

In force

🌐 *Protecting your mark in the EU*

Lisa Peets, of Covington & Burling, outlines the tools that will become available to rights owners once the European Union brings into force the so-called enforcement directive, passed by lawmakers last month

The European Union will soon adopt its long awaited “Directive on measures and procedures to ensure the enforcement of intellectual property rights”.¹ Commonly referred to as the Enforcement Directive, this legislation is designed specifically to combat the lucrative and growing European trade in counterfeit and pirate goods.

Counterfeits have long been a troubling and costly problem for European trademark owners.

While many believe that Asia is the source of most counterfeits, Europe has its own thriving industry. European Commission statistics for 2003 reveal customs seizures of counterfeit products originating from Belgium, Czech Republic, France, the Netherlands, Poland, Portugal and Switzerland.²

Community and national laws in Europe provide a relatively comprehensive legal framework for trademarks as regards the granting of rights.³ As trademark owners know from experience, the challenge comes in enforcing these rights. Burdensome procedures, non-deterrent damages and penalties, under-resourced law enforcement bodies, and a lack of political will can often make it difficult to protect one’s brand. The lack of harmonisation among the Member States’ enforcement regimes has created counterfeiting havens, with counterfeiters basing themselves in those markets where enforcement regimes are weakest.

In light of these problems, the Directive is a welcome development for trademark owners. By establishing a level playing field for enforcement across the 25 member states in the enlarged Community, the EU has taken a significant step toward ending counterfeiting within its borders. Once implemented, the Directive will go a long way toward protecting the interests of trademark owners, consumers and, ultimately, of Europeans overall.

This article will provide an overview of the Directive’s most important rules and will discuss the implications for trademark owners.

Scope

The Directive’s scope of application was among the most heavily debated issues in the legislative

process. Under the European Commission’s original proposal, right holders could use the Directive’s measures only in cases where the infringement was conducted for a “commercial purpose” or caused “significant harm”. Holders of intellectual property rights expressed strong concerns that this limitation rendered the Directive overly narrow and difficult to apply. For example, right holders asked, how could they prove that a particular infringement had been committed for “commercial purpose” or had caused “significant harm” without first having had recourse to the Directive’s measures to gather evidence about that infringement?

Persuaded by these concerns, the European Parliament and the Council agreed to delete the commercial purpose/significant harm threshold. The Directive now broadly applies to “*any infringement of intellectual property rights as provided for by Community law and/or by the national law of the Member State concerned*”.⁴ This of course extends to trademarks, which are the subject of Community and national law.

Also worthy of note, the Directive makes clear that the standards it establishes represent a floor, rather than a ceiling, for enforcement.⁵ Accordingly, the Directive expressly states that it does not “prejudice” existing Community or national rules insofar as those rules are more favourable to right holders. The Directive further provides that it does not affect Member States’ obligations under the WTO’s TRIPs Agreement.⁶ These important provisions are designed to ensure that Member States harmonise their enforcement regimes upwards, rather than downwards. Downwards harmonisation would make no sense, given the Directive’s stated goal to ensure a “high” level of protection for intellectual property rights in the Internal Market.

Disappointingly for rights holders, however, the Directive’s measures are limited to the civil and administrative sphere. The detailed provision on criminal remedies that was in the Commission’s original proposal has been deleted, a victim of a disagreement between the Commission and member states over the EU’s competence to legislate in this

area via a Directive. Accordingly, Article 20 now states that member states “*may apply other appropriate sanctions*” to IPR infringements. Recital 25 reminds member states about the important role that criminal sanctions play in effective enforcement.

Borrowing from best practices in the member states, the Enforcement Directive offers many useful tools for rights holders. These include civil searches, the right of information, injunctive relief, and damages, among other measures.

Civil searches

Civil searches are among the most important weapons in any right holder’s anti-counterfeiting arsenal. Using this mechanism, trademark owners can gather evidence of infringement in advance of filing a civil action. Despite the WTO TRIPs Agreement mandate that right holders have recourse to such procedures, not all EU Member States clearly provide them.⁷

The Directive remedies this shortcoming by providing a workable civil search mechanism. Under its terms, where an applicant provides evidence that its IPRs have been or are about to be infringed, judicial authorities must be able to order prompt and effective provisional measures to preserve evidence of the alleged infringement.⁸ These measures must be available *ex parte* (ie without notice) and may include the taking of samples, the physical seizure of infringing goods, and the seizure of the equipment used in manufacturing or distributing the infringing goods and documentation relating thereto.

Before granting a search, judicial authorities may require that applicants lodge an adequate security to compensate for prejudice suffered by the target. While the posting of a security can often be a challenge for smaller trademark owners, the Directive authorises courts to accept an “equivalent assurance” in its place. Moreover, the Directives makes clear that as a general principle, none of its measures are to be “unnecessarily costly”.

Significantly, the Directive also authorises member states to take measures to “protect witness’ identity” in the context of civil searches.

Protection of witnesses is critical if civil search regimes are to work effectively. Such protection ensures that individuals with knowledge of infringements can come forward and give evidence without fear of retaliation from the infringer.

Right of information

Another useful tool in the Directive is the so-called “right of information”.⁹ This right gives trademark owners a powerful mechanism by which to obtain information about sources of manufacture and supply and channels of distribution of counterfeits.

Using this right, judicial authorities in an infringement proceeding may order the alleged infringer to provide information that includes details about manufacturers, distributors, and retailers as well as of production quantities. What makes this tool especially useful is that in addition to the infringer, it can be brought to bear against any person:

- (1) in possession of infringing goods on a commercial scale;
- (2) using infringing services on a commercial scale;
- (3) providing on a commercial scale services used in infringing activities; or
- (4) identified by any of the persons above as being involved in the production or distribution of the infringing goods or provision of the infringing services.

The Directive defines “commercial scale” to include those acts committed for “*direct or indirect economic or commercial advantage*”.¹⁰ This definition is far broader than many national interpretations of commercial scale, which often require that the infringer have received a direct financial benefit from the infringement.

Injunctive relief

Article 9 includes several safeguards to protect against abuse. Among these, exercise of the right must not prejudice rules on data privacy, self-incrimination and confidentiality of information sources.

The Directive also requires that judicial authorities be empowered to grant interlocutory injunctions to prevent an impending infringement or to stop an ongoing infringement.¹¹ Likewise, where an infringement has been found, injunctions must be available and non-compliance must be subject to penalties.¹²

While injunctions themselves may be nothing new, the Directive’s rules state expressly that they apply to intermediaries, such as internet service providers (ISPs), whose services are used by a third party to infringe an IPR. Modern trademark owners are all too well aware that the widespread distribution of counterfeits over the Internet is a significant threat. The ability to obtain enjoin ISPs in appropriate circumstances — a right that copyright holders have enjoyed

since the adoption of the EU Copyright Directive in 2001 — is an essential tool to stop online trade in counterfeits.¹³

Also of value to trademark owners, the Directive includes a version of the UK’s acclaimed Mareva Injunction. Where an infringement is carried out on a commercial scale, and where the right holder demonstrates circumstances likely to “*endanger the recovery of damages*”, judicial authorities must be empowered to order the seizure of the alleged infringer’s assets, including bank accounts.¹⁴ In appropriate cases, all of these measures, as well as the injunctions above, can be granted on an *ex parte* basis.

Remedial measures

Last but certainly not least, the Directive makes available a broad range of remedies for infringements. If member states and judicial authorities take full advantage of the Directive’s measures, they will have the tools needed to impose remedies that will actually deter counterfeiters.

The Directive’s remedies include the recall, removal, or destruction of infringing goods and the publication of judicial decisions in infringement proceedings.¹⁵ As discussed, injunctions must also be made available. Where these remedies would cause “*disproportionate harm*” to the infringer, a court may instead award pecuniary compensation to the right holder.

The Directive also sets forth rules on damages. As trademark owners are well aware, inadequate damages awards in infringement proceedings are one of the primary obstacles to effective enforcement. The Directive seeks to remove this obstacle by establishing a structure that ensures that judicial authorities take account of *all* relevant elements when calculating damages.¹⁶

Accordingly, the Directive instructs judicial authorities to consider, among other things, lost profits, infringer’s profits and, where appropriate, non-economic elements such as damages for the infringement of moral rights. As an alternative to actual damages, courts may award a lump sum based on “at least” the amount of royalties or fees that would have been due if the infringer had requested authorisation to use the IPR in question.¹⁷

In all instances, the Directive’s express aim is to provide for full remuneration, taking into account the elements identified above, as well expenses incurred by the right holder such as the costs of identifying and investigating an infringement.¹⁸

The Directive also requires member states to ensure that reasonable and proportionate legal costs and other expenses are borne by the losing party “unless equity does not allow this”.¹⁹

Without doubt, the Enforcement Directive includes many important provisions that, once implemented in national law, will improve the ability of trademark owners to enforce their rights and protect their marks. The burden now rests with the 25 member states to ensure that the Directive is implemented quickly, fully and faithfully into national laws. ☪

Notes

- 1 At the time of writing, the European Parliament had approved the Directive, but the Council had yet to adopt it. Adoption is anticipated in April 2004.
- 2 See http://europa.eu.int/comm/taxation_customs/customs/counterfeit_piracy/counterfeit8_en.htm
- 3 This framework includes the EU Trademark Directive (Council Directive 89/104) and the European Community Trademark Regulation (40/04/EEC).
- 4 Amended Commission proposal for a Directive on measures and procedures to ensure the enforcement of intellectual property rights, art. 2(1) [hereinafter Directive].
- 5 *Id.*
- 6 *Id.*, art. 2(3).
- 7 See Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, art. 50.
- 8 See Directive, art. 10(1)(a)
- 9 See *id.* art. 9.
- 10 Directive, rec. 13(a). Notably, recital 13(a) also makes clear that Member States may apply Article 9 in non-commercial scale cases as well.
- 11 See *id.* art. 10(1)(a).
- 12 See *id.* art. 15.
- 13 Directive 2001/29/EC, art. 8.3.
- 14 See Directive, art. 10(1a).
- 15 These measures are to be carried out at the infringer’s expense and cannot prejudice a right holder’s claim for damages.
- 16 See Directive art. 17.
- 17 Recital 24 provides that such an approach could be appropriate in cases where it is difficult to determine the amount of the actual prejudice suffered.
- 18 See Recital 24.
- 19 See Article 18.

About the author

Lisa Peets, is Special Counsel in the London office of multinational law firm, Covington & Burling. Her practice focuses on intellectual property and the enforcement of rights in Europe and internationally. Her work also includes public policy representation of companies on issues relating to IP and information technology.

