COUNCIL OF
THE EUROPEAN UNION

Brussels, 2 October 2003

13027/03
ADD 1

LIMITE
PI 93
CODEC 1262

Interinstitutional File:
2003/0024(COD)

ADDENDUM to OUTCOME OF PROCEEDINGS
of : Working Party on Intellectual Property
on : 11 and 12 September 2003
No. prev. doc. : 12936/03 PI 91 CODEC 1248
No. Cion prop. : 6777/03 PI 19 CULT 17 CODEC 204
measures and procedures to ensure the enforcement of intellectual property rights
SECTION 5

MEASURES RESULTING FROM A DECISION ON THE MERITS OF THE CASE

Article 12

Recall of goods

Without prejudice to the damages due to the right holder by reason of the infringement, Member States shall lay down that the judicial authorities may order the recall, at the infringer's expense in appropriate cases, of the goods which have been found to infringe an intellectual property right.

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1 NL, FIN, P, B, D: Section 5 should apply only to infringers exploiting commercially the infringing goods and not to individual consumers who have acquired such goods in good faith. Furthermore, B, NL and D requested explicit reference to the application of the proportionality principle to all the provisions of this Section. While indicating its openness, COM pointed out that the general reference to this principle in Article 4 seemed sufficient.
2 UK: need to ensure consistency with Articles 16 and 17 of Council Regulation (EC) N° 1383/2003 of 22 July 2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights (OJ L 196, 2.8.2003).
3 IT: will submit wording ensuring the application of Section 5 to cases of piracy through electronic networks.
4 D, NL questioned whether the measures in this section could also result from a decision concerning provisional measures.
5 UK, D, IRL expressed doubts on the applicability of these measures to goods infringing a patent.
6 A: delete Article 12.
7 UK: replace "judicial" by "competent" to cover also customs authorities. D, FIN against this suggestion.
8 D, DK, FIN: insert "upon request of the rightholder". COM can accept this insertion.
9 NL: insert "as well as the materials and implements used primarily for the creation or the manufacture of the goods in question".
10 ES will submit a proposal for giving such goods to not-for-profit humanitarian organisations.
Article 13

Disposal outside the channels of commerce

Member States shall lay down that the judicial authorities may order that the goods which have been found to infringe an intellectual property right, as well as the materials and implements used primarily for the creation or the manufacture of the goods in question, be disposed of outside the channels of commerce,\textsuperscript{11} without any compensation being due.

Article 14

Destruction of goods

Member States shall lay down that the judicial authorities may order the destruction\textsuperscript{12} of the goods which have been found to infringe an intellectual property right,\textsuperscript{13} without there being any entitlement to compensation.\textsuperscript{14}

Article 15

Preventive measures\textsuperscript{15}

1. Member States shall lay down that, when a judicial decision has been taken finding an infringement of an intellectual property right,\textsuperscript{16} the judicial authorities may serve the infringer with an injunction aimed at prohibiting the continuation of the infringement. Non-compliance with an injunction shall be punishable by a fine\textsuperscript{17} accompanied, where applicable, by a recurring fine, with a view to ensuring compliance.

2. Member States shall ensure that right holders are able to apply for an injunction to be addressed to intermediaries\textsuperscript{18} whose services are used by third parties to infringe an intellectual property right.\textsuperscript{19}

\textsuperscript{11} DK, FIN, ES: insert "at the infringer's expense".
\textsuperscript{12} DK, FIN, ES: insert "at the infringer's expense".
\textsuperscript{13} NL, D: insert "as well as the materials and implements used primarily for the creation or the manufacture of the goods in question".
\textsuperscript{14} It was agreed to align the wording of Articles 13 and 14 as regards the lack of obligation to offer compensation.
\textsuperscript{15} B, P: doubts on the appropriateness of this title.
\textsuperscript{16} A: this provision should also cover cases of threatened infringement.
\textsuperscript{17} DK, F, FIN, NL, LUX, D, P, GR: reservation on the use of the term "fine", which is linked to criminal law. IRL: scrutiny reservation on this term. COM: open to the use of a different term in order to avoid any links with criminal law here.
\textsuperscript{18} D, B, IRL, P: need to define better the term "intermediaries".
\textsuperscript{19} ES: reservation on paragraph 2, to the extent that it allows for an injunction to be addressed to a person who has not been a party to the main proceedings. A, NL: scrutiny reservation on this paragraph.
Article 16

Alternative measures\textsuperscript{20}

In appropriate cases, Member States shall lay down that, if the person liable to be subjected to the measures provided for in this Section has acted without fault or negligence\textsuperscript{21} but has nevertheless caused injury to the applicant\textsuperscript{22}, that person may, if execution of the measures in question would cause him disproportionate harm and if the injured party could reasonably be satisfied with pecuniary compensation, compensate that party in cash, with the latter’s agreement.\textsuperscript{23}

Section 6

Damages and Legal Costs

Article 17

Damages\textsuperscript{24}

1. Member States shall lay down that the judicial authorities shall order an infringer to pay the right holder adequate damages in reparation of the damage incurred by the latter as a result of his intellectual property right being infringed through the infringer having engaged in an activity in the knowledge, or with reasonable grounds for knowing, that it would give rise to such an infringement.

To this end, the competent authorities shall award, at the request of the prejudiced party:

(a) either damages set at\textsuperscript{25} double the royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question;

(b) or compensatory damages corresponding to the actual prejudice (including lost profits) suffered by the right holder as a result of the infringement.

\textsuperscript{20} B, D, DK, P, FIN, A, NL: reservation on Article 16, on the grounds that this provides for compensation even in cases where there has been no wilful infringement. For ES, Article 16 should be deleted in accordance with the subsidiarity principle.

\textsuperscript{21} LUX and B suggested replacing "without fault or negligence" by "in good faith" and "unintentionally" respectively.

\textsuperscript{22} UK: replace "applicant" by "rightholder".

\textsuperscript{23} B, A, D, NL, IT, LUX, DK: reservation on the words "with the latter’s agreement". COM can accept replacing these words with a reference to a fair outcome.

\textsuperscript{24} For more comments concerning Article 17 see document 12055/03 ADD 1.

\textsuperscript{25} F: insert "up to".
In appropriate cases, Member States shall lay down that the prejudice suffered can also be
deemed to include elements other than economic factors, such as the moral prejudice
carried to the right holder by the infringement.\(^{26}\)

2. In the case provided for in paragraph 1, point (b), Member States may provide for the
recovery, for the benefit of the right holder, of all the profits made by the infringer which
are attributable to that infringement and which are not taken into account when calculating
the compensatory damages.

For calculating the amount of the profits made by the infringer, the right holder is bound to
provide evidence only with regard to the amount of the gross income achieved by the
infringer, with the latter being bound to provide evidence of his deductible expenses and
profits attributable to factors other than the protected object.

*Article 18*

**Legal costs**\(^{27}\)

Member States shall lay down that the legal costs, lawyer’s\(^{28}\) fees and any other expenses incurred
by the successful party\(^{29}\) shall be borne by the other party, unless equity or the economic situation
of the other party does not allow this\(^{30}\). The responsible authorities shall determine the sum to be
paid.

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\(^{26}\) F: scrutiny reservation on the wording of this sentence.

\(^{27}\) NL, UK, ES, LUX, IT, A, FIN, IRL, HU: delete Article 18 in accordance with the
subsidiarity principle and for lack of Community competence.

\(^{28}\) HU: replace "lawyers" by "representatives".

\(^{29}\) UK: reservation on "and any other expenses incurred by the successful party".

\(^{30}\) D, A, IT, FIN, HU: reservation on "unless equity or the economic situation of the other party
does not allow this".
SECTION 7

PUBLICITY MEASURES

Article 19

Publication of judicial decisions

1. Member States shall lay down that, in legal proceedings instituted for infringement of an intellectual property right, the judicial authorities may order, at the request of the right holder and at the expense of the infringer, that the decision be displayed and published in full or in part in the newspapers designated by the right holder.

2. Member States may also provide for other publicity measures which are appropriate to the particular circumstances.

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31 HU: title should read "Publicity measures".
32 DK, S, FIN, IRL, UK: reservation on Article 19 to the extent that it imposes an obligation on all Member States.
33 F, S: scrutiny reservation on Article 19.
34 A, P, D, FIN: insert "in appropriate cases". COM can accept this addition.
35 IT: insert "and the persons referred to in Article 5". COM can accept this addition.
36 NL, A, D, UK, B, GR, F: reservation on "in the newspapers designated by the right holder", on the grounds that it does not leave the courts free to decide on the most suitable means of publication on a case-by-case basis. COM is prepared to be flexible on this issue.
37 D: need to provide that publication has to take place within a certain time limit after the court's decision on the main proceedings.
38 D: paragraphs 1 and 2 should merge. COM can accept this suggestion.
CHAPTER III

CRIMINAL LAW PROVISIONS

Article 20

Criminal law provisions

1. Member States shall ensure that all serious infringements of an intellectual property right, as well as attempts at, participation in and instigation of such infringements, are treated as a criminal offence. An infringement is considered serious if it is intentional and committed for commercial purposes.

2. Where natural persons are concerned, Member States shall provide for criminal sanctions, including imprisonment.

3. As regards natural and legal persons, the Member States shall provide for the following sanctions:

   (a) fines;

   (b) confiscation of the goods, instruments and products stemming from the offences referred to in paragraph 1, or of goods whose value corresponds to those products.

In appropriate cases, Member States shall also provide for the following sanctions:

   (a) destruction of the goods infringing an intellectual property right;

   (b) total or partial permanent or temporary closure of the establishment used primarily to commit the infringement;

   (c) a permanent or temporary ban on engaging in commercial activities;

   (d) placing under judicial supervision;

   (e) judicial winding-up;

39 After having listened to the views expressed by the representative of the Council Legal Service, a very broad majority of delegations entered a reservation on Article 20, on the grounds that, as it is currently worded, it cannot be adopted under the first pillar but rather belongs to the measures which may be adopted under the third pillar. These delegations indicated however that they could accept a general reference to sanctions (including criminal law ones), preferably in the context of Article 4.
(f) a ban on access to public assistance or subsidies;

(g) publication of judicial decisions.

4. For the purposes of this Chapter, the term “legal person” shall be understood to mean 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.

CHAPTER IV

TECHNICAL MEASURES

Article 21

Legal protection of technical devices

1. Without prejudice to particular provisions applicable in the field of copyright, related rights and the sui generis right of the creator of a database, Member States shall provide for appropriate legal protection against the manufacture, import, distribution and use of illegal technical devices.

2. For the purposes of this Chapter,

(a) “technical device” means any technology, device or component which, in the normal course of its functioning, is designed for the manufacture of authentic goods and the incorporation therein of elements which are manifestly identifiable by customers and consumers and which make it easier to recognise the goods as being authentic.

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40 Several delegations entered a reservation on Article 21, on the grounds that its scope is not sufficiently clear.
41 UK: provide for limited exemptions in order to facilitate investigations concerning alleged anti-competitive practices and for research purposes.
42 ES: add "sale for commercial purposes".
43 A: need for a definition of "authentic goods".
44 UK, IT: scrutiny reservation on the question whether this should not be extended to elements which are manifestly identifiable by rightholders, but not necessarily by customers and consumers.
(b) “illegal technical device” means any technical device which is \(^{45}\) designed to circumvent \(^{46}\) a technical device which, permits the manufacture of goods infringing industrial property rights and incorporating the manifestly identifiable elements described in point (a).

\[\text{Article 22}\]

\textbf{Codes of conduct}

1. Member States shall encourage:

(a) the development by trade or professional associations or organisations of codes of conduct at Community level aimed at contributing towards the enforcement of the intellectual property rights referred to in Article 2;

(b) the establishment, by optical disc manufacturers and the professional organisations concerned, of codes of conduct aimed at helping manufacturers \(^{47}\) to combat infringements of intellectual property, particularly by recommending the use on optical discs of a source code enabling the identification of the origin of their manufacture;

(c) the \(^{48}\) submission to the Commission of draft codes of conduct at national and Community level and of any evaluations of the application of these codes of conduct.

2. The codes of conduct must be in accordance with Community law and notably the rules on competition and protection of personal data.\(^{49}\)

\(^{45}\) A, B: insert "primarily". COM can accept this addition.

\(^{46}\) B: add "imitate or falsify". NL: add "remove or deactivate".

\(^{47}\) A: replace "manufacturers" by "rightholders".

\(^{48}\) A, P: insert "voluntary".

\(^{49}\) A, HU: delete paragraph 2 as superfluous. COM can accept this deletion.
CHAPTER V

ADMINISTRATIVE COOPERATION

Article 23

Assessment\(^{50}\)

1. Three years after the date laid down in Article 26(1), each Member State shall submit to the Commission a report informing it of the situation with regard to implementation of this Directive.

On the basis of those reports, the Commission shall draw up a report on the application of this Directive, including an assessment of the effectiveness of the measures taken by the various competent bodies and instances,\(^{51}\) as well as an evaluation of its impact on innovation and the development of the information society. That report shall then be transmitted to the European Parliament, the Council and the European Economic and Social Committee. It shall be accompanied, if necessary, by proposals for amendments to this Directive.

2. Member States shall provide the Commission with all the aid and assistance it may need when drawing up the report referred to in the second subparagraph of paragraph 1.

Article 24

Correspondents\(^{52}\)

1. Each Member State shall designate one or more correspondents (referred to hereinafter as “the national correspondents”) for any question relating to the implementation of the measures provided for by this Directive. It shall communicate the details of the correspondent(s) to the other Member States and to the Commission.

2. For the purposes of applying this Directive, the Member States shall co-operate with the other Member States and with the Commission via the national correspondents. They shall provide the assistance and information requested by the other Member States or the Commission as rapidly as possible, including by appropriate electronic means.

\(^{50}\) NL suggests putting this Article after Article 25.

\(^{51}\) B, P question how the effectiveness of the measures can be assessed.

\(^{52}\) ES, GR: positive to the idea of creating a Contact Committee.
CHAPTER VI

FINAL PROVISIONS

Article 25

Implementation

1. Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive not later than eighteen\(^5\) months after the date of its adoption. They shall immediately inform the Commission thereof.

When Member States adopt these provisions, these 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 texts of the provisions of national law which they adopt in the field governed by this Directive.

Article 26

Entry into force

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

Article 27

Addressees

This Directive is addressed to the Member States.

Done at Brussels, […]

For the European Parliament
The President
[...]  For the Council
The President
[...]

\(^5\) NL, B, UK, F, P: the implementation period should be longer than eighteen months. D: scrutiny reservation on eighteen months.