

Opinion of the European Economic and Social Committee on the ‘Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee — Towards a renewed consensus on the enforcement of Intellectual Property Rights: An EU Action Plan’

(COM(2014) 392 final)

(2015/C 230/11)

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On 16 July 2014 the European Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the

Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee — Towards a renewed consensus on the enforcement of Intellectual Property Rights: An EU Action Plan

COM(2014) 392 final.

The Section for the Single Market, Production and Consumption, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 19 November 2014.

At its 503rd plenary session, held on 10 and 11 December 2014 (meeting of 10 December 2014), the European Economic and Social Committee adopted the following opinion by 144 votes to three with two abstentions.

1. Conclusions and recommendations

1.1. The EESC endorses the Commission’s general approach, which involves adopting:

- an action plan to address infringements of intellectual property rights in the European Union. This action plan outlines a series of measures which aim to refocus the EU’s policy for the enforcement of intellectual property rights on infringements committed on a commercial scale, in accordance with the ‘follow the money’ approach, and
- a strategy for the protection and enforcement of intellectual property rights in third countries, which aims to identify an approach at international level by examining recent developments and putting forward solutions to improve the methods of action currently available to the Commission to promote more stringent norms in the area of intellectual property in third countries and eliminate the trade in counterfeit goods;

in light of the fact that infringements of intellectual property rights are a global phenomenon which, accordingly, deserve to be treated in a holistic manner.

1.2. The EESC supports the action plan’s objective of tackling commercial-scale infringements of intellectual property rights as they undermine investment in innovation and sustainable job creation in the EU and lead to lost tax revenue.

1.3. The EESC takes note of the increasingly important role played by the Office for Harmonisation in the Internal Market (OHIM) in connection with the preparation and implementation of the European Commission’s strategies for the promotion and enforcement of intellectual property rights, including the ‘multi-targeted’ approach which is part of the action plan.

1.4. The EESC supports the Commission’s pragmatic approach, which involves giving preference to tools such as the ‘follow the money’ approach and ensuring the participation of the stakeholders concerned.

1.5. The EESC could support the Commission’s ‘multi-targeted’ approach if the quantitative and qualitative aspects of the targets were better defined and specified. In particular, it welcomes the communication campaigns run by the European Observatory on Infringements of Intellectual Property Rights (‘the Observatory’) to raise awareness among young people⁽¹⁾ — as well as among judges and legal practitioners — about the impact and repercussions of IP infringements⁽²⁾.

⁽¹⁾ <https://oami.europa.eu/ohimportal/en/web/observatory/news/-/action/view/1251336>

⁽²⁾ **Judges’ Seminar on counterfeiting and money laundering, held at the Office for Harmonization in the Internal Market (OHIM) on 16 and 17 October** <https://oami.europa.eu/ohimportal/en/web/observatory/news/-/action/view/1574263> In this connection, see also OJ L 354, 28.12.2013, p. 73 and COM(2014) 144 final.

1.6. The EESC welcomes the attention that the Commission has given to SMEs to facilitate their access to means of judicial redress and also supports the European IPorta project, which is a support system for SMEs⁽³⁾ taking into account issues linked to the enforcement of intellectual property rights and coordinating national assistance.

1.7. The EESC urges the Commission to ensure that the means of accessing and effectively protecting intellectual property in Europe are available and affordable to all businesses, regardless of size.

1.8. It nonetheless regrets that the Commission's approach is limited to non-legislative instruments, with no mention of the fact that it might be advisable to assess existing legislative instruments and, indeed, be beneficial to revise them. The EESC emphasises that the Commission could have been more ambitious in this respect and taken this factor into consideration as well.

1.9. The EESC has reservations concerning the role that the Commission seems to give to voluntarily applied schemes, voluntary memoranda of understanding, voluntary agreements and best practice, in a matter that involves counterfeiting and piracy.

2. General comments

2.1. The EU action plan *Towards a renewed consensus on the enforcement of Intellectual Property Rights* sets out ten specific actions which outline a new policy for creating and using tools to address IP-infringing activity, particularly on a commercial scale. These activities are the most harmful and represent a key challenge for the EU as they undermine investment in innovation and sustainable job creation and lead to lost tax revenue.

2.2. These new tools which are, for the time being, non-legislative, include a series of measures based on the 'follow the money' approach which seeks to prevent commercial scale infringers from accessing means for promoting and distributing counterfeit goods, and to deprive them of their revenue.

2.3. The objectives of the EU action plan *Towards a renewed consensus on the enforcement of Intellectual Property Rights*, as set out in the Communication from the Commission which is the subject of this opinion, and those of the *Strategy for the protection and enforcement of intellectual property rights in third countries*, form a joint set of objectives:

- i) to use all means to effectively dissuade and impede the entry and diffusion on the EU's internal market of IP-infringing products from third countries;
- ii) to stimulate investment, growth and employment in IP reliant sectors that are so key to our respective economies.

2.4. Raising awareness among consumers and producers about the impact of IP infringements through discussions and publicity campaigns also forms an important part of this process.

2.5. At European level, the actions will be implemented by the Commission, where appropriate in partnership with the Office for Harmonization in the Internal Market (OHIM), which since June 2012 has housed the Observatory⁽⁴⁾. A study published by the Observatory on 25 November 2013⁽⁵⁾ revealed that its respondents — particularly young people — were unaware of the scale of the impact that infringements of IP could have on maintaining and creating jobs related to intellectual property. They also showed that young Europeans consider that the infrastructure for intellectual property rights primarily benefits large corporations.

2.6. The Commission has therefore opted for a multi-targeted approach, taking into consideration an analysis of the reasons why IP-infringing products are increasingly sought after by the 'digital generation'. Part of this strategy involves the development, by the Observatory, of the communication methods needed for raising awareness amongst Union citizens about the impact of infringements of IP, especially on jobs and the economy.

⁽³⁾ http://ec.europa.eu/enterprise/initiatives/ipr/what-are-iprs/index_en.htm

⁽⁴⁾ Regulation (EU) No 386/2012 of 19.4.2012 entrusts OHIM with various tasks aimed at facilitating and supporting the activities of national authorities, the private sector and EU institutions in the fight against IPR infringements. These tasks do not extend to participation in individual operations or investigations carried out by national authorities, nor to matters covered by Title V of Part III of the Treaty on the Functioning of the European Union (e.g. criminal and police cooperation).

⁽⁵⁾ See web site oami.europa.eu. This study was based on a review of the literature, on a qualitative study among 250 Europeans aged 15 to 65 and on a quantitative stage during which over 26 000 Europeans were polled via telephone interviews.

3. Specific comments

3.1. The Commission has not provided any details of the content of these measures but stresses that it will organise a consultation on non-legislative tools, covering the so-called 'follow the money' approach which seeks to deprive commercial scale infringers of their means for promoting and distributing IP-infringing goods, and to deprive them of their revenue. These tools will be drawn up in a transparent and robust manner to ensure that they are effective in terms of combating infringements of intellectual property rights.

3.2. This provision will be supported through cooperation between the EU authorities and discussions/negotiations with third countries. It will, for example, involve using 'all means to effectively dissuade and impede the entry and diffusion of IP infringing products on markets' both in the EU and externally.

3.3. These 'non-legislative' tools will be based on a goodwill approach among stakeholders and will not therefore involve the use of any new legislative instruments but will, in contrast, be based on existing legislative instruments. The advantage of these solutions lies in the fact that they can be swiftly implemented. These preventative measures will help to improve the effectiveness of means of redress before the civil courts. This objective will only be achieved if these measures are drawn up in a transparent manner and also take account of the public interests involved.

3.4. The EESC considers that this limited approach to self-regulation, in its form of 'voluntary agreements' or 'best practice', cannot replace legislative action in areas that should be subject to effective regulation.

4. The notion of 'commercial scale'

4.1. The notion of 'commercial scale' which focuses on the measures highlighted in the Commission's action plan is much wider than it suggests. The action plan is somewhat sketchy on this point but the EESC notes that this notion already exists in the EU *acquis*, making it possible to step up the force of injunction measures and civil penalties.

4.2. The EESC stresses that 'commercial scale' may apply to operations or activities which are not necessarily carried out for 'commercial purposes'.

4.3. The notion was included in Directive 2004/48/EC on the enforcement of intellectual property rights⁽⁶⁾ and is a basis for certain claims procedures under civil law. For example, the criterion of 'commercial scale' allows the judicial authorities to order the precautionary seizure of the movable and immovable property of an alleged infringing party, including the blocking of his/her bank accounts and other assets (Article 9(2) of the Directive). In certain Member States, this criterion is used as a basis for imposing criminal sanctions even though this is excluded from the EU *acquis*.

4.4. Other EU legislative instruments adopt notions similar to that of 'commercial scale': accordingly, Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society⁽⁷⁾, makes reference to the concepts of 'commercial nature', 'commercial purpose', 'direct or indirect economic or commercial advantage' and 'commercial use'.

Article 13 a) of Directive 98/71/EC on the legal protection of designs⁽⁸⁾, which details the limitation of the rights conferred by the design right, stipulates that: 'the rights conferred by a design right upon registration shall not be exercised in respect of acts done privately and for non-commercial purposes'.

4.5. In conclusion, it is therefore up to the courts to rule on a case by case basis, at the risk of creating inconsistent, unsuited and therefore uncertain case-law.

4.6. The Commission's services, conscious of the ambiguity surrounding this notion and the resulting legal uncertainty, encouraged the Observatory to identify examples of national case law involving infringements of intellectual property rights in order to, among other things, define the concept more accurately. Furthermore, a first economic workshop was organised on 19 September 2014 following a call for expressions of interest launched last summer in the academic world to analyse the economic concepts of intellectual property. At this event, certain specialists discussed the issue of how to apply the concepts of 'commercial scale' and 'commercial purposes' in practice in the context of IP infringements⁽⁹⁾ and how they may be understood in an economic perspective.

⁽⁶⁾ See OJ L 195, 16.6.2004, p. 16.

⁽⁷⁾ See OJ L 167, 22.6.2001, p. 10.

⁽⁸⁾ See OJ L 289, 28.10.1998, p. 28.

⁽⁹⁾ http://ec.europa.eu/internal_market/iprenforcement/docs/workshops/140919-workshop_en.pdf

4.7. In view of the importance of this issue, the EESC would urge the Commission's services to analyse this issue and to share their conclusions of this workshop with all stakeholders, including civil society.

5. 'Follow the money'

5.1. The Communication is directed at both the internet and physical distribution networks. It covers both digital and non-digital products, infringements of IP rights that undermine their creation, promotion, distribution and use. The 'follow the money' approach therefore involves dissuading infringers from illegally trading in counterfeit goods.

5.2. The implementation of this approach will strive to ensure that all players in the high value-added IP chain take the necessary forward-looking measures to maintain their competitive position on the market. The common thread running through these markets must remain innovation to encourage investment in creative and inventive activities.

5.3. This should boost confidence in digital markets and enable the distribution of competitive products with a high value-added IP, as well as the growth and development of such markets. The objective is to move away from an IP policy based on sanctions and the redress of infringements of intellectual property rights towards a more preventive and inclusive approach, guaranteeing and offering the consumer a wide and varied range of products with a high value-added IP.

5.4. The Commission proposes the publication of a monitoring report on the implementation of this policy every two years. The EESC will insist that the first report contains valid indicators and that it is published in good time.

5.5. Strengthening the security of payment services via appeals procedures in the event of the unintentional purchase of counterfeit goods could also improve consumer protection and boost their confidence in the internal market. The Commission has announced a public consultation on the impact of consumer protection regimes on combating commercial-scale IP infringements.

5.6. In view of the close link between the Commission's two initiatives and the importance of the 'follow the money' approach, the EESC would ask the Commission to launch a large-scale consultation on the crucial issue of consumer protection in the area of payment services and to extend it to the 'follow the money' approach in general.

5.7. The EESC also urges the Commission's services to consult economic players in order to elicit feedback on the extent to which the material gains of counterfeiters are taken into account when assessing the amount of damages and interest in the case of counterfeit goods⁽¹⁰⁾.

6. SMEs

6.1. In some Member States, intellectual property is either a matter of no importance for more than half of all SMEs (54 %) or else a familiar issue (46 %) but one that is considered to be too expensive, complex and lengthy. This is a striking situation in the context of a knowledge-based economy where intangible items such as know-how, reputation, design or image have taken on a huge importance⁽¹¹⁾.

6.2. Furthermore, certain figures would suggest that SMEs which incorporate intellectual property into their development strategies perform better economically than their competitors. Accordingly, the 32 winners in the SME category of France's Intellectual Property Institute's 2010 Innovation Trophies (INPI *Trophées de l'innovation 2010*) managed to create some 614 jobs between them since 2006, multiplying their turnover by a factor of five between 2006 and 2009 and doubling their exports during the same period. At the same time, these businesses bolstered their R & D efforts through a 65,6 % increase in their budget⁽¹²⁾.

⁽¹⁰⁾ In France, for example, this principle already exists (see Law No 2014-315 of 11 March 2014, which has been in force since 14 March 2014). Article L615-7 of the French Intellectual Property Code (CPI), as amended by Article 2 of the aforementioned law, now states that, when calculating **damages and interest**, the court must **clearly** take account of the negative economic consequences, the non-pecuniary damage caused, and the material gain derived by the counterfeiter, including savings on intellectual, material and promotional investment. However, this appears to be difficult to implement, often due to problems with proving that the counterfeiter derived material gain.

⁽¹¹⁾ <http://www.picarre.be/assets/Documents/Rapport-PIPICARR-tlchargeable3.pdf>

⁽¹²⁾ <http://www.journaldunet.com/economie/magazine/propriete-industrielle.shtml>

6.3. The EESC therefore supports the Commission's approach which is moving towards improving SMEs' access to means of judicial redress in general⁽¹³⁾ and, more specifically, in their disputes in the area of intellectual property. In effect, the financial cost and complexity of judicial procedures often dissuade innovative SMEs from enforcing their intellectual property rights, including those arising under essential patents.

6.4. Financial cost is a decisive factor in whether European businesses invest in innovation, which means that protecting intellectual property, and renewing and protecting intellectual property rights, must be affordable. In this regard, the single European patent could encourage businesses, including SMEs, young entrepreneurs and start-ups, to protect their inventions, provided the filing costs are reasonable and not prohibitive. Businesses should also be guaranteed access to justice, including access to the Unified Patent Court, for a reasonable cost.

6.5. SMEs also need to adopt marketing or distribution strategies but many fail to do this effectively as they lack the necessary skills or expertise needed to enforce and promote their intellectual property rights in an effective manner, a point which was highlighted by the Commission's action plan.

6.6. In this connection, the EESC endorses the European IPorta, a support system⁽¹⁴⁾ that takes into account issues linked to the enforcement of intellectual property rights and coordinates national assistance.

Brussels, 10 December 2014.

The President
of the European Economic and Social Committee
Henri MALOSSE

⁽¹³⁾ The Commission recently suggested strengthening and improving the current European small claims procedure, which is a uniform procedure that is available in all Member States (Regulation (EC) No 861/2007). See OJ C 226, 16.7.2014, p. 43.

⁽¹⁴⁾ http://ec.europa.eu/enterprise/initiatives/ipr/what-are-iprs/index_en.htm