



European Communities Trade Mark Association

**Comments from The European Communities Trade Mark Association (ECTA)
On the latest updates on the Proposal for a Directive on criminal measures aimed at
ensuring enforcement of IP rights.**

The Proposal for a Directive on criminal measures aimed at ensuring enforcement of IP rights is currently under discussion by the European Parliament. Such Proposal was forwarded by the Commission to the European Parliament and the Council on 26 April (COM 2006 168 Final), as a consequence of amending a previous Proposal of 12 July 2005 for Directive and Framework Decision on the matter (COM 2005 276 Final).

ECTA¹ sent its Position Paper on the original Proposals on the 17 November 2005, by way of a letter sent to Mr Nicola Zingaretti, rapporteur EP Member.

During these past months ECTA has followed very closely the development of this important piece of proposed legislation and has shared its views with some other professional organizations. In particular, we have considered some of the latest reports issued by the Committee on Industry, Research and Energy, the Committee on Civil Liberties, Justice and Home Affairs and the Committee on Legal Affairs.

Bearing into account the complexities and the number of objections which the text have provoked ECTA wishes now, by way of the present comments to focus its attention only on the aspects of the text which finds of most importance in order to try to contribute and support a final approval of the text in its best possible form.

Articles 2 and 3: Definition and Scope of the Directive

ECTA believes that the proposed Directive's scope of application is too broad and should be narrowed to the scope originally intended: counterfeiting and piracy. This would be consistent with the TRIPS Agreement and the Directive's own premises and introductory recitals. Restriction to these two concepts has several advantages and raises much less concern over undefined boundaries of application of the new rules. This raises the question of whether or not a proper definition of counterfeiting and piracy is appropriate.

ECTA believes that restricting the scope of application to the above two kinds of activities would focus enforcement against truly serious conduct. In contrast, the proposed language would create criminal liabilities in situations where even highly specialized bodies like Trade Mark Offices and specialized IP Judges disagree over the existence of an "infringement", as often happens in trade mark disputes, where the existence of a likelihood of confusion (which is the ordinary test of trade

¹ The European Communities Trade Mark Association (ECTA), founded in 1980, has about 1,400 members, independent professionals and from industry, from 85 countries, mostly European IP practitioners in the field of trade marks, designs and related IP matters. More info at www.ecta.org

mark infringement) between two marks may be subject to totally different findings. A further very real difficulty is that in some jurisdictions criminal proceedings are heard by courts which do not have the necessary skills and experience for determining what is and is not infringement.

In other words, the complexity of many IP rights is such that it seems unreasonable to demand that Judges (and prosecutors) who specialize in the otherwise totally different criminal matters may be asked to adjudicate on questions which are best left to the civil courts, with their long-standing and much more tested experience and practice.

In the first place, there is the advantage of a clear definition and identification of which activities should be prosecuted. EU Law, as well as the TRIPS Agreement, have already defined these activities in past Customs Provisions, including the one currently in force, EU Council Regulation (EC) No 1383/03 of 22 July 2003, on Custom Seizures on articles 2.1.a) "counterfeit goods", and Article 2.1.b), "pirated goods"

For obvious reasons, as the Regulation refers to Customs measures, it refers only to goods, irrespective of whether infringement (and the concept of counterfeiting itself) should in any case also be extended, under criminal law, to services, and activities including rights such as trade names, etc.

Note that Article 2.1.c) in Customs Regulation 1383/03 also refers to other rights such as patents, plant variety rights, designations of origin, etc. Although it is not within ECTA's specific interest to comment about patents or plant variety rights, we believe that at least other rights such as trade names, appellations of origin and other rights, as it has been proposed on the draft report submitted by the Committee on Legal Affairs of 7 November 2006, should benefit from the protection afforded by criminal law and be covered under the scope of the Directive. (please note if you have not done yet, that the English version omits appellations of origin in Amendment 5 to article 2, while it is included in other versions such as Italian and Spanish)

In conclusion, we believe that a proper definition of counterfeiting and piracy is essential and that the following criteria may furnish clarification:

- The scope of applicability of the law should be limited to counterfeiting and piracy, for which it could well take inspiration from the definitions in the Council's Regulations on border measures, additionally expanded beyond goods to cover services protected by rights including trade names, appellations of origins, etc.
- These concepts should be defined by an objective element, "e.g.: *use without authorization of a right identical to the right validly registered in respect of the same type of goods, or which reproduces in its essential aspects such a right*". In the case of well-known trademarks infringement should extend to goods and services different from those covered by registration.
- The subjective element should be wilfulness: meaning that the infringement should be caused by *an infringer who knowingly, or with reasonable grounds to know, engaged in infringing activity* (see Article.45.1.TRIPS).

Article 3 of the Directive: the term "intentional"

ECTA is in favour of the clarification of the term "intentional", as it has been proposed in the recent comments of the Legal Affairs Committee

ECTA only wishes to recall on the fact that TRIPS Agreement uses the criterion of "wilfulness", while the proposed Directive uses the term "intentional". Although it might simply be a choice of words, "wilful" may be interpreted as indicating the propensity of TRIPS to circumscribe its applicability to situations in which there exists a psychological nexus between criminal conduct and

intended criminal result, on an evaluation on whether or not there was a foresight of the prohibited result, and a wilful desire to cause such a consequence to occur. The term “intentional maybe less specific and more encompassing”.

To add more precision to the definition of the term intentional as a conduct “deliberate and conscious”, an indication could be included that the infringer should act knowingly or with a reasonable likelihood of having known about the previous existence of the earlier right infringed (see Article 45.1 of TRIPS).

Article 3 of the Directive: the term “commercial scale”

ECTA finds appropriate the clarification of the term "commercial scale" as it has been proposed in the recent comments of the Legal Affairs Committee.

We support this definition or any similar one, like the one contained in the third sentence of the 14th recital of Directive 48/2004 which reads as follows: “*Acts carried out on a commercial scale are those carried out for direct or indirect economic or commercial advantage; this would normally exclude acts carried out by end-consumers acting in good faith*”.

Article 3 of the Directive: the term “inciting”

ECTA is also concerned by the introduction of the concept of “inciting” an infringement of IP rights. As far as ECTA is aware, in general, the concept of “incitement” or “inducement” of infringement is not generally accepted in Europe and does not exist under many European laws.

ECTA is concerned that the proposed Directive may create a new category of infringement only available through criminal proceedings. Although ECTA’s membership comprises practitioners particularly in trade mark and design laws, many members are more generally involved with all aspects of intellectual property laws. ECTA is thus aware that in many EU laws “attempting, aiding, or abetting” a crime is considered a crime under the accomplice theory. And in many countries such activities can also fall under civil penalties under the theory of “contributory infringement”. Where ECTA is quite perplexed both dogmatically (i.e. from a theoretical point of view) and from a EU constitutional point of view is in trying to define “inciting” infringements vis-a-vis freedom of speech and other constitutionally protected (at National level) freedoms of expression. Although ECTA has always sought to further the knowledge and proper enforcement of IP rights, ECTA wonders where freedom of speech and expression on the one hand, and “inciting” infringement, on the other hand, intersect? And what is the level of “inciting” which reaches the critical mass necessary for criminal prosecution? Would saying “boycott Brand X, buy fakes” qualify as inciting? But freedom of speech is not ECTA’s only concern. As an association of practitioners and trademark owners alike, ECTA is concerned as to whether other possible applications (especially under the new art. 8, see below) would qualify as “incitement”. For example, what would be the position of an instruction given by a Client to a trademark attorney to apply for a trade mark in face of a search report that shows the existence of other similar trademarks? Would the advice given by an in-house Counsel to his or her internal business client be an incitement? And how can one really introduce at all, absent any mandate, a new and undefined category of infringement valid all over the EU? ECTA urges the Commission to carry out further and more in depth consultations, and in absence of such, to strike out the reference to “inciting”.

Article 5 of the Directive: the level of penalties

In respect of Article 5 of the proposed Directive, ECTA supports extending harmonization measures, specifically the penalty of imprisonment, to cases other than those considered as the most serious ones, where any act of counterfeiting or piracy involves criminal organizations or a threat to health and safety.

Moreover, in the German version of Art. 5.1, before the words “vier Jahre” (= four years), the word “mindestens” (= at least) is missing, so now it reads “sentence of four years’ imprisonment” instead of “sentence of at least four years’ imprisonment”.

Conclusions

ECTA welcomes and supports the Commission’s Proposal aimed at harmonizing European criminal law provisions and strengthening the enforcement against infringements of IP rights. Counterfeit and pirated goods not only damage IP owners but also threaten Europe’s public interests by way of lost competitiveness and investment, lost jobs, lost tax revenues, security and health risks, and financing for organised crime, thereby seriously and directly affecting the EU economy and all EU citizens alike.

Indeed, Criminal Law constitutes the most effective deterrent in the fight against counterfeiting and piracy, and it is complementary to the objectives pursued under Directive 48/2004 of 29th April 2004 on the enforcement of IP rights, dealing with civil and administrative measures

There is a need for those involved in protecting intellectual property to have the public “on their side”. However if laws are drawn so broadly that activities which reasonable members of the public would not regard as “criminal” are made criminal offences, they will fall into disrepute, and attempts to protect intellectual property rights will not be as effective as they should be.

Finally, ECTA highly appreciates the efforts made by the Commission's Director-General JLS as well as by the members of the European Parliament and the Council who have been involved in launching this very important piece of legislation, in particular the office of Mr. Nicola Zingaretti. We believe that consideration of the preceding comments could result in a more definite and precise instrument for achieving the goals pursued by the Directive. We sincerely hope that this will ultimately be accomplished with the support and cooperation of all experts in this field.

ECTA is and remains available to give any further assistance that may be required.
