

Product pirates be aware! New weapons against IP infringers in Europe

Claus Eckhartt

The recent enlargement of the European Union with the ensuing relocation of production to low-wage countries and also the increasing importance of intellectual property rights have resulted in a sharp rise of product piracy and counterfeit activity, in particular as regards trademarks in the merchandising area. A variety of legal measures are available to the IP right-holder. How effectively they can be put to use depends to a substantial extent on the procedural aspects and the measures available. The harmonization of the national laws in countries of the European Union relating to these issues is generally progressing well, albeit examples of disparities can still be identified. Two examples as to how the remaining gaps are closed are the European Directive 2004/48/EEC on the enforcement of intellectual properties ("the Enforcement Directive") and Council Regulation (EC) No. 1383/2003 concerning customs action against goods suspected of infringement, certain intellectual property rights and measures to be

taken against goods found to have infringed such rights ("the Customs Action Regulation"). Both pieces of legislation underpin the efforts on a European level to provide IP right-holders with effective procedural means to protect their rights. The unusual expedience from the first draft of the Enforcement Directive of January 2003 until its enactment only a few days before the EU accession by the ten new Member States in April of 2004 demonstrates the serious political will to tackle the issues at stake. Once implemented into the national laws, IP right-holders will see a significant strengthening of their IP rights which may eventually result also in a material increase of their value.

Initially conceived primarily as a means to combat piracy, the Enforcement Directive is remarkable in that it constitutes the first legal framework directly regulating procedural aspects on a European Union level, which have to date been left entirely to the national rights of the Member States. Besides providing rules as to the procurement of evidence (Art. 6) and measures for searching for and preservation of evidence in the pre-procedural stage (Art. 7), rules relating to the

right of information (Art. 8), certain provisional precautionary measures (Art. 9) are provided as well as corrective measures (Art. 10), preliminary injunctions (Art. 11) as well as alternative measures and, in a topic discussed controversially, regulations as to damages and legal costs (Art. 13). Some of the provisions are congruent with those of the Agreement on Trade-Related Aspects of Intellectual Property (TRIPS Agreement). However, the former attempts to address the shortcomings of the TRIPS Agreement and goes beyond it in relation to issues such as preserving of evidence, calculation of damages as well as preliminary provisions for obtaining injunctions and the right of information. In particular, the issue of damages set out in Art. 13 of the Enforcement Directive has been a subject of much discussion. In the Commission's initial draft, as well as the text subsequently adopted by the EP's Legal Committee, a possibility was foreseen to claim, at the choice of the applying party, double licence fees as regular damages. However, this provision was amended to stipulate that, as a principle, damages should be appropriate to the actual prejudice suffered by the



Claus Eckhartt is a partner with the intellectual property firm Bardehle Pagenberg in Munich. His practice includes prosecution and litigation in Trademark, Unfair Competition and Design law as well as a broad range of other IP matters.

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right-holder as a result of the infringement. It then provides two methods to be applied by the courts for computing damages. The first method takes into account all aspects of the economic consequences resulting from the infringement on the part of the infringers as well as the right-holder, including, in appropriate cases, also the moral prejudice caused. Alternatively, damages may be claimed as a lump sum on the basis of facts such as “at least” the amount of royalties or fees that would have been due if the infringer had asked for authorization. As relates to current general practice in the countries of the European Union, the latter appears to be more or less congruent, the first option allows room for interpretation. Generally, the wording of the provision seems to imply that higher damages may be awarded than the mere compensation of actual damage or recovery of

profits. Given the specific procedural requirements relating to factual evidence necessary to show the actual damage inflicted, the chances are that the courts will, in most cases, abide by the current practice. Nevertheless, Art. 13 may well be used as a basis by courts to award higher damages than had to date been allowed in cases of counterfeiting and piracy, and in those instances, where a wilful infringement of another party’s IP right can be substantiated.

The new procedural rules made available by the Enforcement Directive are augmented and enhanced in their reach by the previously adopted Customs Action Regulation. Whereas the prior Council Regulation (EC) No. 3295/1994 was related foremost to counterfeit textiles, jewellery and electronic products, the Customs Action Regulation also takes into account food products, therefore recognizing the rising importance of geographical indications and designations of origin and plant variety rights. One novel feature making the Customs Action Regulation a very sharp tool is the possibility to effect a detention of the goods presumed to infringe the IP right-holders’ trademark or patent merely on the basis of a suspicion. Previously, in most countries, it was necessary to show at least prima facie evidence. The Customs Action Regulation now no longer requires such prima facie evidence and customs authorities can be requested to act already on suspicion without a material examination of an infringement and a legal evaluation of the IP rights at issue. Obviously,

such a low hurdle may entail misuse. To deter such misuse, the Customs Action Regulation provides for that the claimant becomes liable to damages if it is established at a later stage in the proceedings that the IP rights have not been infringed or are invalid. Nevertheless, in particular in complex trademark or patent cases where either the legal or factual situation is not clear and would normally require an in-depth evaluation, the Customs Action Regulation permits very swift legal action by the customs authorities. In addition, rather than having to sue a multitude of alleged different infringers, the IP right-holder has the option to choose the cheaper and arguably more effective option of filing a request for detention of goods with the customs authorities, a request that is not directed against an individual party, but in relation to the specific product at dispute. Time will tell whether or not both the Enforcement Directive and the Customs Action Regulation are able to stem the tide of product piracy and counterfeits, but they certainly promise to make life more difficult for those involved in such activities. ■



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