

THE ALLIANCE AGAINST IP THEFT

Comments on the European Commission's proposal for a Directive on criminal measures aimed at ensuring the enforcement of intellectual property rights and a Framework Decision to strengthen the criminal law framework to combat intellectual property offences

On 12 July 2005, the European Commission adopted proposals for a Directive and a Framework Decision on the criminal enforcement of intellectual property rights. The Patent Office has invited interested parties to comment both in general and by reference to certain specific questions. This paper sets out the views of the Alliance against IP Theft ("the Alliance"). This response complements any individual submissions made by the separate members of the Alliance.

The Alliance welcomes the fact that the Commission has recognised the importance of criminal remedies in the protection of intellectual property rights. The draft enactments would not significantly enhance the protection of intellectual property in the UK, though some benefits would be conferred on UK businesses in protecting their rights in continental Europe. There are certain points of clarification which should be introduced in the draft instruments to ensure that they are at least consistent with the level of liability currently established under UK legislation.

The Alliance members are the Anti-Counterfeiting Group, the British Association of Record Dealers, the British Brands Group, the British Jewellery, Giftware and Finishing Federation, British Music Rights, the British Phonographic Industry, the British Video Association, the Business Software Alliance, the Copyright Licensing Agency, the Entertainment and Leisure Software Publishers Association, the Federation Against Copyright Theft, the Federation Against

Software Theft, the Film Distributors Association, the Institute of Trade Mark Attorneys, the Publishers Licensing Society and the Video Standards Council.

SPECIFIC COMMENTS

1. “Is the scope of this measure appropriate?” (Articles 1 and 2 of the Directive)

The members of the Alliance are principally holders of rights arising under copyright, trade marks and designs. Whereas copyright and registered trade marks enjoy criminal protection, this is not the case for designs. The Directive would require that intentional infringements of registered and unregistered design right on a commercial scale be punishable by criminal sanctions. This is to be welcomed. It is not felt, however, that criminal sanctions should be introduced for patent infringements.

2. “Are the financial penalties specified in Article 2 of the Framework Decision considered to be acceptable?”

Since the maximum possible fine under UK law is unlimited, the minimum maximum penalties of €100,000 (normal cases) and €300,000 (organised crime and public health and safety cases) would not require any change to UK law. It would be preferable for other EU states to adopt the UK approach. It is easy to imagine cases of commercial piracy or counterfeiting for which a fine of €100,000 would be inadequate. Given that a legal person cannot be imprisoned and that financial penalties (however inflicted) are essentially the only criminal remedy, there should be no limit to the possible fine. Further, if the Framework Decision is to impose minimum maximum fines, some mechanism should be included in the Directive to require the European Union or its Member States periodically to review the permitted fines.

3. “Are the other penalties proposed in Article 4 of the Directive considered to be acceptable?”

In addition to the power to order destruction of infringing goods, the court should also have power to destroy any materials or implements principally used for the

creation of infringing goods or for the provision of infringing services. The other penalties listed in Article 4(2) of the Directive would largely be innovative in the UK, and are welcomed as an improvement.

4. “Other Criminal Law Provisions (Articles 4 – 6, Framework Decision). Are these provisions justified and within the legal base quoted? Should they remain or be removed?”

Article 4 of the Framework Decision provides that right holders be allowed to assist in investigations carried out by joint investigation teams into offences falling within the scope of the Directive. This provision arguably exceeds the stated legal base (Article 31 of the Treaty on European Union) and would more naturally fall within the Directive. Addressing this issue in the Directive rather than the Framework Decision would be beneficial, as it would allow the provision to be extended: right holders should be allowed to participate in investigations which take place within a single Member State. The internal market justification for the Directive does not imply that it should be limited to cross-border enforcement actions.

Article 5 is supported by the legal bases of Article 31(a) (judicial cooperation) and Article 31(d) (avoiding conflicts of jurisdiction) of the Treaty on European Union. The substance of the provision aims at regulating disputes over criminal jurisdiction. It has to be said that Alliance members have not experienced any difficulty of competing jurisdictions in the criminal sphere and, in the absence of a mandatory system of arbitration, it is hard to see the proposed rules resolving any such dispute.

Article 6 requires that the police and judicial authorities be entitled *ex officio* to investigate or prosecute intellectual property cases to which the Directive applies. It is difficult to see how this falls within the stated legal base under the Treaty on European Union. It would, however, be a justified provision of the Directive,

since it would harmonise Member State rules on a matter directly affecting the functioning of the internal market.

GENERAL COMMENTS

1. “Intentional” (Article 3, Directive)

The UK approach is to require at least a minimal degree of vigilance from those who deal with goods protected by intellectual property rights. A similar technique is adopted in many other areas of criminal law, as, for example, in motoring offences. Thus the offences provided for in, for example, in section 107 of the Copyright, Designs and Patents Act 1988¹, may be established by proof of constructive knowledge, based on objective factors. The Directive’s use of the word “intentional” in Article 3 must not be interpreted as excluding offences based on constructive knowledge. It would be desirable for this to be pointed out in a recital to the Directive.

2. “Commercial scale” (Article 3, Directive)

The Directive requires penalization of offences which occur “on a commercial scale”. There is a danger that this will be treated as the proper limit of criminal responsibility for IP offences. In UK law, it is recognized that infringements that occur on a particularly damaging scale should be penalized even where they take place outside a business (section 107(1)(e); section 107(2A)(b), 1988 Act). This is a truer interpretation of the corresponding requirement of Article 61 of the TRIPs Agreement than the purposive gloss applied in Recital 14 of the Enforcement Directive (“carried out for direct or indirect economic or commercial advantage”). In order to avoid any uncertainty, a provision should be inserted in Article 1 of the draft Directive providing that the Directive shall be without prejudice to (i) any provisions of national law providing greater protection for right holders; and (ii) Member States’ international obligations and notably the TRIPs Agreement.

¹ Referring to “an article which is, and which [the defendant] knows or has reason to believe is, an infringing copy of a copyright work”.

3. “Legal persons” (Article 4, Directive)

The Alliance welcomes the Directive’s requirement that legal persons be potentially liable for IP offences. While this has long been the position in the UK, it is not so in some other EU Member States. However, a culture of neglect subsists in many businesses in relation to the use of intellectual property. The provision should be strengthened, therefore, by providing that any director of a corporation shall be liable as an accomplice of the offence of any employee for whom he has direct responsibility, where he has failed to take reasonable steps to ensure that such an offence not occur.

4. Other necessary improvements

(a) For copyright and related rights cases, there should be a presumption as to the subsistence of rights and the identity of the right holder.

It has long been accepted that presumptions are a valid method of focusing the court’s attention on the real issues in an infringement case.² In the UK the Criminal Procedure Rules explicitly require as part of the “overriding objective” that courts deal with cases in a way which takes into account “the complexity of what is in issue” and “the needs of other cases” (Rule 1.1(g), Criminal Procedure Rules). A legal presumption would serve these objectives, while remaining consistent with the European Convention on Human Rights³. A provision should thus be inserted in the Directive to the effect that it is presumed that copyright and related rights subsist and are vested in the person as indicated on the work or protected subject matter in the usual manner.

² See, e.g., Article 15(1) of the Berne Convention, first introduced in 1886.

³ see, e.g., R v Edwards, R v Denton & Jackson, R v Hendley, R v Crowley [2004] EWCA Crim 1025.

(b) Enforcement authorities should be free to disclose information to right holders to assist them in protecting their rights.

In some countries, the law prevents police or customs authorities from sharing with right holders information about the activities of infringers. The authorities constantly rely on the help of the creative industries to enforce the law, but the flow of information back to right holders is sometimes inadequate. In the UK, for example, the Enterprise Act 2002 currently prevents trading standards officers from giving details of infringers to right holders for the purposes of civil enforcement action. This kind of obstacle, sometimes unintentionally created, prevents the close cooperation envisaged by Article 4 of the draft Framework Decision. Accordingly, a provision should be added to Article 4 of the Framework Decision to the effect that Member States shall ensure that investigatory authorities are at liberty to disclose relevant information, where justified, to persons with a legitimate interest, for the purpose of the investigation of infringements or the bringing of legal proceedings.

Conclusion

While the proposals for a Directive and Framework Decision are modest and will require little amendment to UK law, the Alliance supports them, subject to the comments above. The Alliance welcomes this opportunity to express its views and holds itself ready to provide any further information or comment which may be helpful.

October, 2005

*Alliance Against IP Theft
London.*