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DRAFT 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)¹,
 - 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 (A6-0000/2006),
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 to be harmonised so that counterfeiting and piracy in the internal market can be

(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 to be harmonised so that counterfeiting and piracy in the internal market can be

¹ Not yet published in OJ.

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.

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 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 access¹.

¹*OJ L 320 of 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 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 the criminal measures necessary to ensure the enforcement of intellectual property rights, **as defined below.**

Justification

The amendment seeks to establish more precisely the scope of the directive by referring to the definitions in a subsequent amendment.

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.***

These measures shall apply to intellectual property rights provided for in Community legislation.

Justification

To ensure that the provisions of this directive are transposed uniformly in the various Member States and are as effective as possible, its scope should be limited to those intellectual property rights which are already regulated at Community level.

Amendment 5 Article 2

Definition

Definitions

For the purpose 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,***
- design rights,***
- 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 rights¹;

(b) 'infringements on a commercial scale' means any infringement of an intellectual property right committed to obtain direct or indirect economic or commercial advantage; this would normally exclude acts carried out by private users for personal and non-commercial 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.

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.

(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.

¹ *OJ L 196 of 2.8.2003, p. 7.*

Justification

This amendment seeks to introduce the definitions required in order to specify the exact scope of the directive and clarify the concepts of 'commercial scale' and 'intentional infringements' which are the criteria for punishable offences. The change to the title of Article 2 is a necessary consequence of introducing additional definitions to supplement the single definition contained in the original Commission text.

Amendment 6 Article 5, paragraph 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 when ***they are of a serious nature or when they 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.

Justification

This amendment is justified by the fact that many national legal systems already apply fairly stringent 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 7 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 8 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 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 ***of a serious nature or where they 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.

Justification

This amendment is justified by the fact that many national legal systems already apply fairly stringent 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 9 Article 7

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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.

holders of intellectual property rights concerned, or their representatives **and advisers**, are allowed to assist the investigations carried out by joint investigation teams into the offences referred to in Article 3.

Justification

The amendment seeks to clarify the text.

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 imposed¹.

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 abovementioned 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 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).

¹ 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.

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 principle aim and content of the framework decision at issue in the case in question¹ 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 Communication² 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 2005³.

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.

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

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

² 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.

³ 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)).

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 2005¹. 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 German², Austrian³, Danish⁴, Spanish⁵, French⁶, Hungarian⁷, Italian⁸, Dutch⁹ and Portuguese¹⁰ legislation. Consequently,

¹ COM(2005)0696.

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

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

⁴ Cf. section 57 of the Danish Patents Act no 479 of 20 December 1967.

⁵ Cf. Article 273 of the Criminal Code, as amended by organic law no 10/1995 of 23 November 1995.

⁶ Cf. Article L. 615-14 of the Intellectual Property Code of 26 January 1990 as subsequently amended.

⁷ Cf. Article 329/D of the Criminal Code.

⁸ 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.

⁹ Cf. Article 45 of the Dutch Patent Act (*Rijksoctrooiwet*) of 1910 and Article 79(1) of the Dutch Patent Act (*Rijksoctrooiwet*) of 1995.

¹⁰ Cf. Articles 261 and 262 of the Industrial Property Code (decree law no 16/95 of 24 January 1995 as

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 law¹, 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 Parliament² 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 it 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

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.

subsequently amended).

¹ 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).

² 648 votes to 14, with 18 abstentions.