



CMBA

CreativeMediaBusinessAlliance

CMBA response to the European Commission's application report on the Directive on Enforcement of Intellectual Property Rights

April 2011

The Creative and Media Business Alliance (CMBA) is an informal grouping of Europe's top media and creative businesses and their associations. The CMBA was launched in 2004 to speak with one voice and call upon the EU to fully acknowledge the importance of our sector in efforts to foster innovation, growth and employment. The creativity we finance, produce and market is the soul of the Knowledge Society.

This CMBA response is based on the questionnaire prepared by the Council Working Party on Intellectual Property. (<http://register.consilium.europa.eu/pdf/en/11/st06/st06141.en11.pdf>)

1. Digital environment

1.1. Do you consider that IPR infringements over the Internet pose a problem that the current toolbox of Directive 2004/48/EC (Enforcement Directive) is not entirely suitable to handle?

The current EU legislative framework requires a number of improvements to adequately combat all forms of online IPR infringements. The EU legislative framework adopted between 2001 and 2004, when the Internet was still in relative infancy, was mainly designed to address intermediaries which hosted infringing content. The primary solution proposed at the time was through right holders giving notice of infringing content hosted by the intermediary, and the intermediary taking prompt action to take it down ("notice and takedowns"). However, the changing nature of online infringement of IPRs, especially through the growth of peer-to-peer file distribution networks, as well as the recent growth of cyberlockers and streaming portals often operated from foreign countries, require adapted solutions. IPR infringing content is now distributed in a more varied, decentralised and fragmented fashion, rather than via the traditional centralised domestic hosting environment which the EU legislation was designed to address. The notice and takedown system is extremely useful in

<http://www.cmba-alliance.eu/>

the context for which it was designed, but as the technologies used for IPR infringement have evolved, it has become insufficient in many instances.

The EU IPR enforcement legislation should provide effective and deterrent measures to combat all forms of IPR infringement. Our local enforcement activities have identified three main areas: (1) it should be confirmed that all intermediaries are subject to expeditious injunctive relief requiring them to prevent and put an end to infringements; (2) specific procedures should be available to address peer-to-peer file-sharing and for dealing with substantially infringing web sites and services; (3) data protection rules must not be interpreted so as to be an obstacle to the effective enforcement of IPRs online (in other words, national courts should have the discretion to issue disclosure orders in civil IPR infringement cases in the appropriate circumstances).

In addition, certain rules should be clarified and improved both for online and offline infringements regarding corrective measures, evidence and damages.

1.2. What kind of specific measures are in your view suitable to combat such infringements? Which measures should be taken at EU level?

The EU should provide a framework whereby Member States are required to take steps to reduce all forms of IPR infringements on the Internet.

Viable, cost-effective, non-invasive measures, based on proven technology are available. Measures and technologies are already applied by intermediaries for the management of their own networks, and these do not impact on the privacy of users. It is important to note that any system would need to combat all forms of IPR infringement online. Any system that addresses one form of online IPR infringement to the exclusion of another would simply shift the illicit behaviour to the other form, rather than toward legitimate services.

1.5. Taking into account the jurisprudence of the European Court of Justice, is there a need to amend the existing legal framework relating to *the liability or legal obligations of online service providers* (including search engines and online market places) whose services are directly used in infringing activities (not necessarily on a commercial scale)? If yes, which legal instrument should be amended (the Directive on electronic commerce, the Enforcement Directive or the Trade Mark Directive)?

While the eCommerce Directive does not require revision, it could usefully be clarified in several respects with regard to IPR. A separate interpretative communication instrument could provide interpretations of the language used in order to clarify that the Directive's scope with regard to IPR is appropriate and covers new and emerging forms of illegal

activities online, as well as to avoid its misuse in unintended ways such as immunizing active wrongdoers, or blocking the use of reasonable tools to curb IPR infringements.

In particular, the definition of “internet intermediary” eligible for liability privileges with respect to IPR infringements should be clarified to rule out irresponsible actors who are not solely neutral intermediaries and who seek to take advantage of the breadth of the current definition.

2. Scope of the Directive

2.1. Is there a need to apply some (or all) of the measures provided for in the Enforcement Directive also with a view to rights that currently are not covered by the Directive?

N/A

2.2. How do you think issues like the protection of trade secrets and domain names and protection against parasitic copies (look-alike marketing) should be dealt with? Do you see them as being linked to IPR or do you consider them more an issue of unfair competition law? Would you see an added value of EU action in that area?

N/A

2.3. Is there a need to provide a list of intellectual property rights in the Enforcement Directive? If yes, what should be the relation of this list to the scope of the Directive (exhaustive list, indicative list, minimum list)? Should such a list be included in the Articles or in the recitals? How should rights protected only by certain national laws be treated in such a list?

N/A

3. Evidence

3.1. What are the limits of the provisional measures (e.g. search or seizure orders) in respect of confidential (private) information under your law? Have you encountered any difficulties in this respect?

The priority in respect of evidence is to ensure that relevant evidence, required to prove the elements of the IPR infringement or resulting compensation, is available to right holders and can be put in support of judicial actions.

In several Member States there is a distinction drawn between a “search order” and a “seizure order” and in many cases it is easier to obtain a search order than a seizure order. However, in some Member States civil search orders are not available. Moreover, the costs related to such procedures are sometimes prohibitive and sanctions for non-compliance are not sufficiently deterrent. National provisions on “Presumption of authorship or ownership” (Article 5) and reasonable sampling (Article 6, §1) are often inadequate.

It would be useful to ensure disclosure of evidence in all cases of IPR infringement. Moreover, in practice, search and seizure orders must be available in all Member States in a simple, cost-effective and expeditious manner. In order to ensure meaningful compliance with related court orders, national laws must include deterrent sanctions for any failure to comply with such orders.

Finally, the Commission should encourage the Member States to strengthen national provisions on sampling and presumptions for IPR. While sampling and presumptions are traditionally important civil enforcement tools, their relevance has taken on new meaning in complex litigation involving services that are facilitating copyright infringement. In this regard, the ability of right-holders to rely on automated evidence (where method is explained) is also becoming very important in helping to understand the operation and functioning of different types of services.

3.2. What are the conditions, under your law, to *obtain banking, financial or commercial documents*?

One of the main limitations relates to the disclosure of financial documents in cases involving commercial scale infringements.

3.3. Is there a need to ensure that

(a) *personal computers* can be searched/seized in order to establish evidence for an IPR infringement committed via the Internet?

Yes (in some Member States). There is a need to clarify provisions relating to search and seizure of computers.

(b) *screenshots* are accepted by courts as evidence for infringements committed via the Internet?

Yes (in some Member States). There may be a limited need to confirm the admissibility of screenshots.

3.4. Is there a need to clarify the term “*under the control*” relating to evidence in Article 6 of the Enforcement Directive?

N/A

4. Intermediaries

4.3. Is there a need to clarify in the Enforcement Directive that not only permanent injunctions are available against intermediaries but also *interlocutory injunctions*? Should other provisional or precautionary measures be available against intermediaries (see also question 5.1.)?

Yes. This is particularly necessary in cases where information may be lost if the procedure for obtaining a permanent injunction were to be followed. For example, if an intermediary is storing information for only seven days prior to deleting it, it is important that the (provisional) measure is granted swiftly (i.e. storage of the relevant information beyond the seven days period) following a rights holder application for it. If the subsequent order for disclosure of such information is not confirmed in the resulting procedure (which would include a hearing for the other party), the evidence could be deleted by the intermediary.

The purpose of injunctions is to ensure that the infringement of IPRs can be tackled in a swift manner. It is critically important that courts are able to grant not only permanent injunctions but also interlocutory injunctions, and that these are available not only against infringers themselves but also against intermediaries whose services are being used by a third party to infringe IPRs. Depending on the circumstances, the intermediary may be best placed to bring about the cessation of infringement. In some European countries it is not clear that injunctions are available against intermediaries. In the case of the Enforcement Directive, it could therefore be clarified that injunctions, including interlocutory injunctions, are indeed available against intermediaries for IPR infringements, and that this does not depend on establishing liability or other forms of contribution to the infringement by the intermediary.

5. Right of information

5.1. Is there a difficulty in applying IP enforcement measures (especially rules on right of information) together with rules on data protection or right to privacy in your country?

In some Member States, the application of national data privacy and data retention rules prevent effective civil enforcement. Data/evidence is often not available as intermediaries are not obliged to store or to disclose relevant data due to the application of data protection rules.

National data protection and privacy rules can thus pose a particular problem with the right of information when invoked in connection with IPR infringements online. In some countries the interpretation of data protection and data retention rules has prevented courts from making information orders altogether.

The ECJ ruled that a fair balance has to be found between the various fundamental rights under community law, namely between the right to privacy and the right to private property, including the respect of IPRs.

In the CMBA's view, it would be desirable to clarify the interaction between data protection rules and implementation of the Enforcement Directive, which leads to inconsistencies and, in some cases, total lack of remedies for IPR infringements at national level. It is important that right holders are not deprived of effective remedies whenever their rights are infringed. It should therefore be clarified that data protection does not prejudice the possibility for right holders to protect their rights and obtain adequate remedies.

5.2. What are the limits of the right of information in your country, in view of privacy issues? Is there a need to amend the Enforcement Directive (or other EU legal instruments) in order to accommodate such conflicts?

As a pan-European organisation, the members of the CMBA have enforcement experience from many European markets. In Germany for instance, the data retention problem has been described as "severe", since ISPs, if at all, are not retaining data for longer than a few days due to the requirements of national data retention laws. In Spain, following the *Promusicae* case in the Court of Justice of the European Union, the Spanish court has confirmed that Spanish data protection rules prevent ISPs from disclosing the identity of individual account holders to right holders for the purpose of civil proceedings, thus depriving right holders of a remedy altogether. Enforcement of IPR is also proving difficult in Austria and Sweden due to national data protection and data retention laws.

There is now considerable uncertainty at European level as to the relationship between data protection and data retention laws and the right of information under the Enforcement Directive. We acknowledge that ensuring data protection is a legitimate interest of EU law, but principles of data protection should not be used as a cloak behind which digital and online theft of content can be allowed to flourish.

Given the current uncertainty despite existing case-law on the subject of how to reconcile the different fundamental rights, we call on the Commission to ensure that right holders are able to protect and enforce their IPRs.

5.3. Is there a need to clarify that the right of information pursuant to Article 8 of the Enforcement Directive may also be invoked before the infringement (and, where appropriate, the acts having been carried out on a commercial scale) was established by the judicial authorities, i.e. that providing information may also be ordered as a provisional measure? Is the usefulness of this interpretation in strengthening the IP enforcement framework enough to outweigh that providing information is by definition “irreversible” and that in certain cases the addressees of such orders are third parties (intermediaries) not being party to the litigation?

Such a clarification would be helpful as the non-availability of the right of information as a provisional measure has been an issue in some jurisdictions. It should thus be possible to invoke Article 8 before the infringement is established by the judicial authorities in a conclusive manner.

Data allowing identification may otherwise not be available at all, especially in cases of peer-to-peer piracy. This is specifically problematic as current data protection legislation gives legal grounds to intermediaries not to store data that would enable the identification of the respective alleged IPR infringer. Even in the event of a much expedited court procedure to obtain a disclosure order, at the moment where the order is being issued, the necessary information is in some cases not available anymore. In such cases, right holders would have no possibility to enforce their IPRs.

The information would however be available in the very moment where the infringing act is detected (assisted by available reliable technologies). In order to secure the information, right holders should have the possibility to request intermediaries to store the information (date, time and IP number), until the court order has been obtained (quick freeze). In the event that the court does grant the order to disclose, the data could then be erased by the intermediary at the end of the court procedure.

There is a need to ensure a balanced approach. It is notably needed to make sure that the very purpose and value of the right of information is not made meaningless by the deletion of requested data pursuant to data retention rules. More generally, it is also needed to ensure that the important right of redress for civil wrongs is not negated in practice.

6. Commercial scale

6.1. Have you defined "*commercial scale*" in your country – either in law or by jurisprudence? If so, which is the definition that you have chosen?

N/A –

6.2. Is the definition of "*commercial scale*" still appropriate in Recital 14 of the Enforcement Directive? Is there a need to have a definition at all, and if yes, should it be moved to the Articles of the Directive? Should the link between the commercial scale requirement and the right of information remain intact?

In the CMBA's view the criterion of "commercial scale" is not appropriate in the current online environment.

The notion of "commercial scale" raises two related problems. First, commercial enterprises sometimes engage in IPR infringements on a large scale that do not involve sales of the infringing products to third parties but nonetheless result in increased profits and other financial benefits to the company. For example, companies often make a substantial number of unlawful copies of software without authorization in order to run their business. This improves the company's profitability—not least through the savings resulting from not purchasing the software, but also through improved productivity and other business benefits.

The second problem arises in the context of mass distribution of IPR infringing content over the Internet. New forms of infringement, including those committed by or through online file-sharing services, have arisen which are as destructive to the value of copyright content as any conventional pirate business, but which do not necessarily conform to old notions of commercial activity. Music files can be disseminated on a massive scale to a global audience. Even though such infringements may be carried out without payment, the number of infringing acts and the harm inflicted on right holders is at least as great as is the case with other types of IPR infringements undertaken for the purpose of financial gain.

Clarification should be provided that the commercial scale criterion in Article 8(1)(c) applies exclusively to those providing services which are used in IPR infringing activities, regardless of the scale of the infringements themselves. German courts for example regularly rule that infringement on a “commercial scale” can only take place during a period shortly before and shortly after the initial commercial release of a copyright work.

6.3. The criterion of “commercial scale” (as for its definition, see Recital 14 of the enforcement Directive) applies to a limited number of specific cases: communication of banking or commercial documents [Article 6(2)], right of information towards intermediaries [Article 8(1)], and seizure of movable and immovable property and blocking of bank accounts as a precautionary measure [Article 9(2)]. For which of the above mentioned three situations do you consider the *commercial scale criterion as necessary or useful*? What risks do you see if this criterion were to be abolished?

For the reasons explained under point 6.2, the criterion of “commercial scale” should not be applied.

6.4. If you have made the right of information subject to the commercial scale requirement, how do you deal with the problem that sometimes the *rightholder needs additional information* from an intermediary in order to be able to determine whether the infringement has been committed at a commercial scale?

For the reasons explained under points 6.2 and 6.3, the right of information should not be subject to the commercial scale requirement.

6.5. If under your law commercial scale is not a precondition for ordering the measures concerned, *has its absence lead to abuses*, in certain areas, by right holders? If yes, which areas are affected?

N/A

7. Damages

As a general matter, the practice of awarding damages in civil IPR infringement cases serves two vital goals:

- Compensation: damage awards should put the right holder in the position he would have been in had the infringement not taken place;

- Deterrence: damage awards should serve to discourage both repeat and would-be infringers.

As currently configured in EU law (at least with respect to copyright matters), these goals are not being achieved. At present, national courts face significant difficulty in calculating and awarding compensation comprehensively. Outside of lost profits, right holders may not in practical terms be compensated for other negative economic consequences resulting from an infringement. Moreover, damages for non-economic harm are often unavailable. In the majority of cases, the costs of investigating, taking legal action against, and rectifying an infringement are not compensated in full. All too often, infringers may retain some of their profits, or otherwise have an economic incentive to engage in infringement.

In copyright cases, right holders face significant difficulty proving damages where infringing content is disseminated on a massive scale in an unprotected format. It will not always be possible to determine how many times a given work was downloaded, re-uploaded and so on. As a result, the measures listed below and aimed at ensuring that right holders are able to recover the totality of the losses sustained as a result of an infringement are required:

- Member States should ensure that all elements of direct, indirect and consequential economic consequences to the right holder that result from an infringement are compensated, regardless of whether the infringement has taken place on a commercial scale.
- Member States should also provide for the possibility of handing over the infringer's revenues/profits and seizing assets.
- Member States should provide that lump-sum damages, reflecting all negative economic consequences that the right holder has suffered, are available at the right holder's discretion at least as an alternative to any lost profits that can be proved.
- Member States should provide for a "predetermined" calculation method for determining lump-sum damages, reflecting a reasonable approximation of all negative economic consequences that the right holder is likely to have suffered, is available as an alternative to other means of determining damages at a minimum in copyright and trademark cases.
- Measures that enable right holders to recover their actual costs of investigating, taking legal action against, and rectifying an IPR infringement (Member States should provide that all costs reasonably incurred by the right holder in investigating, taking successful civil action against, and rectifying an infringement should be compensated in full by the infringer).
- Measures designed to ensure that infringers do not retain any economic benefit from their infringing activities (Member States should implement rules for awarding damages and costs in IPR cases that ensure that no economic benefit of an infringement remains with the infringer.).

- Statutory damages should be foreseen in appropriate cases.

8. Corrective measures

8.1. In your judicial practice, what is the *difference between “recall” and “definitive removal”* from the channels of commerce? Is the fact that the infringer is *no longer in possession* of their infringing goods a factor in deciding which measure to apply?

There should be further clarification of the definitions:

Market recall should aim to temporarily prevent the marketing/sale of infringing products.

Definitive removal should aim at removing the infringing products definitively. This should also oblige the infringer to recall all the infringing products, even those that are owned by third parties, to his/her expenses.

8.2. Is there a need to clarify in the Directive *the relationship between corrective and provisional measures*?

Yes. Corrective measures aim to correct an IPR infringement and deter further infringements, while provisional measures aim to immediately terminate the infringements in question, without awaiting a decision on the substance of the case, especially where any delay would cause irreparable harm to the right holders.

8.3. Does it happen frequently that the infringer is not able to pay the *costs of the destruction* and that those therefore have to be borne by the State? Would you consider it justified to impose the costs for the destruction of counterfeit goods on the State where the destruction is in the public interest (in particular because these goods pose a risk to consumers' health and safety)?

In most Member States, at least in civil proceedings, the costs of destruction, including bailiff's services and storage costs, have to be paid first by the right holder, who then has a claim for reimbursement from the infringer. However, this reimbursement is very difficult to obtain, as practice has shown that the infringers are often companies which are liquidated very shortly after an initiation of proceedings. In criminal cases, the general rule seems to be that the state bears the cost for storage and destruction.

The issue of the costs for the storage and destruction should be specifically addressed, in order to avoid that these costs be borne by the right holders and instead that these cost be borne by the infringer. Among the measures aimed at ensuring that the right holders are

able to recover the costs of the storage and destruction of the infringing goods, it should be admitted that at an early stage of the proceedings the assumed infringer should be asked to put a financial warranty for said costs, on the grounds of a prima facie evidence of infringement.

8.4. Would it improve the situation if the Directive clarified that courts are entitled to impose the costs of destruction of the infringing goods *directly* on the infringer once the infringement is established?

As stated above, practice has shown that the IPR infringers are often companies which are liquidated very shortly after an initiation of proceedings. So the solution would be that the assumed infringer at an early stage of the proceedings should be asked to put a financial warranty for said costs, on the grounds of a prima facie evidence of infringement.

8.5. Do you see a need to harmonise aspects of *secondary use* (e.g. for charity purposes) of infringing goods in the Enforcement Directive?

N/A

9.5. What are the main risks for consumers under the current rules of the Directive? Would it affect consumers adversely if certain rights of the rightsholders were to be reinforced (in particular the right to information, the rules on collecting evidence etc.)?

The interests of consumers are fully taken into account in existing EU legislation.

For further information, please contact the

CMBA Secretariat at: secretariat@cmba-alliance.eu