



European Communities Trade Mark Association

13 April 2011

ECTA POSITION PAPER IN RESPONSE TO THE CONSULTATION ON THE COMMISSION REPORT ON THE ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS ¹

I. Introduction

On 11 January 2011, the European Commission launched a consultation on its report on the application of the Directive (COM2010 779 final, the "Report").

The objective of this consultation is to prompt the views of other European institutions, the Member States and private stakeholders on the findings reflected in the Report.

The consultation is in particular aimed at verifying the information provided in the Report and at identifying additional issues that should be addressed in the context of a possible review of the Directive.

ECTA generally agrees with the Report and fully supports the position taken by the Legal Subgroup of the European Counterfeiting and Piracy Observatory (the "Legal Observatory").

A review of the Directive is necessary especially in view of the possibilities to infringe IPR's via the Internet, which were not properly taken into account in the initial draft of the Directive.

ECTA wishes to make the following observations in the framework of the above mentioned consultation.

II. Scope of the Directive

There is no definition of IPR's in the Directive.

The list of IPR's considered to be covered by the Directive pursuant to the Statement by the Commission concerning Article 2 of Directive 2004/48/EC does not include trade names, domain names and trade secrets.

These rights are however, by their very nature, akin to intellectual property rights and can be extremely valuable assets for companies.

ECTA is of the opinion that these rights should be included in the Commission's list of rights covered by the Directive.

¹ With special thanks to Marianne Decker for drafting the paper and to Olivier Vrins, Frits Mutsaerts and Marius Schneider for their review of the paper, who are all members of the ECTA Anti-Counterfeiting Committee.

III. Procedures to gather evidence and the protection of confidential information (Articles 6 and 7 of the Directive)

Articles 6 and 7 of the Directive enable the IPR owners to obtain and preserve relevant evidence to prove the elements of the IPR infringement.

1. Effective search and seizure orders are essential for successful IPR protection.

It appears that in practice, substantial differences exist between the Member States in this regard.

Cross-border evidence collection concerning infringements committed via the Internet is not addressed by the Directive.

Furthermore, concerning search and seizure of computers and the increasing importance of computer based evidence, there is a strong need for provisional measures to avoid vulnerable data being destroyed or deleted.

Therefore, ECTA supports the idea that the conditions and prerequisites for obtaining such orders should be reviewed in order to ensure that they can be obtained in a simple, cost effective and expeditious manner across the Member States, including explicit reference to computer evidence (such as “screen shots”) and cross-border evidence collection.

2. Concerning the protection of confidential information, it appears that in many Member States, the provisions relating to search and seizure orders do not offer sufficient guarantees.

The conditions relating to the protection of confidential information gathered during search and seizure orders should be clarified.

3. Moreover, it appears that in general, the sanctions for failing to comply with orders regarding evidence are not a sufficient deterrent. There is a need to ensure that court orders and other rules requiring the production or disclosure of evidence are subject to appropriate penalties for non-compliance.

It would in this regard be very useful to consider as best practice those Member States where facts are assumed to be proven if the defendant does not produce the required documents and where the court is, in such cases, empowered to impose sanctions that are appropriate in the circumstances.

4. Finally, ECTA notes that in some Member States, Article 7(4) of the Directive (as well as Article 9(7)) has been implemented by introducing a strictly objective liability of the right owner which may act as deterrent to the enforcement of IPR's.

The nature of this liability (strictly objective vs. fault-based) in case damage is caused by the measures to preserve evidence should therefore be clarified (e.g. damage resulting from the disclosure of potentially sensitive commercial information or know-how).

IV. Right of information and data protection (Article 8 of the Directive)

The right of information is one of the most innovative tools of the Directive.

It enables the right holder to identify possible infringers, to track down infringing products or services and to determine the scale of the infringement necessary for the calculation of damages/compensation.

In particular, concerning infringements committed over the Internet, the intermediary (Internet Service Provider, "ISP") is often the only possible source of information regarding the identity of the infringer.

1. Data protection and retention issues have in some countries almost paralysed the effect of the right of information.

There is still some uncertainty concerning the interplay between data protection laws and the right of information.

There is therefore a strong need to provide guidance to ensure that the right of information is available across the EU and that right holders are not deprived of their right to effective remedies.

ECTA fully agrees with the recommendations made in this respect by the Belgian Group of the AIPPI ("Association Nationale Belge pour la Protection de la Propriété Intellectuelle") namely to amend Recitals 2 and/or 15, or to insert a new Recital in the Enforcement Directive, as well as to amend Article 8(3) (e) to better insure and reflect the fair balance that must exist between data protection and IPR enforcement, which are both fundamental rights, any adopted solution aiming at a full harmonization of the laws and practices of the different Member States.

2. Concerning the detention of relevant data by intermediaries more specifically, it appears that there are substantial differences between the Member States as to the retention duration implemented according to Article 6 of Directive 2006/24/EC on the retention of data.

This retention period should be harmonised in order to avoid unjustified competition disadvantages between ISP's and, more importantly, forum shopping in the internal market which could impede both the IPR holder's rights and citizen's privacy rights.

It also appears that in many cases, these data retention rules have not been respected and the required information is no longer available. Member States should therefore ensure that ISP's fully comply with these data retention rules.

3. Finally, it is not entirely clear whether Article 8 of the Directive relates only to the collection of information after the infringement was established by the courts or whether it is also applicable to the collection of evidence of an alleged IPR infringement.

This point should be clarified.

V. Provisional and permanent injunctions (Articles 9 and 11 of the Directive)

Articles 9 and 11 of the Directive give the IPR owners the right to apply for provisional or permanent injunctions intended to prevent an imminent infringement or to forbid the continuation of the alleged infringement.

It has been reported from most of the Member States that these injunctions are largely used by the IPR owners with overall success.

However, there are some important points that should be clarified in order to strengthen the effectiveness of this powerful tool.

1. Concerning the questions of “neutral” intermediaries, the Report makes clear that there is a lack of interaction between Articles 9 and 11 of the Directive and Article 15 of Directive 2000/31/EC (“E-Commerce Directive”) concerning the possibility of obtaining injunctions against intermediaries.

This causes some legal uncertainty for the right holders and many unnecessary discussions and debates.

In some countries this has made it impossible or very difficult to obtain injunctions against intermediaries whose liability cannot be engaged.

It should absolutely be clarified that injunctions based on Articles 9 and 11 of the Directive are in no case affected by the limitations on ISP’s liability as set forth in the E-Commerce Directive and do not depend on the liability of the intermediary.

Hence, even in a case where the ISP is “neutral” concerning the content transmitted or stored, it should be possible to obtain an injunction forcing the latter to remove the illegal content or block access to it.

Moreover, Articles 9 and 11 of the Directive as well as Article 8(3) of Directive 2001/29/EC (“Information Society Directive”) should be interpreted so as to make clear that the intermediary’s liability or the violation by the intermediary of any kind of duty (such as a duty of care) is not a pre-condition to an injunction being issued against him with respect to a third party’s infringement.

2. In many Internet infringement cases, it is not possible to identify the direct infringer. Injunctions against intermediaries should therefore also be possible in cases where the infringer has not been identified and should not be subject to an obligation for the IPR owner to sue the actual infringer in the first place or concomitantly.

3. In some cases, injunctions may have an ineffective scope if they only prevent *exactly the same infringement* from happening, especially where the IPR owner commercialises many different products.

Injunctions based on Articles 9 and 11 should consequently make it possible for IPR owners to obtain injunctions covering *certain types of future infringements* and not only for exactly the same infringement.

In this respect and more generally, courts should be given the possibility to modify their orders to deal with changing circumstances over time.

4. Concerning the precautionary seizure of movable and immovable property of an alleged infringer, it appears that there are substantial discrepancies between the Member States; for instance, in some countries these remedies are only available in case of infringements committed on commercial scale.

ECTA is of the opinion that these remedies should not only be available when the infringement is committed on a commercial scale; the nature and scale of the infringement can always be taken into consideration by the court along with all the other circumstances when deciding whether or not to grant the order.

Moreover, the grant of such measures should not be subject to the proof by the IPR owner that, if the claim were rejected, it is unlikely that it will be possible to recover damages.

Finally, the costs of storage of goods whose seizure has been ordered should be supported by the alleged infringer pending the proceedings on the merits.

5. The relation between injunctive relief and data protection should also be clarified.

There is a strong need to provide guidance to ensure that right holders are not deprived of their right to effective remedies across the EU and that the fundamental right to privacy and the fundamental rights of intellectual property and judicial redress be reconciled.

6. As for the orders concerning evidence (see point II.3 above), the sanctions for failing to comply with injunctions are not a sufficient deterrent in the Member States.

There is a need to ensure that court orders imposing an injunction are subject to appropriate penalties for non-compliance.

It would in this regard be very useful to consider as best practice those Member States where the court is empowered to impose sanctions that are appropriate in the circumstances and in particular those where intentional failure to comply with a court order is considered a criminal offence.

Moreover, recurring fines for failure to comply with the order should accrue to the benefit of the IPR owner, not the exchequer.

7. Finally, Article 9(5) of the Directive should be reviewed insofar as it provides that provisional measures cease to have effect if the applicant does not commence proceedings on the merits within a reasonable period of time.

In many cases, once a provisional measure has been granted, the defendant no longer disputes the infringement. In these cases, the obligation to file a case on the merits is unduly costly and burdensome for the IPR owner.

The Commission should therefore investigate the possibility that provisional measures could become final if the defendant does not challenge them by filing proceedings on the merits against the IPR owner within a reasonable period of time.

VI. Corrective measures (Article 10 of the Directive)

Concerning corrective measures it has to be noted that Article 10 of the Directive is not very explicit. The following observations can be made.

1. Destruction of infringing products should be the general principle in any legal proceedings that ascertain an IPR infringement unless otherwise claimed by the IPR owner or if found unreasonable by a proper application of the principle of proportionality.

In any case the destruction should be carried out by a service provider under the supervision of a bailiff or the IPR owner in order to verify the compliance.

2. The definitions of “definitive removal” and “market recall” as well as the distinction between both measures are unclear and should be specified.

The order of definitive removal should include the obligation for the infringer to both recall all the products that he still controls, even if they are held by third parties (other than end-consumers), and to ask his contractual partners to give back the infringing goods at the infringer’s expense.

3. Exceptions to the general rule of destruction, in particular secondary use, should be admitted only in special cases if the IPR owner expressly agrees to it, there is a specific public interest for avoiding the destruction and there is no risk at all that the products may reach the market again.

4. The costs of the storage and destruction of the infringing goods, which can be extremely high in some cases, should be borne by the infringer.

In order to ensure that the infringer will pay these costs, he could be asked, at an early stage of the proceedings, to put a financial warranty on the ground of prima facie evidence of infringement.

It should also be possible to request such warranty from intermediaries (such as, e.g., shipping agents), in case the name of the infringer is not known, in particular in transshipment cases.

Finally, good faith should not be considered a valid defence for the infringer not to pay these costs; all the parties involved in the infringing activity, including intermediaries and holders, should be bound to pay these costs.

It will then be up to them to claim these costs back from their suppliers or clients.

VII. Damages and legal costs (Articles 13 and 14 of the Directive)

Despite the fact that the European legislator has tried to be exhaustive concerning the different methods to calculate damages in Article 13 of the Directive, IPR owners still do not, in practice, obtain full compensation for the losses suffered.



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In general, courts face enormous difficulty in calculating and awarding compensation, which leads to the award of “lump sum” damages in many cases.

Legal costs (costs of investigating, taking legal action against and rectifying an infringement) are very often not fully compensated and there are huge discrepancies between the Member States concerning the possibility to recover the costs incurred.

In many Member States, damages and cost awards are not effective and do not provide a deterrent at all but rather an incentive to engage into infringing activities.

1. It should be reaffirmed that damages are one of the most important remedies in case of IPR infringements; it is important that the right holders can obtain integral compensation.

Therefore, it should be ensured that all elements of direct, indirect and consequential economic losses caused by an infringement are compensated by damages in civil cases, whether the infringement has taken place on a commercial scale or not.

It is generally accepted that indirect and consequential elements of the damage most often go far beyond the lost profits actually proved (e.g. depreciation in value of the IPR, damage to reputation, etc.) but it is very difficult to quantify and award such damages.

Lump sum damages reflecting all negative economic consequences that the right holder has been reasonably found to have suffered should be available at the right holder's discretion at least as an alternative to any lost profit that is in many cases almost impossible to prove.

In this respect, a “predetermined” calculation method for determining such lump sum damages, reflecting a reasonable approximation of negative consequences that the right holder is likely to suffer should be available as an alternative to the other means of determining damages such as lost profits, undue benefits and moral damages etc.

Some Member States have introduced such predetermined damages or allow double, sometimes even triple awards of proven damages as a measurement of the full range of damage suffered by the right holder. These systems could be reviewed as best practices and should not be seen as “punitive measures” but rather a proportionate way of estimating and compensating for all the various types of prejudices suffered by the right holder.

2. Some Member States do not allow transfer of profits made by the infringer if they are higher than the damages actually substantiated by the right holder.

Other Member States have on the contrary taken the view that, for the damages awards to be dissuasive, none of the profits or economic benefits of the infringement should be left as a “reward” with the infringer.

ECTA is of the opinion that it should be clarified in the Directive that the profits thus transferred can be higher than the damages actually substantiated by the right holder.

Member States should therefore implement rules for awarding damages that ensure that no economic benefit of an infringement remains with the infringer.

3. Finally, measures enabling the right holders to recover their actual costs of the proceedings are equally important.

Infringement proceedings are indeed expensive and the inability to recover the costs incurred may prevent right holders from enforcing their rights.

Therefore, Member States should provide that all costs reasonably incurred by the right holder in investigating, taking successful civil action against an infringement should be compensated in full by the infringer. This measure reportedly has a very deterrent effect.

VIII. Conclusion

1. Scope of the Directive

- Trade names, domain names and trade secrets should be included in the Commission's list of rights covered by the Directive.

2. Procedures to gather evidence and the protection of confidential information (Articles 6 and 7 of the Directive)

- The conditions and prerequisites for obtaining search and seizure orders should be reviewed in order to ensure that they can be obtained in a simple, cost effective and expeditious manner across the Member States, including explicit reference to computer evidence and cross-border evidence collection.
- The conditions relating to the protection of confidential information gathered during search and seizure orders should also be clarified.
- There is a need to ensure that court orders and other rules requiring the production or disclosure of evidence are subject to appropriate penalties for non-compliance.
- Finally, the nature of the liability of the right holder (strictly objective or fault-based) in case damage is caused by the measures to preserve evidence should be clarified.

3. Right of information and data protection (Article 8 of the Directive)

- There is a strong need to provide guidance to ensure that the right of information is available across the EU and that right holders are not deprived from their right to effective remedies because of unreasonably strict data protection laws.
- The retention period of relevant data by intermediaries (Article 6 of Directive 2006/24/EC) should be harmonised in order to avoid unjustified competition disadvantages between ISP's and, more importantly, forum shopping in the internal market.
- Finally, it should be clarified whether Article 8 of the Directive relates only to the collection of information after the infringement was established by the courts or whether it is also applicable to the collection of evidence of an alleged IPR infringement.

4. Provisional and permanent injunctions (Articles 9 and 11 of the Directive)

- It should be clarified that injunctions based on Articles 9 and 11 of the Directive are in no case affected by the limitations on ISP's liability as set forth in the E-Commerce Directive and do not depend on the liability of the intermediary.

Articles 9 and 11 of the Directive as well as Article 8(3) of Directive 2001/29/EC should be interpreted so as to make clear that the intermediary's liability or the violation by the intermediary of any kind of duty is not a pre-condition to an injunction being issued against him with respect to a third party's infringement.

- Injunctions against intermediaries should be possible in cases where the infringer has not been identified and should not be subject to an obligation for the IPR owner to sue the actual infringer in the first place or concomitantly.
- Courts should be given the possibility to modify their orders to deal with changing circumstances over time.
- Concerning the precautionary seizure of movable and immovable property of an alleged infringer, these remedies should not only be possible when the infringement is committed on a commercial scale.

Moreover, the grant of such measures should not be subject to the proof by the IPR owner that it is unlikely that it will be possible to recover damages.

The costs of storage of goods whose seizure has been ordered should be supported by the alleged infringer pending the proceedings on the merits.

- The relation between injunctive relief and data protection should also be clarified.
- There is a need to ensure that court orders imposing an injunction are subject to appropriate penalties for non-compliance.
- Article 9(5) of the Directive should be reviewed insofar as it provides that the provisional measures cease to have effect if the applicant does not commence proceedings on the merits within a reasonable period of time. The Commission should investigate the possibility that provisional measures could become final if the defendant does not challenge them by filing proceedings on the merits against the IPR owner within a reasonable period of time.

5. Corrective measures (Article 10 of the Directive)

- Destruction of infringing products should be the general principle in any legal proceedings that ascertain an IPR infringement unless otherwise claimed by the IPR owner or if found unreasonable by a proper application of the principle of proportionality.
- The definitions of "definitive removal" and "market recall" as well as the distinction between both measures are unclear and should be specified.

The order of definitive removal should include the obligation for the infringer to both recall all the products that he still controls, even if they are held by third parties (other than end-consumers), and to ask his contractual partners to give back the infringing goods at the infringer's expense.

- Exceptions to the general rule of destruction, in particular secondary use, should be admitted only in special cases if the IPR owner expressly agrees to it, there is a specific public interest for avoiding the destruction and there is no risk at all that the products may reach the market again.
- The costs of the storage and destruction of the infringing goods, which can be extremely high in some cases, should be borne by the infringer.

In order to ensure that the infringer will pay these costs, he could be asked, at an early stage of the proceedings, to put a financial warranty on the ground of prima facie evidence of infringement.

Good faith should not be considered a valid defence for the infringer not to pay these costs; all the parties involved in the infringing activity, including intermediaries and holders, should be bound to pay these costs.

6. Damages and legal costs (Articles 13 and 14 of the Directive)

- It should be reaffirmed that damages are one of the most important remedies in case of IPR infringements; the right holders should be entitled to integral compensation.
- A "predetermined" calculation method for determining lump sum damages such as double or triple awards of proven damages as a measurement of the full range of damage suffered by the right holder should be further investigated.
- It should be clarified that transfers of profits made by the infringer can exceed the damages actually substantiated by the right holder.
- Member States should provide that all costs reasonably incurred by the right holders in investigating, and taking successful civil action against an infringement should be compensated in full by the infringer.