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## **REPORT**

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))

Committee on Legal Affairs

Rapporteur: Nicola Zingaretti

### ***Symbols for procedures***

- \* Consultation procedure  
*majority of the votes cast*
- \*\*I Cooperation procedure (first reading)  
*majority of the votes cast*
- \*\*II Cooperation procedure (second reading)  
*majority of the votes cast, to approve the common position  
majority of Parliament's component Members, to reject or amend  
the common position*
- \*\*\* Assent procedure  
*majority of Parliament's component Members except in cases  
covered by Articles 105, 107, 161 and 300 of the EC Treaty and  
Article 7 of the EU Treaty*
- \*\*\*I Codecision procedure (first reading)  
*majority of the votes cast*
- \*\*\*II Codecision procedure (second reading)  
*majority of the votes cast, to approve the common position  
majority of Parliament's component Members, to reject or amend  
the common position*
- \*\*\*III Codecision procedure (third reading)  
*majority of the votes cast, to approve the joint text*

(The type of procedure depends on the legal basis proposed by the Commission.)

### ***Amendments to a legislative text***

In amendments by Parliament, amended text is highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). These suggested corrections are subject to the agreement of the departments concerned.

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## DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

**on the 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 Commission proposal to the European Parliament and the Council (COM(2006)0168)<sup>1</sup>,
  - 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 Commission.

Text proposed by the Commission

Amendments by Parliament

### Amendment 1 Recital 5

(5) Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights lays down measures, procedures and civil and administrative remedies. A sufficiently dissuasive set of penalties applicable throughout the Community is needed to make the provisions laid down in this Directive complete. Certain criminal provisions need

(5) Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights lays down measures, procedures and civil and administrative remedies. A sufficiently dissuasive set of penalties applicable throughout the Community is needed to make the provisions laid down in this Directive complete. Certain criminal provisions need

<sup>1</sup> Not yet published in OJ.

to be harmonised so that counterfeiting and piracy in the internal market can be combated effectively. The Community legislator 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.

to be harmonised so that counterfeiting and piracy in the internal market can be combated effectively. The Community legislator 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.***

#### *Justification*

*This amendment is necessary to ensure consistency with subsequent amendments and to establish from the outset the scope of the directive.*

#### Amendment 2 Recital 6 a (new)

***(6a) In its resolution of 7 September 2006 on counterfeiting of medicinal products, the European Parliament took the view that the European Union 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.***

#### *Justification*

*According to 2005 customs statistics on the seizure of counterfeit goods at the European Union's frontiers, seizures of counterfeit medicines increased by 100% in 2005 compared to 2004.*

#### Amendment 3 Recital 8

(8) Provisions must be laid down to facilitate criminal investigations. 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.

(8) Provisions must be laid down to facilitate criminal investigations. 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. ***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.***

*Justification*

*It should be made clear that the involvement of injured parties in investigations carried out by the police or public prosecutors' offices must not jeopardise the neutrality of those state investigation agencies. Maintaining objectivity and neutrality is part and parcel of the rule of law.*

Amendment 4  
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 5  
Recital 10

(10) This Directive does not affect specific liability systems such as that laid down for Internet service providers ***in Articles 12 to 15 of Directive 2000/31/EC*** on electronic commerce.

(10) 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<sup>1</sup>.***

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<sup>1</sup> OJ L 178, 17.7.2000, p. 1.

Amendment 6  
Recital 10 a (new)

***(10a) 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*<sup>1</sup>.

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<sup>1</sup> OJ L 167, 22.6.2001, p. 10.

Amendment 7  
Recital 12 a (new)

***(12a) 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***<sup>1</sup>.

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<sup>1</sup>OJ L 320, 28.11.1998, p. 54.

*Justification*

*Directive 98/84/EC is currently the only protection established at European level to safeguard audiovisual rights against the growing threat of piracy and counterfeiting. Such protection is provided chiefly by means of conditional access, in other words technical measures to control the use of audiovisual content transmitted in encoded form. Bringing infringements of conditional access within the scope of this directive by including a reference to Directive 98/84/EC would be a significant deterrent for criminal organisations which currently rely on the discrepancies between the rules applied in the various Member States enabling them to infringe audiovisual rights with impunity.*

Amendment 8  
Article 1, paragraph 1

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

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.***

*Justification*

*The goals of the proposals will be best achieved if the directive expressly focuses on counterfeiting and piracy. Its current wording could indeed criminalize IPR disputes that are essentially of a civil nature and occur between legitimate commercial enterprises. The amendment seeks to establish more precisely the scope of the directive by referring to the definitions in a subsequent amendment.*



Amendment 9  
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.***

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

*Justification*

*This amendment seeks to delimit the scope of the directive from the outset.*

Amendment 10  
Article 1, paragraph 2 a (new)

***Commercial rights under a patent shall be excluded from the provisions of this Directive.***

*Justification*

*The substantive scope of the directive needs to be spelt out more exactly so as conform to the goal of better, more transparent, and more comprehensible law-making.*

*Given that most research projects are highly complex, inventors are constantly exposed, when carrying out their work, to the risk of infringing patent rights. Treating patent infringements as criminal offences could deter inventors and academics from developing innovations.*

Amendment 11  
Article 1, paragraph 2 b (new)

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

- ***patents, utility models and supplementary protection certificates;***
- ***parallel importation of original goods, which have been marketed with the agreement of the right-holder in a third country.***

*Justification*

*The scope of this directive needs to be limited.*

Amendment 12  
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 13  
Article 2

For the purposes of this Directive, “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.

For the purposes of this Directive:

***(a) “intellectual property rights” means one or more of the following rights:***

- copyright,***
- rights related to copyright,***
- sui generis right of a database maker,***
- rights of the creator of the topographies of a semiconductor product,***
- 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<sup>1</sup>, 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 would exclude acts carried out by private users for personal and not for profit purposes;*

*(c) “intentional infringements of an intellectual property right” means 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.*

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<sup>1</sup> OJ L 196, 2.8.2003, p. 7.

Amendment 14  
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 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.

Amendment 15  
Article 3, paragraph 1 a (new)

***Criminal sanctions shall not be applied in***

***cases of parallel importation of original goods which have been marketed with the agreement of the right-holder in a country outside the European Union.***

*Justification*

*Parallel importation of original goods which have been marketed with the agreement of the right-holder in a country outside the EU reveals no pirating.*

Amendment16

Article 3, paragraph 1 b (new)

***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.***

*Justification*

*The freedom of the press needs protection from criminal measures. Professionals like journalists, scientists and schoolteachers are not criminals. Newspapers, research institutions and schools are not criminal organisations. This does not leave rights unprotected: civil damages are possible.*

Amendment17

Article 4, paragraph 2, point (a)

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

(a) destruction of the goods, ***including materials or equipment used for*** infringing an intellectual property right;

*Justification*

*This amendment will bring Article 4(2)(a) of the proposal for a directive into line with Article 10 of the Enforcement Directive.*

Amendment 18

Article 4, paragraph 2, point (b)

(b) total or partial closure, on a permanent or temporary basis, of the establishment used

(b) total or partial closure, on a permanent or temporary basis, of the establishment used to

*primarily* to commit the offence;

commit the offence;

*Justification*

*All establishments used to commit an offence should be subject to the same range of penalties.*

Amendment 19

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

***(ga) 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 20

Article 5, paragraph 1

1. 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 **when** 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.

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<sup>1</sup> 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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<sup>1</sup> OJL 309, 25.11.2005, p. 15.

*Justification*

*This amendment is justified in view of the fact that many national legal systems have already adopted very rigorous measures to protect intellectual property rights regardless of whether the offences in question are committed under the aegis of a criminal organisation. Making the imposition of the more severe penalties conditional on the involvement of a criminal*

*organisation could prevent national protection measures from being properly enforced.*

Amendment 21  
Article 5, paragraph 2, point (a)

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

(a) to a maximum of at least EUR 100 000 for cases other than ***those referred to in paragraph 1***;

*Justification*

*The amendment seeks to clarify the text without changing its original meaning.*

Amendment 22  
Article 5, paragraph 2 a (new)

***2a. 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.***

*Justification*

*To make penalties effective and dissuasive, national courts need to take into account intellectual property offences committed in Member States other than the offender's country of origin, when they determine the level of penalty to be imposed.*

Amendment 23  
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*** where the offences are committed under the

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, where the offences are ***serious crimes within 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.

***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<sup>1</sup> 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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<sup>1</sup> OJ L 309, 25.11.2005, p. 15.

#### *Justification*

*This amendment is justified in view of the fact that many national legal systems have already adopted very rigorous measures to protect intellectual property rights regardless of whether the offences in question are committed under the aegis of a criminal organisation. Making the imposition of the more severe penalties conditional on the involvement of a criminal organisation could prevent national protection measures from being properly enforced.*

Amendment 24  
Article 6 a (new)

#### ***Article 6a***

***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.***

#### *Justification*

*The potential for a right-holder to deter potential infringers (i.e., competitors) increases considerably if he can threaten them with criminal penalties. Both international and European law require the prevention of misuse of IP rights. Misuse disrupts free competition, in contravention of Art. 28 et seq. and 81 et seq. EC.*

Amendment 25  
Article 6 b (new)

**Article 6b**

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

Amendment 26  
Article 7

***Joint*** investigation teams

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.***

***Cooperation with joint*** investigation teams

The Member States must ensure the ***cooperation of the*** holders of intellectual property rights ***with joint investigation teams in accordance with the arrangements for which provision is made in Council Framework Decision 2002/465/JHA of 13 June 2002 on joint investigation teams<sup>1</sup>.***

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<sup>1</sup> OJ L 162, 20.6.2002, p. 1.

Amendment 27  
Article 7, paragraph 1 a (new)

***(1a) The Member States shall put in place adequate safeguards to ensure that such assistance does not compromise the rights of the accused person, for example by affecting the accuracy, integrity or impartiality of evidence.***

*Justification*

*The involvement of intellectual property rights holders in joint investigation teams presents risks in terms of the impartial nature of any investigation, the evidence presented and the protection of defence rights. Member States must ensure that the rights of the defence are protected adequately and the requisite standards of evidence and proof in criminal prosecutions are upheld.*

Amendment 28  
Article 7, paragraph 1 b (new)

***(1b) 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<sup>1</sup> shall be fully respected in the course of investigations and judicial proceedings.***

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*OJ L 281, 23.11.1995, p. 31.*

#### *Justification*

*Article 8 of the Charter declares that 'Everyone has the right to the protection of personal data concerning him or her', and 'Such 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 29  
Article 7 a (new)

#### ***Article 7a***

##### ***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 in a jurisdiction within the European Union, and, where practicable, that those authorities inform the relevant right-holder or his representative of such seizure 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 to ensure the integrity of the evidence and to avoid prejudice to any***

*criminal proceedings that may ensue.*

*Justification*

*Cooperation at EU level between the public and private sectors should be encouraged. Public authorities including law enforcement authorities should be given the ability to share information and evidence with the private sector in order to ensure that legal actions, both civil and criminal, can be taken effectively and proportionately based on sound factual evidence against counterfeiters and pirates. This fully respects data protection law, in particular Directive 95/46/EC on data protection.*

## EXPLANATORY STATEMENT

### I. Introduction: the proposals of 12 July 2005

1. On 12 July 2005 the Commission sent the European Parliament and the Council a proposal for a directive on criminal measures aimed at ensuring the enforcement of intellectual property rights (2005/0127(COD)); at the same time, it sent the Council a proposal for a Council framework decision to strengthen the criminal law framework to combat intellectual property offences (2005/0128(CNS)).

2. The proposal for a directive required Member States to ensure that all intentional infringements of intellectual property rights on a commercial scale, and attempting, aiding or abetting and inciting such infringements, were treated as criminal offences. It provided for a series of penalties ranging from confiscation of the counterfeit goods to custodial sentences for culprits. It also made provision for various additional penalties, including closure of establishments used for counterfeiting purposes, a ban on engaging in commercial activities and publication of the judicial verdict. However, the proposal for a directive simply required Member States to prosecute and punish certain actions, without specifying the level of the penalty to be imposed<sup>1</sup>.

3. Meanwhile, the proposal for a framework decision sought to strengthen the criminal law measures to approximate national legislation on infringements of intellectual property rights and to facilitate cooperation between Member States to repress the offences in question. In particular, to supplement the accompanying proposal for a directive, the proposal for a framework decision sought to set minimum penalties for the offences in question: a maximum of at least four years' imprisonment in the case of offences committed under the aegis of a criminal organisation within the meaning of the future framework decision on the fight against organised crime (2005/0003(CNS)) or where such offences involved a health or safety risk, together with a fine up to a maximum of at least EUR 300 000.

### II. The judgment of the Court of Justice of 13 September 2005 and the Commission's position

1. While the procedure for the adoption of the above-mentioned proposals was in progress, the Court of Justice issued a judgment on 13 September 2005, in Case C-176/03 *Commission v Council*, which, while finding that, as a general rule, criminal matters did not fall within the Community's competence, stated that that finding did not 'prevent the Community legislature, when the application of effective, proportionate and dissuasive criminal penalties by the competent national authorities is an essential measure for combating serious environmental

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<sup>1</sup> The Court of Justice (cf. Judgment of 21 September 1989, Case C-68/88, *Commission v Republic of Greece*) traditionally only authorises the so-called assimilation method, in accordance with which the Community legislation may provide that domestic criminal provisions designed to protect certain national interests should apply also to protect the corresponding Community interests, thus combining the two sets of provisions in a new piece of legislation establishing a criminal offence. This means that Community law may establish that certain types of conduct should be regarded as a criminal offence, but must not encroach on the Member States' competence with regard to prescribing and applying penalties in practice.

offences, from taking measures which relate to the criminal law of the Member States which it considers necessary in order to ensure that the rules which it lays down on environmental protection are fully effective' (point 49).

2. Furthermore, the Court considered that, for the purpose of establishing whether the correct legal basis had been selected for a Community act, the aim and content of the act itself had to be taken into account. Consequently, as the principal aim and content of the framework decision at issue in the case in question<sup>1</sup> was environmental protection, it should have been based on Article 175 of the ECT (first pillar) and not on Title VI TEU (third pillar) (point 51).

3. The Commission therefore adopted a Communication<sup>2</sup> which carries the Court of Justice's finding to its logical conclusion, namely that there are no restrictions on adopting provisions relating to criminal matters under the first pillar in any potentially relevant area of Community competence.

4. In the Commission's opinion, powers should be distributed between the first and third pillar as follows: the provisions of criminal law required for the effective implementation of Community law come under the first pillar, while horizontal criminal law provisions (police and judicial cooperation, measures on the harmonisation of criminal law in connection with the area of freedom, security and justice) belong to the third pillar.

5. This being so, the Commission undertook to make the necessary changes to any legislative proposals still pending.

### **III. The proposal of 26 April 2006**

1. Following discussion of this issue, and in particular the relevant judgment of the Court of Justice, the Commission decided it should amend the proposal for a directive and withdraw the proposal for a framework decision of 12 July 2005<sup>3</sup>.

2. Consequently, on 26 April 2006 the Commission forwarded a new proposal for a directive on criminal measures aimed at ensuring the enforcement of intellectual property rights which incorporates, updates and amalgamates the provisions of the two previous initiatives.

3. In particular, the proposals relating to the level of penalties and the broad powers of confiscation previously contained in the proposal for a framework decision were now incorporated in the new proposal for a directive (see, in particular, Articles 5 to 8). This appears to be one of the first cases where the Commission has applied its new approach to criminal law.

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<sup>1</sup> Council framework decision 2003/80/JHA of 27 January 2003 on the protection of the environment through criminal law.

<sup>2</sup> Communication from the Commission to the European Parliament and the Council on the implications of the Court's judgment of 13 September 2005, COM(2005)0583.

<sup>3</sup> Cf. Article 250(2) of the ECT: 'as long as the Council has not acted, the Commission may alter its proposal at any time during the procedures leading to the adoption of the Community Act.' We consider that this power to alter proposals includes the power to withdraw them; cf. the opinion of the Committee on Legal Affairs of 22 March 2006 on the outcome of the screening of legislative proposals pending before the legislature (2005/2214(INI)).

4. Briefly summarised, Article 1 sets out the subject-matter and scope of the directive; Article 2 defines the concept of a legal person for the purposes of the directive; Article 3 obliges Member States to treat specified types of behaviour as criminal offences; Articles 4 and 5 specify the nature and the level of criminal penalties respectively; Article 6 deals with powers of confiscation; Article 7 provides for joint investigation teams to combat counterfeiting; Article 8 obliges Member States to ensure that investigations and prosecution of the offences defined in the directive do not need to be instigated by the persons whose rights are infringed; finally, Articles 9 and 10 deal with transposal and entry into force respectively.

5. If we compare the new proposal with the two previous ones, it is clear that the only provisions that have not been incorporated in the new proposal are those relating to jurisdiction and the coordination of proceedings. The Commission plans to take a horizontal approach to this subject under its Green Paper on conflicts of jurisdiction and the principle of 'ne bis in idem' in criminal proceedings, adopted on 23 December 2005<sup>1</sup>. The Commission does not consider it essential to lay down specific arrangements for the protection of intellectual property.

## **VI. Problem issues and the rapporteur's position**

1. Looking to the first pillar for the basis of proposals relating to criminal matters is perfectly consistent with the Commission's broad interpretation of the implications of the judgment of the Court of Justice of 13 September 2005. It follows that, if this broad interpretation is accepted, the Commission's approach is unexceptionable. However, there are still certain problematic points which the amended Commission proposal does not seem to have succeeded in resolving.

2. This applies, in particular, to the scope of the directive. The explanatory memorandum states that the proposal for a directive applies to any infringement of intellectual property rights provided for by Community law and/or by the national law of the Member State concerned, as does Directive 2004/48/EC on the enforcement of intellectual property rights.

3. The statement by the Commission (2005/292/EC) concerning Article 2 of Directive 2004/48/EC lists the property rights concerned in order to establish more precisely the exact scope of the directive. The list includes 'patent rights, including rights derived from supplementary protection certificates'.

4. However, applying criminal penalties laid down at Community level to infringements of patent rights does not seem to be either particularly appropriate in itself, or consistent with the approach followed in recent years by the Community legislator.

5. There is no evidence of any urgent need to intervene by imposing criminal penalties, since many Member States already enforce patent protection by means of criminal penalties (i.e. fines and custodial sentences). This applies, for example, to the German<sup>2</sup>, Austrian<sup>3</sup>, Danish<sup>4</sup>,

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<sup>1</sup> COM(2005)0696.

<sup>2</sup> Cf. paragraph 142 of *Bekanntmachung der Neufassung des Patentgesetzes* (PatG) of 16 December 1980.

<sup>3</sup> Cf. Articles 147 and 149 of the *Patentgesetz 1970*, as amended by the federal law no I 143.

Spanish<sup>1</sup>, French<sup>2</sup>, Hungarian<sup>3</sup>, Italian<sup>4</sup>, Dutch<sup>5</sup> and Portuguese<sup>6</sup> legislation. Consequently, though attention should be drawn to the absence of any protection in criminal law under other legal systems (for example under English, Belgian and Greek law), the introduction of provisions of this kind at Community level would duplicate existing provisions and make the system even more cumbersome, unless we suppose that, either through the insertion (by means of an appropriate amendment) of an explicit provision to that end in the directive or as a result of the 'automatic primacy' of Community law<sup>7</sup>, Community legislation on the subject could completely replace the corresponding national legislation.

6. Secondly, seeking to apply criminal penalties in the area of patent law seems to be plainly in breach of the position taken by the European Parliament when, at its plenary sitting of 6 July 2005, it rejected the Commission proposal for a directive on the patentability of computer-implemented inventions (2002/0047(COD)). Given that an overwhelming majority of the European Parliament<sup>8</sup> considered at that time that it was inappropriate to adopt legislation on the subject, any attempt now to provide for criminal penalties to protect patents (which are not currently regulated) would be a limited and dangerous foray into a very complex area which, for that very reason, requires a regulatory framework that is as systematic and widely endorsed as possible.

7. In the light of the foregoing, the rapporteur proposes amendments to Articles 1 and 2 of the proposal for a directive in order to demarcate its scope and provide the relevant definitions. In practical terms, the effect is to exclude from the scope of the directive the subject of patents by establishing that, pending the adoption of more comprehensive rules on patents at Community level in future (in the form of a suitable directive), the provisions of the present proposal should not apply to patents. This would avoid prejudging the content (including the criminal aspects) of any future legislation on patents. Moreover, it would restrict the scope of the directive to those intellectual property rights provided for by Community legislation.

8. Finally, for reasons of internal consistency, the rapporteur proposes minor amendments to recital 5 and the text of Article 2, and clearer and more rational wording for Articles 5, 6 and 7.

## VI. Future developments

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<sup>4</sup> Cf. section 57 of the Danish Patents Act No 479 of 20 December 1967.

<sup>1</sup> Cf. Article 273 of the Criminal Code, as amended by organic law No 10/1995 of 23 November 1995.

<sup>2</sup> Cf. Article L. 615-14 of the Intellectual Property Code of 26 January 1990 as subsequently amended.

<sup>3</sup> Cf. Article 329/D of the Criminal Code.

<sup>4</sup> Cf. Articles 473 and 474 of the Criminal Code, which punish the offences of counterfeiting, altering or using the distinctive signs of creative works or industrial products and introducing into the State and marketing products with false signs, and Article 475, which provides for the supplementary penalty of publication of the judgment or judicial decision.

<sup>5</sup> Cf. Article 45 of the Dutch Patent Act (*Rijksoctrooiwet*) of 1910 and Article 79(1) of the Dutch Patent Act (*Rijksoctrooiwet*) of 1995.

<sup>6</sup> Cf. Articles 261 and 262 of the Industrial Property Code (decree law no 16/95 of 24 January 1995 as subsequently amended).

<sup>7</sup> This primacy, of course, arises from the requirement that national judges apply Community law in full, and consequently disregard any domestic law that conflicts with it, whether it was passed before or after the Community law in question (cf. Court of Justice, judgment of 9 March 1978, Case 106/77, Simmenthal, in ECJ reports 1978, p. 629, point 24).

<sup>8</sup> 648 votes to 14, with 18 abstentions.

1. The rapporteur hopes that, when drawing up future strategies to combat piracy and counterfeiting, and as we embark on an era of greater harmonisation in this field, the Community legislator will consider the possibility of finding ways and means of also punishing those who acquire goods whose provenance is unlawful.

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

### **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 noting 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 following:

- (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 the 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:

Text proposed by the Commission <sup>1</sup>	Amendments by Parliament
	Amendment 1 Recital 9
<b><i>(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.</i></b>	<b><i>deleted</i></b>
	<i>Justification</i>
	<i>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.</i>
	Amendment 2 Recital 9 a (new)
	<b><i>(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.</i></b>

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<sup>1</sup> Not yet published in OJ.

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  
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 invalid breaking of 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, dependants 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 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.

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, 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 it applies 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 data<sup>1</sup> shall be fully respected in the course of investigations and judicial proceedings.***

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*OJ L 281, 23.11.1995, p. 31.*

### *Justification*

*Article 8 of the Charter declares that 'Everyone has the right to the protection of personal data concerning him or her', and 'Such 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

<b>Title</b>	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
<b>References</b>	COM(2006)0168 – C6-0233/2005 – 2005/0127(COD)
<b>Committee responsible</b>	JURI
<b>Opinion by</b> Date announced in plenary	ITRE 6.9.2005
<b>Enhanced cooperation – date announced in plenary</b>	
<b>Drafts(wo)man</b> Date appointed	David Hammerstein Mintz 5.10.2005
<b>Previous drafts(wo)man</b>	
<b>Discussed in committee</b>	11.9.2006      10.10.2006      23.11.2006      28.11.2006
<b>Date adopted</b>	28.11.2006
<b>Result of final vote</b>	+:    31 -:    4 0:    0
<b>Members present for the final vote</b>	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
<b>Substitute(s) present for the final vote</b>	Pilar Ayuso, Zdzisław Kazimierz Chmielewski, Edit Herczog, Gunnar Hökmark, Lambert van Nistelrooij, Francisca Pleguezuelos Aguilar
<b>Substitute(s) under Rule 178(2) present for the final vote</b>	
<b>Comments (available in one language only)</b>	

12.12.2006

## **OPINION OF THE COMMITTEE ON CIVIL LIBERTIES, JUSTICE AND HOME AFFAIRS**

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: Rainer Wieland

### **SHORT JUSTIFICATION**

Following the European Court of Justice's judgement of 13 September 2005 (Case C 176/03 Commission v Council), the European Commission amended its proposal for a directive on criminal measures aimed at ensuring the enforcement of intellectual property rights.

The issue of the protection of intellectual property is of particular importance for European companies, which need to make sure that their investments are going to be profitable. Without such a protection of intellectual property, investments and consequently innovation may slow down in Europe.

Some common grounds need to be defined at the European level so as to fight more effectively against counterfeiting and piracy: this proposal therefore establishes common definitions and common levels of penalties. This proposal also intends to facilitate criminal investigations related to infringements of intellectual property rights.

The draftsman supports the proposed directive but draws attention to the need to precisely define important terms in the directive, especially when they are a central component of the definition of the offence.

### **AMENDMENTS**

The Committee on Civil Liberties, Justice and Home Affairs calls on the Committee on Legal Affairs, as the committee responsible, to incorporate the following amendments in its report:

Text proposed by the Commission<sup>1</sup>

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Amendments by Parliament

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Amendment 1  
Recital 8

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<sup>1</sup> Not yet published in OJ.

**(8) Provisions must be laid down to facilitate criminal investigations. 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.**

*deleted*

*Justification*

*What may appear as the privatisation of criminal prosecution in favour of individual stakeholders' interests implied therein should be rejected for reasons of general legal policy. In democratic societies bound by the rule of law, the state is endowed with a legal monopoly over the use of force. Private parties are not entitled to avail themselves of criminal prosecution measures in order to combat violations of the law committed by fellow citizens.*

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 2

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

***At least the following intellectual property rights are covered by the scope of the Directive:***

- a) copyright;***
- b) rights related to copyright;***
- c) sui generis right of a database maker;***
- d) rights of the creator of the topographies of a semiconductor product;***
- e) trademark rights;***
- f) design rights;***
- g) utility model rights;***

*Justification*

*The material scope of the directive must be defined more precisely, in order to achieve the*

*objective of better, more transparent and more readily comprehensible legislation.*

*It cannot be the task of the Commission to bypass - through the publication of opinions - the legislature in defining the way in which directives are to be interpreted, with such far-reaching implications.*

*The list based on Article 2 of Directive 2004/48/EC will, moreover, make it easier for the committee responsible to exclude specific areas of law from the scope of the provisions, if it considers this to be necessary, through separate votes.*

Amendment 4  
Article 1, paragraph 2 a (new)

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

- patents, utility models and supplementary protection certificates;***
- parallel importation of original goods which have been marketed with the agreement of the right-holder in a third country.***

*Justification*

*The scope of this Directive needs to be limited.*

Amendment 5  
Article 2, paragraph 1 a (new)

***“On a commercial scale” means acts carried out with the intention to earn a direct economic or commercial profit, or acts carried out on such a large scale that may cause a significant direct loss for the holder of that right.***

*Justification*

*The term 'commercial scale' is central to the definition of the offence, and needs to be precisely defined. It must include not only acts that have an economic or commercial intention, but also serious acts of piracy on a large scale, that is, for more than individual or personal use, which may have no economic advantage for the offender but which may cause very substantial harm to the right-holder.*

Amendment 6  
Article 3, paragraph 1 a (new)

***Member States shall ensure the treatment as criminal offences, when committed on a commercial scale, of all intentional trade mark infringements consisting of the use of a sign which is identical to the trade mark in relation to goods or services which are identical to those for which the trade mark is registered.***

*Justification*

*It is convenient to define separately copyright and trademark infringements*

Amendment 7  
Article 4, paragraph 2

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 infringing an intellectual property right;***
- (b) total or partial closure, on a permanent or temporary basis, of the establishment used primarily 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.***

2. For the offences referred to in Article 3, the Member States shall ***also*** provide, in appropriate cases, ***for the necessary measures to ensure that a natural or legal person held liable is punishable by effective, proportionate and dissuasive penalties, such as:***

- (a) exclusion from entitlement to public benefits or aid;***
- (b) temporary or permanent disqualification from the practice of commercial activities;***
- (c) placing under judicial supervision;***
- (d) a judicial winding-up order;***
- (e) temporary or permanent closure of establishments which have been used for committing the offence;***
- (f) publication of judicial decisions;***
- (g) destruction of the goods infringing an***

*intellectual property right.*

*Justification*

*See justification relating to first amendment. Furthermore, the substance and wording of the relevant list of penalties should not be 'reinvented' in the case of every legislative text. The penalties proposed under (a) to (e) have therefore been taken from the Council's proposed text for a Council framework decision on the fight against organised crime, 8496/1/06 (2005/003(CNS)), and supplemented by specific proposals in the original text relating to the current matter.*

Amendment 8

Article 4, paragraph 2, point (a)

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

(a) destruction of the goods infringing an intellectual property right ***and, in appropriate cases, seizure or destruction of the materials or elements principally used for the creation or manufacture of those goods;***

*Justification*

*Clarification.*

Amendment 9

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 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.***

***In the cases provided for in Article 5 of this Directive,*** 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.

*Justification*

*These extended confiscation powers should refer to the same infringements and offences to which the directive applies.*



Amendment 10  
Article 6 a (new)

**Article 6a**

**Misuse of powers**

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

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

*Justification*

*The potential for a right-holder to deter potential infringers (i.e., competitors) increases considerably if he can threaten them with criminal penalties. Both international and European law require the prevention of misuse of IP rights. Misuse disrupts free competition, in contravention of Art. 28 et seq. and 81 et seq. EC.*

Amendment 11  
Article 6 b (new)

**Article 6b**

**Defendants' rights**

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

Amendment 12  
Article 7

**Article 7**

***deleted***

***Joint investigation teams***

***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.*

*Justification*

*What may appear as the privatisation of criminal prosecution in favour of individual stakeholders' interests implied therein should be rejected for reasons of general legal policy. In democratic societies bound by the rule of law, the state is endowed with a legal monopoly over the use of force. Private parties are not entitled to avail themselves of criminal prosecution measures in order to combat violations of the law committed by fellow citizens.*

Amendment 13  
Article 8 a (new)

*Article 8a*

*Protection of personal data*

***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<sup>1</sup> shall be fully respected in the course of investigations and judicial proceedings.***

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<sup>1</sup>OJ L 281, 23.11.1995, p. 31.

*Justification*

*Article 8 of the Charter declares that 'Everyone has the right to the protection of personal data concerning him or her', and 'Such 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.*

## PROCEDURE

<b>Title</b>	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
<b>References</b>	COM(2006)0168 – C6-0233/2005 – 2005/0127(COD)
<b>Committee responsible</b>	JURI
<b>Opinion by</b> Date announced in plenary	LIBE 6.9.2005
<b>Enhanced cooperation – date announced in plenary</b>	
<b>Drafts(wo)man</b> Date appointed	Rainer Wieland 13.10.2005
<b>Previous drafts(wo)man</b>	
<b>Discussed in committee</b>	6.11.2006      11.12.2006
<b>Date adopted</b>	11.12.2006
<b>Result of final vote</b>	+:    23 -:    17 0:    0
<b>Members present for the final vote</b>	Edit Bauer, Johannes Blokland, Mihael Brejc, Kathalijne Maria Buitenweg, Giusto Catania, Carlos Coelho, Fausto Correia, Kinga Gál, Patrick Gaubert, Elly de Groen-Kouwenhoven, Adeline Hazan, Ewa Klant, Wolfgang Kreissl-Dörfler, Barbara Kudrycka, Stavros Lambrinidis, Henrik Lax, Sarah Ludford, Edith Mastenbroek, Hartmut Nassauer, Martine Roure, Luciana Sbarbati, Inger Segelström, Ioannis Varvitsiotis, Donato Tommaso Veraldi, Manfred Weber, Stefano Zappalà, Tatjana Ždanoka
<b>Substitute(s) present for the final vote</b>	Richard Corbett, Panayiotis Demetriou, Camiel Eurlings, Ignasi Guardans Cambó, Jeanine Hennis-Plasschaert, Sophia in 't Veld, Javier Moreno Sánchez, Bill Newton Dunn, Hubert Pirker, Marie-Line Reynaud, Kyriacos Triantaphyllides, Rainer Wieland
<b>Substitute(s) under Rule 178(2) present for the final vote</b>	Kartika Tamara Liotard
<b>Comments (available in one language only)</b>	

## PROCEDURE

<b>Title</b>	Criminal measures aimed at ensuring the enforcement of intellectual property rights			
<b>References</b>	COM(2006)0168 - COM(2005)0276 - C6-0233/2005 - 2005/0127(COD)			
<b>Date submitted to Parliament</b>	26.4.2006			
<b>Committee responsible</b> Date announced in plenary	JURI 6.9.2005			
<b>Committee(s) asked for opinion(s)</b> Date announced in plenary	ITRE 6.9.2005	IMCO 6.9.2005	LIBE 6.9.2005	
<b>Not delivering opinions</b> Date of decision	IMCO 21.11.2005			
<b>Rapporteur(s)</b> Date appointed	Nicola Zingaretti 15.9.2005			
<b>Discussed in committee</b>	28.11.2005	12.9.2006	20.11.2006	27.2.2007
	20.3.2007			
<b>Date adopted</b>	20.3.2007			
<b>Result of final vote</b>	+: 22 -: 3 0: 3			
<b>Members present for the final vote</b>	Carlo Casini, Marek Aleksander Czarnecki, Cristian Dumitrescu, Monica Frassoni, Giuseppe Gargani, Klaus-Heiner Lehne, Katalin Lévai, Antonio López-Istúriz White, Antonio Masip Hidalgo, Hans-Peter Mayer, Manuel Medina Ortega, Aloyzas Sakalas, Francesco Enrico Speroni, Rainer Wieland, Jaroslav Zvěřina, Tadeusz Zwiefka			
<b>Substitute(s) present for the final vote</b>	Mogens N.J. Camre, Janelly Fourtou, Jean-Paul Gauzès, Eva Lichtenberger, Arlene McCarthy, Michel Rocard, Gabriele Stauner, József Szájer, Jacques Toubon, Nicola Zingaretti			
<b>Substitute(s) under Rule 178(2) present for the final vote</b>	Toine Manders, Umberto Guidoni			
<b>Date tabled</b>	23.3.2007			