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RESPONSE TO THE EUROPEAN COMMISSION'S REPORT ON THE ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS

MARQUES, the Association of European Trade Mark Owners, was founded in 1987 and is incorporated in the United Kingdom as a not for profit company limited by guarantee. It has no shareholders, issues no dividends and its directors are expressly prohibited from being paid for their services.

MARQUES represents the interests of European trade mark owners worldwide in the protection and utilization of trademarks as essential elements of commerce. Its current membership of trade mark owners and trade mark and design law practitioners representing trade mark owners is in excess of 750 members in 84 countries. Membership crosses all industry lines.

An important objective of **MARQUES** is to safeguard the interests of the public by ensuring the proper protection of trademarks and to safeguard the interests of trade mark proprietors with regard to the regime of trade mark protection. **MARQUES** attempts to achieve this objective by advancing the cause of trade mark laws which protect the public from deception and confusion.

MARQUES is an accredited organization before the OHIM, an appointed observer to the Administrative Board and Budget Committee, an official non-governmental observer at WIPO and a registered interest representative association at the European Commission.

Therefore, **MARQUES** falls within the Commission's definition of stakeholder for this consultation, being a business association of IP right holders, i.e. an interest representative.

MARQUES welcomes the European Commission's initiative as represented by the Report from the Commission to the European Parliament, the Council, the European

Economic and Social Committee and the Committee of the Regions in respect of the application of Directive 2004/48/EC of the European Parliament and the Council of 29 April 2004 on the enforcement of intellectual property rights.

MARQUES fully agrees with the Commission's statement that effective means of enforcing intellectual property rights are essential for promoting innovation and creativity. It acknowledges that Directive 2004/48/EC has harmonised the minimum means available to right holders for fighting infringements of intellectual property rights, while also providing a common platform for the exchange of information and assisting administrative co-operation between national authorities and with the Commission.

MARQUES considers that the fight against counterfeit and pirated goods is so important and the potential damage to the European Union and its citizens so great, that a review of Directive 2004/48/EC, to make it fully effective, would be entirely justified.

MARQUES therefore acknowledges that the Commission's initiative brings an opportunity to identify issues that ought to be addressed in the context of a possible review of the Directive. These include the lack of consistency with which the Directive has been implemented by Member States and some shortcomings that have emerged as to the scope of the Directive. There is also a need for clarification of certain provisions of the Directive as well as its relationship with other Directives. The aim should be a more harmonized interpretation and application of the Directive in the different Member States and adapting the Directive to the new forms of infringement made all too easy by the Internet and digital technologies.

The principal concerns for **MARQUES** are: first, that the Directive is reviewed and updated to ensure that rights holders have the necessary means to pursue infringers despite the challenges of the digital environment; and, second, for rights holders operating across Europe, it is important that the inconsistencies and disparities in Member States as to enforcement measures are minimised and the deficiencies in some Member States corrected.

As **MARQUES** is primarily an association of brand owners – whilst brand owners also own patents and other IPRs - this submission primarily concentrates on trademarks and, by reference, copyright and designs.

These observations follow the pattern provided by the Note drawn up by the Presidency of the Council of the European Union dated 4 February 2011. This endeavoured to achieve a structured and focused expert debate amongst the concerned stakeholders, especially Member States, on the basis of both the Commission's Report and the Issues Paper included in the Annex to the Note.

1. Digital Environment

At the time the Directive was promulgated, the widespread use of the Internet, not only for legitimate commerce but also as a mechanism for illegal file sharing on a massive

scale, was not envisaged. The digital environment brings significant difficulties in identifying and pursuing even wholesale infringers.

MARQUES agrees with the Commission that specific additional challenges have arisen from the digital environment and that the limitations of the existing legal framework may need to be clearly assessed and any relevant gaps bridged. Otherwise, the substantial and positive effects that the Directive has had on protecting intellectual property rights under civil law in Europe will be frustrated.

Whether or not there is financial liability on Internet Service Providers or other intermediaries who provide end users with the means of connecting to the Internet, as well as the means of storage of illegal files or the sale of counterfeit goods, effective mechanisms must be available to require them to assist with identifying offenders and to block unlawful activity once it is discovered.

MARQUES recognises that there is a need for a balance to be struck between the potentially conflicting rights of copyright and trademark owners, intermediaries and private individuals. But the right to privacy must not be allowed to frustrate the efforts of rights holders to safeguard their assets and investment, obtain redress against infringers and protect law-abiding consumers. Although safeguards are important to guard against abuse, rights holders must not be deprived of proper redress altogether.

2. Scope of the Directive

Although the Directive is expressed to apply to any infringement of intellectual property rights, it appears that there is uncertainty in some Member States as to which rights it extends. Even after the publication of the Statement by the Commission concerning Article 2 of the Directive, there appear to remain uncertainties as to whether some rights protected under national law are covered. In **MARQUES**' view, it should be made clear that unfair competition and similar concepts are included within the scope of the Directive as well as trade secrets and domain names. Accordingly, **MARQUES** considers that it would be helpful for the Directive to include a list of intellectual property rights, provided it was made clear that this was a minimum requirement and did not exclude other rights covered by national laws.

3./5. Evidence and the right of information

There appear to remain significant inconsistencies between Member States on a number of aspects of evidence gathering. Provided suitable safeguards are put in place to prevent abuse, including restrictions on what use may be made of the evidence obtained, in **MARQUES**' opinion there should be a clear statement of the power to require the opposing party to disclose evidence under its control, even where it is damaging to the opposing party and even if it is claimed to be confidential.

In appropriate cases, the power to require the disclosure of information should be available at the interlocutory stage including through the execution of search and seizure orders without prior notice to the opposing party. Such power should of course extend to information stored on computer, including financial information.

MARQUES also believes that the mechanisms for preserving and obtaining evidence across borders between Member States need to be simplified.

As indicated above, **MARQUES** considers that the right of privacy should not be invoked to frustrate completely the ability of rights holders to obtain redress, particularly in the context of data protection and confidential information. It should be clarified that the rights of intellectual property owners should prevail and that the duty to delete personal data (for example on the part of Internet service providers) should be moderated to ensure that within reasonable time scales evidence of online infringements remains available, including accurate financial information for infringing sites.

4. Intermediaries

As remarked by the Commission's Report, "*the Directive makes a broad interpretation of the concept of "intermediaries" to include all intermediaries "whose services are used by a third party to infringe an intellectual property right". This implies that even intermediaries with no direct contractual relationship or connection with the infringer are subject to these measures provided for in the Directive*".

Accordingly, all categories of intermediaries, including Internet intermediaries, namely, Internet service providers, regardless of their liability, must be considered subject to the measures provided for in the Directive, when contributing to or facilitating and infringement.

In the area of the sale of counterfeit goods over the Internet, **MARQUES** has noted that some intermediaries have adopted more or less effective policies on the protection of intellectual property rights. However, despite any application of measures and sanctions that might be made available under those policies, **MARQUES** believes that problems still remain for right holders – e.g. when it comes to enforce actions against websites that sell counterfeit goods. The solution would be a more comprehensive bundle of effective legal provisions having specific regard to online infringements of intellectual property rights.

In the area of the more traditional infringements of intellectual property rights, **MARQUES** favours holding shippers, carriers, consignors, customs declarants and holders of customs warehouses responsible for infringement, in the context of customs seizures, for example, where they knew, or ought reasonably to have known, that their services were being used to infringe. Therefore, where the costs of storage and destruction cannot be recovered from the consignee/owner, **MARQUES** favours the rights owner being able to pursue those knowingly involved in the infringement (or who ought reasonably to have known).

MARQUES does not consider that placing this responsibility on intermediaries is unfair – rather, it is the intermediary who has had the most significant contact with the infringer and who has benefited financially from the infringement (by selling services to the infringer). The intermediary will be well placed to protect itself through insurance and/or contractual obligations with the infringer (including, for example, the right to pursue the infringer). The intermediary will also often have contact details and/or credit card details for the infringer which will not be available to the rights holder.

Because of this latter point, in addition to holding intermediaries responsible for the costs of storage and destruction, **MARQUES** also favours imposing on intermediaries an obligation to provide information about the infringer (as above). Restriction on the use of that information by customs authorities and the rights owner should be removed.

6. Commercial scale

The Directive does not contain a definition of the term "commercial scale". Several Member States transposed Article 6(2) of the Directive without adding any legal definition of the term "commercial scale" and have left it up to the courts to interpret. Only in a few Member States does the law provide for a definition of this term (cf. Commission Staff Working Document, of 22 December 2010, page 9, point 2.3.2. *Evidence gathering in the case of infringements committed on a commercial scale*). It appears that some national courts take a much more restrictive view of what constitutes "commercial scale" than others. **MARQUES** would accordingly consider that some clarification as to the minimum level of activity that constitutes "commercial scale" would be needed, to avoid ambiguities and disparities between the Member States' systems for enforcing intellectual property rights.

7. Damages

MARQUES notes that the approach to the award of damages in IPR cases remains inconsistent. National courts have different approaches to:

- compensating a rights holder for the actual damage it has suffered
- awarding the rights holder a nominal or fixed amount to compensate it for the abuse of its rights where an amount of actual damage cannot be calculated
- requiring the wrongdoer to disgorge the profits wrongfully made by him
- assessing what proportion of the infringer's profit is attributable to the actual infringement as opposed to other factors
- the scope for awarding more than one of the above heads of damage
- the availability of punitive damages
- the recovery of the successful rights holders legal costs

The national courts are also not universally willing to order full disclosure by the wrongdoer of information to enable a full enquiry to take place as to the amount of profit made from the infringing activities.

MARQUES considers that clarification is required to ensure that proper, fair compensation is available based on full information and that the infringer does not retain any benefit from his wrongful acts.

8. Corrective measures

There is no standard approach to the exercise of the power to require the recall of infringing goods by the infringer. **MARQUES** considers that this power should be expressly extended to ensure that the infringer may be required not only to deliver up all infringing goods within his power or control but also to take active steps to recover

products from his customers and further down the chain, at his expense, with full information being provided as to what steps he has taken.

The rights holder should also have the option to require all infringing goods to be destroyed at the infringer's cost (but under the rights holder's control) whether or not the infringing goods may arguably have some secondary use (for example after removal of the infringing signs). Where infringing goods give rise to public health or safety issues there may then be scope for the State bearing the cost of destruction rather than the rights holder if the infringer cannot or does not pay.

9. Other issues

Injunctions

MARQUES considers that it should be made clear that injunctions should be available at the interlocutory stage before infringement has been proved because it is an extremely effective means to prevent infringements taking place. Once again it should be possible, as is the practice in a number of Member States, to put in place safeguards to ensure that an innocent defendant is compensated for any damage it suffers as a result of an interlocutory injunction having been wrongly granted.

Respectfully submitted

31st March 2011

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