



FÉDÉRATION INTERNATIONALE DES CONSEILS EN PROPRIÉTÉ INDUSTRIELLE
COMMISSION D'ÉTUDE ET DE TRAVAIL (CET)

CET WORKING DOCUMENT

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AUTHOR: Eric LE FORESTIER (FR) MEETING: EXCO Amsterdam
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On 25 April 2007, the European Parliament approved in a plenary session the text of a Directive providing criminal sanctions against counterfeiters. These sanctions include fines up to €300,000 or, in the most serious cases, imprisonment for up to four years.

The Rapporteur of the Directive, Mr. Nicola Zingaretti, declared that the directive is needed to help combat large-scale organised crime.

It would be the first EU Directive that would harmonise criminal law throughout the member states.

The draft Directive includes the following provisions :

- The criminal sanctions will only apply to wilful infringement of IP rights with a commercial profit in mind.
- Smaller offences, such as the shared use of protected work (photocopies, mp3 file sharing, etc.) will remain under national civil law.
- Private individuals are not encompassed by the scope of the Directive as long as no commercial profit is generated.
- Patent infringement is excluded from the Directive as being more difficult to evidence and in view of the fact that civil sanctions remain the most appropriate in such cases.
- For all other violations of IP rights, the Directive provides harmonised sanctions for national authorities to deal out to offenders.

Besides, the European Parliament refused to adopt an amendment authorizing “Joint Investigation Teams” in which the holders of an allegedly infringed intellectual property right would take part to investigations alongside the police.

The Directive will enter into force if approved by member states and implemented in national laws.

However, the Directive is currently blocked at Council level as some member states (mainly the Netherlands and Great Britain) consider the criminal law remains a purely national or intergovernmental matter, outside the competence of Community Law.

It is not expected that the situation will evolve quickly.

Although voted with a majority of 374 for and 278 against, this Directive remains somewhat controversial among the Parliament groups.



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Some are not convinced that there is need for EU legislation and believe it would make more sense to improve the effectiveness of the existing legislation before taking further measures.

Other think that the Directive would cause a lot more problems than it solves: by reaching not only organized mass counterfeiting but also more “civilized” infringement of IP rights, it is mixing two distinct categories of acts and authors, and its effectiveness is expected to be weakened.

Oppositely, many of the areas to be covered in the proposed Directive - such as copyright - are believed by some members of European Parliament to be already properly handled by national civil laws; so there is no justification for introducing EU-wide criminal penalties for such minor infringements.

On the contrary, some others believe that the Directive should have focussed on copyright violation in multimedia products.

The fact that private individuals would not be covered by the proposed criminal penalties is however generally well accepted.

Appendix A : Resolution of European Parliament

Appendix B : Position of the European Parliament



APPENDIX A

European Parliament legislative resolution of 25 April 2007 on the amended proposal for a directive of the European Parliament and of the Council on criminal measures aimed at ensuring the enforcement of intellectual property rights (COM(2006)0168 – C6-0233/2005 – 2005/0127(COD))

(Codecision procedure: first reading)

The European Parliament ,

- having regard to the amended Commission proposal to the European Parliament and the Council (COM(2006)0168)(1) ,
 - having regard to Article 251(2) and Article 95 of the EC Treaty, pursuant to which the Commission submitted the proposal to Parliament (C6-0233/2005),
 - having regard to Rule 51 of its Rules of Procedure,
 - having regard to the report of the Committee on Legal Affairs and the opinions of the Committee on Industry, Research and Energy and the Committee on Civil Liberties, Justice and Home Affairs (A6-0073/2007),
1. Approves the Commission proposal as amended;
 2. Calls on the Commission to refer the matter to Parliament again if it intends to amend the proposal substantially or replace it with another text;
 3. Instructs its President to forward its position to the Council and the Commission.

(1) Not yet published in the OJ.



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APPENDIX B

Position of the European Parliament adopted at first reading on 25 April 2007 with a view to the adoption of Directive 2007/.../EC of the European Parliament and of the Council on criminal measures aimed at ensuring the enforcement of intellectual property rights

P6_TC1-COD(2005)0127
(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 Commission ,

Having regard to the opinion of the European Economic and Social Committee(1) ,

Having regard to the opinion of the Committee of the Regions(2) ,

Acting in accordance with the procedure laid down in Article 251 of the Treaty(3) ,

Whereas:

(1) The Green Paper on the fight against counterfeiting and piracy in the Single Market presented by the Commission on 15 October 1998 noted that counterfeiting and piracy had grown into an international phenomenon with major repercussions at economic and social level and in terms of consumer protection, especially as regards public health and safety. An action plan was drawn up as part of the follow-up to the Green Paper and was included in a communication on the same subject from the Commission to the Council, the European Parliament and the Economic and Social Committee on 30 November 2000.

(2) In its conclusions, the Brussels European Council of 20 and 21 March 2003 invited the Commission and the Member States to improve exploitation of intellectual property rights by taking forward measures against counterfeiting and piracy.

(3) 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"), concluded in the framework of the World Trade Organisation and approved by Council Decision 94/800/EC(4) . The TRIPS Agreement contains, in particular, provisions on criminal matters which are common standards applicable at international level, but the disparities between Member States are still too great, and they do not permit effective combating of intellectual property offences, particularly the most serious ones. This causes a loss of confidence in the Internal Market in business circles, with a consequent reduction in investment in innovation and creation.

(4) The Commission also adopted, in November 2004, an Intellectual Property Rights Enforcement Strategy towards third countries.

(5) Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights(5) lays down measures, procedures and civil and administrative remedies. A sufficiently dissuasive set of penalties applicable throughout the Community is



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needed to make the provisions laid down in that Directive complete. Certain criminal provisions need to be harmonised so that counterfeiting and piracy in the internal market can be combated effectively. The Community legislature has the power to take the criminal-law measures that are necessary to guarantee the full effectiveness of the rules it lays down on the protection of intellectual property, as defined by this Directive, other than patents.

(6) Building on the Commission Communication on a customs response to counterfeiting and piracy adopted in October 2005, the Council has adopted a Resolution on 13 March 2006, whereby it underlines that the Lisbon Strategy objectives "can only be achieved through a well-functioning internal market with adequate measures to encourage investment in the knowledge-based economy and recognises the threat posed by the serious growth in counterfeiting and piracy to the Union's knowledge-based economy and in particular to health and safety (...)".

(7) In its resolution of 7 September 2006 on counterfeiting of medicinal products, the European Parliament took the view that the European Community should equip itself as a matter of urgency with the means to combat effectively illicit practices in the area of piracy and the counterfeiting of medicines.

(8) The level of sentencing for natural and legal persons who have committed such offences must be harmonised. In particular, the rules on prison sentences, fines and confiscation must be harmonised.

(9) In respect of persons accused of committing the offences laid down in this Directive, and in establishing their intention to infringe the intellectual property right in question, account should be taken of the extent to which the accused had, in advance of the infringement, substantial grounds to plead that the intellectual property right in question was invalid.

(10) Provisions must be laid down to facilitate criminal investigations. The Member States must ensure the cooperation of the holders of intellectual property rights with the joint investigation teams in accordance with the arrangements provided for in Council Framework Decision 2002/465/JHA of 13 June 2002 on joint investigation teams (6). The involvement of the holders of intellectual property rights concerned should constitute a supporting role that will not interfere with the neutrality of the state investigations.

(11) To facilitate investigations or criminal proceedings concerning intellectual property offences, these may not be dependent on a report or accusation made by a person subjected to the offence.

(12) The rights enshrined in the Charter of Fundamental Rights of the European Union should be fully respected when criminal acts and penalties are defined, during investigations and in the course of judicial proceedings.

(13) This Directive does not affect specific liability systems such as that laid down for Internet service providers by 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 Market (7).

(14) This Directive does not affect specific liability systems such as that laid down by 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 (8).



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(15) Since the objective of this Directive cannot be sufficiently achieved by the Member States acting alone 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 that objective.

(16) This Directive respects fundamental rights and observes the principles recognised by the Charter of Fundamental Rights of the European Union. In particular, this Directive seeks to ensure full respect for intellectual property, in accordance with Article 17(2) of the Charter.

(17) It is necessary to ensure adequate protection of intellectual property rights in the audiovisual sector, as indicated by Directive 98/84/EC of the European Parliament and of the Council of 20 November 1998 on the legal protection of services based on, or consisting of, conditional access (9) .

HAVE ADOPTED THIS DIRECTIVE:

Article 1

Objective and scope

This Directive lays down the criminal measures necessary to ensure the enforcement of intellectual property rights, as defined below, in the context of counterfeiting and piracy .

These measures shall apply to intellectual property rights, other than patents, provided for in Community legislation.

Industrial property rights under a patent shall be excluded from the provisions of this Directive.

In particular, this Directive does not apply to any infringement of an intellectual property right related to:

- patent rights, utility models and plant variety rights, including rights derived from supplementary protection certificates;
- parallel importation of original goods from a third country which have been allowed by the rightholder.

Article 2

Definitions

For the purposes of this Directive:

- a) "intellectual property rights" means one or more of the following rights:
 - copyright,
 - rights related to copyright,
 - the sui generis right of a database maker,
 - rights of the creator of the topographies of a semiconductor product,



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- trademark rights, in so far as extending to them the protection of criminal law is not inimical to free market rules and research activities,
- design rights,
- geographical indications,
- trade names, in so far as these are protected as exclusive property rights in the national law concerned,
- and in any event the rights, in so far as provision is made for them at Community level, in respect of goods within the meaning of Article 2(1)(a) and (b) of Council Regulation (EC) No 1383/2003 of 22 July 2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights (10) , and in any event with the exclusion of patents;
 - b) "infringements on a commercial scale" means any infringement of an intellectual property right committed to obtain a commercial advantage; this excludes acts carried out by private users for personal and not-for-profit purposes;
 - c) "intentional infringements of an intellectual property right" means any deliberate and conscious infringement of the right concerned for the purpose of obtaining an economic advantage on a commercial scale;
 - d) "legal person" means 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.

Article 3

Offences

Member States shall ensure that all intentional infringements of an intellectual property right on a commercial scale, and aiding or abetting and inciting the actual infringement , are treated as criminal offences.

Criminal sanctions shall not be applied in cases of parallel importation of original goods from a third country which have been allowed by the rightholder .

Member States shall ensure that the fair use of a protected work, including such use by reproduction in copies or audio or by any other means, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship or research, does not constitute a criminal offence.

Article 4

Nature of penalties

1. For the offences referred to in Article 3, the Member States shall provide for the following penalties:

- a) for natural persons: custodial sentences;
- b) for natural and legal persons:
 - i) criminal fines for natural persons and criminal or non-criminal fines for legal persons ;
 - ii) confiscation of the object, instruments and products stemming from infringements or of goods whose value corresponds to those products.



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2. For the offences referred to in Article 3, the Member States shall provide that the following penalties are also available in appropriate cases:

- a) destruction of the goods, including materials or equipment used for infringing an intellectual property right;
- b) total or partial closure, on a permanent or temporary basis, of the establishment used to commit the offence;
- 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;
- h) an order requiring the infringer to pay the costs of keeping seized goods.

Article 5

Level of penalties

1. Each Member State shall take the necessary measures to ensure that, when committed by natural persons, the offences referred to in Article 3 are punishable by a maximum sentence of at least four years' imprisonment where they are serious crimes within the meaning of Article 3(5) of Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing (11) or are committed under the aegis of a criminal organisation within the meaning of Framework Decision on the fight against organised crime, or where they carry a health or safety risk.

2. Member States shall take the necessary measures to ensure that, when committed by natural persons or legal entities, the offences referred to in Article 3 are punishable by effective, proportionate and dissuasive penalties. These penalties shall include criminal and non-criminal fines:

- a) to a maximum of at least EUR 100 000 for cases other than those referred to in paragraph 1 ;
- b) to a maximum of at least EUR 300 000 for cases referred to in paragraph 1.

3. Member States shall take the necessary measures to ensure that repeated offences within the meaning of Article 3 committed by natural and legal persons in a Member State other than their country of origin or domicile are taken into account when determining the level of penalties in accordance with paragraphs 1 and 2 of this Article.

Article 6

Extended powers of confiscation

Member States shall take the necessary measures to allow the total or partial confiscation of goods belonging to convicted natural or legal persons in accordance with Article 3 of Council Framework Decision 2005/212/JHA of 24 February 2005 on Confiscation of Crime-Related Proceeds, Instrumentalities and Property(12) , where the offences are serious crimes within the meaning of Article 3(5) of Directive 2005/60/EC or are committed under the aegis of a criminal organisation within the meaning of Framework Decision on the fight against organised crime, or where they carry a health or safety risk.



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Article 7

Misuse of rights

Member States shall ensure that, through criminal, civil and procedural measures, the misuse of threats of criminal sanctions is prohibited and made subject to penalties.

Member States shall prohibit procedural misuse, especially where criminal measures are employed for the enforcement of the requirements of civil law.

Article 8

Rights of defendants

Member States shall ensure that the rights of defendants are duly protected and guaranteed.

Article 9

Joint investigation teams

1. Member States must ensure that the holders of intellectual property rights concerned, or their representatives, and experts, are allowed to assist the investigations carried out by joint investigation teams into the offences referred to in Article 3 .

2. Member States shall put in place adequate safeguards to ensure that such cooperation does not compromise the rights of the accused person, for example by affecting the accuracy, integrity or impartiality of evidence.

3 . Article 8 of the Charter of Fundamental Rights of the European Union, which concerns the protection of personal data, and Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data (13) , shall be fully respected in the course of investigations and judicial proceedings.

Article 10

Right to receive information from law enforcement authorities

Member States shall provide that, where law enforcement authorities seize infringing items or obtain other evidence of infringement, the authorities make such evidence available for use in pending or contemplated civil proceedings against the alleged infringer brought by the right-holder before a court of competent jurisdiction within the European Union, and, where practicable, that those authorities inform the right-holder concerned or his representative that they are in possession of such items or evidence. Member States may require that any such provision of evidence to the right-holder be made subject to reasonable access, security or other requirements so as to ensure the integrity of the evidence and to avoid prejudice to any criminal proceedings that may ensue.

Article 11



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Initiation of criminal proceedings

Member States shall ensure that the possibility of initiating investigations into, or prosecution of, offences covered by Article 3 are not dependent on a report or accusation made by a person subjected to the offence, at least if the acts were committed in the territory of the Member State.

Article 12

Transposition

Member States shall bring into force the provisions necessary to comply with this Directive by.....(14) at the latest . They shall forthwith communicate to the Commission the text of those provisions and a correlation table between those provisions and this Directive.

When Member States adopt these provisions, they 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.

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

Article 13

Entry into force

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

Article 14

This Directive is addressed to the Member States.

Done at Brussels,

For the European Parliament

For the Council

The President

The President