

EUROPEAN PARLIAMENT

2004



2009

Committee on Industry, Research and Energy

2005/0127(COD)

29.11.2006

OPINION

of the Committee on Industry, Research and Energy

for the Committee on Legal Affairs

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))

Draftsman: David Hammerstein Mintz

PA_Legam

SHORT JUSTIFICATION

Following a recent judgement of the European Court of Justice in case C-176/03, the Commission is proposing a directive on criminal measures and intellectual property rights (IPRs) under Article 95 of the Treaty.

Without prejudice to the competence of the Committee on Legal Affairs it is worth to be noted that there are serious concerns about the European Commission's broad interpretation of the judgement as set out in Communication COM(2005)583; and, as a consequence, about the legal base of the proposal.

Concerning the issues under the competence of the Committee on Industry, Research and Energy, the main elements to be considered are the followings:

- (a) scope of the directive;
- (b) definition of "commercial scale";
- (c) definition of "intentional infringement of an IPR";
- (d) criminalization of abetting and inciting;
- (e) joint investigation teams;
- (f) fundamental rights.

Scope

The scope of this piece of legislation is to tackle counterfeit and piracy, particularly in the music, luxury goods, clothing industries and related sectors. However, there are serious concerns regarding the possible effects of this Directive when measures to combat counterfeiting and piracy are simply generalised as applicable to all forms of IPRs. It needs to be stressed that infringements of certain IPRs varies in nature and manner of infringement, which means that measures to combat infringements of those IPRs should differ. There is a distinction between patent infringements in the normal course of commercial activity, such as the legitimate development of products, and counterfeiting and piracy with fraudulent and deliberate intent. There are civil remedies for patent infringements and alleged patent infringers should not be equated with criminals like pirates and counterfeiters. A company may need to infringe a patent intentionally in order to demonstrate that the patent at issue is not valid, and this contributes to innovation. In this context, the infringement should remain a civil matter as is currently the case, unless the infringement constitutes a serious threat to public health or safety.

Commercial scale

The reference to commercial scale was introduced but not defined by the TRIPS Agreement. However, the language of the TRIPS Agreement, the use of that phrase throughout the whole Agreement, and the context helps to interpret the concept. It refers to for-profit infringement only which causes significant direct loss to the holder of an IPR; non-profit exchange of legally acquired content between individuals must be excluded from the application of the directive.

As the legislative proposal intends to penalize infringement on commercial scale only, it is essential to have a clear definition of that in order to avoid legal uncertainty. We can not rely

on Member States' practice on that field as it varies from one Member State to another.

Intentional infringement of IPRs

Only the knowing acts of infringements that are intentional could be sanctioned with criminal measures: it covers only those cases when the perpetrator is aware that he is infringing IPRs, and he is doing it intentionally with malice aforethought. Distinction must be made as an infringement should not be considered intentional simply because it is part of an intentional activity such as listening to music or watching films.

Abetting and inciting

It is important to distinguish between patent infringements in the normal course of commercial activity (legitimate development of products) and counterfeiting and piracy with fraudulent and deliberate intent, which are often carried out by criminal organizations. Criminal sanctions for abetting and inciting any criminal act must be saved for the most serious crimes; to penalize abetting and inciting is disproportionate in case of infringement of intellectual property rights. The Charter of Fundamental Rights must be fully respected, in particular Paragraph 3 of Article 49 which states that "the severity of penalties must not be disproportionate to the criminal offence".

Joint investigation teams

Article 7 of the proposal authorizes the experts and representatives of the holder of the IPRs to assist the investigation. Though it is the holder of the IPRs indeed who could identify his goods and products without doubts, care must be paid in this regard.

First, as it is for the holder of IPRs to authorize or forbid the use of his intellectual product, and also because of the protection of the holder of the IPR, only duly authorized and mandated representatives could assist the investigation team. Secondly, assistance given by either the holder of IPRs or its representative must be limited in order to avoid 'privatizing' the criminal procedure; more extensive or more active involvement of the holders of the IPRs would pose a risk to the fair and impartial investigation and criminal procedure.

Fundamental rights

The Charter of Fundamental Rights must be fully respected when defining criminal acts and sanctions, as well as in course of the investigation and the judicial procedure. Particular attention must be paid to the following articles of the Charter: Article 8 on data protection; Article 47 on fair trial; and Article 49 on legality and proportionality of criminal offences and penalties.

AMENDMENTS

The Committee on Industry, Research and Energy calls on the Committee on Legal Affairs, as the committee responsible, to incorporate the following amendments in its report:

Amendment 1
Recital 9

(9) 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. ***deleted***

Justification

Criminal investigation authorities should not be able to act on their own initiative prior to a complaint by the right-holder, because licensing arrangements are not published. The right-holder has the fundamental right to dispose of his rights as he desires.

Amendment 2
Recital 9 a (new)

(9a) The rights set out in the Charter of Fundamental Rights of the European Union should be fully respected when defining criminal acts and penalties, during investigations and in the course of judicial proceedings.

Amendment 3
Article 1, paragraph 1

This Directive lays down ***the*** criminal measures necessary to ***ensure the enforcement*** of intellectual property rights.

This Directive lays down criminal measures necessary to ***combat and deter the intentional infringement*** of intellectual property rights ***on a commercial scale***.

Justification

This amendment restores the language used by the TRIPS agreement (Art. 61), upon which this proposal is based.

Amendment 4

¹ Not yet published in OJ.

Article 1, paragraph 2

These measures shall apply to intellectual property rights provided for in Community legislation and/or national legislation in the Member States.

It harmonises these criminal measures at EU level where this is necessary to combat the intentional infringement of intellectual property rights committed under the aegis of a criminal organisation, or where they carry a health or safety risk.

Justification

This amendment restores the language used by the TRIPS agreement (Art. 61), upon which this proposal is based.

Amendment 5

Article 1, paragraph 2 a (new)

Without prejudice to measures that already exist in Member States, the measures laid down in this Directive shall apply only to wilful trademark infringement, including counterfeiting, and copyright piracy.

Justification

There is a distinction between patent infringements in the normal course of commercial activity, such as the legitimate development of products, and counterfeiting and piracy with fraudulent and deliberate intent. There are civil remedies for patent infringements and alleged patent infringers should not be equated with criminals like pirates and counterfeiters. In cases of patent infringements this would interfere with the civil law systems of the Member States.

Amendment 6

Article 1, paragraph 2 b (new)

The non-profit exchange between individuals of legally acquired content is excluded from the scope of this Directive.

Justification

The proposal intends to penalize infringement on commercial scale only (Art. 3).

Amendment 7

Article 2, title

Definition

Definitions

Justification

It is desirable for the concept of counterfeiting, which is crucial for the application of this proposal for a directive, to be defined. Penalties can be applied only if there is a clear definition of the concept of counterfeiting, which has to cover all types of infringement of intellectual property rights, including holding counterfeit goods.

Amendment 8

Article 2, paragraph 1 a (new)

For the purposes of this Directive, "infringement on a commercial scale" means for-profit infringement of an intellectual property right which causes significant direct loss to the holder of that right.

Justification

Though the proposal intends to penalize infringement on commercial scale only (Art. 3), this notion is not defined; clear definition must be established to avoid legal uncertainty. Though the TRIPS Agreement does not define what is meant by "commercial scale", the context of the TRIPS, the use of that expression throughout the whole text, and the analysis of the negotiation process of the TRIPS make the definition clear.

Amendment 9

Article 2, paragraph 1 b (new)

For the purposes of this Directive, "intentional infringement of an intellectual property right" means deliberate and knowing infringement of that right.

Amendment 10

Article 2, paragraph 1 c (new)

For the purposes of this Directive, 'counterfeiting' includes:

- (a) holding with no legitimate reason, importing under any customs arrangements or exporting goods presented under a counterfeit trade mark;***
- (b) offering for sale or selling goods***

presented under a counterfeit trade mark;

(c) reproducing, imitating, using, affixing, deleting or modifying a trade mark, a collective mark or a certified collective mark in violation of the rights conferred by the registration thereof and of the prohibitions stemming therefrom;

(d) knowingly supplying a product or service having a different registered trade mark from that of the product or service requested.

Justification

It is desirable for the concept of counterfeiting, which is crucial for the application of this proposal for a directive, to be defined. Penalties can be applied only if there is a clear definition of the concept of counterfeiting, which has to cover all types of infringement of intellectual property rights, including holding counterfeit goods..

Amendment 11
Article 3

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

Member States shall ensure that ***the*** intentional infringement of an intellectual property right on a commercial scale ***is*** treated as ***a*** criminal ***offence***.

Justification

Criminal sanctions for abetting and inciting any criminal act must be reserved for the most serious crimes; to penalize abetting and inciting could be disproportionate in case of infringement of intellectual property rights.

Amendment 12
Article 3, paragraph 1 a (new)

Furthermore, Member States shall ensure that attempting, aiding or abetting and inciting such infringements are treated as criminal offences where the attempting, aiding or abetting or inciting:

(a) is conducted for the purposes of assisting organised crime, or

(b) constitutes a serious threat to health or

safety.

Justification

It is important to distinguish between patent infringements in the normal course of commercial activity (legitimate development of products) that can lead to break invalid patents and counterfeiting and piracy with fraudulent and deliberate intent, which are often carried out by criminal organizations. Criminal sanctions for abetting and inciting any criminal act must be reserved for the most serious crimes; to penalize abetting and inciting could be disproportionate in case of infringement of intellectual property rights.

Amendment 13
Article 3, paragraph 1 b (new)

Criminal penalties are not to be applied in cases of the parallel importation of original goods which have been marketed with the agreement of the holder of the intellectual property rights therein in a third country.

Amendment 14
Article 4, paragraph 2, introductory sentence

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

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

Justification

This involves significant infringements of fundamental rights, which should therefore be justified on the grounds of general interest.

Amendment 15
Article 4, paragraph 2, point (a)

(a) destruction of ***the*** goods infringing an intellectual property right;

(a) ***speedy*** destruction of ***all*** goods infringing an intellectual property right, ***save for the retention, without bond, of samples to be used in evidence;***

Justification

On safety grounds, it is proposed that all the goods infringing an intellectual property right be speedily destroyed, except for items needed for the purpose of the investigation. This measure also avoids the need for costly arrangements for guarding the goods. A visual record

of the stock can be made by photographing it when it is discovered. If appropriate, the destruction of the stock may be subject to the consent, or non-opposition, of the alleged perpetrator, if s/he is identified at that stage, without this constituting an admission of guilt.

Amendment 16

Article 4, paragraph 2, point (f a) (new)

(fa) an order requiring the infringer to pay the costs of keeping seized goods.

Justification

As an additional penalty, it must be possible for the counterfeiter to be required to pay the costs of guarding the goods retained for the purposes of the investigation, especially since such costs can be substantial if the products retained, even in limited numbers, are bulky and the investigation is lengthy.

Amendment 17

Article 5, paragraph 2, points (a) and (b)

(a) to a maximum of at least EUR 100 000 for cases other than the most serious cases;

(b) to a maximum of at least EUR 300 000 for cases referred to in paragraph 1.

In the case of financial penalties, the courts in each Member State shall determine the amount of the fine imposed, taking into account the damage caused and the value of the infringing goods or the profit derived therefrom and, as the main consideration in all cases, the economic situation of the infringer, as shown by his assets, income, family obligations, dependents and other personal circumstances.

Justification

The establishment of fixed fines applicable to intellectual property rights infringements laid down in this article is too inflexible and probably difficult to reconcile with the principle of subsidiarity. The amendment seeks to bring the principle into line with the objective of harmonisation pursued by the proposal.

Amendment 18

Article 6

The 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 Framework Decision 2005/212/JHA of 24 February 2005 on Confiscation of Crime Related Proceeds, Instrumentalities and Property, at least

The Member States shall, ***without infringing fundamental rights***, 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 the Framework Decision 2005/212/JHA of 24 of February 2005 on Confiscation of Crime-Related Proceeds,

where the offences 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.

Instrumentalities and Property, at least where the offences are *a serious* crime, or where they carry a health or safety risk.

Justification

It is a concern that Article 6 is restricted to offences only committed in the context of 'organised crime'. This article will only be useful if they apply to all offences causing serious commercial harm to rights-holders, irrespective of whether these infringements were committed in the context of organised crime. Article 6 of the proposal for a framework decision should therefore delete the reference to 'organised crime' and replace it by the term 'serious crimes'.

Amendment 19 Article 7

The 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.

The Member States must ensure that the holders of *the* intellectual property rights concerned, or their *duly mandated* representatives and experts, *shall provide information to the* joint investigation teams *investigating* the offences referred to in Article 3.

Justification

The wording of this article is too vague: it is legitimate that the Court allows each of the parties to have their experts. However, direct involvement of the representatives of the holder of the IPRs into the investigation must be limited; otherwise right-holders could jeopardize the criminal procedures by endangering the impartial and fair investigation. The text proposed by the Commission is disproportionate; as this should be left to the Courts to interpret.

Amendment 20 Article 7, paragraph 1 a (new)

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 data¹ shall be fully respected in the

course of investigations and judicial proceedings.

¹ *OJ L 281, 23.11.1995, p. 31.*

Justification

Article 8 of the Charter declares that "(e)veryone has the right to the protection of personal data concerning him or her", and "(s)uch data must be processed fairly for specified purposes and on the basis of the consent of the person concerned or some other legitimate basis laid down by law. Everyone has the right of access to data which has been collected concerning him or her, and the right to have it rectified." The Directive aims to protect the rights and freedoms of persons with respect to the processing of personal data by laying down guidelines determining when this processing is lawful.

Amendment 21
Article 8

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.

Member States shall ensure that the possibility of initiating investigations into, or prosecution of, offences covered by Article 3 ***may be initiated even without*** 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.

Justification

This amendment, while clarifying the conditions for initiating criminal investigations or proceedings, retains the flexibility of the proposed provision. It is very important, especially when public health may be at risk, and where the right-holder cannot be determined, to be able to initiate such steps without a report made by the person subjected to the offence.

PROCEDURE

Title	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
References	COM(2006)0168 – C6-0233/2005 – 2005/0127(COD)
Committee responsible	JURI
Opinion by Date announced in plenary	ITRE 6.9.2005
Enhanced cooperation – date announced in plenary	
Drafts(wo)man Date appointed	David Hammerstein Mintz 5.10.2005
Previous drafts(wo)man	
Discussed in committee	11.9.2006 10.10.2006 23.11.2006 28.11.2006
Date adopted	28.11.2006
Result of final vote	+: 31 –: 4 0: 0
Members present for the final vote	Jan Březina, Jerzy Buzek, Pilar del Castillo Vera, Giles Chichester, Den Dover, Adam Gierek, Norbert Glante, Umberto Guidoni, Fiona Hall, David Hammerstein Mintz, Rebecca Harms, Erna Hennicot-Schoepges, Romana Jordan Cizelj, Werner Langen, Vincenzo Lavarra, Nils Lundgren, Eugenijus Maldeikis, Reino Paasilinna, Miloslav Ransdorf, Vladimír Remek, Teresa Riera Madurell, Mechtild Rothe, Paul Rübig, Andres Tarand, Catherine Trautmann, Claude Turmes, Nikolaos Vakalis, Alejo Vidal-Quadras, Dominique Vlasto
Substitute(s) present for the final vote	Pilar Ayuso, Zdzisław Kazimierz Chmielewski, Edit Herczog, Gunnar Hökmark, Lambert van Nistelrooij, Francisca Pleguezuelos Aguilar
Substitute(s) under Rule 178(2) present for the final vote	
Comments (available in one language only)	