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**Subsidiariteitstoets op richtlijnvoorstel  
betreffende strafrechtelijke maatregelen ter  
verzekering van de handhaving van intellectuele  
eigendomsrechten (COM (2006) 168 fin.)**

**Nr. 1**

**RICHTLIJNVOORSTEL**

Brussels, 26.4.2006

COM(2006) 168 final

2005/0127 (COD)

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**

(presented by the Commission)

**EXPLANATORY MEMORANDUM**

**Justification for the proposal**

This proposal for a Directive amends the proposal for a Parliament and Council Directive on criminal measures aimed at ensuring the enforcement of intellectual property rights (2005/0127 COD). It puts into effect the Communication from the Commission of 23 November 2005 (COM(2005) 583 final) on the implications of the Court's judgment of 13 September 2005 (Case C 176/03 Commission v Council). It was held in that judgment that provisions of criminal law required for the effective implementation of Community law come under the EC Treaty. The Commission states in its Communication that it will make the necessary changes to pending proposals as and when required. It specifically mentions the proposal for a Parliament and Council Directive on criminal measures aimed at ensuring the enforcement of intellectual property rights and the proposal for a Council Framework Decision to strengthen the criminal law framework to combat intellectual property offences (COM(2005) 276 final). Consequently, the proposal for a Framework

Decision has been withdrawn and a proposal drawn up amending the proposal for a Directive on criminal measures.

The provisions in the proposal for a Framework Decision relating to penalties and extended powers of confiscation have now been incorporated in the new proposal for a Directive.

The only provisions that have not been taken over are those relating to jurisdiction and the coordination of proceedings, contained in Article 5 of the proposal for a Framework Decision. The Commission plans to take a horizontal approach to this subject under its Green Paper on conflicts of jurisdiction and the principle of *ne bis in idem* in criminal proceedings, adopted on 23 December 2005<sup>1</sup>. It does not consider it essential to lay down specific arrangements for the protection of intellectual property. Counterfeiting and piracy, and infringements of intellectual property in general, are a constantly growing phenomenon which nowadays has an international dimension, since they are a serious threat to national economies and governments. The disparities between the national systems of penalties, apart from hampering the proper functioning of the internal market, make it difficult to combat counterfeiting and piracy effectively. In addition to the economic and social consequences, counterfeiting and piracy also pose problems for consumer protection, particularly when health and safety are at stake. Increasing use of the Internet enables pirated products to be distributed instantly around the globe. Finally, this phenomenon appears to be increasingly linked to organised crime. Combating this phenomenon is therefore of vital importance for the Community. Counterfeiting and pirating have become lucrative activities in the same way as other large-scale criminal activities such as drug trafficking. There are high potential profits to be made without risk of serious legal penalties. Additional provisions to strengthen and improve the fight against counterfeiting and piracy are therefore necessary to supplement Directive 2004/48/EC of 29 April 2004 on the enforcement of intellectual property rights. In addition to the civil and administrative measures, procedures and remedies provided for in Directive 2004/48/EC, criminal penalties also constitute, in appropriate cases, a means of enforcing intellectual property rights<sup>2</sup>.

A start was made on harmonisation with the entry into force of the TRIPS agreement which lays down minimum provisions on means of enforcing trade-related intellectual property rights. These include the implementation of criminal procedures and criminal penalties, but there are still major disparities in the legal situation in the Community which do not allow the holders of intellectual property rights to benefit from an equivalent level of protection throughout the Community. As regards criminal penalties, there are considerable differences, particularly as regards the level of punishment laid down by national legislation. As regards impact on fundamental rights, it should be emphasised that the direct objective of this initiative is to implement Article 17(2) of the Charter of Fundamental Rights which states that «Intellectual property shall be protected»; it does this by approximation of legislation while respecting the different legal traditions and systems of the Member States as well as other fundamental rights and principles recognised by the Charter. The level of sentences has been chosen pursuant to the seriousness of the different forms of wrongful conduct, in accordance with Article 49(3) of the Charter to the effect that sentences should not be disproportionate to the offence.

Since this objective may be better achieved at Community level, the Community may take measures in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty.

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<sup>1</sup> COM(2005) 696 final.

<sup>2</sup> Recital 28 to Directive 2004/48/EC of 29 April 2004 states that «in addition to the civil and administrative measures, procedures and remedies provided for under this Directive, criminal sanctions also constitute, in appropriate cases, a means of ensuring the enforcement of intellectual property rights.»

## Content of the proposal

### Article 1

This Article sets out the subject-matter and scope of the Directive, which concerns the measures necessary to ensure the enforcement of intellectual property rights. As in Directive 2004/48/EC on the enforcement of intellectual property rights, the expression «intellectual property rights» encompasses all intellectual property rights. Just like Article 17(2) of the Charter of Fundamental Rights of the European Union, which provides that «intellectual property shall be protected», this is a horizontal measure.

The Directive is to apply to any infringement of intellectual property rights as provided for by Community law and/or by the national law of the Member States, in the same way as Directive 2004/48/EC. Commission statement 2005/295/EC on Article 2 of Directive 2004/48/EC lists these rights, with the aim of providing greater legal certainty regarding the scope of the Directive<sup>1</sup>. The Directive is to apply without prejudice to more stringent provisions in the Member States.

### Article 2

This Article defines the concept of a legal person for the purposes of the Directive.

### Article 3

This Article obliges Member States to consider all intentional infringements of an intellectual property right on a commercial scale as a criminal offence. It also covers attempting, aiding or abetting and inciting such offences. The «commercial scale» criterion is borrowed from Article 61 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), concluded on 15 April 1994 and signed by all the members of the World Trade Organisation. Article 61 obliges Members to «provide for criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale. Remedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity. In appropriate cases, remedies available shall also include the seizure, forfeiture and destruction of the infringing goods and of any materials and implements the predominant use of which has been in the commission of the offence. Members may provide for criminal procedures and penalties to be applied in other cases of infringement of intellectual property rights, in particular where they are committed wilfully and on a commercial scale.»

The infringement must be intentional, that is to say that the act must be deliberate, whether it is an actual infringement, an attempt at infringement, or aiding and abetting or inciting such an offence. This does not affect specific liability systems such as the system laid down for Internet service providers in Articles 12 to 15 of Directive 2000/31/EC on electronic commerce<sup>2</sup>.

### Article 4

This article concerns the nature of penalties: besides imprisonment for natural persons, the Directive lays down a range of penalties to be imposed on both natural and legal persons, such as fines and the seizure of goods belonging to the offender, including the infringing goods and the

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<sup>1</sup> OJ L 94, 13.4.2005, p. 37.

<sup>2</sup> OJ L 178, 17.7.2000, p. 1.

materials, implements or media used predominantly for the manufacture or distribution of the goods in question. Other penalties are provided for specific cases: destruction of infringing goods and goods principally used in the manufacture of the goods in question, total or partial closure, on either a permanent or a temporary basis, of the establishment or shop primarily used to commit the infringement. Provision is also made for a permanent or temporary ban on engaging in commercial activities, placement under judicial supervision or judicial winding-up, and a ban on access to public assistance or subsidies. Finally, the publication of judicial decisions is provided for. This can serve as a means of dissuasion and as a channel of information both for right holders and for the public at large.

#### *Article 5*

This article concerns the level of criminal penalties: offences must incur a maximum term of at least four years' imprisonment when they are committed under the aegis of a criminal organisation. The same applies where the offences carry a health or safety risk. The threshold of four years' imprisonment was chosen because it broadly corresponds to the criterion used to identify a serious offence. It is the threshold selected in Joint Action 98/733/JHA and in the proposal for a Council Framework Decision on the fight against organised crime (COM(2005) 6 final) and in the United Nations Convention against Organised Transnational Crime. For natural persons or legal entities who commit the offences listed in Article 3, the penalties include criminal and non-criminal fines to a maximum of at least EUR 100 000 for cases other than the most serious cases and to a maximum of at least EUR 300 000 for offences carried out under the aegis of a criminal organisation or which carry a health or safety risk. It must be possible for this factor to be taken into account where the risk is deemed to be present, even where the dangerous product has not yet caused any damage. A risk to personal health or safety exists where the counterfeit product placed on the market directly exposes people to a risk of illness or accident.

#### *Article 6*

This article provides for the full or partial confiscation of goods belonging to persons convicted of offences committed in the circumstances set out in Article 5. It refers to the provisions of Article 3 of Council Framework Decision 2005/212/JHA of 24 February 2005 on Confiscation of Crime-Related Proceeds, Instrumentalities and Property<sup>1</sup>.

#### *Article 7*

The Framework Decision of 13 June 2002 provides the structure needed to set up joint investigation teams. To facilitate criminal investigations into intellectual property offences, the Member States must allow the holders of intellectual property rights concerned, or their representatives, and experts to assist the investigations carried out by these teams. It is very difficult to carry out investigations in this area and it is often essential to have the active participation of the victims, of representatives of the holder of the intellectual property rights or of experts in order to reach conclusions, and in particular to establish that products have been counterfeited. In the event of doubt, the victims or their representatives will thus be able to confirm rapidly whether the products discovered in an investigation have indeed been counterfeited. This will facilitate the search by joint investigation teams for evidence of intellectual property offences. Member States have a good deal of latitude in this regard.

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<sup>1</sup> OJ L 68, 15.3.2005, p. 49.

#### *Article 8*

The purpose of this article is to ensure that investigations into, or prosecution of, counterfeiting and piracy offences 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. Such a measure is necessary to ensure that the conditions are right for carrying out investigations into intellectual property offences. It is often the case that stocks of suspected counterfeit products are discovered, but it is sometimes difficult to contact or even identify quickly the holder of the rights in the internal market. The victims of counterfeiting may be located in any part of the Community territory and may be small or medium-sized enterprises and not just large enterprises selling well-known products. Investigations would be hampered if a prior complaint by the victim were required. Intellectual property offences are often committed without the knowledge of the holder of the rights, and the absence of a complaint does not amount to negligence on the victim's part.

#### *Article 9*

This Article concerns the measures for transposing the Directive into the internal law of the Member States. The deadline of eighteen months is modelled on the provisions of other Directives.

#### *Article 10*

This Article lays down that the Directive enters into force on the twentieth day following its publication in the Official Journal, pursuant to the provisions of Article 254(1) of the EC Treaty.

#### *Article 11*

This Article lays down that this Directive is addressed to the Member States.

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**

(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<sup>1</sup>,

Having regard to the opinion of the European Economic and Social Committee<sup>2</sup>,

Having regard to the opinion of the Committee of the Regions<sup>3</sup>,

Acting in accordance with the procedure laid down in Article 251 of the Treaty<sup>4</sup>,

- (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) 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/EC<sup>5</sup>. 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 rights<sup>6</sup> lays down measures, procedures and civil and administrative remedies. A sufficiently dissuasive set of penalties applicable

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<sup>1</sup> OJ C [...], [...], p. [...].

<sup>2</sup> OJ C [...], [...], p. [...].

<sup>3</sup> OJ C [...], [...], p. [...].

<sup>4</sup> OJ C [...], [...], p. [...].

<sup>5</sup> OJ L 336, 23.12.1994, p. 1.

<sup>6</sup> OJ L 195, 2.6.2004, p. 16.

throughout the Community is needed to make the provisions laid down in this Directive complete. Certain criminal provisions need to be harmonised so that counterfeiting and piracy in the internal market can be combated effectively. The Community legislator 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.

- (6) Building on the Commission Communication on a customs response to counterfeiting and piracy adopted in October 2005<sup>1</sup>, 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) 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.
- (8) Provisions must be laid down to facilitate criminal investigations. The 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.
- (9) 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.
- (10) This Directive does not affect specific liability systems such as that laid down for Internet service providers in Articles 12 to 15 of Directive 2000/31/EC on electronic commerce<sup>2</sup>.
- (11) As the objective of this Directive cannot be achieved adequately by the Member States acting alone and could better be achieved by action at Community level, the Community may take measures in accordance with the principle of subsidiarity as declared by Article 5 of the Treaty establishing the European Community. 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.
- (12) 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,

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.

These measures shall apply to intellectual property rights provided for in Community legislation and/or national legislation in the Member States.

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<sup>1</sup> COM(2005) 479 final of 11.10.2005

<sup>2</sup> OJ L 178, 17.7.2000, p. 1.

## **Article 2**

### *Definition*

For the purposes of this Directive, «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.

## **Article 3**

### *Offences*

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

## **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) fines;
    - 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 infringing an intellectual property right;
  - (b) total or partial closure, on a permanent or temporary basis, of the establishment used primarily 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.

## **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 when 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:

- (a) to a maximum of at least EUR 100 000 for cases other than the most serious cases;
- (b) to a maximum of at least EUR 300 000 for cases referred to in paragraph 1.

## **Article 6**

### *Extended powers of confiscation*

The 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 Framework Decision 2005/212/JHA of 24 February 2005 on Confiscation of Crime-Related Proceeds, Instrumentalities and Property, at least where the offences 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**

### *Joint investigation teams*

The 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.

## **Article 8**

### *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 9**

### *Transposal*

1. Member States shall bring into force the provisions necessary to comply with this Directive by ..... at the latest [eighteen months after the date of its adoption]. 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.

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

## **Article 10**

### *Entry into force*

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

**Article 11**

This Directive is addressed to the Member States.

Done at Brussels,

For the European Parliament  
The President

For the Council  
The President