

COMMISSION OF THE EUROPEAN COMMUNITIES

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2005/0127(COD)
2005/0128(CNS)

Proposal for a

EUROPEAN PARLIAMENT AND COUNCIL DIRECTIVE

on criminal measures aimed at ensuring the enforcement of intellectual property rights

Proposal for a

COUNCIL FRAMEWORK DECISION

to strengthen the criminal law framework to combat intellectual property offences

{SEC(2005)848}

(presented by the Commission)

EXPLANATORY MEMORANDUM

Justification for the proposal

Counterfeiting and piracy, and infringements of intellectual property in general, are a constantly growing phenomenon which nowadays have an international dimension, since they are a serious threat to national economies and governments. The disparities between the national systems of penalties, apart from hampering the proper functioning of the internal market, make it difficult to combat counterfeiting and piracy effectively. In addition to the economic and social consequences, counterfeiting and piracy also pose problems for consumer protection, particularly when health and safety are at stake. Increasing use of the Internet enables pirated products to be distributed instantly around the globe. Finally, this phenomenon appears to be increasingly linked to organised crime. Combating this phenomenon is therefore of vital importance for the Community. Counterfeiting and pirating have become lucrative activities in the same way as other large-scale criminal activities such as drug trafficking. There are high potential profits to be made without risk of serious legal penalties. Additional provisions to strengthen and improve the fight against counterfeiting and piracy are therefore necessary to supplement Directive 2004/48/EC of 29 April 2004 on the enforcement of intellectual property rights. In addition to the civil and administrative measures, procedures and remedies provided for in Directive 2004/48/EC, criminal penalties also constitute, in appropriate cases, a means of enforcing intellectual property rights[1].

A start was made on harmonisation with the entry into force of the TRIPS agreement which lays down minimum provisions on means of enforcing trade-related intellectual property rights. These include the implementation of criminal procedures and criminal penalties, but there are still major disparities in the legal situation in the Community which do not allow the holders of intellectual property rights to benefit from an equivalent level of protection throughout the Community. As regards criminal penalties, there are considerable differences, particularly as regards the level of punishment laid down by national legislation.

As regards impact on fundamental rights, it should be emphasised that the direct objective of this initiative is to implement Article 17(2) of the Charter of Fundamental Rights which states that “Intellectual property shall be protected”; it does this by approximation of legislation while respecting the different legal traditions and systems of the Member States as well as other fundamental rights and principles recognised by the Charter. The level of sentences has been chosen pursuant to the seriousness of the different forms of wrongful conduct, in accordance with Article 49(3) of the Charter to the effect that sentences should not be disproportionate to the offence.

Since this objective may be better achieved at Community level, the Community may take measures in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty.

A framework decision is required to supplement existing provisions as regards matters which fall under Title VI of the TEU.

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[1] Recital 28 to Directive 2004/48/EC of 29 April 2004 states that "in addition to the civil and administrative measures, procedures and remedies provided for under this Directive, criminal sanctions also constitute, in appropriate cases, a means of ensuring the enforcement of intellectual property rights."

Content of the proposal

Article 1

This Article sets out the subject-matter and scope of the Directive, which concerns the measures necessary to ensure the enforcement of intellectual property rights. As in Directive 2004/48/EC on the enforcement of intellectual property rights, the expression "intellectual property rights" encompasses all intellectual property rights. Just like Article 17(2) of the Charter of Fundamental Rights of the European Union, which provides that "intellectual property shall be protected", this is a horizontal measure.

The Directive is to apply to any infringement of intellectual property rights as provided for by Community law and/or by the national law of the Member States, in the same way as Directive 2004/48/EC. Commission statement 2005/295/EC on Article 2 of Directive 2004/48/EC lists these rights[2]. The Directive is to apply without prejudice to more stringent provisions in the Member States.

Article 2

This Article defines the concept of a legal person for the purposes of the Directive.

Article 3

This Article obliges Member States to consider all intentional infringements of an intellectual property right on a commercial scale as a criminal offence. It also covers attempting, aiding or abetting and inciting such offences. The "commercial scale" criterion is borrowed from Article 61 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), concluded on 15 April 1994 and signed by all the members of the World Trade Organisation. Article 61 obliges Members to "provide for criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale. Remedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity. In appropriate cases, remedies available shall also include the seizure, forfeiture and destruction of the infringing goods and of any materials and implements the predominant use of which has been in the commission of the offence. Members may provide for criminal procedures and penalties to be applied in other cases of infringement of intellectual property rights, in particular where they are committed wilfully and on a commercial scale."

The infringement must be intentional, that is to say that the act must be deliberate, whether it is an actual infringement, an attempt at infringement, or aiding and abetting or inciting such an offence. This does not affect specific liability systems such as the system laid down for Internet service providers in Articles 12 to 15 of Directive 2000/31/EC on electronic commerce[3].

Article 4

This article concerns penalties: besides imprisonment for natural persons, the Directive lays down a range of penalties to be imposed on both natural and legal persons, such as fines and the seizure of goods belonging to the offender, including the infringing goods and the materials, implements or media used predominantly for the manufacture or distribution of the goods in question. Other penalties are provided for specific cases: destruction of infringing

[2] OJ L 94, 13.4.2005, p. 37.

[3] OJ L 178, 17.7.2000, p. 1.

goods and goods principally used in the manufacture of the goods in question, total or partial closure, on either a permanent or a temporary basis, of the establishment or shop primarily used to commit the infringement. Provision is also made for a permanent or temporary ban on engaging in commercial activities, placement under judicial supervision or judicial winding-up, and a ban on access to public assistance or subsidies. Finally, the publication of judicial decisions is provided for. This can serve as a means of dissuasion and as a channel of information both for right holders and for the public at large.

Article 5

This Article concerns the measures for transposing the Directive into the internal law of the Member States. The deadline of eighteen months is modelled on the provisions of other Directives.

Article 6

This Article lays down that the Directive enters into force on the twentieth day following its publication in the Official Journal, pursuant to the provisions of Article 254(1) of the EC Treaty.

Article 7

This Article lays down that this Directive is addressed to the Member States.

2005/0127(COD)

Proposal for a

DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on criminal measures aimed at ensuring the enforcement of intellectual property rights

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 95 thereof,

Having regard to the proposal from the Commission[4],

Having regard to the opinion of the European Economic and Social Committee[5],

Having regard to the opinion of the Committee of the Regions[6],

Acting in accordance with the procedure laid down in Article 251 of the Treaty[7],

(1) At international level, all Member States, as well as the Community itself, as regards matters within its competence, are bound by the Agreement on Trade-Related Aspects of Intellectual Property (the "TRIPS Agreement"), concluded in the framework of the World Trade Organisation and approved by Council Decision 94/800/EC[8]. The TRIPS Agreement contains, in particular, provisions on criminal matters which are common standards applicable at international level, but the disparities between Member States are still too great, and they do not permit effective combating of intellectual property offences, particularly the most serious ones. This causes a loss of confidence in the Internal Market in business circles, with a consequent reduction in investment in innovation and creation.

(2) Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights[9] 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.

(3) 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

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4 OJ C […], […] , p.[…].
5 OJ C […], […] , p.[…].
6 OJ C […], […] , p.[…].
7 OJ C […], […] , p.[…].
8 OJ L 336, 23.12.1994, p. 1.
9 OJ L 195, 2.6.2004, p. 16.

commerce[10].

(4) As the objective of this Directive cannot be achieved adequately by the Member States acting alone and could better be achieved by action at Community level, the Community may take measures in accordance with the principle of subsidiarity as declared by Article 5 of the Treaty establishing the European Community. In accordance with the principle of proportionality, as set out in that Article, this Directive does not go beyond what is necessary in order to achieve that objective.

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

HAVE ADOPTED THIS DIRECTIVE:

Article 1
Objective and scope

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

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

Article 2
Definition

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.

Article 3
Offences

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.

[10] OJ L 178, 17.07.2000, p. 1.

Article 4
Penalties

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

   a) for natural persons: custodial sentences;

   b) for natural and legal persons:

      i) fines;

      ii) confiscation of the object, instruments and products stemming from infringements or of goods whose value corresponds to those products.

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.

Article 5
Transposal

1. Member States shall bring into force the provisions necessary to comply with this Directive by ……. at the latest [eighteen months after the date of its adoption]. They shall forthwith communicate to the Commission the text of those provisions and a correlation table between those provisions and this Directive.

   When Member States adopt these provisions, they shall contain a reference to this Directive or shall be accompanied by such reference at the time of their official publication. The procedure for such reference shall be adopted by Member States.

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

Article 6
Entry into force

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

Article 7

This Directive is addressed to the Member States.

Done at Brussels,

For the European Parliament	*For the Council*
The President	*The President*

EXPLANATORY MEMORANDUM

Grounds for the proposal

Intellectual property offences have become a very worrying phenomenon, linked in some cases to organised crime. We now have a substantial cross-border trade in goods which infringe intellectual property rights, involving: illegal production of counterfeit goods, organised networks for the transport of goods from the place of production to the place of consumption, sale of illegal goods and laundering of the profits.

To combat intellectual property offences effectively, Directive ..../../EC must be supplemented by means of measures for the approximation of criminal legislation and cooperation under Title VI of the Treaty on European Union.

This proposal for a Framework Decision therefore aims to strengthen the criminal-law measures to approximate the provisions laid down by law or regulation in the Member States concerning intellectual property rights offences and to facilitate and encourage cooperation between the Member States to repress these offences.

As regards impact on fundamental rights, it should be emphasised that the direct objective of this initiative is to implement Article 17(2) of the Charter of Fundamental Rights which states that "Intellectual property shall be protected"; it does this by approximation of legislation while respecting the different legal traditions and systems of the Member States as well as other fundamental rights and principles recognised by the Charter. The level of sentences has been chosen pursuant to the seriousness of the different forms of wrongful conduct, in accordance with Article 49(3) of the Charter to the effect that sentences should not be disproportionate to the offence.

Content of the proposal

Article 1 - Subject

Article 1 specifies that the purpose of the Directive is to supplement Directive 200/... /EC with additional provisions.

Article 2 – Level of penalties

This article concerns the level of criminal penalties: offences must incur a maximum term of at least four years' imprisonment when they are committed under the aegis of a criminal organisation. The same applies where the offences carry a health or safety risk. The threshold of four years' imprisonment was chosen because it broadly corresponds to the criterion used to identify a serious offence. It is the threshold selected in Joint Action 98/733/JHA and in the proposal for a Council Framework Decision on the fight against organised crime [COM(2005)6 final] and in the United Nations Convention against Organised Transnational Crime. For natural persons or legal entities who commit the offences listed in Article 3 of Directive ..../…/EC, the penalties include criminal and non-criminal fines to a maximum of at least EUR 100 000 for cases other than the most serious cases and to a maximum of at least EUR EUR 300000 for those which carry a health or safety risk.

A risk to personal health or safety shall exist where the counterfeit product placed on the market directly exposes people to a risk of illness or accident. In the case of risk which may

have serious consequences such as death or infirmity, it must be possible to impose aggravated penalties.

Article 3 – Extended powers of confiscation

This article provides for the full or partial confiscation of goods belonging to persons convicted of offences committed in the circumstances set out in Article 2. It refers to the provisions of Article 3 of Council Framework Decision 2005/212/JHA of 24 February 2005 on Confiscation of Crime-Related Proceeds, Instrumentalities and Property[11].

Article 4 - Joint investigation teams

The Framework Decision of 13 June 2002[12] provides the structure needed to set up joint investigation teams. To facilitate criminal investigations into intellectual property offences, the Member States must allow the holders of intellectual property rights concerned, or their representatives, and experts to assist the investigations carried out by these teams. It is very difficult to carry out investigations in this area and it is often essential to have the active participation of the victims, of representatives of the holder of the intellectual property rights or of experts in order to reach conclusions, and in particular to establish that products have been counterfeited. Member States have a good deal of latitude in this regard.

Article 5 - Jurisdiction and coordination of proceedings

Paragraph 1 provides that the Member States should use their powers to prosecute and sentence offenders for offences committed wholly or partially on their territory.

The purpose of paragraph 2 is to facilitate the settlement of conflicts of jurisdiction between Member States. It requires Member States to cooperate in deciding which of them will prosecute the alleged offender, when an offence is within the jurisdiction of more than one Member State and any of these States can validly commence proceedings on the basis of the same facts, the aim being to centralise proceedings in a single Member State where possible. If need be, the Member States can call on Eurojust, which was set up by Decision of 28 February 2002[13].

Paragraph 3 lays down a list of criteria for use in implementing paragraph 2.

Article 6 – Initiation of criminal proceedings

The purpose of this article is to ensure that investigations into, or prosecution of, counterfeiting and piracy offences are not dependent on a report or accusation made by a person subjected to the offence, at least if the acts were committed in the territory of the Member State.

Article 7 - Implementation

Article 7 concerns the implementation and monitoring of this Framework Decision.

Article 8 - Entry into force

Article 8 provides that the Framework Decision is to enter into force on the day of its publication in the Official Journal of the European Communities.

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11 OJ L 68, 15.3.2005, p. 49.

12 OJ L 162, 20.6.2002, p. 1.

13 Council Decision of 28 February 2002 setting up Eurojust with a view to reinforcing the fight against serious crime (OJ L 63, 6.3.2002, p. 1).

2005/0128(CNS)

Proposal for a

COUNCIL FRAMEWORK DECISION

to strengthen the criminal-law framework to combat intellectual property offences

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on European Union, and in particular Articles 31 and 34(2)(b) thereof,

Having regard to the proposal from the Commission[14],

Having regard to the Opinion of the European Parliament[15],

Whereas:

(1) The Green Paper on the fight against counterfeiting and piracy in the Single Market presented by the Commission on 15 October 1998 noted that counterfeiting and piracy had grown into an international phenomenon with major repercussions at economic and social level and in terms of consumer protection, especially as regards public health and safety. An action plan was drawn up as part of the follow-up to the Green Paper and was included in a communication on the same subject from the Commission to the Council, the European Parliament and the Economic and Social Committee on 30 November 2000[16].

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

(3) The Council adopted Framework Decision 2005/212/JHA of 24 February 2005 on Confiscation of Crime-Related Proceeds, Instrumentalities and Property[17] and Framework Decision … of … on the fight against organised crime[18].

(4) Directive …./…./EC of the European Parliament and the Council on measures and procedures to ensure the enforcement of intellectual property rights is aimed at harmonising national legislation on the definition of offences and the type of penalties which can be imposed.

(5) To supplement the provisions of Directive …./…./EC, the level of sentencing for natural and legal persons who have committed such offences must be harmonised. In

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14 OJ C [...], [...], p. [...].
15 OJ C [...], [...], p. [...].
16 COM (2000) 789 final
17 OJ L 68, 15.03.2005, p. 49.
18 OJ L

particular, the rules on prison sentences, fines and confiscation must be harmonised.

(6) 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.

(7) Rules on jurisdiction and coordination of proceedings must be laid down to ensure that the offences to which Directive ..../... /EC applies can be effectively prosecuted, particularly where more than one Member State has jurisdiction and when any one of the States concerned can validly prosecute on the basis of the same facts.

(8) To facilitate investigations or criminal proceedings concerning offences covered by Directive ..../…/EC, these may not be dependent on a report or accusation made by a person subjected to the offence.

(9) Since the objectives of this Directive cannot be achieved adequately by the Member States acting alone and could better be achieved by action at Union level, the Community may take measures in accordance with the principle of subsidiarity as declared by Article 5 of the Treaty. In accordance with the principle of proportionality, as set out in that Article, this Directive does not go beyond what is necessary in order to achieve those objectives.

(10) This Framework Decision fully respects the fundamental rights recognised by the Charter of Fundamental Rights of the European Union, in particular Article 17(2),

HAS ADOPTED THIS FRAMEWORK DECISION:

Article 1
Subject

This Framework Decision supplements the provisions of Directive ..../…/EC, laying down detailed rules on penalties and judicial cooperation measures.

Article 2
Level of penalties

1. Each Member State shall take the measures necessary to ensure that, when committed by natural persons, the offences referred to in Article 3 of Directive ..../... /EC 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.

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

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

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

3. Paragraphs 1 and 2 shall be without prejudice to the application of more serious sentences, including in the case of risk of death or infirmity.

Article 3
Extended powers of confiscation

The Member States shall take the measures needed 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[19], 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.

Article 4
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 of Directive ..../…/EC.

Article 5
Jurisdiction and coordination of proceedings

1. Each Member State shall ensure that its jurisdiction covers at least the cases in which an offence referred to in Article 3 of Directive ..../…/EC has been committed, wholly or partially, on its territory.

2. When an offence referred to in Article 3 of Directive ..../…/EC falls within the jurisdiction of more than one Member State and when any one of the States concerned can validly prosecute on the basis of the same facts, the Member States concerned shall cooperate in order to decide which of them will prosecute the offenders with the aim, if possible, of centralising proceedings in a single Member State. To this end, the Member States shall, if necessary, have recourse to the services of Eurojust.

3. For the purposes of paragraph 2, sequential account shall be taken of the following factors:

(a) the Member State in whose territory the acts were committed;

(b) the Member State of which the offender is a national or resident;

(c) the Member State in whose territory the legal person on whose behalf the offence was committed has its registered office;

(d) the Member State in which the victim is resident or has his registered office;

[19] OJ L 68, 15.3.2005, p. 69.

(e) the Member State in whose territory the offender was found.

Article 6
Initiation of criminal proceedings

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

Article 7
Implementation

1. Member States shall take the necessary measures to comply with this Framework Decision by [...] at the latest.

2. By the same date, Member States shall communicate to the General Secretariat of the Council and to the Commission the texts of the provisions transposing into their national law the obligations imposed on them by this Framework Decision.

3. On the basis of that information and a written report by the Commission, the Council shall, no later than 31 December …, check the extent to which Member States have taken the measures necessary to comply with this Framework Decision.

Article 8
Entry into force

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

Done at Brussels,

For the Council
The President