



Advancing Industry's View On Intellectual Property Since 1920

Jeff Watson,  
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10 October 2005

Dear Jeff,

**Re Draft enforcement directive and framework decision**

**UKPO consultation**

Our comments are attached and may be circulated by you as necessary.

TMPDF represents the views of UK industry in matters concerning intellectual property. It has close links with the CBI. Its members include many of the major innovative UK companies, which are represented at meetings of the governing Council and Committees of the Federation by their professional IP managers. Before the Federation takes a position on any issue, official consultation documents and other relevant papers are submitted to the members for debate and dialogue. An appropriate Committee and/or the Council, depending on the issue, then determines the position, taking account of comments.

The published views/opinions/submissions of the Federation are normally approved by consensus. In cases where there is a substantial majority view falling short of consensus, any significant disagreement will be indicated.

A list of members of TMPDF is attached.

Yours sincerely

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Secretary, TMPDF

Enc.

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## **TRADE MARKS PATENTS & DESIGNS FEDERATION**

**Commission Proposal for an EP and Council Directive on criminal measures aimed at ensuring the enforcement of intellectual property rights**

**and for a Council Framework Decision to strengthen the criminal law framework to combat intellectual property offences**

**Council document 11245/05 Brussels 19 July 2005**

### ***Response to Patent Office consultation***

#### ***Directive***

In the proposed directive, particularly in draft Articles 3 and 4, Offences and Penalties, the Commission proposes that "intentional infringement on a commercial scale" of an intellectual property right should be treated as a criminal offence, to be penalised by imprisonment, fines and other measures such as closure of the establishment, substantially as it previously proposed in draft Article 20 of the enforcement directive put forward in 2003, reference COM (2003) 46. That article was not accepted by the Parliament and Council in the enforcement directive as adopted (2004/48/EC), but was replaced by a permissive provision allowing member states to introduce other appropriate sanctions where intellectual property rights have been infringed. It seems that the Commission has not accepted the rejection of its previous, very similar, proposal.

The Federation is opposed to the new proposal, in its present form, just as it was opposed to the Commission's previous very similar proposal (see e.g., TMPDF letters of March 2003 and 28 October 2003 to Jeff Watson at the Patent Office). To repeat the points made on 28 October 2003:

1. Under no circumstances should there be a requirement to make any form of patent infringement a criminal offence. There is no such requirement under TRIPS.
2. As regards copyright, rights in designs, related rights and data base rights, it should be for member states to determine the scope of criminal offences which they wish to impose, consistent with their TRIPS obligations.
3. Any EU directive concerning criminal provisions relating to infringement of intellectual property rights should concern itself solely with ensuring that member states comply with the requirements of Article 61 of TRIPS, which requires members to provide for criminal procedures and penalties in cases of willful trademark counterfeiting or copyright piracy on a commercial scale, in a consistent way. The concepts of "willfulness" and "counterfeit" are open to various interpretations that are not fully covered by the relevant TRIPS Agreement note; so any directive should be concerned to define the scope of the offence of willful counterfeiting with the clarity necessary to ensure that it will be interpreted uniformly within the Community, in a way that is fair to all parties.

It is clear from the explanatory memorandum to the Commission's proposal that the proposal concerns infringement of intellectual property in general, not just counterfeiting and piracy, though the justification for the proposal relates only to counterfeiting and piracy, but without explaining the intended scope of either of these terms in the present context. The use of the word "intentional" in defining the infringements to be subject to criminal procedures in the proposal only serves to confuse and obscure matters. How is "intentional" to be defined and applied consistently throughout the EU? The proposal gives no indication. If a commercial undertaking manufactures goods similar in character to those made by a competitor that holds a patent, and receives advice that its goods probably do not fall within the scope of the patent or that the patent is likely to be invalid, but nevertheless there is a risk that they could be found to infringe, then the undertaking, in today's conditions, is likely to continue manufacture and leave it to the competitor to test the situation by negotiation or bringing an action. This situation occurs frequently and similar situations will arise in respect of other intellectual property rights. Furthermore it is perfectly possible for a party to believe in good faith that it is operating outside the valid scope of a patent claim but still be found to infringe by a court subsequently. Under the Commission's proposal, if the risk materialises, or even if it does not, the continued manufacture may well be regarded as intentional infringement, or an attempt to infringe, and thus criminal. This is likely to have a chilling effect on competitive risk taking and the supply of alternative products in the market place. There should be no place for the criminal law in the resolution of disputes concerning the scope and validity of intellectual property rights and the intentions of the parties in relation to them.

The position of professional advisers is likely to be jeopardised by the Commission's proposal. The advice that leads an undertaking to decide to continue manufacture is likely to be privileged, but may have to be disclosed in order to resist an accusation of "intent to infringe". This is not acceptable. Moreover, the giving of advice might be considered to be "aiding or abetting and inciting" infringement - again, this is not acceptable.

We are of course aware that a number of Member States already have criminal sanctions for patent infringement. Whilst, as we understand it, these provisions are rarely if ever used this does not seem to us a good reason for requiring the UK to introduce them into its law too. On the contrary we would argue that there is no need to include such a sanction when it is unlikely to be used.

### ***Framework decision***

If the directive can be suitably restricted, to wilful trademark counterfeiting and copyright piracy, with acceptable definitions and clarifications, as discussed above, then a mechanism to ensure that all member states regard these offences with equal seriousness and punish them with broadly similar penalties would be very desirable. A framework decision may be an appropriate measure to achieve this.

However, the maximum term of imprisonment proposed by the Commission in article 2 of the draft decision - at least four years - is low. The maximum fine proposed - at least EUR300,000 in the most serious cases involving organised crime, health or safety, or at least EUR100,000 in other cases - is derisory. While the decision allows member states to provide for larger penalties, we consider that they should be **required** to impose severe penalties in serious cases, depending on the nature of the offence and the circumstances of the offender.

Example may be taken from UK law, where these offences can be subject on indictment to up to 10 years imprisonment and unlimited fines. Clearly, such heavy penalties are rarely if ever imposed, but they should be available.

We agree that the holders of intellectual property rights should be allowed to assist the investigations carried out by joint investigation teams (article 4) and that the possibility of initiating investigations or prosecution of offences should not necessarily be dependant on a report or accusation by the person subject to the offence (but could depend, presumably, on a report by bodies such as police, customs authorities, trading standards officers, etc.) (article 6).

As regards article 5, we agree that it may (though not necessarily always) be desirable in cases where an offence falls within the jurisdiction of more than one state to consolidate proceedings in one state. However, the sequential rules for deciding on the appropriate state need to be further considered. We do not have a definitive position on this matter as yet, but would give greater priority to the state where the victim is resident.

TMPDF October 2005