

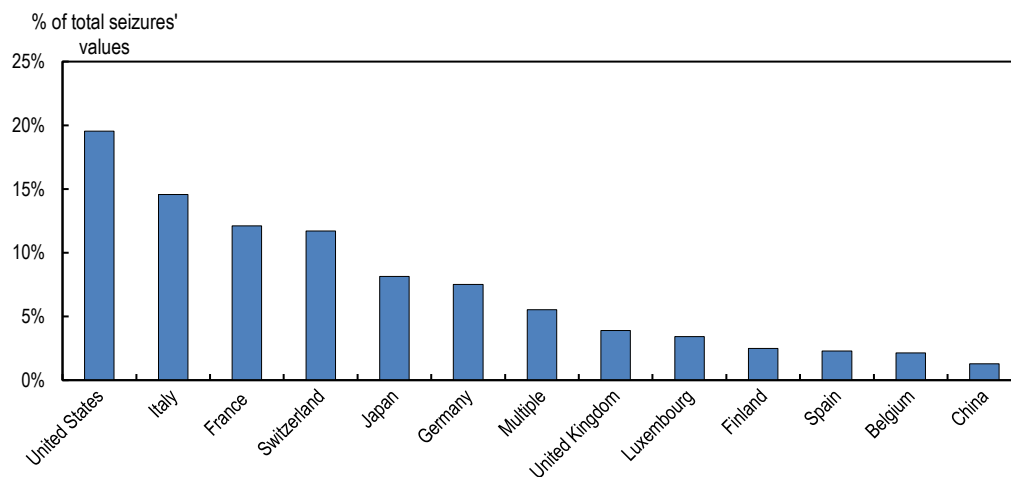
# THE EU POLICY PATTERN IN ENFORCEMENT OF IP RIGHTS\*

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*The widely digitalized world has enabled a whole range of new opportunities at any rate. Having gathered the innovators and creators globally, the environment of the internet has become a solid marketplace. Technologies of all kinds, therefore, have been available to a much greater audience whilst the innovators and creators achieved the access to new markets without substantial investments needed. However, the activities that have been catalyzed and globalized by the digital environment are not limited to legitimate content. Besides the affirmative impact of digitalization on IP rights, it also increasingly serves as a distribution channel for counterfeit and pirated goods. Owing to the broader and quicker spread of IP-infringing goods and content through the digital environment, it became more and more difficult for consumers to distinguish infringing goods and content from genuine and legal ones. Correspondingly, the digital upheaval contains a major risk for the European innovation and growth, having regard to the fact that the EU figures one of the greatest global actors in innovation and knowledge-based technologies. Moreover, such sorts of IP-infringing activities may readily take advantage of the weaknesses of IP right enforcement at an international level.*

Table 1

## Seizures of counterfeit and pirated goods: Top economies of origin of right holders whose IP rights are infringed



Source: OECD (2016) Trade in Counterfeit and Pirated Goods: Mapping the Economic Impact, <http://dx.doi.org/10.1787/888933345922>

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The European Commission has underlined in its Communication<sup>2</sup> that today counterfeit and pirated goods figure 2.5 % of global trade. The EU industry is dramatically affected, hence, recent studies suggested that 5% of all imports into the EU are counterfeit and pirated goods, corresponding to an estimated EUR 85 billion in illegal trade.<sup>3</sup> With this being the case, a special emphasis by the Commission was put on enforcement of IPRs. Indeed, enhancing the internal and external exercise of IP rights has been in the core of the Union's 2020 Strategy as well as both the Single Market and Digital Single Market Strategies.

However, even at the premature phase of digitalization, IPRs enforcement at multinational level has always been challenging. Inherently, this is also the case for the Union. As an initial step, Directive 2004/48/EC on the enforcement of intellectual property rights (hereinafter: IPRED) has been introduced. The directive has been dedicated to provision of minimum measures, procedures and remedies allowing effective civil enforcement of intellectual property rights. The objective of IPRED has been expressed as approximating national legislative systems, hence, ensuring more comprehensive, equivalent and homogeneous level of protection within the Union and, of course, in the internal market. As the Directive per se stated in its Article 18,<sup>4</sup> an assessment regarding implementation and impact of IPRED on the enforcement of IPRs was carried out, and eventually subjected to the Commission's report.<sup>5</sup> The evaluation of the directive disclosed that the Directive created high European legal standards to enforce various rights that are protected by independent legal regimes. Similarly, the measures, procedures and remedies stipulated by IPRED have facilitated the better protection of IPR throughout the EU and the circumvention of IPR infringements in civil courts. Therefore, it has led to the creation of a common legal framework where the same set of tools is to be applied across the Union.

Nevertheless, the measures, procedures and remedies set out in the Directive are not implemented and applied uniformly among the Member States. In other words, the interpretation of the Directive has presented divergences from one Member State to another. This diversity, on the other hand, was blamed on differences in national civil law proceedings and judicial traditions.<sup>6</sup> In this context, necessity for further clarification to facilitate a common understanding of the Directive became evident. Eventually this prospect led the Commission to introduce a communication<sup>7</sup> to clarify its views on the provisions of the Directive around which divergent interpretations appeared ever since it entered into force. The Communication made its remark on the following provisions

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<sup>2</sup>Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee: *A balanced IP enforcement system responding to today's societal challenges*, COM (2017) 707 final.

<sup>3</sup> Ibid.

<sup>4</sup>Three years from 29 April 2006, each Member State shall submit to the Commission a report on the implementation of this Directive. On the basis of those reports, the Commission shall draw up a report on the application of this Directive, including an assessment of the effectiveness of the measures taken, as well as an evaluation of its impact on innovation and the development of the information society.

<sup>5</sup>Application of Directive 2004/48/EC of the European Parliament and the Council of 29 April 2004 on the enforcement of intellectual property rights.

<sup>6</sup>Guidance on certain aspects of Directive 2004/48/EC of the European Parliament and of the Council on the enforcement of intellectual property rights, 1.

<sup>7</sup>Ibid.

of IPRED respectively;<sup>8</sup> Scope; General obligation; Entitlement to apply for measures, procedures and remedies; Presumption of authorship or ownership; Rules on obtaining and preserving evidence; Right of information; Injunctions; Corrective measures; Calculation of damages; Legal costs.

Similarly, the patterns of the European Union's action plan relating to enforcement of the IP rights, more particularly its combat against counterfeit products and piracy, are also overtly drawn up in the Communication from the Commission.<sup>9</sup> The action plan has its focus on commercial extent of IPR infringements which have been deemed the most harmful. It aims to stipulate a new policy approach, the so called "follow the money", that seeks to deprive commercial scale infringers of the revenue flows that draw them into such activities. This policy approach contains the objective for stakeholders and associations to avoid placing advertisements on commercial scale infringer websites and apps. They are also obliged to endeavor to dissuade their members from offering, selling, recommending, or buying media space on commercial-scale IP infringing sites. The entire action plan is comprised of ten sectors, the most significant of which are:

- To raise awareness amongst citizens on the economic harm caused by commercial scale IP infringements and on the potential health and safety risks associated with IPR-infringing products;
- Consultation actions with all relevant stakeholders on applying due diligence to prevent commercial scale IP infringements;
- Improving IP civil enforcement procedures for small and medium scale enterprises (SME), in particular in respect of low value claims;
- To consult stakeholders on the need for future EU action; To establish a Member State Expert Group on IP Enforcement;
- To support the development of a comprehensive set of sectoral IP enforcement related training programs for Member State authorities in the context of the Single Market.

As far as enforcement beyond the Union's borders is concerned, diversities and difficulties are of greater amount. Evidently, however, as one the biggest global actors of IP-based industry, the EU not only has to achieve the enforcement of the IP rights within its borders; but it also has to remain competitive in the global market where lower-quality third country products are involved and take advantage of less strict IP regulations. Moreover, the EU has a limited capacity to convince third countries to improve their standards and secure better protection of EU intellectual property.<sup>10</sup> On the other hand, the necessity of a decent policy response has been observed relevant, not only to ensure effective protection and enforcement of IPRs internationally, but also to raise public awareness of the economic and other impacts of infringing goods and their

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<sup>8</sup>Ibid, 2.

<sup>9</sup>Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee (2014). *Towards a renewed consensus on the enforcement of Intellectual Property Rights: An EU Action Plan*. COM (2014) 392 final.

<sup>10</sup>Bendini, R & Mendonca, S. (2015). *In-depth analysis, Re-communicating the EU's IPR strategy for third countries*, 2015. Available at: [http://www.europarl.europa.eu/RegData/etudes/IDAN/2015/549030/EXPO\\_IDAN\(2015\)549030\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/IDAN/2015/549030/EXPO_IDAN(2015)549030_EN.pdf) [accessed 2 May 2018].

harm to further innovation and on health and safety.<sup>11</sup> Concordantly, and as a “logical subsequence” of the IPRED which is to harmonize enforcement legislation within the Union, the Communication of the Commission, with the intent of contributing to the enforcement in third countries, was introduced.<sup>12</sup> The said strategy initially aimed to take a long term action so as to significantly reduce IP rights violations in third countries. It also seeks for cooperation between the right holders, relevant entities and the users and to inform them as to the importance of their participation.

The strategy suggests that the institutional structures of multilateral agreements may be used as channels to monitor and discuss multinational legislation and enforcement problems from a very early stage. Therefore, these could serve as an area for political dialogue. It also maps out the inclusion of enforcement clauses in future bilateral or regional agreements more operationally and to clearly define what the EU regards as the highest international standards in this area and what efforts it expects its trading partners to put in.<sup>13</sup> Additionally, it deems the bilateral agreements that the Community establishes with third countries a tool of standardization. In other words, it adopts a strategy through which the Union stipulates the achievement of a high level of IPR protection as well as enforcement standards by the third countries that conclude bilateral agreements with the EU.

The Communication also draws attention to the fact that forming an IPR enforcement framework involves substantial complexity and multi-disciplinary effort. It involves composing legislation drafts, training judges, enforcement officers, customs officials and other experts, forming the relevant institutions and offices, as well as raising social consciousness as to the importance of IP rights. However, as most of these needs are addressed by the Commission via technical cooperation programs, it is important to strengthen and enhance the technical cooperation in prioritized third countries.

As regards to IPR disputes, the Communication suggests to stipulate the WTO dispute settlement mechanism and dispute settlement tools of a similar kind into bilateral agreements. It also encourages public-private partnerships and seeks to improve the cooperation between the companies and associations which actively combat counterfeit and piracy.

At a multilateral level, however, it is necessary to mention the failure of the Anti-Counterfeiting Trade Agreement (ACTA) to come into force in the EU. The objective of ACTA was to provide a widely applicable multinational legal framework for IP rights enforcement. However, it remained controversial and was widely criticized on the ground that it favors the interests of business giants over the individual’s rights and liberties with regards to copyrights. Furthermore, it was found to be “too vague and open to misinterpretation”.<sup>14</sup> Eventually the European Parliament rejected the treaty.

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<sup>11</sup> Full text is available at: [http://trade.ec.europa.eu/doclib/docs/2014/july/tradoc\\_152643.pdf](http://trade.ec.europa.eu/doclib/docs/2014/july/tradoc_152643.pdf) [accessed 2 May 2018] Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee (2014). *Trade, growth and intellectual property - Strategy for the protection and enforcement of intellectual property rights in third countries* (2014),].

<sup>12</sup> Strategy for the enforcement of intellectual property rights in third countries (2004). Full text is available at [http://trade.ec.europa.eu/doclib/docs/2005/april/tradoc\\_122636.pdf](http://trade.ec.europa.eu/doclib/docs/2005/april/tradoc_122636.pdf) [accessed 2 May 2018].

<sup>13</sup> Ibid.

<sup>14</sup> Acta down, but not out, as Europe votes against controversial treaty, Available at: <https://www.theguardian.com/technology/2012/jul/04/acta-european-parliament-votes-against> [accessed 2 May 2018].

Upon the rejection of the ACTA by the European Parliament, the Commission, in July 2014, passed a revised version of the Communication concerning the IPR enforcement in third countries.<sup>15</sup> However the latter Communication has been based on the previous ones with some nuances and with some advancements in line with digitalization in the field, putting emphasis on the below objectives:

- Raising awareness of the overall benefits of IPRs
- Cooperation with third-country governments,
- Broader consideration of stakeholders interests and improving stakeholder engagement,
- Providing better data,
- Building on EU legislation (by means of FTAs, IP Dialogues, technical cooperation),
- Providing assistance to EU right holders in third countries.

All in all, at the current stage, the EU at internal level seems to pursue the goal of approximating the legal framework for IPR both in context of substantive law and procedural law. Thus, obstacles as to the enforcement owing to the territorial nature of IPRs may be circumvented. We may argue that the intellectual property field is a good example where the EU law has been widely harmonized. Indeed, certain types of IPRs (i.e. European Union Trademark, Community Design, Unitary Patent and the patent litigation) have been subjected to a unitary protection which, inherently, facilitates the enforcement within the Union. On the other hand, aligning the IPR enforcement on a multilateral level is of great difficulty and crucial at the mean time. As far as the enforcement in third countries is concerned, the Union's contemporary tendency is focused mainly on bilateral efforts (FTA negotiations, dialogues, capacity-building and technical cooperation) thus stipulating more advanced IP standards to the third countries so as to approximate the laws beyond the Union's territory. Furthermore, the ever-increasing level of harmonization within the EU is likely to boost its credibility in third countries.

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<sup>15</sup> Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee (2014). *Trade, growth and intellectual property - Strategy for the protection and enforcement of intellectual property rights in third countries*.

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