Member States, measures and procedures such as the right of information and the recall, at the counterfeiter's expense, of the counterfeited goods placed on the market are not available.

With regard to injunctions, there are differences in the rules of application, for example in the account taken of the interests of third parties, the different methods of eliminating the counterfeit goods, or the conditions under which the removal of equipment used to manufacture the counterfeit goods may be ordered. In Greece, in principle, the penalty does

⁴⁶ Cf. footnote 19.

⁴⁷ For example, in the field of copyright: Article 7 (special measures of protection) of Directive 91/250/EEC on the legal protection of computer programs (cf. footnote 11); Article 12 (remedies) of Directive 96/9/EC on the legal protection of databases (cf. footnote 11); Articles 6 (technological measures), 7 (rights-management information) and 8 (sanctions and remedies) of Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society (cf. footnote 13). In the field of industrial property: Articles 98 (sanctions) and 99 (provisional and protective measures) of Regulation No 40/94 on the Community trade mark; Articles 89 (sanctions in actions for infringement) and 90 (provisional and protective measures) of Regulation No 6/2002 on Community designs.

not necessarily imply guilt and can thus be imposed on a *bona fide* infringer. In Sweden and Finland, the penalty does not apply to a person acting in good faith, whereas in Denmark, Spain and Italy the penalty does not apply to a person who makes only private use of the goods in question. In the Netherlands (copyright), seizure and destruction are not ordered if the person was not himself involved in the infringement, is not professionally concerned with the articles in question and acquired them purely for personal purposes. In the United Kingdom, the instruments used for the manufacture of pirated copies can be destroyed only if the person holding them knew or had reason to know that they were to be used for that purpose. In Germany (copyright), the instruments used (exclusively or almost exclusively) to produce the pirated copies can be seized and destroyed only if they are the property of the pirate, whereas there is no corresponding restriction in the case of trade marks. In the Netherlands, judicial practice⁴⁸ has established the principle that the infringer may be obliged to recall the counterfeit products already distributed on the market. The infringer must bear the costs of that operation and pay compensation to the purchaser. This type of measure does not exist in the law of the other Member States.

With regard to evidence, the measure known in the United Kingdom as the *Anton Piller* order⁴⁹ is very important in practice, but is regarded by many as too burdensome and complicated. On an order from the High Court, and without the other party being heard, it allows for the inspection and global seizure of the evidence on the premises of the presumed infringer. The so-called Doorstep order⁵⁰ (simplified Anton Piller order), by which requests for documents and objects may be presented without the right to enter premises, is considered effective. Another measure, known as a *freezing injunction*⁵¹ (or *Mareva injunction*⁵²) is used to block the bank accounts and other assets of the defendant pending the examination of the substance of the case by the Court. In France, the law⁵³ also provides a highly effective tool for obtaining evidence. The right holder may submit a request for seizure for counterfeiting to the President of the *Tribunal de grande instance* (Regional Court). The measure may take the form of a detailed descriptive record or the physical seizure of the products in question. In Italy, the seizure and description of the articles in question are also provided for by law. In Germany, the legal possibilities for acquiring evidence are not very strong. They are limited to obtaining evidence from the statements of witnesses, from the evidence of experts and inspections, and do not extend to documents and the hearing of the parties. Unlike the other Member States, search warrants issued without the other party being heard are not available in civil procedure in Austria, Denmark and Sweden.

In the case of the provisional measures, there are major differences in the rules of the procedure and the frequency with which these remedies are used, although these differences are essentially the result of the traditions and approaches adopted by the courts. In the Netherlands, the simplified procedure of *kort geding*⁵⁴ is very often used and is even regarded as having to a certain extent replaced the ordinary procedures in the event of an infringement of intellectual property rights. In the United Kingdom, preliminary injunctions are fairly frequent in practice, the deciding factor in evaluating the injunction being the ability of the

⁴⁸ HR 23.2.1990, NJ 1990, 464m. nt. DWFV (Hameco) and following decisions.

⁴⁹ *Anton Piller KG v. Manufacturing Processes Ltd.* [1976] 1 Ch. 55, [1976] R.P.C. 719.

⁵⁰ *Universal City Studios Inc. v. Mukhtar & Sons* [1976] F.S.R. 252.

⁵¹ Art. 25(1) of the British rules of civil procedure.

⁵² *Mareva Compania Naviera SA v. International Bulk Carriers SA* [1975] 2 Lloyd's Rep. 509.

⁵³ Articles L-332-1, L-521-1, L-615-5 and L-716-7 of the code of intellectual property.

⁵⁴ Art. 289 of the code of civil procedure. The Court of Justice has had occasion to confirm the nature of this procedure as a provisional measure within the meaning of Article 50 of the TRIPS Agreement (Hermès judgment of 16 June 1998, Case C-53/96, ECR 1998, p. I-3603).

defendant to pay sufficient compensation to cover the applicant's losses in the event of the latter being successful in his action. In Germany, the attitude towards preliminary injunctions is fairly restrictive, and these are granted principally for trade marks in flagrant cases of counterfeiting. In France, it is possible to apply for an interim injunction after the start of the examination of the substance of a case, but this remains relatively rare because, on the one hand, it is possible to submit a request for a description or seizure of the objects held to be counterfeited and, on the other, the provisional measures do not allow damages to be claimed.

As regards the calculation of damages, there are three scenarios in the Member States: compensation for the actual losses suffered; a request for the handing over of the profits made by the infringer; and payment of the royalties which would have been due if the infringer had requested authorisation to use the right. In most countries, the applicant may choose from these three procedures (or at least between the first and the third) without cumulating or combining them. In addition, the practical details of each of these methods of calculation vary widely from one Member State to another. In Germany, for example, in the case of a request for the profits to be handed over, the provisions of the civil code on the return of profits unjustly acquired through "diversion of business" serve as the basis for the request⁵⁵. In the United Kingdom, handing over the profits is considered not as damages but as an "equitable corrective measure". In Portugal (copyright), on the other hand, the infringer's income must be taken into account when calculating the damages. In Austria (copyright), damages can be calculated on the basis of the infringer's profits regardless of the degree of guilt. In Finland (trade marks), the request for the infringer's profits may be justified even in the case of a *bona fide* infringement. In the Benelux countries, handing over the infringer's profits is possible in the case of aggravating circumstances (bad faith). In France, the damaged party is in principle entitled to no less but no more in damages than the real losses suffered⁵⁶.

The right of information, which can be directed against any person involved in an infringement, obliges the defendant to provide information on the origin of the counterfeited products, the distribution channels and the identity of third parties involved in the production and distribution of the goods. Up till now, a right of information has been introduced into the legal system of only a few Member States, *viz.* in Germany in the laws on intellectual property⁵⁷ and in the Benelux law on trade marks⁵⁸.

For right holders, these disparities between the national systems of enforcing intellectual property rights have a major impact, in particular on the effectiveness and costs of procedures, time scales and the amount of damages granted.

Finally, as regards the criminal penalties, there are considerable differences not only in the level of punishment laid down by national legislation, but also in the method of calculating fines. Pursuant to the TRIPS Agreement (and national legal tradition), all the Member States have civil redress and criminal penalties going as far as imprisonment. The maximum fines range from several thousand euro (Italy, Luxembourg) to nearly EUR 500 000 (Belgium), and to more than EUR 750 000 (for legal persons in France). In the United Kingdom there is no maximum fine laid down by law. Certain countries do not lay down a maximum fine, since

⁵⁵ In this context, the recent trend in German case law towards setting more dissuasive damages should be noted. Called upon to judge a case involving the counterfeiting of designs, the Bundesgerichtshof (BGH), in a judgment of 2.11.2000, considered that the overheads could no longer be deducted from the profits made by the counterfeiter, thereby overturning case law dating from 1962 (I ZR 246/98).

⁵⁶ Art. 1382 of the civil code.

⁵⁷ See in particular paragraph 19 of the German trade mark law.

⁵⁸ Art. 13 bis, paragraph 4, of the Benelux law on trade marks.

the amount is calculated according to the income of the infringer (for example, the Nordic countries, Austria and Germany). The prison sentences range from several days to 10 years (Greece, United Kingdom).

Although this Directive does not aim to harmonise criminal penalties as such, the effective application of genuinely deterrent sanctions in all Member States would help greatly in combating counterfeiting and piracy.

D. The need for harmonisation of national legislation

There is a need for right holders to have means of enforcing intellectual property rights which are equally effective in all Member States. Moreover, this need fits in with the Commission's policy of promoting the development of innovatory and creative activity in Europe, in particular through the coherent and effective protection of intellectual property rights in the Internal Market. This need cannot be met by action taken solely at the level of each Member State. National legislation sometimes provides right holders with effective means of enforcing their rights, but the practical implementation of these means is not fully assured. As most of the interested circles in the consultation launched by the Green Paper stressed, only action at Community level will allow the same effectiveness in enforcing intellectual property rights.

Nor would the establishment of rules at Community level directly applicable in all Member States resolve the situation satisfactorily. Account must be taken of the legal traditions and situation of each Member State. The question is to ensure that intellectual property rights are enforced in an equivalent fashion throughout the Community but within the existing national frameworks. That is why harmonisation of the national legislation of the Member States at Community level regarding the means of enforcing intellectual property rights appears necessary in order to achieve the desired objective. To be genuinely effective, harmonisation must be sought on the basis of the national provisions which seem the most suited to satisfy the needs of parties infringed against whilst taking into account the legitimate rights of defence. This will make it possible to enforce intellectual property rights in a homogeneous and effective fashion throughout the Community, to introduce greater transparency into the systems of penalties, and to ensure the effective application of the means made available to right holders.

By virtue of the principle of proportionality set out in Article 5 of the EC Treaty, the measures proposed must be proportionate with regard to the principal objective pursued, which is to improve and increase the transparency of the functioning of the Internal Market. Harmonisation of national legislation should therefore not cover all aspects of national legislation relating to the means of enforcing intellectual property rights, but should be limited to approximating the essential provisions with the most direct impact on the functioning of the Internal Market.

E. Legal basis

As pointed out above in Part I. B, maintaining differing national legal systems for enforcing intellectual property rights, which are nowadays largely harmonised at Community level, is likely to hamper the free movement of goods and services, to create market disturbances within the Internal Market, in particular through distortions in lawful trade flows, and thus falsify the conditions of competition. Approximating the essential national rules governing the means of enforcing intellectual property rights will make it possible to improve and increase the transparency of the functioning of the Internal Market, encourage business innovation and competitiveness and promote employment and investment in the EC.

The European Court of Justice⁵⁹ considers that a practice involving a risk of considerably influencing trade flows between Member States may be likely to hamper the achievement of the objectives of the Common Market as set out in Article 95(1) of the EC Treaty. A Member State introducing and implementing such measures which are less binding than others would create a distortion of trade flows. Lawful business circles would tend to avoid that Member State because of the market share held by pirated or counterfeit products and the difficulty of competing in such a distorted market.

Hence, and given that the objective of the measure is the achievement of the Internal Market through harmonisation of the legislative, regulatory and administrative provisions of the Member States relating to the means of enforcing intellectual property rights, the Commission proposes that Article 95 of the EC Treaty be chosen as the legal basis of the harmonisation. That legal basis was chosen in the case of other Directives approximating national legislation in the field of intellectual property⁶⁰. Moreover, the justification for this legal basis has been confirmed by the Court of Justice on several occasions⁶¹, and in particular as regards Directive 98/44/EC in a recent judgement of the Court of Justice in which the legal basis chosen was closely scrutinised⁶².

The same legal basis (Article 95) has already allowed harmonisation of a large part of intellectual property law in the Internal Market. The effectiveness of these measures harmonising intellectual property rights might not be ensured if the actual implementation of those rights were not itself ensured. The measures and procedures set out in this Directive will make it possible to ensure the correct application of the *acquis communautaire* relating to the substantive law of intellectual property; it is thus legitimate for Article 95 also to be the legal basis of a Directive ensuring harmonisation of the enforcement of those rights, thereby allowing the relevant *acquis communautaire* to become fully effective.

Bearing the above in mind, and with a view to ensuring the proper functioning of the Internal Market and the full effectiveness of the *acquis communautaire* relating to intellectual property, this Directive is intended to impose on the Member States the obligation to provide

⁵⁹ Judgment *Javico v. Yves Saint Laurent* of 28 April 1998, Case C-306/96 (ECR, p. I-1983 §25).

⁶⁰ Cf. the Directives cited in footnotes 8 to 12.

⁶¹ Opinion 1/94, Powers of the Community to conclude international agreements in the field of services and the protection of intellectual property, 15.11.1994, ECR p. I-5267, and Case C-350-92, *Kingdom of Spain v. Council*, 13.7.1995, ECR p. I-1985.

⁶² Judgment in *Netherlands v. Parliament and Council* of 9 October 2001, Case C-377/98. The Court concluded that:

"15. ... it must be borne in mind that recourse to Article 100a as a legal basis is possible if the aim is to prevent the emergence of future obstacles to trade resulting from multifarious development of national laws provided that the emergence of such obstacles is likely and the measure in question is designed to prevent them.

16. ...even if the relevant national provisions predating the Directive are most often taken from the Convention on the Grant of European Patents, ...the differing interpretations to which those provisions are open as regards the patentability of biotechnological inventions are liable to give rise to divergences of practice and case-law prejudicial to the proper operation of the internal market.

20. ...The purpose of harmonisation is to reduce the obstacles, whatever their origin, to the operation of the internal market which differences between the situations in the Member States represent. If divergences are the result of an interpretation which is contrary, or may prove contrary, to the terms of international legal instruments to which the Member States are parties, there is nothing in principle to prevent recourse to adoption of a Directive as a means of ensuring a uniform interpretation of such terms by the Member States."

for effective, proportionate and deterrent penalties⁶³, including criminal penalties⁶⁴ in appropriate cases. This is also in line with the commitments entered into by both the Community and each Member State under the TRIPS Agreement, and in particular Article 61 of that Agreement. The Directive is also intended to ensure that all those involved in the infringement are pronounced responsible according to the internal law of the Member States.

Finally, this Directive is not intended to harmonise the rules applicable to judicial co-operation, judicial powers, the recognition and enforcement of decisions in civil and commercial matters, nor to set out the applicable law. There are Community instruments which govern such matters in general terms and are thus also applicable to intellectual property⁶⁵.

PART FOUR:

EXAMINATION OF THE PROVISIONS

The provisions set out in this proposal are the outcome of a wide-ranging consultation of interested circles, the Member States and the other institutions of the European Union. In the following provisions, all possible account has thus been taken of the concerns expressed by interested circles and Member States. The suggestions made by the European Parliament and the European Economic and Social Committee have also been taken into account. In certain cases, the provisions in force in one or more Member States, and which have proved their effectiveness, were a useful source of inspiration in drawing up this proposal.

Article 1

Objective

This Article sets out the objective of the Directive, specifying that it relates to the measures needed to ensure the enforcement of intellectual property rights.

⁶³ See in particular the judgments of the ECJ in *Nunes and de Matos* of 8 July 1999, Case C-186/98 (ECR 1999, p. I-4883), *Hansen* of 10 July 1990, Case C-326/88 (ECR 1990, p. I-2911) and *Commission v. Greece* of 21 September 1989, Case 68/88 (ECR 1989, p. 2965).

⁶⁴ See in particular the Unilever judgment of the ECJ handed down on 28 January 1999 in Case C-77/97 (ECR 1999, p. I-431), in which the Court stated, with regard to Directive 76/768/EEC, as amended, on the approximation of the laws of the Member States relating to cosmetic products, that "the measures which the Member States are required to take under Article 6(3) of Directive 76/768 in order to prevent advertisements which attribute to cosmetic products characteristics which those products lack must provide that such advertisements constitute a breach of the law and, in particular, a criminal offence punishable by penalties having a deterrent effect."

⁶⁵ Council Regulation (EC) No 1348/2000 of 29 May 2000 on the service in the Member States of judicial and extrajudicial documents in civil or commercial matters (OJ L 160 of 30/06/2000, p. 37); Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (OJ L 12, 16.1.2001, p. 1); Council Regulation (EC) No 1206/2001 of 28 May 2001 on co-operation between the courts of the Member States in the taking of evidence in civil or commercial matters (OJ L 174, 27.6.2001, p. 1); Council Decision 2001/470/EC of 28 May 2001 establishing a European Judicial Network in civil and commercial matters (OJ L 174, 27.6.2001, p. 25).

Article 2

Scope

Article 2(1) sets out the scope of the Directive: the means of enforcing the rights covered by the Directive apply to any infringement of the rights deriving from Community and European provisions on the protection of intellectual property, as set out in the Annex to the Directive, and the provisions adopted by the Member States in order to comply with those provisions when the infringement is carried out for commercial purposes or causes significant harm to the right holder. The Member States may lay down that the competent authorities may order other measures adapted to the circumstances such as to put an end to the infringement of the intellectual property right or to prevent further infringements, as well as any other appropriate measures. Paragraph 2 of this Article lays down that the provisions of this Directive are without prejudice to provisions for enforcement in Community legal instruments in the domain of copyright and related rights and notably Article 8 of Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society. Paragraph 3(a) of this Article leaves intact, and does not modify, the Community provisions governing the substantive law on intellectual property, Directive 2000/31/EC on electronic commerce, Directive 1999/93/EC on a Community framework for electronic signatures, and Directive 95/46/EC on the protection of individuals with regard to the processing of personal data and on the free movement of such data. In other words, the aim is to make it clear that the Directive bears not on the substance, but only on the enforcement, of the rights, and that its implementation by the Member States cannot lead to conflicts with the Directives referred to above. Paragraph 3(b) of this Article lays down that the provisions of this Directive do not affect Member States' international obligations and notably those found in the TRIPS Agreement.

Article 3

General obligation

This Article imposes on the Member States the general obligation to provide for proportionate measures and procedures needed for enforcing intellectual property rights. It lays down that these measures and procedures must be such as to deprive those responsible of the economic benefits of the infringement in question. It is modelled on the provisions of Article 41(2) of the TRIPS Agreement, which lays down that the measures and procedures in question must be fair and equitable, that they must not be unnecessarily complicated or costly, and that they must not entail unreasonable time-limits or unwarranted delays.

Article 4

Penalties

This Article stipulates that the Member States must lay down that any infringement of an intellectual property right shall be punishable by penalties which must be effective, proportionate and deterrent. It is fully in line with the Commission Communication on the role of penalties in implementing Community internal market legislation (COM(95) 162 final).

Article 5

Persons entitled to apply for application of the measures and procedures

This Article sets out the persons entitled to apply for application of the measures and procedures. Paragraph 1 lays down that the persons entitled to apply for application of the measures and procedures are first and foremost the right holders, the persons authorised to use those rights and their representatives. Paragraph 2 lays down that Member States must provide for rights management or professional defence bodies, as legitimate representatives of the right holder, to be entitled to apply for the application of the measures and procedures and to initiate legal proceedings for the defence of those rights or of the collective or individual interests for which they are legally responsible. This provision is based on existing provisions in the legislation of certain Member States (Article 98 of the Belgian law of 1991 on consumer protection; Article L-421 of the French consumer protection code; Article L-331-1(2) of the French intellectual property code). This paragraph stipulates, finally, that the Member States must take the necessary steps to ensure that the rights management or professional defence bodies of another Member State may apply for application of the measures and procedures and initiate legal proceedings on the same conditions as a national body. This provision is in application of the principle of non-discrimination and is without prejudice to applicable rules on representation in court.

Article 6

Presumption of copyright

This Article reflects the implementation of presumptions in the field of copyright provided for explicitly by the Berne Convention (Article 15) and indirectly by the TRIPS Agreement. The Berne Convention states as follows: “In order that the author of a literary or artistic work ... shall ... be regarded as such, and consequently be entitled to institute infringement proceedings in the countries of the Union, it shall be sufficient for his name to appear on the work in the usual manner”. Provisions to this effect are contained in the legislations of the Member States.

Article 7

Evidence

Article 7 sets out a number of obligations on Member States with regard to evidence, which is of paramount importance in cases of infringement of an intellectual property right. Paragraph 1 lays down that the parties may be ordered, under certain conditions, to produce evidence under their control, provided that the protection of confidential information is ensured. It too is modelled on the provisions of Article 43 of the TRIPS Agreement. Paragraph 2 states that Member States shall take such measures as are necessary to enable the judicial authorities to order the communication or seizure of bank, financial or commercial documents.

Article 8

Evidence protection measures

Paragraph 1 of this Article provides in favour of the right holder, even before the examination of the merits of a case has started, for a procedure involving descriptive or physical seizure if there is a demonstrable risk that the evidence may be destroyed. By order issued on

application, and if necessary without the other party being heard, the right holder, in the event of an infringement or if the circumstances point to an impending infringement, may initiate either a detailed description, with or without the taking of samples, or the physical seizure of the infringing goods. Where the order has been issued without the defendant being heard, the latter shall subsequently have the right to request a review of the order and the right to be heard at this review. Paragraph 2 lays down that physical seizure may be made subject to the lodging of a guarantee adequate to ensure compensation for the defendant in the event of an unjustified application. Paragraph 3 lays down that the applicant then has 31 calendar days to institute substantive proceedings before the court, failing which the seizure is null and void, without prejudice to the damages which may be claimed from him. This measure supplements the provisions of Article 43 of the TRIPS Agreement and is modelled on provisions which have demonstrated their effectiveness in certain Member States such as the United Kingdom (*Anton Piller* order, *Doorstep* order) and France (*saisie-contrefaçon*). Finally, this paragraph lays down, following the example of Article 50(7) of the TRIPS Agreement, a mechanism for the compensation of the defendant in certain situations where they have suffered harm as a result of the evidence protection measures set out in this Article.

Article 9

Right of information

This Article supplements Article 47 of the TRIPS Agreement on the right of information. It is modelled on the relevant existing provisions in certain legislations (Benelux, Germany). It takes over a provision which had been introduced at the request of the European Parliament into the amended proposal for a Directive on the legal protection of designs (Article 16(a) of the text in document COM(96) 66 final), and which was then withdrawn at the request of the Council, which considered that the Directive on designs was not a suitable instrument for combating counterfeiting, and that the problems arising in this field should be the subject of specific measures. This measure received the unanimous support of interested circles, the European Parliament and the Economic and Social Committee. Paragraph 1 lays down that the competent authorities must order, at the request of the right holder and unless particular reasons are invoked for not doing so, any person involved in the infringement under the circumstances set out in points (a), (b) or (c) of that paragraph to provide the right holder with information on the origin of the infringing goods and services and on the networks for their distribution or provision, respectively. Paragraph 2 sets out the nature of the information to be provided. Paragraph 3 lays down that the right of information applies without prejudice to other provisions set out on a restrictive basis and relating to the communication of information. Finally, paragraph 4 lays down, on the other hand, that the competent authorities (for example, police, customs) in possession of information of the same nature may so inform the right holder, provided the latter is known, while complying with the rules governing the protection of confidential information, in order to allow him to institute substantive proceedings before the competent court or to obtain provisional or precautionary measures.

Article 10

Provisional measures

Article 10 lays down a number of provisions with regard to provisional measures which the Member States must make available to the competent authorities. These provisions supplement those of Article 50 of the TRIPS Agreement. The provisional measures are of paramount importance in the event of an infringement of intellectual property rights, since in almost all cases it is in the interest of the right holder to take rapid action. Paragraph 1

provides for the granting of an injunction, on a provisional basis and subject to a financial penalty, intended to prevent any impending infringement, or to forbid the continuation of the infringement, or to make such continuation subject to the lodging of a guarantee intended to ensure that the right holder is compensated. This same paragraph provides that the judicial authorities shall have the authority to require the applicant to provide any reasonably available evidence in order to satisfy themselves with a sufficient degree of certainty that the applicant is the right holder and that the applicant's right is being infringed or, that such infringement is imminent. Pursuant to paragraph 2, such provisional measures may in appropriate cases be taken without the other party being heard, in particular when any delay would be such as to cause irreparable prejudice to the right holder. The party concerned must be so informed without delay after the execution of the measures. In addition, at the request of the defendant, these measures may be reviewed, including the right to be heard. Paragraph 3 lays down that the application for an injunction is admissible only if the proceedings were instituted within 31 calendar days at the most from the day on which the right holder became aware of the infringement. Pursuant to paragraph 4, the prohibition may be made subject to the lodging by the applicant of a guarantee intended to ensure any compensation of the damage suffered in the event of an unjustified application. Finally, paragraph 5 lays down, following the example of Article 50(7) of the TRIPS Agreement, a mechanism for the compensation of the defendant in certain situations where they have suffered harm as a result of the provisional measures set out in this Article.

Article 11

Precautionary measures

Article 11(1) provides that, in appropriate cases, and in particular if the prejudiced party demonstrates circumstances likely to threaten the recovery of damages, and if necessary without the other party being heard, the precautionary seizure of the movable and immovable property of the infringer, including the blocking of his bank accounts and other assets, may be ordered. This measure is modelled on the provision in British law known as the *freezing injunction* or *Mareva injunction*. The communication or seizure of bank, financial or commercial documents may also be ordered so as to identify and prosecute the real beneficiaries of the infringement. Finally, paragraphs 2 and 3 lay down a guarantee and subsequent compensation mechanism in the same way as Articles 8 and 10.

Article 12

Recall of goods

This Article provides for the recall, at the infringer's expense, of infringing goods placed on the market, without prejudice to the damages due to the right holder. This measure has been developed by Dutch case law.

Article 13

Removal from the channels of commerce

The Article lays down that goods which have infringed an intellectual property right, as well the materials and implements used for the purpose of such infringement, must be removed from the channels of commerce without compensation of any kind. This also involves the confiscation of such items, as provided for in Article 87(2) of the Belgian copyright law of 30 June 1994. This provision also lays down the scope of Article 46 of the TRIPS Agreement.

Article 14

Destruction of goods

Article 14 provides for the destruction of the infringing goods where their presence on the market is detrimental to the holder of the intellectual property right. This Article is based on Article 46 of the TRIPS Agreement.

Article 15

Preventive measures

Article 15 lays down that, where there has been a previous court decision, the Member States must provide that the competent authorities may impose on the infringer an injunction aimed at preventing new infringements, non-compliance with an injunction being punishable by a fine accompanied, where applicable, by a financial penalty. This provision sets out the scope and the penalty of the prohibitory injunction provided for by Article 44(1) of the TRIPS Agreement. Paragraph 2 lays down that the Member States must ensure that right holders are in a position to apply for an injunction to be imposed on intermediaries whose services are used by third parties to infringe an intellectual property right.

Article 16

Alternative measures

Article 16 lays down that a person committing an infringement without fault or negligence on his part may make a pecuniary reparation to the prejudiced party if the execution of the measures in question would cause him disproportionate damage and where the prejudiced party can reasonably be satisfied with pecuniary compensation. This provision is modelled on Article 101(1) of the German copyright law. To protect the interests of a defending party who has acted without fault or negligence, this provision permits reparation in the form of a fixed-rate remuneration instead of the application of the penalties referred to in the same section.

Article 17

Damages

Article 17 on damages supplements the provisions of Article 45 of the TRIPS Agreement. Paragraph 1 confirms the principle that the damages are intended to compensate for the prejudice suffered because of an infringement committed intentionally or by mistake. Paragraph 1 accordingly lays down that the prejudiced party is entitled either to fixed-rate damages equal to double the amount of the royalties or fees which would have been due if the infringer had requested authorisation (the aim being to provide for full compensation for the prejudice suffered, which is sometimes difficult for the right holder to determine. This provision does not constitute punitive damages; rather, it allows for compensation based on an objective criterion while taking account of the expense incurred by the right holder such as administrative expenses incurred in identifying the infringement and researching its origin) or to compensatory damages (corresponding to the losses suffered by the right holder, including loss of earnings). It is further laid down that elements other than economic factors may be taken into account in calculating the damages, such as the moral prejudice caused to the right holder by the infringement. Paragraph 2 provides that, in appropriate cases, profits made by the infringer which are not taken into account in calculating the compensatory damages may

be added. The idea is to provide a deterrent against, for example, intentional infringements perpetrated on a commercial scale. For calculating the aforementioned profits, the right holder is bound to provide evidence only with regard to the amount of the gross income achieved by the infringer, with the latter being bound to provide evidence of his deductible expenses and profits attributable to factors alien to the infringement.

Article 18

Legal costs

Article 18 provides for the legal costs, lawyer's fees and any other expenses incurred by the successful party (for example, investigation costs, costs for expert opinions) to be borne in full by the other party, unless equity or the economic situation of the other party does not allow this. This possibility is partly provided for by Article 45(2) of the TRIPS Agreement.

Article 19

Publication of judicial decisions

Article 19 concerns the publication of judicial decisions, which is generally considered an effective measure for informing the public and a deterrent against infringements of intellectual property rights. Paragraph 1 lays down that Member States must take the necessary measures to ensure that, in the event of legal proceedings instituted for infringements of intellectual property rights, the judicial authorities can order that the decision be posted and published in full or in part, at the request of the right holder and the expense of the infringer, in the newspapers designated by the former. Such publication must comply with the rules on the protection of natural persons with regard to the processing of personal data. Paragraph 2 lays down that Member States may also provide for other measures which are appropriate in the particular circumstances (for example, informing customers by mail).

Article 20

Provisions under criminal law

This Article is intended to ensure that all serious infringements, as well as attempts at, participation in and instigation of serious infringements of an intellectual property right are punishable by effective, proportionate and deterrent criminal penalties. For the purposes of this Article, an infringement is considered serious if it is committed intentionally and for commercial purposes. This provision reflects the undertakings entered into under the TRIPS Agreement, in particular Article 61, in extending the obligation set out by this Article to all the intellectual property rights covered by Article 2(1) of this directive. In paragraph 2, it is also laid down that, for natural persons, such penalties may include imprisonment. For natural and legal persons, paragraph 3 provides for fines, the confiscation of the infringing goods and of the materials, implements or media used predominantly for the manufacture or distribution of the goods in question. This provision is modelled on Article 46 of the TRIPS Agreement. The same paragraph provides for the destruction of the infringing goods where their presence on the market causes prejudice to the holder of the intellectual property right. This paragraph also provides — in appropriate cases (for example, repeat offences) — for the total or partial, definitive or temporary closure of the establishment or shop used predominantly to commit the infringement. Provision is also made for a permanent or temporary ban on engaging in commercial activities, placement under judicial supervision or judicial winding-up, and a ban on access to public assistance or subsidies. Since counterfeiting and piracy are nowadays

carried out by industrial undertakings operating on a large scale, such measures are a powerful weapon for combating the manufacture and sale of counterfeit or pirated products and reflect in part the corresponding provisions of Spanish (Articles 271 and 276 of the Criminal Code) and French (Articles L-335-5, L-521-4 and L-716-11-1 of the intellectual property code) legislation. Also provided for, finally, is the publication of judicial decisions as an additional deterrent. This can also serve as a channel of information both for right holders and for the public at large. The final paragraph defines, for the purposes of this Article, what is meant by the term "legal person".

Article 21

Legal protection of technical devices

Article 21 establishes legal protection for technical devices in the field of industrial property. Technical devices are used to protect and authenticate products or services. They are designed for the manufacture of authentic goods and the incorporation therein of overt elements which are identifiable by customers and consumers and make it easier to recognise the goods as being authentic. These elements can take many forms: security holograms, optical devices, smart cards, magnetic systems, special inks, microscopic labels, etc. Similar protection already exists in certain domains (Article 6 of Directive 2001/29/EC of the European Parliament and of the Council on the harmonisation of certain aspects of copyright and related rights in the information society; Article 4 of Directive 98/84/EC of the European Parliament and of the Council on the legal protection of services based on, or consisting of, conditional access). Paragraph 1 lays down that, without prejudice to existing provisions in the field of copyright, the Member States must forbid certain acts (manufacture, import, distribution, use) relating to illegal technical devices. Paragraph 2 lays down what is meant by "technical device" and "illegal technical device" for the purposes of applying this Article.

Article 22

Codes of conduct

Paragraph 1 of this Article lays down that the Member States and the Commission must encourage the establishment of codes of conduct designed to assist with the enforcement of intellectual property rights. Paragraph 1(b) concerns the monitoring of the manufacture of optical discs (CD, CD-ROM, DVD), in particular by means of an embedded source code which makes it possible to identify the origin of their manufacture. Paragraph 1(c) provides for the communication to the Member States and the Commission of the codes of conduct established and any assessments of their application. Formulation of the codes of conduct is based, in particular, on the provisions of Article 16 of Directive 2000/31/EC on electronic commerce. Paragraph 2 confirms that any such codes of conduct must be compatible with Community law.

Article 23

Assessment

This Article provides for an assessment of the functioning of the Directive, as set out in other Community acts (for example, Article 16 of Directive 98/44/EC on the legal protection of biotechnological inventions; Article 18 of Directive 98/71/EC on the legal protection of designs; Article 15 of Regulation (EC) No 3295/94, as amended, laying down certain measures concerning the introduction into the Community and the export and re-export

outside the Community of goods infringing certain intellectual property rights). Paragraph 1 lays down that, three years after transposition of the Directive, each Member State must submit to the Commission a report informing it of the situation with regard to implementation of this Directive. On the basis of these national reports, the Commission will draw up a report on the application of the Directive, including an assessment of the effectiveness of the measures taken by the various competent bodies and instances, , as well as an evaluation of its impact on innovation and the development of the information society. This report will then be transmitted to the European Parliament, the Council and the European Economic and Social Committee. It will be accompanied, if necessary, by proposals for amendments to the Directive in order to bring it into line with the developments observed in the Internal Market. Paragraph 2 lays down that the Member States must provide the Commission with all the aid and assistance it may need when drawing up that report.

Article 24

Correspondents

Article 24 provides for the establishment of a network of correspondents in the Member States. Paragraph 1 lays down that each Member State must designate one or more correspondents for any question relating to the implementation of the means of enforcing intellectual property rights in the Internal Market, including the means set out in this Directive. The details of these correspondents must be communicated to the other Member States and the Commission. Paragraph 2 lays down that, in order to ensure the proper application of the Directive, the Member States must co-operate with the other Member States and with the Commission via their correspondents and provide the assistance and information requested as rapidly as possible, including by electronic means.

Article 25

Implementation

This Article concerns the measures for transposing the Directive into the internal law of the Member States. Paragraph 1 lays down that the Member States must implement the legislative, regulatory and administrative provisions necessary to comply with this Directive no later than eighteen months after the date of adoption of this Directive and must inform the Commission immediately thereof. This deadline of eighteen months is modelled on the provisions of other Directives. The national transposing provisions must contain a reference to this Directive or be accompanied by such a reference on their official publication, the details of that reference being decided by the Member States. Paragraph 2 lays down that the Member States must communicate to the Commission the text of the provisions of national law adopted in the field of the Directive.

Article 26

Entry into force

This Article lays down that the Directive enters into force on the twentieth day following its publication in the *Official Journal of the European Union*, pursuant to the provisions of Article 254(1) of the EC Treaty.

Article 27

Addressees

This Article lays down that this Directive is addressed to the Member States.

Proposal for a

DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on measures and procedures to ensure the enforcement of intellectual property rights

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 95 thereof,

Having regard to the proposal from the Commission¹,

Having regard to the opinion of the European Economic and Social Committee²,

Having regard to the opinion of the Committee of the Regions³,

Acting in accordance with the procedure laid down in Article 251 of the Treaty⁴,

Whereas:

- (1) The achievement of the Internal Market entails eliminating restrictions on freedom of movement and distortions of competition, while creating an environment conducive to innovation and investment. In this context, the protection of intellectual property is an essential element for the success of the Internal Market. The protection of intellectual property is important not only for promoting innovation and creativity, but also for developing employment and improving competitiveness.
- (2) The protection of intellectual property must allow the inventor or creator to derive a legitimate profit from his invention or creation. It must also allow the widest possible dissemination of works, ideas and new know-how. At the same time, the protection of intellectual property must not hamper freedom of expression or the free movement of information, or the protection of personal data, including on the Internet.
- (3) However, without effective means of enforcing intellectual property, innovation and creativity are discouraged and investment diminished. It is therefore necessary to ensure that the substantive law on intellectual property, which is nowadays largely part of the *acquis communautaire*, is applied effectively in the Community. In this respect, the means of enforcing intellectual property rights are of paramount importance for the success of the single market.

¹ OJ C [...], [...], p.[...].

² OJ C [...], [...], p.[...].

³ OJ C [...], [...], p.[...].

⁴ OJ C [...], [...], p.[...].

- (4) At international level, all Member States, as well as the Community itself as regards matters within its competence, are bound by the Agreement on Trade-Related Aspects of Intellectual Property (the "TRIPS Agreement"), approved, as part of the multilateral negotiations of the Uruguay Round, by Council Decision 94/800/EC⁵ concluded in the framework of the World Trade Organisation.
- (5) The TRIPS Agreement contains, in particular, provisions on the means of enforcing intellectual property rights which are common standards applicable at international level and implemented in all Member States. The provisions of this Directive should not affect Member States' international obligations, including those under the TRIPS Agreement.
- (6) There are also international conventions to which all Member States are parties and which also contain provisions on the means of enforcing intellectual property rights. These include, in particular, the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Literary and Artistic Works, and the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations.
- (7) It emerges from the consultations held by the Commission on this question that, in the Member States, and despite the provisions of the TRIPS Agreement, there are still major disparities as regards the means of enforcing intellectual property rights. For instance, the arrangements for applying provisional measures, which are used in particular to safeguard evidence, the calculation of damages, or the arrangements for applying injunctions, vary widely from one Member State to another. In some Member States, there are no measures and procedures such as the right of information and the recall, and the infringer's expense, of the infringing goods placed on the market.
- (8) The disparities between the systems of the Member States for enforcing intellectual property rights are prejudicial to the proper functioning of the Internal Market and make it impossible to ensure that intellectual property rights enjoy an equivalent level of protection throughout the Community. This situation does not promote free movement within the Internal Market nor create an environment conducive to healthy competition. .
- (9) The current disparities also lead to a weakening of the substantive law on intellectual property and to a fragmentation of the Internal Market in this field. This causes a loss of confidence in the Internal Market in business circles, with a consequent reduction in investment in innovation and creation. Infringements appear to be increasingly linked to organised crime. Increasing use of the Internet enables pirated products to be distributed instantly around the globe. Effective enforcement of the substantive law on intellectual property, which is nowadays largely part of the *acquis communautaire*, must be ensured by specific action at Community level. Approximation of the legislation of the Member States in this field is therefore an essential prerequisite for the implementation of the Internal Market.
- (10) The objective of this Directive is to approximate legislative systems so as to ensure a high, equivalent and homogeneous level of protection in the Internal Market. This protection is essential against infringements carried out on for commercial purposes or

⁵ OJ L 336, 23.12.1994, p. 1.

which cause significant harm to the right holder, apart from minor and isolated infringements.

- (11) This Directive does not aim to establish harmonised rules for judicial cooperation, jurisdiction, the recognition and enforcement of decisions in civil and commercial matters, nor to deal with applicable law. There are Community instruments which govern such matters in general terms and are, in principle, equally applicable to intellectual property.
- (12) This Directive shall not affect the application of the rules of competition, and in particular Articles 81 and 82 of the Treaty.
- (13) It is necessary to define the scope of this Directive as widely as possible in order to encompass all the intellectual property rights covered by Community provisions in this field and by the resulting national provisions, while excluding certain activities which do not involve intellectual property in the strict sense. Nevertheless, that requirement does not affect the possibility, on the part of those Member States which so wish, to extend, for internal purposes, the provisions of this Directive to include acts involving unfair competition or similar activities.
- (14) This Directive shall not affect substantive law on intellectual property, Directive 95/46/EC of 24 October 1995 of the European Parliament and of the Council on the protection of individuals with regard to the processing of personal data and on the free movement of such data⁶, Directive 1999/93/EC of the European Parliament and of the Council of 13 December 1999 on a Community framework for electronic signatures⁷ and Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market⁸.
- (15) The provisions of this Directive are without prejudice to the particular provisions for the enforcement of rights in the domain of copyright and related rights set out in Community instruments and notably Article 8 of Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society⁹.
- (16) The measures and procedures designed to enforce intellectual property rights must be effective and place the right holder in the situation in which he would have been were it not for the infringement in question.
- (17) In order to improve and extend access to justice, the persons entitled to request application of these measures and procedures should be not only the right holders but also the professional organisations in charge of the management of those rights or for the defence of the collective and individual interests for which they are responsible.
- (18) It is appropriate to adopt the rule in Article 15 of the Berne Convention, which establishes the presumption whereby the author of a literary or artistic work is regarded as such if his name appears on the work. Moreover, as copyright exists as

⁶ OJ L 281, 23.11.1995, p. 31.

⁷ OJ L 13, 19.1.2000, p. 12.

⁸ OJ L 178, 17.7.2000, p. 1.

⁹ OJ L 167, 22.6.2001, p. 10.

from the creation of a work and does not require formal registration as in the case of an industrial property right, it is useful to recall the principle that a work is considered to be sufficiently creative to enjoy copyright protection until proven otherwise. This principle is of particular importance when an author seeks to defend his rights in a legal dispute and represents largely current practice in Member States' national jurisdictions.

- (19) Given that evidence is an element of paramount importance for establishing the infringement of intellectual property, it is appropriate to ensure that effective means of presenting and obtaining evidence is available to all parties.
- (20) If there is a duly established danger that evidence may be destroyed, an effective and inexpensive procedure must be made available to the parties which allows for the detailed description, with or without the taking of samples, or the physical seizure of the infringing goods and, in appropriate cases, of the documents relating thereto. The procedure must have regard to the rights of the defence and must provide the necessary guarantees.
- (21) Other measures designed to ensure a high level of protection exist in certain countries and must be made available in all the Member States. This is the case with the right of information, which allows precise information to be obtained on the origin of the infringing goods, the distribution channels and the identity of the third parties involved in the infringement, as well as the publication of judicial decisions on infringements of intellectual property, which makes it possible to inform the public and deter third parties from committing such infringements.
- (22) It is also essential to provide for provisional measures allowing for the immediate termination of the infringement without awaiting a decision on the substance of the case, while observing the rights of the defence, ensuring the proportionality of the provisional measures as appropriate to the characteristics of the case in question and providing the guarantees needed to cover the costs and the injury caused to the defendant by an unjustified request. Such measures are particularly justified when any delay would cause irreparable prejudice to the holder of an intellectual property right.
- (23) Depending on the particular case, and if justified by circumstances, the measures and procedures to be provided for must include prohibitory measures aimed at preventing further infringements of intellectual property, as well as preventive and corrective measures, such as the confiscation of the infringing goods and other objects used predominantly for illegal purposes, removal from the channels of commerce, possible destruction and the recall, at the infringer's expense where appropriate, of the infringing goods placed on the market.
- (24) With a view to compensating for the prejudice suffered as a result of an infringement committed by an infringer who has engaged in an activity in the knowledge, or with reasonable grounds for knowing, that it would give rise to such an infringement, the amount of damages awarded to the right holder should be set either at a fixed rate equal to double the royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question (the aim being to allow for compensation based on an objective criterion while taking account of the expenses incurred by the right holder, such as the costs of identification and research), or according to the actual prejudice (including loss of earnings) suffered by the right holder (compensatory damages), to which must be added the profits made by the

infringer, which are not taken into account in calculating the compensatory damages. It must also be possible to take into account other elements, such as the moral prejudice caused to the right holder.

- (25) In order to ensure the proper functioning of the Internal Market, and in accordance with the undertakings entered into under the TRIPS Agreement, and in particular Article 61 thereof, Member States are required to punish serious infringements of intellectual property in an effective, proportionate and deterrent fashion under criminal law. To this end, “serious infringement” means acts which are carried out intentionally and for commercial purposes. All or some of those participating in the infringement or attempted infringement, should be declared responsible, according to the particular country's internal law, as accomplices or instigators.
- (26) Protection measures make a major contribution towards combating infringements of intellectual property. Appropriate legal protection of security and authentication devices which protect against copying, manipulation or neutralisation is therefore necessary in the field of industrial property, and already exists in the field of copyright. Moreover, these protection measures targeting the abuse of technical devices to infringe intellectual property rights are in line with Article 6 of the Convention on Cybercrime adopted by the Council of Europe in Budapest on 23 November 2001.
- (27) Industry must take an active part in the fight against piracy and counterfeiting. The development of codes of conduct in the circles directly affected is a supplementary means of bolstering the regulatory framework. The Member States, in collaboration with the Commission, should encourage the development of codes of conduct in general. Monitoring of the manufacture of optical discs, particularly by means of an identification code embedded in discs produced on the territory of the Community, helps to limit infringements of intellectual property in this sector which suffers from piracy on a large scale. However, these technical protection measures must not be misused with a view to protecting markets and preventing parallel imports.
- (28) In order to facilitate the uniform application of the provisions set out in this Directive, it is appropriate to provide for systems of cooperation and mutual assistance between Member States, on the one hand, and between the Member States and the Commission on the other, in particular by creating a network of correspondents designated by the Member States. Within this framework, a Contact Committee made up of national correspondents could also be set up within the Commission.
- (29) Since the objectives of this Directive cannot be sufficiently achieved by the Member States for the reasons already described, and can therefore be better achieved at Community level, the Community may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty. In accordance with the principle of proportionality as set out in that Article, this Directive does not go beyond what is necessary in order to achieve its objectives.
- (30) This Directive respects the fundamental rights and observes the principles recognised in particular by the Charter of Fundamental Rights of the European Union. In particular, this Directive seeks to ensure full respect for intellectual property (Article 17(2) of the Charter of Fundamental Rights of the European Union),

HAVE ADOPTED THIS DIRECTIVE:

CHAPTER I

OBJECTIVE AND SCOPE

Article 1

Subject-matter

This Directive concerns the measures necessary to ensure the enforcement of intellectual property rights.

Article 2

Scope

1. Without prejudice to the means which are or may be provided for in Community or national legislation, in so far as those means may be more favourable for right holders, the measures provided for by this Directive shall apply to any infringement of the rights deriving from Community and European acts on the protection of intellectual property, as listed in the Annex, and from the provisions adopted by the Member States in order to comply with those acts when the infringement is committed for commercial purposes or causes significant harm to the right holder.
2. This Directive shall be without prejudice to the particular provisions on the enforcement of rights contained in Community legislation concerning copyright and notably those found in Directive 2001/29/EC.
3. This Directive shall not affect :
 - a) the Community provisions governing the substantive law on intellectual property, Directive 95/46/EC, Directive 1999/93/EC or Directive 2000/31/EC;
 - b) Member States' international obligations and notably the Agreement on Trade-Related Aspects of Intellectual Property Rights (the "TRIPS Agreement").

CHAPTER II

MEASURES AND PROCEDURES

SECTION 1

GENERAL PROVISIONS

Article 3

General obligation

Member States shall provide for the proportionate measures and procedures needed to ensure the enforcement of the intellectual property rights covered by this Directive.

These measures and procedures shall be such as to remove from those responsible for an infringement of an intellectual-property right the economic benefits of that infringement. They shall be fair and equitable, and shall not be unnecessarily complicated or costly, nor entail unreasonable time-limits or unwarranted delays.

These measures and procedures shall be applied in such a manner as to avoid the creation of barriers to legitimate trade.

Article 4

Penalties

Member States shall ensure that any infringement of an intellectual property right covered by Article 2 is punishable by penalties. These penalties must be effective, proportionate and deterrent.

Article 5

Persons entitled to apply for the application of the measures and procedures

1. Member States shall recognise as persons entitled to apply for application of the measures referred to in this Chapter the holders of intellectual property rights, as well as all other persons authorised to use those rights in accordance with the applicable law, or their representatives.
2. Member States shall confer upon rights management or professional defence bodies, wherever they represent intellectual property right holders or other persons authorised to use these rights according to the applicable law, an entitlement to seek application of the measures and procedures referred to in this Chapter, including the authority to initiate legal proceedings for the defence of those rights or of the collective or individual interests for which they are responsible.

Such entitlement shall be accorded to any properly constituted rights management body or professional defence body, regardless of the Member State in which it is established

The first and second subparagraphs shall be without prejudice to the applicable rules on the representation of parties in court proceedings.

Article 6

Presumption of copyright tenure

Until proved otherwise, authorship of a work shall be presumed to be vested in the person whose name, presented as being that of the author, is featured on copies of the work, or whose authorship is referred to on a copy of the work by way of a statement, label or other mark.

SECTION 2

EVIDENCE

Article 7

Evidence

1. Member States shall lay down that, where a party has presented reasonably accessible evidence sufficient to support its claims, and has, in substantiating those claims, cited evidence which is to be found under the control of the opposing party, the judicial authorities may order that such evidence be produced by the opposing party, subject to the protection of confidential information.
2. In order to identify and prosecute the real beneficiaries of the infringement, Member States shall take such measures as are necessary to enable the responsible authorities to order the communication or seizure of banking, financial or commercial documents, subject to the protection of confidential information.

Article 8

Measures for protecting evidence

1. Member States shall lay down that, where there is a demonstrable risk that evidence may be destroyed even before the commencement of proceedings on the merits of the case, the judicial authorities may, in the event of an actual or imminent infringement of an intellectual property right, authorise in any place either the detailed description, with or without the taking of samples, or the physical seizure of the infringing goods, and, in appropriate cases, the documents relating thereto. These measures shall be taken by order issued on application, if necessary without the other party having been heard.

Where evidence-protection measures have been adopted without the other party having been heard, the affected parties shall be given notice immediately after the execution of the measures at the latest. A review, including a right to be heard, shall take place upon request of the affected parties with a view to deciding, within a reasonable period after the notification of the measures, whether the measures shall be modified, revoked or confirmed.

2. Member States shall lay down that physical seizure may be subject to the applicant's lodging of an adequate guarantee intended to ensure compensation for any prejudice suffered by the defendant if the proceedings instituted against him are subsequently judged to be unfounded..
3. Member States shall lay down that, if the applicant has not instituted legal proceedings leading to a decision on the merits of the case within 31 calendar days of the seizure, the seizure shall be null and void, without prejudice to the damages which may be claimed.

Where the evidence protection measures have been revoked, or where they lapse owing to any act or omission by the applicant, or where it is subsequently found that there has been no infringement of any intellectual property right, the judicial authorities shall have be empowered to order the applicant, at the defendant's request, to provide the defendant with adequate compensation for any injury caused by the measures.

SECTION 3

RIGHT OF INFORMATION

Article 9

Right of information

1. Member States shall lay down that, in order to deal with proceedings involving an infringement of an intellectual property right, or in response to a request for provisional or precautionary measures, the judicial authorities shall order, at the request of the right holder, unless particular reasons are invoked for not doing so, any person to provide information on the origin of the goods or services which are thought to infringe an intellectual property right and on the networks for their distribution or provision, respectively, if that person:
 - (a) was found in possession, for commercial purposes, of the infringing goods;
 - (b) was found to be using the infringing services for commercial purposes; or
 - (c) was indicated by the person referred to in point (a) or (b) as being at the origin of the goods or services or as being a link in the network for distributing those goods or providing those services.
2. The information referred to in paragraph 1 shall comprise:

- (a) the names and addresses of the producers, distributors, suppliers and other previous holders of the product or service, as well as the intended wholesalers and retailers;
 - (b) information on the quantities produced, delivered, received or ordered, as well as the price obtained for the goods or services in question.
3. Paragraphs 1 and 2 shall apply without prejudice to other provisions which:
 - (a) grant the right holder rights to receive fuller information;
 - (b) govern the use in civil or criminal proceedings of the information communicated pursuant to this Article;
 - (c) govern responsibility for misuse of the right of information; or
 - (d) afford an opportunity for refusing to provide information which would force the person referred to in paragraph 1 to admit to the existence of an infringement of an intellectual property right.
4. Apart from the cases referred to in paragraph 1, Member States shall lay down that, when the responsible authorities are in possession of the information referred to in paragraph 2, they may so inform the right holder, provided the latter is known, while complying with the rules on the protection of confidential information, in order to allow the right holder to institute proceedings leading to a decision on the merits of the case or to obtain provisional or precautionary measures.

SECTION 4

PROVISIONAL AND PRECAUTIONARY MEASURES

Article 10

Provisional measures

1. Member States shall lay down that the judicial authorities may serve the alleged infringer, or the intermediary whose services are being used by a third party to infringe a right, with an interlocutory injunction intended to prevent any impending infringement of an intellectual property right, or to forbid, on a provisional basis and subject to a recurrent fine, the continuation of the alleged infringements of an intellectual property right, or to make such continuation subject to the lodging of guarantees intended to ensure the compensation of the right holder.

The judicial authorities shall be empowered to require the applicant to provide any reasonably available evidence in order to satisfy themselves with a sufficient degree of certainty that the applicant is the right holder and that the applicant's right is being infringed or, that such infringement is imminent.
2. Member States shall lay down that the provisional measures referred to in paragraph 1 may in appropriate cases be taken without the defendant having been heard, in particular when any delay would cause irreparable prejudice to the right

holder. In the event of this happening, the defendant shall be so informed without delay after the execution of the measures.

A review, including the right to be heard, shall take place at the request of the defendant in order to decide, within a reasonable time after notification of the measures, whether they are to be amended, revoked or confirmed.

3. Member States shall lay down that a prohibitory measure shall be revoked if the applicant does not institute proceedings leading to a decision on the merits of the case within thirty-one calendar days from the day on which the right holder became aware of the facts on which it is based.
4. The judicial authorities may make the prohibition subject to the lodging by the applicant of adequate guarantees intended to ensure any compensation of the prejudice suffered by the defendant if the proceedings on the merits are subsequently judged to be unfounded.
5. Where the provisional measures have been revoked or where they lapse due to any act or omission by the applicant, or where it is subsequently found that there has been no infringement or threat of infringement of an intellectual property right, the judicial authorities shall have be empowered to order the applicant, at the request of the defendant, to provide the defendant adequate compensation for any injury caused by these measures.

Article 11

Precautionary measures

1. The Member States shall lay down that, in appropriate cases, and in particular if the injured party demonstrates circumstances likely to threaten the recovery of damages, and if necessary without the other party having been heard, the judicial authorities may authorise the precautionary seizure of the fixed and non-fixed assets of the infringer, including the blocking of his bank accounts and other assets.

In order to ensure the implementation of the provisions set out in the first paragraph, Member States shall also take the necessary steps to allow the judicial authorities to order the communication or seizure of bank, financial or commercial documents

2. The judicial authorities may make the measures provided for in paragraph 1 subject to the lodging by the applicant of guarantees adequate to ensure possible compensation for the prejudice suffered by the defendant if the proceedings on the merits are subsequently judged to be unfounded.
3. Where the precautionary measures are revoked, or where they lapse due to any act or omission by the applicant, or where it is subsequently found that there has been no infringement of an intellectual property right, the judicial authorities shall have the authority to order the applicant, upon request of the defendant, to provide the defendant adequate compensation for any injury caused by these measures.

SECTION 5

MEASURES RESULTING FROM A DECISION ON THE MERITS OF THE CASE

Article 12

Recall of goods

Without prejudice to the damages due to the right holder by reason of the infringement, Member States shall lay down that the judicial authorities may order the recall, at the infringer's expense in appropriate cases, of the goods which have been found to infringe an intellectual property right

Article 13

Disposal outside the channels of commerce

Member States shall lay down that the judicial authorities may order that the goods which have been found to infringe an intellectual property right, as well as the materials and implements used primarily for the creation or the manufacture of the goods in question, be disposed of outside the channels of commerce, without any compensation being due.

Article 14

Destruction of goods

Member States shall lay down that the judicial authorities may order the destruction of the goods which have been found to infringe an intellectual property right, without there being any entitlement to compensation.

Article 15

Preventive measures

1. Member States shall lay down that, when a judicial decision has been taken finding an infringement of an intellectual property right, the judicial authorities may serve the infringer with an injunction aimed at prohibiting the continuation of the infringement. Non-compliance with an injunction shall be punishable by a fine accompanied, where applicable, by a recurring fine, with a view to ensuring compliance.
2. Member States shall ensure that right holders are able to apply for an injunction to be addressed to intermediaries whose services are used by third parties to infringe an intellectual property right.

Article 16

Alternative measures

In appropriate cases, Member States shall lay down that, if the person liable to be subjected to the measures provided for in this Section has acted without fault or negligence but has nevertheless caused injury to the applicant, that person may, if execution of the measures in question would cause him disproportionate harm and if the injured party could reasonably be satisfied with pecuniary compensation, compensate that party in cash, with the latter's agreement.

SECTION 6

DAMAGES AND LEGAL COSTS

Article 17

Damages

1. Member States shall lay down that the judicial authorities shall order an infringer to pay the right holder adequate damages in reparation of the damage incurred by the latter as a result of his intellectual property right being infringed through the infringer having engaged in an activity in the knowledge, or with reasonable grounds for knowing, that it would give rise to such an infringement.

To this end, the competent authorities shall award, at the request of the prejudiced party:

- (a) either damages set at double the royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question;
- (b) or compensatory damages corresponding to the actual prejudice (including lost profits) suffered by the right holder as a result of the infringement.

In appropriate cases, Member States shall lay down that the prejudice suffered can also be deemed to include elements other than economic factors, such as the moral prejudice caused to the right holder by the infringement.

2. In the case provided for in paragraph 1, point (b), Member States may provide for the recovery, for the benefit of the right holder, of all the profits made by the infringer which are attributable to that infringement and which are not taken into account when calculating the compensatory damages.

For calculating the amount of the profits made by the infringer, the right holder is bound to provide evidence only with regard to the amount of the gross income achieved by the infringer, with the latter being bound to provide evidence of his deductible expenses and profits attributable to factors other than the protected object.

Article 18

Legal costs

Member States shall lay down that the legal costs, lawyer's fees and any other expenses incurred by the successful party shall be borne by the other party, unless equity or the economic situation of the other party does not allow this. The responsible authorities shall determine the sum to be paid.

SECTION 7

PUBLICITY MEASURES

Article 19

Publication of judicial decisions

1. Member States shall lay down that, in legal proceedings instituted for infringement of an intellectual property right, the judicial authorities may order, at the request of the right holder and at the expense of the infringer, that the decision be displayed and published in full or in part in the newspapers designated by the right holder.
2. Member States may also provide for other publicity measures which are appropriate to the particular circumstances.

CHAPTER III

CRIMINAL LAW PROVISIONS

Article 20

Criminal law provisions

1. Member States shall ensure that all serious infringements of an intellectual property right, as well as attempts at, participation in and instigation of such infringements, are treated as a criminal offence,. An infringement is considered serious if it is intentional and committed for commercial purposes.
2. Where natural persons are concerned, Member States shall provide for criminal sanctions, including imprisonment.
3. As regards natural and legal persons, the Member States shall provide for the following sanctions:
 - (a) fines;

- (b) confiscation of the goods, instruments and products stemming from the offences referred to in paragraph 1, or of goods whose value corresponds to those products.

In appropriate cases, Member States shall also provide for the following sanctions:

- (a) destruction of the goods infringing an intellectual property right;
 - (b) total or partial permanent or temporary closure of the establishment used primarily to commit the infringement;
 - (c) a permanent or temporary ban on engaging in commercial activities;
 - (d) placing under judicial supervision;
 - (e) judicial winding-up;
 - (f) a ban on access to public assistance or subsidies;
 - (g) publication of judicial decisions.
4. For the purposes of this Chapter, the term “legal person” shall be understood to mean any legal entity having such status under the applicable national law, except for States or any other public bodies acting in the exercise of their prerogative of public power, as well as public international organisations.

CHAPTER IV

TECHNICAL MEASURES

Article 21

Legal protection of technical devices

1. Without prejudice to particular provisions applicable in the field of copyright, related rights and the *sui generis* right of the creator of a database, Member States shall provide for appropriate legal protection against the manufacture, import, distribution and use of illegal technical devices.
2. For the purposes of this Chapter,
 - (a) “technical device” means any technology, device or component which, in the normal course of its functioning, is designed for the manufacture of authentic goods and the incorporation therein of elements which are manifestly identifiable by customers and consumers and which make it easier to recognise the goods as being authentic.
 - (b) “illegal technical device” means any technical device which is designed to circumvent a technical device which permits the manufacture of goods

infringing industrial property rights and incorporating the manifestly identifiable elements described in point (a).

Article 22

Codes of conduct

1. Member States shall encourage:
 - (a) the development by trade or professional associations or organisations of codes of conduct at Community level aimed at contributing towards the enforcement of the intellectual property rights referred to in Article 2;
 - (b) the establishment, by optical disc manufacturers and the professional organisations concerned, of codes of conduct aimed at helping manufacturers to combat infringements of intellectual property, particularly by recommending the use on optical discs of a source code enabling the identification of the origin of their manufacture;
 - (c) the submission to the Commission of draft codes of conduct at national and Community level and of any evaluations of the application of these codes of conduct.
2. The codes of conduct must be in accordance with Community law and notably the rules on competition and protection of personal data.

CHAPTER V

ADMINISTRATIVE COOPERATION

Article 23

Assessment

1. Three years after the date laid down in Article 26(1), each Member State shall submit to the Commission a report informing it of the situation with regard to implementation of this Directive.

On the basis of those reports, the Commission shall draw up a report on the application of this Directive, including an assessment of the effectiveness of the measures taken by the various competent bodies and instances, as well as an evaluation of its impact on innovation and the development of the information society. That report shall then be transmitted to the European Parliament, the Council and the European Economic and Social Committee. It shall be accompanied, if necessary, by proposals for amendments to this Directive.
2. Member States shall provide the Commission with all the aid and assistance it may need when drawing up the report referred to in the second subparagraph of paragraph 1.

Article 24

Correspondents

1. Each Member State shall designate one or more correspondents (referred to hereinafter as “the national correspondents”) for any question relating to the implementation of the measures provided for by this Directive. It shall communicate the details of the correspondent(s) to the other Member States and to the Commission.
2. For the purposes of applying this Directive, the Member States shall co-operate with the other Member States and with the Commission via the national correspondents. They shall provide the assistance and information requested by the other Member States or the Commission as rapidly as possible, including by appropriate electronic means.

CHAPTER VI

FINAL PROVISIONS

Article 25

Implementation

1. Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive not later than eighteen months after the date of its adoption. They shall immediately inform the Commission thereof.

When Member States adopt these provisions, these shall contain a reference to this Directive or shall be accompanied by such reference at the time of their official publication. The procedure for such reference shall be adopted by Member States.

2. Member States shall communicate to the Commission the texts of the provisions of national law which they adopt in the field governed by this Directive.

Article 26

Entry into force

This Directive shall enter into force on the twentieth day following its publication in the *Official Journal of the European Union*.

Article 27

Addressees

This Directive is addressed to the Member States.

Done at Brussels, [...]

For the European Parliament
The President
[...]

For the Council
The President
[...]

ANNEX

List of provisions of Community and European law relating to the protection of intellectual property, referred to in Article 1(3)

Council Directive 87/54/EEC of 16 December 1986 on the legal protection of topographies of semiconductor products¹.

First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks².

Council Regulation (EEC) No 1576/89 of 29 May 1989 laying down general rules on the definition, description and presentation of spirit drinks³.

Commission Regulation (EEC) No 1014/90 of 24 April 1990 laying down detailed implementing rules on the definition, description and presentation of spirit drinks⁴.

Council Directive 91/250/EEC of 14 May 1991 on the legal protection of computer programs⁵.

Council Directive 92/100/EEC of 19 November 1992 on rental right and lending right and on certain rights related to copyright in the field of intellectual property⁶.

Council Directive 93/83/EEC of 27 November 1993 on the coordination of certain rules concerning copyright and rights relating to copyright applicable to satellite broadcasting and cable retransmission⁷.

Council Directive 93/98/EEC of 29 October 1993 harmonising the term of protection of copyright and certain related rights⁸.

Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases⁹.

Directive 98/71/EC of the European Parliament and of the Council of 13 October 1998 on the legal protection of designs¹⁰.

Directive 98/44/EC of the European Parliament and of the Council of 6 July 1998 on the legal protection of biotechnological inventions¹¹.

Council Regulation (EC) No 1493/99 of 17 May 1999 on the common organisation of the market in wine¹².

¹ OJ L 24, 27.1.1987, p. 36.

² OJ L 40, 11.2.1989, p. 1.

³ OJ L 160, 12.6.1989, p. 1.

⁴ OJ L 105, 25.4.1990, p. 9.

⁵ OJ L 122, 17.5.1991, p. 42.

⁶ OJ L 346, 27.11.1992, p. 61.

⁷ OJ L 248, 6.10.1993, p. 15.

⁸ OJ L 290, 24.11.1993, p. 9.

⁹ OJ L 77, 27.3.1996, p. 20.

¹⁰ OJ L 289, 28.10.1998, p. 28.

¹¹ OJ L 213, 30.7.1998, p. 13.

Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society¹³.

Directive 2001/84/EC of the European Parliament and of the Council of 27 September 2001 on the resale right for the benefit of the author of an original work of art¹⁴.

Council Regulation (EEC) No 1768/92 of 18 June 1992 concerning the creation of a supplementary protection certificate for medicinal products¹⁵.

Regulation (EC) No 1610/96 of the European Parliament and of the Council of 23 July 1996 concerning the creation of a supplementary protection certificate for plant protection products¹⁶.

Council Regulation (EEC) No 2081/92 of 14 July 1992 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, as last amended by Regulation (EC) No 1068/97¹⁷.

Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark¹⁸.

Council Regulation (EC) No 2100/94 of 27 July 1994 on Community plant variety rights¹⁹.

Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs²⁰.

Convention on the Grant of European Patents (Convention on the European Patent) of 5 October 1973.

¹² OJ L 179, 14.7.1999, p. 1.
¹³ OJ L 167, 22.6.2001, p. 10.
¹⁴ OJ L 272, 13.10.2001, p. 32.
¹⁵ OJ L 182, 2.7.1992, p. 1.
¹⁶ OJ L 198, 8.8.1996, p. 30.
¹⁷ OJ L 156, 13.6.1997, p. 10.
¹⁸ OJ L 11, 14.1.1994, p. 1.
¹⁹ OJ L 227, 1.9.1994, p. 1.
²⁰ OJ L 3, 5.1.2002, p. 1.

FINANCIAL STATEMENT

1. TITLE OF OPERATION

Proposal for a Directive of the European Parliament and of the Council on measures and procedures to ensure the enforcement of intellectual property rights.

2. BUDGETARY HEADING INVOLVED

A0-7030.

3. LEGAL BASIS

Article 95 of the EC Treaty.

4. DESCRIPTION OF OPERATION

4.1 General objective

The objective of the operation is to harmonise the legislation of the Member States on the means of enforcing intellectual property rights in the Internal Market and to establish a general framework for the exchange of information and administrative cooperation.

4.2 Period covered and arrangements for renewal

Indefinite period.

5. CLASSIFICATION OF EXPENDITURE/REVENUE

5.1. NCE (non-compulsory expenditure)

5.2. DA (differentiated appropriation)

5.3. Type of revenue involved: (none)

6. TYPE DE OF EXPENDITURE/REVENUE

7. FINANCIAL IMPACT (PART B)

8. FRAUD PREVENTION MEASURES

9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

9.1 Specific and quantified objectives; target population

9.2 Grounds for the operation

The proposal for a Directive is intended to harmonise the national legislation on the means of enforcing intellectual property rights. There are major disparities in the Member States' systems of penalties in this field. This situation is prejudicial to the proper functioning of the Internal Market.

Proper application of the Directive involves setting up a Contact Committee made up of correspondents designated by the Member States and chaired by a representative of the Commission. The expenditure involved in the operation of this Committee will be borne by the Community budget.

9.3 Monitoring and evaluation of the operation

Pursuant to Article 23 of the proposal for a Directive, the Commission will publish a report on the implementation of the Directive three years after its transposition by Member States.

10. ADMINISTRATIVE EXPENDITURE (PART A OF SECTION III OF THE GENERAL BUDGET)

10.1 Effect on the number of posts

Type of post		Staff to be assigned to managing the operation		Source		Duration
				Existing resources in the DG or department concerned	Additional resources	
Officials or temporary staff	A					
	B					
	C					
Other resources						
Total						

10.2 Overall financial impact of human resources (in EUR)

	Amounts	Permanent posts
Officials or temporary staff		
A	-	
B		
C	-	
Other resources (give budget heading)		
Total		

10.3 Increase in other administrative expenditure as a result of the operation, especially costs relating to meetings of committees and groups of experts (in EUR)

Budget heading (number and heading)	Amounts	Method of calculation (Basis: 2 meetings a year)
A0-7030	EUR 9 100 x 2	14 x EUR 650 (travel expenses of national correspondents) x 2
Total	EUR 18 200	

The amounts indicate the total cost of the additional posts for fixed-length operations and the cost over 12 months for operations the duration of which is not fixed.

The requirements in terms of human and administrative resources will be encompassed by the amount allocated to DG MARKT under the annual allocation procedure.

If the Commission decides to create a Contact Committee, the latter's remit will be to develop cooperation, to foster the exchange of information, to supervise the functioning of this Directive and to examine, at the request of the Commission or of a representative of a Member State, all questions relating to the implementation of the means of enforcing intellectual property rights in the Internal Market. It will also assist the Commission in drawing up the assessment report.

This Committee will not be governed by the comitology procedure set out in Council Decision 1999/468/EC. The only annual costs of this Committee will be the travelling expenses of the national correspondents.

IMPACT ASSESSMENT FORM

THE IMPACT OF THE PROPOSAL ON BUSINESS, WITH SPECIAL REFERENCE TO SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs)

TITLE OF PROPOSAL

Proposal for a Directive of the European Parliament and of the Council on measures and procedures to ensure the enforcement of intellectual property rights.

REFERENCE NO

COM(2003) 46 final

THE PROPOSAL

1. Taking account of the principle of subsidiarity, why is Community legislation necessary in this area and what are its main aims?

Businesses have expressed the need to have means of enforcing intellectual property rights which are equally effective in all Member States. This need is also in line with the objectives of the Commission's policy aimed at fostering the development of innovation and creativity, in particular through coherent and effective protection of intellectual property in the Internal Market. However, it is clear that this need cannot be met by action taken by each Member State individually. That is why harmonisation at Community level of the legislation of the Member States on the means of enforcing intellectual property rights is necessary. To be genuinely effective, harmonisation must be sought on the basis of the national provisions which seem the most suited to satisfy the needs of parties infringed against whilst taking into account the legitimate rights of defence.. This will make it possible to enforce intellectual property rights in a way which is equivalent and effective throughout the Community.

THE IMPACT ON BUSINESS

2. Who will be affected by the proposal?

- Which sectors of business?

In principle, all sectors are affected by compliance with intellectual property.

- Which sizes of business (what is the concentration of small and medium-sized firms)?

The means of enforcing intellectual property concern both large and small businesses, in particular those active in the field of creation and innovation. SMEs are especially vulnerable to counterfeit and pirated products. Their limited financial resources frequently do not allow them to incur high legal costs.

- Are there particular geographical areas of the Community where these businesses are found?

The entire territory of the Community is concerned.

3. What will business have to do to comply with the proposal?

The means of enforcing intellectual property rights must be made available to businesses by the Member States. Businesses will be able to invoke those means when defending the intellectual property rights of which they are the holders.

4. What economic effects is the proposal likely to have:

- on employment?

It is accepted that, in the final analysis, the damage suffered by businesses because of infringements of intellectual property affects the number of jobs they provide, although the precise effect of those infringements on employment in industry is difficult to measure. According to a study conducted in the European Union in June 2000, more than 17 000 jobs were said to be lost each year because of counterfeiting and piracy. According to a survey carried out in France in 1998, the number of jobs lost through counterfeiting was put at some 38 000 for France. Harmonisation on the basis of those national provisions shown to be most effective will make it possible to improve and step up the fight against counterfeiting and piracy, and hence improve the employment situation in the Community.

- on investment and the creation of new businesses?

Harmonisation of national legislation on the means of enforcing intellectual property rights will allow businesses to benefit from an equivalent level of protection throughout the Community. This favourable environment will boost business confidence in the Internal Market when developing their creative and innovatory activities. This situation will ensure that they obtain an equitable return on their investment in research and development and will encourage them to invest.

- on the competitive position of businesses?

Innovation is of paramount importance for the competitiveness of businesses. They constantly have to improve or renew their products if they wish to maintain or conquer market shares. Sustained innovative activity leading to the development of new products or services places businesses at an advantage on the market and is a major factor in their competitiveness. For them to be able to innovate under good conditions, businesses must benefit from an environment conducive to the exercise of their activities, with particular regard to the protection of intellectual property. Harmonisation of national legislation on the means of enforcing intellectual property rights will help to ensure the development of the innovatory activity of businesses in the Internal Market, and hence their competitiveness.

5. Does the proposal contain measures to take account of the specific situation of small and medium-sized firms (reduced or different requirements, etc.)?

The proposal does not contain specific measures for small and medium-sized firms. Nevertheless, the harmonisation proposed should also benefit SMEs by providing

them with effective means of enforcing their intellectual property rights and making it easier for them to access the judicial decisions published in the Member States relating to intellectual property. This will also make it possible to lower the costs involved in enforcing the intellectual property rights held by SMEs.

CONSULTATION

6. List the organisations which have been consulted about the proposal and outline their main views.

The proposal itself was not distributed to interested circles, since it still has to be adopted by the Commission. However, the need for Commission action in this field was identified during a prior consultation process. In October 1998 the Commission published a Green Paper on the fight against counterfeiting and piracy in the Single Market (COM(98) 569 final)¹. It received nearly 145 written contributions from all the interested circles. These were the subject of a summary report which was published². The European Parliament³ and the Economic and Social Committee⁴ also had occasion to comment on the Green Paper. In addition, the Commission organised, jointly with the German Presidency of the Council of the European Union, a hearing open to all interested circles on 2 and 3 March 1999 in Munich⁵, as well as a meeting of experts from the Member States of the Community on 3 November 1999, with a view to gathering their views on the subject. Finally, the Commission presented a follow-up Communication to the Green Paper on 30 November 2000, in which it announced, in the form of an action plan, a whole series of measures intended to step up and improve the fight against counterfeiting (COM(2000) 789 final)⁶, including a proposal for a Directive intended to strengthen the means of enforcing intellectual property rights.

During the consultation, the participants were unanimous in underlining the lack of deterrent effect of the present means and reported the same weaknesses, i.e. that the damages awarded, the fines and other penalties handed down were too little and not enough to deter. The disparities between the national systems of penalties were also raised as an obstacle to effectively combating counterfeiting and piracy in the Internal Market. The interested circles expressed the desire for the penalties and other means of enforcing intellectual property rights to be equally effective in all Member States, in particular with regard to searching, seizure and evidence. Attention was also drawn to the length and uncertain nature of the national measures and procedures. Most of the comments called for legislative, judicial and administrative action, strengthened and harmonised at the level of the EU and its Member States, to be taken rapidly in this field.

¹ Cf. footnote 1.
² Cf. footnote 2.
³ Cf. footnote 5.
⁴ Cf. footnote 4.
⁵ Cf. footnote 3.
⁶ Cf. footnote 6.

The Commission's follow-up Communication, and in particular the announcement of a proposal for a Directive on the enforcement of intellectual property rights, was welcomed by interested circles. In its supplementary opinion of 30 May 2001⁷, the Economic and Social Committee approved the intention of the European Commission to present a proposal for a Directive on this subject in the near future.

⁷ Cf. footnote 7.