

Brussels, 22 March 2013

ECTA Submission
Civil enforcement of intellectual property rights
Public consultation on the efficiency of proceedings and
accessibility of measures

A. Efficiency and effectiveness of civil proceedings in cases concerning
infringements of intellectual property rights

- 1. Do you consider that alternative dispute resolution mechanisms in cases of intellectual property rights' infringements are sufficiently accessible to parties affected by an infringement?**

YES

Please explain: 1-1000 characters maximum.

Alternative dispute mechanisms (« ADR's ») are increasingly used in cases concerning intellectual property rights, especially preventively in R&D collaborations or other contractual relations.

The adoption of Directive 2008/52/EC on certain aspects of mediation in civil and commercial matters as well as the continuous work undertaken by the World Intellectual Property Organization's Arbitration and Mediation Center (WIPO Center) contribute to the increasing use of ADR's in the field of intellectual property.

The latest development in this field is the creation of the mediation service in *inter partes* proceedings before the Office of Harmonization for the Internal Market (OHIM).

Further development of ADR's in the field of intellectual property right infringements must be encouraged, although the use of ADR's (in particular Arbitration) in IP litigation has, in most jurisdictions, important limitations.

This happens particularly in cases involving the recognition and/or an actual declaration of invalidity of IP rights (on absolute grounds) and generally in cases where the decisions are intended to, or in some way do, take effect in relation to third parties (any person or entity who is not a party to the Arbitration procedure).

However, ECTA is of the opinion that the existence of efficient and effective judicial proceedings must be addressed as a priority by the Commission.

2. Do you think it would be useful to establish, at EU level, model rules for fast track proceedings for civil law cases concerning infringements of IPRs?

YES

Please explain, specifying in particular what types of infringements of IPRs could be covered, and what kind of measures should be granted, in the course of such fast track proceedings (1-2000 characters)

The mechanisms which have been introduced by Directive 2004/48 are quite burdensome. Under the current legal system, preliminary proceedings must always be followed by an action on the merits. This procedure can be time consuming and costly.

However, many IPR infringement cases are quite straightforward and could hence be dealt with in a more efficient way.

It would therefore be very useful to establish fast track proceedings, enabling the IPR holders to quickly obtain a decision on the merits for civil law cases concerning infringements of IPR's.

Such proceedings already exist for IPR infringements in Belgium and copyright infringements in Luxembourg, and could easily be adapted at the very least to trade mark and design law (action en cessation).

Similar fast track proceedings have also been introduced in the UK.

These fast track proceedings should at least cover straightforward IPR infringement cases, where the infringement cannot reasonably be contested. The decision granted by the judge should in any case be a decision on the merits.

The measures granted should at least be the following:

- Prohibition of the continuation of the infringement, subject to a recurring penalty payment; this
- corrective measures such as delivery up of the infringing goods, recall and definitive removal from the channels of commerce as well as destruction measures;
- information rights concerning the scope of the infringement (Article 8 of Directive 2004/48);
- publication measures.

These proceedings should also be available against intermediaries such as Internet Service Providers (ISP's).

In particular, the IPR holders should have the possibility to get an injunction requiring the intermediary to suspend or otherwise take action against infringing activities.

Another possibility would be the review of Article 9(5) of Directive 2004/48 which currently states 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.

Article 9(5) of Directive could hence be amended such 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.

Please explain, what would be in your opinion the drawbacks of this system? (1 - 2000 characters)

ECTA does not see any drawbacks to such a system.

3. Do you think it would be useful to establish, at EU level, specific (in addition to Regulation (EC) No 861/2007 of the European Parliament and of the Council of 11 July 2007 establishing a European small claims procedure) model rules for small claims proceedings for civil law cases concerning infringements of IPRs?

YES

Please explain, specifying in particular what types of infringements of IPRs could be covered by such small claims proceedings: (1- 2000 characters)

Regulation (EC) No 861/2007 of the European Parliament and of the Council of 11 July 2007 establishing a European small claims procedure means to improve access to justice in cross-border litigation in civil and commercial matters where the claim does not exceed 2.000 €.

The aim is to simplify cross-border claims and reduce their costs.

Another important characteristic of that procedure is that the judgments are recognized and enforceable in another Member State without the need for a declaration of enforceability.

It appears however that to date, the Regulation has remained relatively unknown and unused throughout the European Union.

The Regulation is not really adapted to IPR infringement cases since the right holder's main concern is in most cases to obtain the cessation of the infringement. A mere claim for damages is hence not sufficient.

Cross-border litigation and the enforceability of the decisions concerning IPR infringements are an important concern for IPR holders.

Introducing a simplified procedure for small cross-border IPR infringement cases would therefore certainly be useful.

This procedure should at least be available for straightforward trade mark, design and copyright infringements and include the following features:

- Written procedure with oral hearings only if necessary;
- Possibility to grant a cessation injunction with penalties;
- Monetary claim up to 10.000 €;
- Judgments recognized and enforceable without the need for a declaration of enforceability.

Please explain, what would be, in your opinion, the drawbacks of this system? (1-2000 characters)

Since the procedure will be limited to small claims and the available measures more limited than in the national laws which have implemented Directive 2004/48, it is unclear whether such procedure would be successful.

Moreover, the evaluation of damages in IPR infringement cases is already complicated in "classic" litigation cases, hence it would be even more difficult in such simplified procedures.

Last but not least, limiting the monetary claims to a too low threshold would render the small claims procedure unattractive to right-holders and could have the unwanted result that limited damage awards erode the protection for IPRs.

4. Do you think it would be useful to establish rules for small claims proceedings for litigation of infringements of Community trade marks and Community designs?

NO

Please explain: (1-500 characters)

ECTA is of the opinion that there is no need to establish specific procedures for Community trade marks and Community designs. These rights should be included in the procedure mentioned above (European small claims procedure).

In this respect one can also mention that cross-border injunctions can already be granted in Community trade mark or design infringement cases on the basis of Article 103(2) of Council Regulation (EC) No 207/2009 on the Community trade mark.

5. What safeguards of defendant's rights should be put in place in case of the EU-level fast track/small claims proceedings concerning infringements of IPRs (1-2000 characters)

The rights of defence, especially the adversarial principle, must in all cases be guaranteed. *Ex parte* proceedings should not be possible.

Since the suggested procedure is more intrusive than the one provided by Regulation No 867/2007 (monetary claim up to 10.000 € and possibility of injunction with penalties), there should be a right of appeal.

B. Accessibility of measures necessary to ensure civil enforcement of intellectual property rights

6. How do you identify infringers/alleged infringers of your IPRs?

(1-1000 characters)

The most usual ways to identify infringers are through purchase receipts, labeling of the product, public offering of the goods at fairs, or infringing goods displayed on catalogues, leaflets and infringer's website.

It is also not unusual to receive tipoffs of deceived consumers and even intermediaries and some right-holders actively look out for counterfeit products in publicly accessible resources.

7. Do you face problems identifying infringers/alleged infringers of your IPRs?

YES

Please explain what are the main difficulties (1-500 characters)

A large number of infringements of IP rights are now carried out over the Internet, which has no territorial limits and offers anonymity.

While a number of standards set out by TRIPS and other IP legal texts apply equally to the offline and the online IP enforcement, the truth is that the level of anonymity offered by the Internet creates an immediate enforcement problem for rights-holders: identifying the infringer.

The information required to identify an online infringer can often only be obtained from the respective Internet Service Provider (ISP), which is able to match the relevant Internet Protocol address of a computer used on a network with the individual subscriber to identify the holder of the domain. But there are important legal and practical limitations that often make it difficult to identify the infringer.

Apart from that, persons registering domain names are not obliged to give their full contact information or to inform the service provider about the change of the contact details and this makes it hard to identify (or contact) the infringers. Other habitual problems are that infringing material often stays on the same website for a short duration and infringing sites are easily transportable. Therefore, a notification mechanism or another expedient procedure should be available to ensure that notoriously infringing webpages are blocked, together with any replications of the webpages.

Even when the infringer is identified, suing for online infringement often involves cross-territorial action. Moreover, most jurisdictions give the infringer the right to be heard and this result in complex issues of private international law and procedure.

There should be a more defined means of linking each website with an act of infringement in a particular location or jurisdiction.

C. Mechanisms to inform about the alleged infringement and to impede access to goods and services allegedly infringing IPRs

- 8. Do you consider the possibility to use notification mechanisms to be a useful tool to inform the intermediary about the fact that his services are being (allegedly) used to infringe an intellectual property right and thus bring a stop to the infringing/allegedly infringing activity?**

YES

Please explain (1-2000 characters)

It would be a useful tool.

Notification mechanisms can expedite the handling process to provide a quicker response. It can also expedite enforcement actions against infringing activities.

The possibility of ordering prompt and effective provisional evidence in respect of an alleged infringement, based on the application of an affected party will provide the industry, (which is more familiar with the management of their own brands and copyright matters) with the opportunity to prevent intellectual property right infringement activities on a larger scale.

- 9. Do you consider the possibility to use notification mechanisms to be a useful tool also where the infringements/alleged infringements occurred in, or the intermediaries are incorporated in, a Member State other than the one in which you operate?**

YES

Please explain (maximum 2000 characters)

The scope of intellectual property infringement may not be limited only to those places in which we operate.

Indeed, due to the global nature of intellectual property, actions should be taken in all Member States to allow more flexibility for right-holders to exercise their IP rights.

The right holders could then promptly follow up and take action based on the verified information with the ultimate goal of further enhancing the protection of intellectual property rights.

10. Do you consider the possibility to use notification mechanisms to be a useful tool to inform the infringer/alleged infringer about the infringing/allegedly infringing character of his activity? (at most 1 answers)

NO

Please explain (maximum 2000 characters)

As proposed, the mechanism provides a situation where protective measures could be taken without the other party (infringer/alleged infringer) having been heard.

Even though this situation only arises where delay is likely to cause irreparable harm to the right-holder, or where there is a demonstrable risk of being destroyed, there is an argument to be made that such situations would likely cause irreparable harm.

Therefore, there is a limited opportunity to ensure that all protective measures have been taken prior to informing the infringer of the nature of his activity.

11. In cases of commercial scale infringements of intellectual property rights, do you consider that there should be particular consequences (i.e. including e.g. suspension of the infringer's/alleged infringer's account) resulting from a notification mechanism?

NO

Please explain: maximum 1000 characters

Commercial scale infringements carry with them great losses, and there is a risk that the injured party will be unable to recover the damages caused.

The Directive provides a comprehensive mechanism to deal with a commercial scale infringer under which right-holders may be able to protect their interests and recover from damages caused by infringement.

Particular consequences such as suspension of accounts and other more serious enforcement measures should be reserved for "notorious infringers" as defined below.

12. In cases of notorious infringers of intellectual property rights, do you consider that there should be particular consequences (i.e. including e.g. suspension of the infringer's/alleged infringer's account) resulting from a notification mechanism?

For the purposes of this survey, "notorious infringers" are considered as infringers who have been the subject of a number of procedures based on the notification mechanism.

YES

Please explain: maximum 2500 characters

Notorious infringers should face greater consequences as their activities cause significant harm to holders of intellectual property rights. In this particular case, suspension of the infringer's/alleged infringer's account should be available based on the notification mechanism or another expedient procedure. Furthermore, it should be possible to obtain the closure of notoriously infringing webpages and the replication of these webpages.

The idea of having more severe consequences is to deter such activities. Criminal consequences should be considered as well as ensuring the destruction of all infringing material.

D. Corrective measures

13. Should the competent judicial authorities privilege one specific type of corrective measure?

YES

Please explain which one: maximum 500 characters

Destruction of the infringing goods should be the privileged corrective measure as this is the most effective and definite solution to dispose the infringing goods outside the channels of commerce.

"Definite removal" and "market recall" can still be applied as temporary measures to take while the infringement proceedings are still pending in order to create an awareness on the part of the public but the efficacy of these measures are questionable since in addition to some practical issues, it is still under the initiative of the infringer to recall or remove the products.

It is therefore important to foresee coercive penalties in case the infringer does not comply with the court orders.

14. Should the competent judicial authorities be able to order that the goods that were found to infringe an intellectual property right should be disposed of outside the channels of commerce?

YES

Please explain: maximum 2000 characters

Efficiency in the fight against IPR infringement can only be achieved if the infringers are ultimately discouraged to continue their activities. In order to discourage the infringers there should be strict measures ensuring that infringing goods and services are irremediably prevented from returning to the channels of commerce. In this respect, the competent judicial authorities should, in addition to destruction measures, be able to order to dispose the infringing goods outside the channels of commerce.

Such alternative measures could include recycling.

ECTA is very reluctant when it comes to donations to charities because of the obvious public health and security issues that they raise.

In this respect, one must bear in mind that products that are considered “infringing” in one jurisdiction may be legal in another, depending on where the right holder's right is actually protected.

This being said, ECTA considers that the most effective corrective measure in overall fight against IP is that the infringing goods are destroyed and hence permanently removed from the channels of commerce.

15. Should the consent of the right holder constitute a *conditio sine qua non* for disposing of the goods that were found to infringe an intellectual property right outside the channels of commerce?

YES

In civil proceedings - unlike criminal and administrative proceedings which allow the competent authorities to take *ex-officio* actions - the plaintiff has the initiative to choose the applicable remedies. In this respect the IPR owner should have the rights to choose the most satisfactory measure to be applied. This option granted to IPR owner may also be an important leverage to urge the infringers for a settlement.

Please explain how in your opinion the infringing goods could be disposed of outside the channels of commerce: (between 1 and 2000 characters)

As stated above, the ultimate mean to dispose the infringing goods outside the channels of commerce is the destruction of these goods.

In cases where the infringing product actually consists of valuable parts and/or material, a further option could be the merely partial destruction or disassembling of the infringing products, and the re-use or recycling of valuable material.

However the access to the infringing goods to be gathered from the market and to be ultimately, if only partially, destroyed may be limited as in some cases it is not easy to locate the origin of the infringing goods and in most cases the IPR owners will reach only to the *tip-of-the-iceberg*.

In addition “*market recall*” and “*definite removal from the market*” are also important measures to the extent that they can be applied effectively. There are various reasons to question the efficacy of the measures including the practical difficulties in implementing these remedies (infringing goods no longer in possession of the infringer).

However these measures, together with the publication of the judgment can create “*awareness*” on the part of the public.

16. Would you be in favor of introducing sanctions for a party who, notwithstanding that the infringing goods were subject to corrective measures ordered by the competent judicial authorities, allowed these goods to subsequently return to the channels of commerce?

YES

Please explain: 1- 2000 characters

The parties who allowed the infringing goods - which were subject to corrective measures – to subsequently return to the channels of commerce, should be sanctioned.

Without such sanctions, the corrective measures ordered by the Court are subject to the willingness of the infringer, which is unacceptable and inefficient.

The Court should therefore at least be able to attach a penalty payment to the corrective measures ordered in case the infringer or person ordered to recall the infringing goods from the market does not comply with the order.

E. Damages

17. Would you agree that the level of damages awarded to the right holder in civil law cases concerning an infringement of IPRs should at least equal the profits made by the infringer?

YES

Please explain: 1- 1000 characters

In most jurisdictions, the level of damages awarded to the right holder in civil law cases concerning an infringement of IPRs is calculated in a percentage of the profit made by the infringer with the sale of the infringing product. This percentage can range from 1% to 20% depending on the circumstances and the kind of infringement.

If the infringer can get away with the infringement by paying a compensation of 5-10% of the profit he has made, he is likely to infringe again as the worst scenario for him will be having to pay a (rather low) percentage of his profits plus legal costs.

It is an acknowledged principle that the assessment of damages should take into consideration:

- loss of profits (in respect of the right-holder) caused by the infringement;
- an account of profits (in respect of the infringer) arising as a result of the infringement; and/or
- the licence fee or royalty the infringer would have been liable to pay had the infringer been authorised by the right-holder to use the IP right.

Non-pecuniary damage such as the moral prejudice caused to the right holder by the infringement must also be compensated. This principle is clearly stated in Article 13 §1 a) of the European Directive 2004/48.

Several EU legal systems, e.g. those of Spain and the Benelux (in the application of the European Directive 2004/48/EC) allow accumulating both the damages assessed on the loss of profits of the trade mark owner and the profits obtained by the infringer. In other jurisdiction, such accumulation is prohibited due to the principle of prohibition of "*double recovery*" in respect of the same act of infringement.

However, it seems reasonable to establish that the level of damages awarded to the right-holder in civil law cases concerning an infringement of IPRs should at least equal the profits made by the infringer. Even if this might be in some cases insufficient to compensate the right holder of all the damage caused (dilution of a well-known mark), it should be taken as a "*de minimis*" rule.