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NOTE

from: General Secretariat
to: Permanent Representatives' Committee/Council
Subject: Proposal for a Directive of the European Parliament and of the Council on criminal measures aimed at ensuring the enforcement of intellectual property rights
– Outcome of the European Parliament's first reading
(Strasbourg, 22 to 26 April 2007)

I. INTRODUCTION

The debate on the above directive was opened by Commissioner Verheugen, who recalled the importance of the proposal for the achievement of the internal market by establishing equal legal protection within the Community. He commented on certain amendments and disagreed with those of the rapporteur's amendments which limited the scope of the directive and those which provided for definitions of intellectual property rights, which he thought did not seem useful and would cause a series of problems.

II. DEBATE

The floor was then taken by Nicola Zingaretti (PSE, IT), rapporteur on this proposal, who reiterated the importance of the directive as amended and then stressed a number of amendments concerning the scope of the directive, and those amendments that provided for a number of definitions e.g. ("intellectual property rights", "infringements on a commercial scale" and "intentional infringements of an intellectual property right").

Subsequently, David Hammerstein Mintz (Verts/ALE, ES) gave the opinion of the Industry, Research and Energy Committee, and, while agreeing that the fight against fraud and piracy was legitimate, he insisted that the scope of the proposal, as amended by the Parliament, would result in everyone being treated equally, be they a mafia criminal or a normal citizen. It did not, he argued, take into account any money making motives or criminal intent, and put everyone under the risk of penal sanctions, when, in many cases, civil law sanctions would be more appropriate.

Rainer Wieland(EPP-DE, DE) took the floor next and presented the opinion of the Civil Liberties, Justice and Home Affairs Committee. He said that he supported the initiative, but he also stressed that penalties should not have limitations, and that the definitions as suggested by the rapporteur are essential.

Afterwards, Hans-Peter Mayer (DE) on behalf of the PPE-DE, argued that the proposal would be a good instrument in the fight against organised crime, and therefore suggested that the private consumer should be excluded from the scope of the directive. He also stated that, in his opinion, the question of fines and financial penalties needed to be left to national authorities.

Representatives of several political groups then took the floor, including Manuel Medina Ortega (ES), on behalf of the PSE group, who gave his full support to the Proposal as amended by the Parliament, while insisting that the Proposal should stick to what is absolutely necessary for the protection of intellectual property rights. He stressed that use of criminal sanctions should always be exceptional.

Among the opponents to this proposal, Jim Allister (NI, UK) argued that this proposal was an infringement of national sovereignty, and was aimed at expanding the Commission's powers.

Jacques Toubon (PPE-DE, FR), then took the floor to generally thank the Commission's initiative, while regretting those amendments suggesting definitions of intellectual property rights, which, according to him, were outside the purpose of this proposal.

Sharon Bowles (ALDE, UK) then asked for the scope of the proposal to be narrowed to the TRIPS agreement - counterfeiting and piracy.

Edith Mastebroek (PSE, NL) questioned the legal basis of the proposal, and reminded the audience that a judgement from the Court of Justice did not amount to a political mandate.

Finally, Vice President Verheugen closed the debate and reminded the audience that, in order to avoid legal uncertainty, the scope of the directive should be limited to those areas where the Community has jurisdiction.

He also called for patents to be covered, and concluded by saying that, in his opinion, the inclusion of definitions was not necessary and would not bring legal certainty.

II. VOTE

The text of the amendments adopted and the European Parliament legislative resolution are annexed to this note.

European Parliament legislative resolution of 25 April 2007 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))

(Codecision procedure: first reading)

The European Parliament,

- having regard to the amended 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 (A6-0073/2007),
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 the Commission.

¹ Not yet published in the OJ.

Position of the European Parliament adopted at first reading on 25 April 2007 with a view to the adoption of Directive 2007/.../EC 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*,

Having regard to the opinion of the European Economic and Social Committee²,

Having regard to the opinion of the Committee of the Regions³,

Acting in accordance with the procedure laid down in Article 251 of the Treaty⁴,

(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.

² OJ C [...], [...], p. [...].

³ OJ C [...], [...], p. [...].

⁴ *Position of the European Parliament of 25 April 2007.*

- (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) 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/EC⁵. 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.
- (4) The Commission also adopted, in November 2004, an Intellectual Property Rights Enforcement Strategy towards third countries.
- (5) Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights⁶ 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 *that* Directive complete. Certain criminal provisions need to be harmonised so that counterfeiting and piracy in the internal market can be combated effectively. The Community legislature 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.*

⁵ OJ L 336, 23.12.1994, p. 1.

⁶ OJ L 157, 30.4.2004, p. 45. *Corrigendum published in OJ L 195, 2.6.2004, p. 16.*

- (6) Building on the Commission Communication on a customs response to counterfeiting and piracy adopted in October 2005, the Council has adopted a Resolution on 13 March 2006, whereby it underlines that the Lisbon Strategy objectives "can only be achieved through a well-functioning internal market with adequate measures to encourage investment in the knowledge-based economy and recognises the threat posed by the serious growth in counterfeiting and piracy to the Union's knowledge-based economy and in particular to health and safety (...)".
- (7) *In its resolution of 7 September 2006 on counterfeiting of medicinal products, the European Parliament took the view that the European Community should equip itself as a matter of urgency with the means to combat effectively illicit practices in the area of piracy and the counterfeiting of medicines.*
- (8) The level of sentencing for natural and legal persons who have committed such offences must be harmonised. In particular, the rules on prison sentences, fines and confiscation must be harmonised.
- (9) *In respect of persons accused of committing the offences laid down in this Directive, and in establishing their intention to infringe the intellectual property right in question, account should be taken of the extent to which the accused had, in advance of the infringement, substantial grounds to plead that the intellectual property right in question was invalid.*

- (10) Provisions must be laid down to facilitate criminal investigations. The Member States must ensure *the cooperation of the holders of intellectual property rights with the joint investigation teams in accordance with the arrangements provided for in Council Framework Decision 2002/465/JHA of 13 June 2002 on joint investigation teams*⁷. *The involvement of the holders of intellectual property rights concerned should constitute a supporting role that will not interfere with the neutrality of the state investigations.*
- (11) To facilitate investigations or criminal proceedings concerning intellectual property offences, these may not be dependent on a report or accusation made by a person subjected to the offence.
- (12) *The rights enshrined in the Charter of Fundamental Rights of the European Union should be fully respected when criminal acts and penalties are defined, during investigations and in the course of judicial proceedings.*
- (13) This Directive does not affect specific liability systems such as that laid down for Internet service providers by Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, *in the Internal Market*⁸.
- (14) *This Directive does not affect specific liability systems such as that laid down by Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society*⁹.

⁷ OJ L 62, 20.6.2002, p. 1.

⁸ OJ L 178, 17.7.2000, p. 1

⁹ OJ L 167, 22.6.2001, p. 10.

(15) *Since the objective of this Directive cannot be sufficiently achieved by the Member States acting alone and can therefore be better achieved at Community level, the Community may adopt measures in accordance with the principle of subsidiarity as set out in 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 that objective.*

(16) 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.

(17) ***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 access¹⁰.***

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, ***as defined below, in the context of counterfeiting and piracy.***

These measures shall apply to intellectual property rights, ***other than patents***, provided for in Community ***legislation.***

¹⁰ ***OJ L 320, 28.11.1998, p. 54.***

Industrial property rights under a patent shall be excluded from the provisions of this Directive.

In particular, this Directive does not apply to any infringement of an intellectual property right related to:

- *patent rights, utility models and plant variety rights, including rights derived from supplementary protection certificates;*
- *parallel importation of original goods from a third country which have been allowed by the rightholder.*

Article 2 *Definitions*

For the purposes of this *Directive*:

(a) *“intellectual property rights” means one or more of the following rights:*

- *copyright,*
- *rights related to copyright,*
- *the sui generis right of a database maker,*
- *rights of the creator of the topographies of a semiconductor product,*
- *trademark rights, in so far as extending to them the protection of criminal law is not inimical to free market rules and research activities,*

- *design rights,*
- *geographical indications,*
- *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 rights¹¹, and in any event with the exclusion of patents;*

(b) “infringements on a commercial scale” means any infringement of an intellectual property right committed to obtain a commercial advantage; this excludes acts carried out by private users for personal and not-for-profit purposes;

(c) “intentional infringements of an intellectual property right” means any deliberate and conscious infringement of the right concerned for the purpose of obtaining an economic advantage on a commercial scale;

(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.

¹¹ *OJ L 196, 2.8.2003, p. 7.*

Article 3
Offences

Member States shall ensure that all intentional infringements of an intellectual property right on a commercial scale, *and aiding* or abetting and inciting *the actual infringement*, are treated as criminal offences.

Criminal sanctions shall not be applied in cases of parallel importation of original goods from a third country which have been allowed by the rightholder.

Member States shall ensure that the fair use of a protected work, including such use by reproduction in copies or audio or by any other means, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship or research, does not constitute a criminal offence.

Article 4
Nature of 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) ***criminal fines for natural persons and criminal or non-criminal fines for legal persons;***
 - 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, ***including materials or equipment used for*** infringing an intellectual property right;
 - (b) total or partial closure, on a permanent or temporary basis, of the establishment ***used 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;
- (h) *an order requiring the infringer to pay the costs of keeping seized goods.*

Article 5
Level of penalties

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 *where they are serious crimes within the meaning of Article 3(5) of Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing¹² or 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.*

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

¹² *OJL 309, 25.11.2005, p. 15.*

(a) _____ to a maximum of at least EUR 100 000 for cases other than *those referred to in paragraph 1*;

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

3. Member States shall take the necessary measures to ensure that repeated offences within the meaning of Article 3 committed by natural and legal persons in a Member State other than their country of origin or domicile are taken into account when determining the level of penalties in accordance with paragraphs 1 and 2 of this Article.

Article 6

Extended powers of confiscation

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 *Council Framework Decision 2005/212/JHA of 24 February 2005 on Confiscation of Crime-Related Proceeds, Instrumentalities and Property*¹³, where the offences are *serious crimes within the meaning of Article 3(5) of Directive 2005/60/EC or 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 7

Misuse of rights

Member States shall ensure that, through criminal, civil and procedural measures, the misuse of threats of criminal sanctions is prohibited and made subject to penalties.

Member States shall prohibit procedural misuse, especially where criminal measures are employed for the enforcement of the requirements of civil law.

¹³ OJ L 68, 15.3.2005, p. 49.

Article 8
Rights of defendants

Member States shall ensure that the rights of defendants are duly protected and guaranteed.

Article 9
Joint investigation teams

1. 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.

2. *Member States shall put in place adequate safeguards to ensure that such cooperation does not compromise the rights of the accused person, for example by affecting the accuracy, integrity or impartiality of evidence.*

3. *Article 8 of the Charter of Fundamental Rights of the European Union, which concerns the protection of personal data, and Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data¹⁴, shall be fully respected in the course of investigations and judicial proceedings.*

¹⁴ OJ L 281, 23.11.1995, p. 31. Directive as amended by Regulation (EC) No 1882/2003 (OJ L 284, 31.10.2003, p. 1).

Article 10

Right to receive information from law enforcement authorities

Member States shall provide that, where law enforcement authorities seize infringing items or obtain other evidence of infringement, the authorities make such evidence available for use in pending or contemplated civil proceedings against the alleged infringer brought by the right-holder before a court of competent jurisdiction within the European Union, and, where practicable, that those authorities inform the right-holder concerned or his representative that they are in possession of such items or evidence. Member States may require that any such provision of evidence to the right-holder be made subject to reasonable access, security or other requirements so as to ensure the integrity of the evidence and to avoid prejudice to any criminal proceedings that may ensue.

Article 11

Initiation of criminal proceedings

Member States shall ensure that the possibility of initiating investigations into, or prosecution of, offences covered by Article 3 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 12
Transposition

Member States shall bring into force the provisions necessary to comply with this Directive by.....* at the latest . 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.

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

Article 13
Entry into force

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

Article 14

This Directive is addressed to the Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

* *Eighteen months after the date of adoption.*