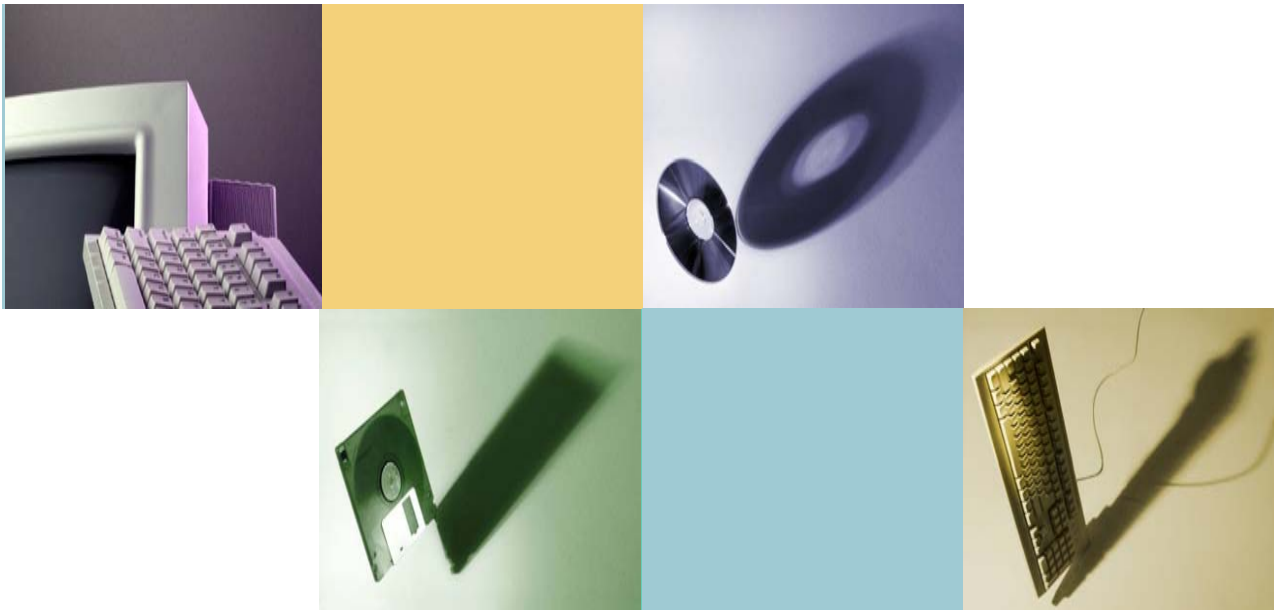


Enforcement Directive Update



November, 2006

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Enforcement Directive

- What is it?
- What does it say?
- Implementation
- Infringement as a criminal offence
- Does it make a difference?

Enforcement Directive –What is it?

“Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights”

OJ L 195/23

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Objective

- ❑ Objective: “... to ensure a high, equivalent and homogenous level of protection in the internal market.” (recital 10)
- ❑ Aimed at ensuring that the standards of IPR enforcement across the EU are raised to a minimum level
- ❑ Set by reference to the existing best practice in the EU
 - ❑ much is derived from English and French law?
- ❑ But national legislation may be more favourable to right-holders (articles 2(1) & 16).

Implementation

- ❑ Deadline for implementation: 29 April 2006
- ❑ Implemented: Austria, Cyprus, Czech Republic, Denmark, Estonia, Finland, Hungary, Ireland, Italy, Slovenia, Spain, United Kingdom
- ❑ Not implemented: Belgium, France, Germany, Greece, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovakia, Sweden
- ❑ What if not implemented?
 - ❑ “Horizontal direct effect” - ie between private litigants
 - ❑ “one of the most controversial questions in EU constitutional law”
 - ❑ sue your government for damages instead?

Implementation - UK

- ❑ UK law broadly in line with the Directive
 - ❑ The Intellectual Property (Enforcement etc.) Regulations 2006
 - ❑ Changes to:
 - ❑ Patents Act 1977
 - ❑ Copyright Designs and Patents Act 1988
 - ❑ Trade Marks Act 1994
 - ❑ Registered Designs Act 1949
 - ❑ Secondary legislation
 - ❑ Civil Procedure Rules

Implementation - Netherlands

- ❑ The Directive has not yet been implemented into Dutch national law
- ❑ Dutch law already broadly in line with the Directive in many areas
- ❑ Structure of implementation will be by amendment e.g. the Dutch Patent Act, the Dutch Code of Civil Procedure, the Neighbouring Rights Act, the Copyright Act, the Database Act and the Trade Name Act

Implementation - Germany

- ❑ The Directive has not yet been implemented into German national law
- ❑ No date has been set for its implementation; a draft bill was published in January 2006; consultation with affected parties is on-going
- ❑ Structure of the implementation will be to amend e.g. the Patent Act and the Trade Mark Act, rather than introduce a stand-alone new Act

Implementation - France

- ❑ The Directive has not yet been implemented into French national law
- ❑ There are no consultation documents or draft regulations available to the public
- ❑ The implementation of the Directive does not appear to be on the French Parliament's agenda

Implementation - Belgium

- ❑ Draft amendments prepared: unlikely to be in force until after 2007 elections
- ❑ Many aspects covered under existing law

Articles 1, 2 & 3

- ❑ Article 1 - Subject matter
 - “Intellectual property rights” not defined
 - ❑ but includes industrial property rights
- ❑ Article 2 - Scope
 - Applies to all IP rights, EU or national
 - ❑ unclear whether covers moral rights, confidential information, passing off, trade libel
 - ❑ can be extended to unfair competition (recital 13)
- ❑ Article 3 - General obligation on Member States to implement
 - not too complicated or costly, or slow
 - measures to be “effective, proportionate and dissuasive”

Article 4

- ❑ Persons entitled to apply for the application of measures and remedies
 - rights holders
 - and, insofar as permitted by national law:
 - ❑ other persons authorised to use those rights (esp licensees)
 - ❑ recognised IP collective rights-management bodies
 - ❑ recognised professional defence bodies
- ❑ Note: accused infringers are NOT necessarily “entitled to apply ...”

Article 4 - Implementation

- ❑ UK - Right holders and exclusive licensees only
 - amendment to Registered Designs Act 1949 to bring in exclusive licensees
- ❑ Representative actions: not implemented yet - UKPO consulting

Article 5 - Presumptions

- ❑ Presumption of authorship in favour of person named on a literary or artistic work
- ❑ Similarly for holders of related rights (e.g. rights in performances, recordings, etc.)

Article 6 - Evidence

- ❑ Courts may order “opposing party” to provide specified evidence in its control
 - applicant must provide “reasonably available evidence sufficient to support its claims”
 - “subject to protection of confidential information”
 - ❑ a defence or a balancing act?
 - ❑ privilege?
 - where infringement is on a “commercial scale”, courts may order the communication of banking, financial or commercial documents
 - Can accused infringer apply?
- ❑ Implementation?
 - UK - no change needed
 - Germany & Netherlands - only rights owner may apply - not accused infringer

Article 7 - Preserving Evidence

- ❑ Can be in advance of proceedings and/or *ex parte*
- ❑ Needs “reasonably available” evidence to support substantive claim
- ❑ Measures may include:
 - detailed description, with or without the taking of samples
 - physical seizure of infringing goods
 - in appropriate cases, physical seizure of the materials and implements used in the production and/or distribution of the infringing goods and documents relating thereto
- ❑ Order may be subject to lodging of adequate security or other assurance by the applicant

Article 7 - Implementation

- ❑ UK - no change needed
 - Search orders (Anton Piller), pre-action inspection
 - numerous safeguards
- ❑ France - existing law - *saisie contrefaçon*
 - administrative: nothing needs to be proved
 - ex parte
- ❑ Belgium
 - Already has *saisie contrefaçon*
- ❑ Netherlands
 - Judicial reluctance?

Article 7 - Germany

- ❑ Article 7 a “hot topic” - much current debate
- ❑ Federal Supreme Court has held that pre-action access could be ordered if there was “a certain degree of probability” of infringement (access to documents and premises, including via an ex-parte preliminary injunction); the Düsseldorf district court has developed a right of inspection
- ❑ Draft bill contains summary of case law; it is recognised that the Directive nevertheless goes further
- ❑ Interaction with constitutional rights (e.g. protection of premises, protection of alleged infringers’ confidentiality)

Article 8 - Right to Information

- ❑ Courts may order disclosure of origin and distribution networks of infringing goods or services
 - “justified and proportionate request of the claimant”
 - Available against:
 - ❑ infringer
 - ❑ persons found in possession of infringing goods on commercial scale
 - ❑ persons using or providing infringing services on commercial scale
 - ❑ persons indicated by the above as being involved in production, manufacture or distribution of infringing goods or provision of infringing services

Article 8 - Implementation

- ❑ UK - no change needed
 - Article 8(3)(b) - use in other proceedings may be restricted
 - Does CPR 31.22 or “compulsion principle” apply?
 - ❑ can the information be used to found independent proceedings eg under different IP rights or overseas?
- ❑ Germany
 - Draft proposals do not contain restrictions on the use of the information
- ❑ Netherlands
 - Draft proposals do not contain restrictions on the use of the information
 - but general rules preserving confidentiality may apply

Article 9 - Provisional Measures

- ❑ Court may:
 - issue interlocutory injunctions against:
 - ❑ infringers
 - ❑ intermediaries whose services are used by a third party to infringe
 - order the seizure or delivery up of infringing goods
 - ❑ in support of injunction
 - order the precautionary seizure of property and, for example, freezing of bank accounts
 - ❑ if infringement on commercial scale; and
 - ❑ evidence of circumstances likely to endanger recovery of damages

Article 9 - Implementation

□ UK:

- Court may now order guarantee or payment into court as security for damages into court in lieu of injunction (*CPR 25.1(p)*)

Articles 10-12 - Final Remedies

- ❑ Article 10 - “corrective measures”
 - recall, removal from channels of commerce or destruction of infringing goods, usually at the expense of the infringer
 - No “recall” under UK implementation
- ❑ Article 11 - final injunction
 - recurring penalty payment for non-compliance
 - also against “intermediaries whose services are used ... to infringe an intellectual property right”
- ❑ Article 12 - may be damages in lieu of the above
 - if infringement “unintentional and without negligence”

Article 13 - Damages - “Knowingly”

- Where infringement “knowingly, or with reasonable grounds to know”, damages “appropriate to the actual prejudice suffered”
 - “negative economic consequences” such as lost profits
 - unfair profits of infringer;
 - where appropriate, non-economic factors such as “moral prejudice”
 - OR
 - “in appropriate cases”, lump sum on royalty basis
 - No punitive damages: compensation to be based on objective criteria (recital 26)
- Knowledge:
 - of the patent, of the accused acts, or that accused acts infringe?
 - “Opinions of Counsel”?
 - Patent Office Opinions?

Article 13 - Damages - “Innocent”

- Where infringer is innocent, Court may order recovery of profits or payment of damages
 - “which may be pre-established”

Article 13 - Implementation

□ UK

- Regulation 3 of Intellectual Property (Enforcement etc.) Regulations 2006 sets out general approach (mirrors directive language). Notably:
 - Knowing infringers - assessment includes defendant's unfair profits and "moral prejudice"
- Non-registration of assignment no longer a bar to damages (s68 PA1977, s25(4) TMA1994).
 - Instead, no award of costs
- Patents: pre-amendment infringement and partial validity (s62(3) and 63(2) PA 1977)
 - "Good faith and reasonable skill and knowledge" no longer has to be proved
 - but remain factors to be taken into account

Article 14 - Costs

- ❑ General rule: loser pays reasonable and proportionate costs of winner
 - Debate in Netherlands as how to implement, introduction "*Streitwert*", similar to Germany?

Article 15 - Publication

- ❑ Courts may order “appropriate measures for the dissemination of the information concerning the decision”
 - ie publication of the decision in full or part at defendant’s expense
 - Option for “additional publicity measures, including prominent advertising”
- ❑ UK implementation
 - publication (but no reference to prominent advertising) (CPR 63PD 29(2))

Article 16 - National sanctions

- ❑ Directive does not prevent Member States from applying other appropriate sanctions

Effects on Patent Drafting

- ❑ Article 6 simplifies proof of infringement of process claims
 - even where not “novel product” and so no reversal of proof
 - even in Germany
 - but patentee still needs “reasonably available evidence to support its claims”
- ❑ “Fingerprint” of process in final product?
 - eg Impurity profile
 - include in description (if not in claims)
- ❑ Set out the full procedure for measuring “measurables”

Criminal Offence?

Yes

- France
- Germany
- Netherlands
- Portugal
- Spain

No

- Belgium
- Ireland
- United Kingdom

Conclusion

- ❑ Will be national differences in willingness of courts to grant the enforcement measures provided by the directive
 - Will this be sufficient to justify forum shopping?
- ❑ Availability of documents to prove infringement
- ❑ “Knowing infringers”: will formal legal opinions become necessary?
- ❑ Impact of “recall” orders on relations with customers