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signed by Mr Jordi AYET PUIGARNAU, Director

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To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of  
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PARLIAMENT, THE COUNCIL AND THE EUROPEAN ECONOMIC AND  
SOCIAL COMMITTEE

Guidance on certain aspects of Directive 2004/48/EC of the European  
Parliament and of the Council on the enforcement of intellectual property  
rights

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Delegations will find attached document COM(2017) 708 final.

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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE COUNCIL AND THE EUROPEAN ECONOMIC AND SOCIAL  
COMMITTEE**

**Guidance on certain aspects of Directive 2004/48/EC of the European Parliament and of  
the Council on the enforcement of intellectual property rights**

{SWD(2017) 431 final} - {SWD(2017) 432 final}

## I. INTRODUCTION

Intellectual property rights ('IPR') protect intangible assets, allowing creators, inventors and artists to profit from their creative and innovative activities. Intangible assets account for more than half the value of companies, and their importance is growing. In a world where EU companies are increasingly competing on innovation, creativity and quality, intellectual property ('IP') is a powerful tool for growing the competitiveness of all companies, including small- and medium-sized enterprises ('SMEs').

Directive 2004/48/EC on the enforcement of intellectual property rights<sup>1</sup> (hereinafter referred to as the 'Directive' or 'IPRED') provides for a minimum but standard set of measures, procedures and remedies allowing effective civil enforcement of intellectual property rights. The objective of IPRED is to bring national legislative systems closer together to ensure a high, equivalent and homogeneous level of protection in the internal market<sup>2</sup>.

The evaluation of the Directive has demonstrated that the measures, procedures and remedies set out in IPRED have effectively helped to better protect IPR throughout the EU and better deal with IPR infringements in civil courts. The Directive has led to the creation of a common legal framework where the same set of tools is to be applied across the Union. In this respect, it has achieved the objective of approximating the legislative systems of the Member States for the civil enforcement of IPR<sup>3</sup>.

However, the measures, procedures and remedies set out in the Directive are not implemented and applied in a uniform manner among the Member States. This is because, since the Directive provides for minimum harmonisation (i.e. Article 2 explicitly allows national legislation to provide for means that are more favourable to rightholders), there is no uniform interpretation of the Directive's provisions and there are differences in national civil law proceedings and judicial traditions<sup>4</sup>. Thus, the EU legal framework for civil enforcement of IPR could benefit from the clarification of certain aspects of the Directive allowing a more consistent and effective interpretation and application.

This being said, it is also clear that the scope of IPRED, even if properly applied, is limited to regulating measures, procedures and remedies available for the civil enforcement of IPR. Therefore, IPRED as such cannot address all the challenges reported by stakeholders in the course of the Directive's evaluation<sup>5</sup>, in particular those which related more generally to the protection of IPR outside the context of, or prior to, litigation. For instance, some stakeholders would like clarification or a review of the rules on limiting the liability of

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<sup>1</sup> Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, OJ L 157, 30.4.2004, p. 45-86.

<sup>2</sup> Recital 10 of IPRED.

<sup>3</sup> Commission Staff Working Document (CSWD) – Evaluation of Directive 2004/48/EC the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights SWD(2017) 431.

<sup>4</sup> In particular, according to the most recent consultation on the Directive (results available at <http://ec.europa.eu/DocsRoom/documents/18661>), while the majority of respondents felt that the existing rules have helped effectively in protecting IP and preventing IP infringements, many rightholders and intermediaries in particular consider that the measures, procedures and remedies provided for by the Directive are not applied in a homogeneous manner across the Member States.

<sup>5</sup> CSWD – Evaluation of Directive 2004/48/EC; Annex II - Synopsis report.

intermediary service providers, which is primarily addressed in the e-Commerce Directive<sup>6</sup>. The Commission has taken account of the feedback received from stakeholders on this issue, and while it has committed to maintaining the present liability regime<sup>7</sup>, it has also, in a recent initiative, provided more clarity on intermediaries' responsibility in detecting and removing illegal online content (including content infringing IPR)<sup>8</sup>.

Against this background, and notably based on stakeholder feedback during the IPRED evaluation, the Commission has decided to issue the present guidance to clarify its views on the provisions of the Directive where there have been differing interpretations<sup>9</sup>.

This Guidance Communication is part of a comprehensive IP package. The challenges for IPR enforcement which do not concern the interpretation and application of those provisions and the possible means to address those challenges are presented in the Commission Communication '*A balanced IP enforcement system responding to today's societal challenges*', which is also part of that package<sup>10</sup>.

The focus of this guidance is on the following provisions of IPRED:

- scope (Articles 1 and 2)
- general obligation (Article 3)
- entitlement to apply for measures, procedures and remedies (Article 4)
- presumption of authorship or ownership (Article 5)
- rules on obtaining and preserving evidence (Articles 6 and 7)
- right of information (Article 8)
- injunctions (Articles 9 and 11)
- corrective measures (Article 10)
- calculation of damages (Article 13) and
- legal costs (Article 14)

The objective of this guidance is to facilitate the Directive's interpretation and application by competent judicial authorities and other parties involved in the enforcement of IPR in proceedings before those authorities. More specifically, this guidance document aims at:

- strengthening the efficiency and effectiveness of the IPR civil enforcement framework (Section II),
- ensuring a balanced approach to IPR enforcement and preventing abuse of measures, procedures and remedies set out in the Directive (Section III),
- ensuring effective IPR enforcement, including in a digital context (Section IV), and
- ensuring the Single Market dimension of IPR enforcement (Section V).

While the guidance takes into account the fact that the measures, procedures and remedies set out in the Directive are available to all the users of the IPR enforcement systems, it pays particular attention to the means which are especially important to SMEs. For example, it looks at the rules on calculating damages and awarding legal costs and the means to prevent abuse.

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<sup>6</sup> Articles 12-15 of Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market, OJ L 178, 17.7.2000, p. 1-16.

<sup>7</sup> Commission Communication "*Online Platforms and the Digital Single Market Opportunities and Challenges for Europe*" COM(2016) 288.

<sup>8</sup> Commission Communication "*Tackling Illegal Content Online – Towards an enhanced responsibility of online platforms*" COM(2017) 555.

<sup>9</sup> As identified in Commission SWD – Evaluation of Directive 2004/48/EC.

<sup>10</sup> COM(2017) 707.

The views presented in the guidance are based on the preliminary rulings issued by the Court of Justice of the European Union ('CJEU') since the Directive's adoption, and on the conclusions from IPRED's evaluation, including public consultations, as well as best practices identified at national level. This guidance therefore combines authoritative legal interpretation with the Commission's views that could serve as an inspiration for those who use the guidance.

The present document is not legally binding, and the guidance provided does not affect the jurisprudence of the CJEU. The guidance should make it easier to interpret and apply IPRED and in so doing will also inform and contribute to the Commission's enforcement policy under Article 258 TFEU.

## **II. MAKING THE IPR CIVIL ENFORCEMENT FRAMEWORK MORE EFFICIENT AND EFFECTIVE**

### **1. Ensuring appropriate compensation for the prejudice suffered**

The unpredictable amount of compensation to be awarded and the low probability of obtaining appropriate compensation for the damages suffered were some of the main reasons given to explain why rightholders do not seek civil redress in cases of IPR infringement<sup>11</sup>. This aspect is of particular importance to SMEs<sup>12</sup>.

Practice shows that assessing damages for infringement of IPR can be complicated. As a result, rightholders, the judiciary, legal profession, and the public have asked for more legal clarity on calculating damages, as well as fairer allocation.

#### *Calculating damages*

In accordance with Article 13(1) of the Directive, Member States are required to enable the competent judicial authorities to order the infringer who knowingly, or with reasonable grounds to know, engaged in an infringing activity to pay the rightholder damages appropriate to the actual prejudice suffered by him as a result of the infringement. Where the infringer acted not knowingly, or without reasonable grounds to know, Member States have the possibility to enable the judicial authorities to order the recovery of profits or the payment of damages, which may be pre-established (Article 13(2)).

According to Article 13(1), the damages should be appropriate to the actual prejudice suffered as a result of the infringement. The aim is to compensate that prejudice in full<sup>13</sup>.

The Directive provides for two possibilities to set such damages. Their amount can be determined by the judicial authorities:

- by taking into account all appropriate aspects, such as the negative consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral

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<sup>11</sup> Consultation on the evaluation and modernisation of the IPR enforcement legal framework, p. 26-28.

<sup>12</sup> *Ibidem*, p. 10. The main reasons reported for SMEs not to litigate were the costs of litigation, the lack of resources and the lack of predictability as regards the outcome.

<sup>13</sup> Judgment of the CJEU (Fifth Chamber) of 17 March 2016, [C-99/15](#), *Christian Liffers v Producciones Mandarina SL and Mediaset España Comunicación SA, anciennement Gestevisión Telecinco SA*, EU:C:2016:173, para. 25.

prejudice caused to the rightholder by the infringement (Article 13(1)(a)), or, as an alternative,

- in appropriate cases, by setting as a lump sum on the basis of elements such as at least the amount of royalties or fees which would have been due if the infringer had requested authorisation to use the IPR in question ('hypothetical royalty/fee') (Article 13(1)(b)).

The aim of this provision is not to introduce an obligation to provide for punitive damages, but to allow for compensation based on an objective criterion while taking into account the expenses incurred by the rightholder, such as the costs of identification and research<sup>14</sup>.

The wording of Article 13(1) of IPRED indicates that the Member States are to ensure that both methods for setting the damages established in this provision are reflected in their national legislation. Contrary to for instance Article 13(2), these are therefore not two options for the Member States; rather, it is for the applicant and ultimately the competent judicial authority to decide which of these two alternative methods is to be applied in order to set the damages in a given case.

Where it comes to the choice between both alternative methods in a given case, the wording of Article 13(1) indicates that it should be 'appropriate' to apply the lump sum method referred to in its point (b) of that provision. Recital 26 of IPRED gives an example, namely situations where it would be difficult to determine the amount of actual prejudice suffered. It has been reported<sup>15</sup> that in some cases under the applicable national rules applicants can only request calculation of damages in accordance with that method if the use of the method referred to in point (a) is impossible. Such interpretation is, in the view of the Commission, not in line with the Directive, considering that Recital 26 only mentions this as an example and moreover refers to the use of the other method being difficult and not impossible. Instead, in light of Recital 17, the general requirements of Article 3, including effectiveness and proportionality, as well as the aim to allow for compensation based on an objective criterion, it should be determined in function of the circumstances of each individual case whether it is appropriate to apply the lump sum method.

In the Commission's view, the possibility to set damages on the basis of a lump sum in accordance with Article 13(1)(b) is an alternative to the method set out in Article 13(1)(a) requiring the identification and quantification of all appropriate aspects, and both methods should in principle be available to the competent judicial authorities. Those authorities should be able to award damages set on a lump sum basis under point (b) where they consider this to be appropriate in light of the circumstances of the specific case before them, in particular where it is difficult to set the damages based on the method of point (a).

### *Moral damages*

A difficulty in calculating damages has been reported when there is the possibility to obtain compensation for the moral prejudice suffered<sup>16</sup>. Examples where moral damages have been claimed include cases where there has been injury to the rightholder's reputation, emotional distress, suffering caused by an infringement, etc.<sup>17</sup>.

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<sup>14</sup> Recital 26 of IPRED.

<sup>15</sup> CSWD – Evaluation of Directive 2004/48/EC, Annex II - Synopsis report.

<sup>16</sup> CSWD – Evaluation of Directive 2004/48/EC, p. 17 and Annex III.

<sup>17</sup> European Observatory on Infringements of Intellectual Property Rights "*Damages in Intellectual Property Rights*", p. 4.

In this regard Article 13(1)(a) of IPRED is clear, as it expressly mentions that other elements than economic factors, such as the moral prejudice caused to the rightholder by the infringement, can be one of the ‘appropriate aspects’ to be taken into account when setting the damages in accordance with the method provided for in this provision.

Article 13(1)(b) of IPRED, in contrast, does not expressly mention the possibility of compensation for moral prejudice when setting the damages in accordance with the lump sum method. However, the CJEU has indicated<sup>18</sup> that that provision does not preclude awarding such compensation either and that it is in fact required to take the moral prejudice suffered into account when setting the lump sum in order to achieve the objective of providing for full compensation of the actual prejudice suffered.

A party injured by an IPR infringement who brings a claim for damages to compensate for the prejudice suffered, set in accordance with the lump sum method of Article 13(1)(b) of IPRED, may claim and, if the claim is substantiated, be awarded not only compensation for material damage but also for the moral prejudice caused by that infringement.

### *Setting damages as a lump sum*

In the IPRED evaluation, difficulties in setting damages on the basis of the method mentioned in Article 13(1)(b) were reported<sup>19</sup>. In particular, it was claimed that awarding damages corresponding to only the single amount of the hypothetical royalty/fee is not sufficient to compensate for the actual prejudice suffered and does not provide for a sufficient deterrent effect. In that context it was discussed whether the Directive allows for a possibility to award damages that would consist in a multiple value of the hypothetical royalty/fee.

In a recent case<sup>20</sup>, the CJEU indicated that a holder of economic rights of copyright that have been infringed may require the person who has infringed those rights to compensate for the loss caused by paying a sum corresponding to twice the amount of a hypothetical royalty/fee, where the applicable national law provides for such possibility. The CJEU further explained that, where an IPR has been infringed, mere payment of a hypothetical royalty/fee is not capable of guaranteeing compensation in respect of all the loss actually suffered. This is because, the CJEU noted, payment of that royalty would not, in itself, ensure reimbursement of any costs linked to researching and identifying possible acts of infringement, compensation for possible moral prejudice or payment of interest on the sums due<sup>21</sup>. In that case it is also noted that the use of the lump sum method inherently means that the damages thus set may not be precisely proportional to the loss actually suffered and that the requirement of causality must not be interpreted and applied in an excessively strict manner in this regard<sup>22</sup>.

On the basis of this case law the Commission concludes that the damages set using the lump sum method are by no means to be restricted to only once the amount of a hypothetical royalty/fee and may, depending on the case, well need to constitute a higher amount. It also appears that the competent judicial authorities have a margin of discretion when setting the damages through applying this method. Accordingly, the method described in Article 13(1)(b)

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<sup>18</sup> [C-99/15 Liffers](#), para. 15-27.

<sup>19</sup> CSWD – Evaluation of Directive 2004/48/EC, Annex III.

<sup>20</sup> Judgment of the CJEU (Fifth Chamber) of 25 January 2017, [C-367/15](#), *Stowarzyszenie “Oławska Telewizja Kablowa” w Oławie v Stowarzyszenie Filmowców Polskich w Warszawie*, EU:C:2017:36.

<sup>21</sup> [C-367/15 OTK](#), para. 30. See also [C-99/15 Liffers](#), para. 18.

<sup>22</sup> [C-367/15 OTK](#), para. 26 and 32.

can be seen as resembling an empowerment for those authorities to estimate the amount of prejudice suffered on the basis of the available elements<sup>23</sup>.

Article 13(1)(b) of IPRED does not preclude national legislation under which a holder of an infringed IPR may claim from the infringer the payment of a sum corresponding to twice the hypothetical royalty/fee. While Article 13(1)(b) of IPRED does not necessarily require such doubling of that hypothetical royalty/fee, the national legislation implementing this provision should enable the rightholder to demand that the damages set as a lump sum are calculated not only on the basis of the single amount of that hypothetical royalty/fee, but also on the basis of other appropriate aspects. This can include compensation for any costs that are linked to researching and identifying possible acts of infringement and compensation for possible moral prejudice or interest on the sums due.

## 2. Providing for clear and effective rules on the reimbursement of legal costs

The results of the public consultation<sup>24</sup> show that the main reasons rightholders do not seek civil redress for alleged IPR infringement are because of lawyers' fees and other costs related to litigation and because of the perceived unlikelihood they will obtain appropriate compensation for legal costs and other expenses. The IPRED evaluation indicated<sup>25</sup> that rules on reimbursing legal costs differ across the EU and are in some situations insufficient to cover the full costs incurred by the successful party.

According to Article 14 of the Directive, the reasonable and proportionate legal costs and other expenses incurred by the successful party are to be borne by the unsuccessful party, unless equity does not allow it. The principle on reimbursing legal costs expressed in Article 14 applies to all types of legal proceedings covered by the Directive, i.e. proceedings on infringement of IPR. As clarified by the CJEU, this also includes for instance proceedings for compensating injury caused to parties wrongfully subjected to certain enforcement measures in accordance with Articles 7(4) and 9(7) of the Directive<sup>26</sup>, as well as an exequatur procedure to recognise and enforce a judgment seeking to enforce an IPR<sup>27</sup>. Invalidation proceedings are not covered<sup>28</sup>.

While this general principle provides the national judicial authorities with the basis for reimbursing costs, these authorities, when calculating the actual amount that should be awarded, are typically bound by more detailed national regimes on this subject matter. Some of these national regimes are not specific to intellectual property, are based on a flat-rate scheme (caps), and/or refer to the national rules governing the minimum costs of assistance of attorneys-at-law or patent attorneys. As a result, the Member States' regimes vary

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<sup>23</sup> A similar empowerment, although applicable only under specific circumstances, has been included in Article 17(1) of Directive 2014/104/EU of the European Parliament and of the Council of 26 November 2014 on certain rules governing actions for damages under national law for infringements of the competition law provisions of the Member States and of the European Union, OJ L 349, 5.12.2014, p. 1-19.

<sup>24</sup> Consultation on the evaluation and modernisation of the IPR enforcement legal framework, p. 28-30.

<sup>25</sup> CSWD – Evaluation of Directive 2004/48/EC; p. 20 and Annex III.

<sup>26</sup> Judgment of the CJEU (First Chamber) of 16 July 2015, [C-681/13](#), *Diageo Brands BV v Simiramida-04 EOOD*, EU:C:2015:471.

<sup>27</sup> Judgment of the CJEU (Grand Chamber) of 18 October 2011, [C-406/09](#), *Realchemie Nederland BV v Bayer CropScience AG*. EU:C:2011:668.

<sup>28</sup> [C-180/11](#), *Bericap*, para. 77-82.

considerably when it comes to calculating and reimbursing legal costs and in the procedures which govern this issue<sup>29</sup>.

### ***Flat-rate scheme***

In that context it was questioned whether national regimes based on a flat-rate scheme, which indicate a maximum amount of costs that can be reimbursed, are in line with Article 14 of IPRED.

The CJEU explained<sup>30</sup> that legislation providing for a flat rate of reimbursement of a lawyer's fees could, in principle, be justified, provided that the legislation is intended to ensure that the costs to be reimbursed are reasonable. It would have to take into account factors such as the subject matter of the proceedings, the sum involved, or the work to be carried out to represent the client concerned. This may be the case if that legislation is intended to exclude the reimbursement of excessive costs. These are costs due to unusually high fees agreed between the successful party and its lawyer or due to the lawyer providing services not considered necessary to enforce the intellectual property rights concerned.

The CJEU also held that<sup>31</sup> the requirement of Article 14 of IPRED that the unsuccessful party must bear 'reasonable' legal costs cannot justify national legislation which implements this provision imposing a flat-rate significantly below the average rate actually charged for the services of a lawyer in that Member State. Such legislation would be incompatible with Article 3(2) of IPRED, which states that the measures, procedures and remedies provided for must be dissuasive.

In addition, Article 14 of IPRED provides that the legal costs to be borne by the unsuccessful party must be 'proportionate'. In this regard the CJEU found that, while the requirement of proportionality does not imply that the unsuccessful party must necessarily reimburse the entirety of the costs incurred by the other party, it does, however, mean that the successful party should have the right to reimbursement of, at the very least, a significant and appropriate part of the reasonable costs actually incurred by that party. Therefore, national legislation that lays down an absolute limit on costs for lawyer's assistance must ensure, on the one hand, that that limit reflects the reality of the rates charged for the services of a lawyer in the field of intellectual property. But such legislation must also ensure that, at the very least, a significant and appropriate part of the reasonable costs actually incurred by the successful party are borne by the unsuccessful party<sup>32</sup>.

Article 14 of IPRED does not preclude national legislation providing for a flat-rate scheme to reimburse costs for a lawyer's assistance, provided that those rates ensure that the costs to be borne by the unsuccessful party are reasonable, taking into account features which are specific to the case. However, Article 14 precludes national legislation providing for flat rates which are too low to ensure that, at the very least, a significant and appropriate part of the reasonable costs incurred by the successful party are borne by the unsuccessful party.

### ***Types of costs to be reimbursed***

Other differences between the Member States and their national legislation refer to the types of costs covered by provisions of national law implementing Article 14 of IPRED. In practice,

<sup>29</sup> "Support study for the ex-post evaluation and ex-ante impact analysis of the IPR enforcement Directive", Technopolis Group in a consortium with EY and Schallast Rechtsanwälte, 2017, p. 69-70.

<sup>30</sup> [C-57/15](#), UVP, para. 25.

<sup>31</sup> [C-57/15](#) UVP, para. 26-27.

<sup>32</sup> [C-57/15](#) UVP, para. 29-30.

while court fees for instituting proceedings and other procedural costs are often fully covered, external experts' costs, attorneys' charges and additional attorneys' fees are at least in some cases only partly covered<sup>33</sup>.

Under Article 14, the infringer must generally bear all the financial consequences of his conduct<sup>34</sup>; on the other hand, the successful party is entitled to reimbursement of at least a significant and appropriate part of reasonable legal costs it actually incurred<sup>35</sup>.

More specifically, while Article 14 of IPRED refers to '*legal costs and other expenses incurred by the successful party*', the Directive does not define what these concepts entail precisely. The CJEU has held that the concept of 'legal costs' includes, amongst others, lawyer's fees<sup>36</sup>. It also held that the concept of 'other expenses' includes, in principle, costs incurred for the services of a technical adviser<sup>37</sup>. However, the CJEU also indicated that the latter concept is to be interpreted narrowly and that, accordingly, only those costs that are directly and closely related to the judicial proceedings concerned qualify as 'other expenses' within the meaning of Article 14<sup>38</sup>.

In this context, the CJEU found that the costs of research and identification incurred *inter alia* when a technical adviser performs a general observation of the market and detects possible infringements of intellectual property law, attributable to unknown infringers at that stage, do not appear to show such a close direct link. On the other hand, it held that, the services of a technical adviser, regardless of the nature of such services, are essential to usefully take legal action in a specific case to have such a right upheld, the costs linked to the assistance of that adviser fall within 'other expenses'. Pursuant to Article 14 of IPRED, these are 'other expenses' that must be borne by the unsuccessful party<sup>39</sup>.

The CJEU has also clarified<sup>40</sup> that Article 14 of IPRED precludes national rules providing that the costs of a technical adviser can be reimbursed only if the unsuccessful party has committed a fault, given that those costs are directly and closely linked to a judicial action seeking to have such an intellectual property right upheld.

Finally, it is important to indicate here that the foregoing does not necessarily mean that expenses not covered by Article 14 cannot be compensated. Rather, it means that, where appropriate, claims for compensation of such costs, for instance costs of identification and research<sup>41</sup>, are to be brought by means of an action for damages under Article 13 instead.

Article 14 of IPRED applies to legal costs, which includes lawyers' fees, as well as to other costs directly and closely related to the judicial proceedings concerned. The latter includes costs incurred for the services of a technical adviser, where those services are essential in order for a legal action to be usefully brought seeking, in a specific case, to have a right upheld.

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<sup>33</sup> Consultation on the evaluation and modernisation of the IPR enforcement legal framework, p. 28.

<sup>34</sup> [C-406/09](#), *Realchemie*, para. 49.

<sup>35</sup> Judgment of the CJEU (Fifth Chamber) of 28 July 2016, [C-57/15](#), *United Video Properties Inc. v Telenet NV* (UVP), EU:C:2016:611, para. 29.

<sup>36</sup> [C-57/15](#) *UVP*, para. 22.

<sup>37</sup> [C-57/15](#), *UVP*, para. 34.

<sup>38</sup> [C-57/15](#), *UVP*, para. 36.

<sup>39</sup> [C-57/15](#), *UVP*, para. 39-40.

<sup>40</sup> [C-57/15](#), *UVP*, para. 40.

<sup>41</sup> See Recital 26 of IPRED.

### 3. Focus on commercial scale infringements

Some of the means set out in IPRED need to be applied only to commercial scale infringements of IPR (Article 6(2) and Article 9(2)) or concern persons other than infringers (Article 8(1)(a)-(c)) which were either found to be in possession of infringing goods, or using the infringing services on a commercial scale, or providing on a commercial scale services used in infringing activities<sup>42</sup>.

In the context of the legal framework for enforcement of IPR, the concept of ‘commercial scale’ requires the application of certain more far-reaching or intrusive measures in cases of infringements of particular gravity, thus ensuring that the most harmful infringements are effectively tackled while also ensuring proportionality and a balanced approach. It appears, however, that this concept is understood and applied differently across the Member States.

The concept of commercial scale has not been defined in the Directive. The Directive also does not make any express reference to the laws of the Member States for the purpose of determining its meaning. It is settled case law that, in light of the need for uniform application of EU law and the principle of equality, this concept should in such cases be given an autonomous and uniform interpretation throughout the EU<sup>43</sup>.

In addition, Recital 14 of IPRED provides some clarification, by stating that it concerns acts ‘*carried out for direct or indirect economic or commercial advantage, normally excluding acts carried out by end consumers acting in good faith*’.

Moreover, the concept of commercial scale, within the meaning of Article 61 of the TRIPS Agreement, was thoroughly discussed in a World Trade Organization (‘WTO’) dispute settlement panel report<sup>44</sup>. The panel examining this has taken account of the ordinary meaning of the terms ‘scale’ and ‘commercial’ and found that the concept is to be understood with reference to qualitative as well as quantitative elements, and that it refers to the magnitude or extent of typical or usual commercial activity with respect to a given product in a given market<sup>45</sup>. Although in the TRIPS Agreement this concept is used in a somewhat different context than in IPRED<sup>46</sup> and that in the EU’s legal order such panel reports are in themselves not binding when it comes to the interpretation of an act of secondary EU law such as IPRED, the Commission considers this report nonetheless a useful point of reference<sup>47</sup>.

It follows from the above that, in the Commission’s view, the concept of commercial scale, as used in various provisions of IPRED, should not be understood in purely quantitative terms; instead, certain qualitative elements, such as whether the activity in question is normally carried out for economic or commercial advantage, should be taken into account as well.

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<sup>42</sup> As indicated in Recital 14 of IPRED: “*This is without prejudice to the possibility for Member States to apply those measures also in respect of other acts.*”.

<sup>43</sup> E.g. Judgment of the Court (Grand Chamber), 3 September 2014, [C-201/13](#), *Johan Deckmyn and Vrijheidsfonds VZW v Helena Vandersteen and Others*, EU:C:2014:2132, para. 14.

<sup>44</sup> Report of the WTO Panel of 26 January 2009, [WT/DS362/R](#), p. 75 – 98.

<sup>45</sup> [WT/DS362/R](#), para. VII, 601-603 and VII.635-636.

<sup>46</sup> Namely, in connection to certain criminal law measures, whereas in IPRED the concept is used in connection to certain civil law means.

<sup>47</sup> It can be noted in this regard, firstly, that the EU is also a party to the TRIPS Agreement (see Recital 4 of IPRED), meaning that its provisions form an integral part of the EU’s legal order (see e.g. *C-180/11, Bericap*, para. 67) and, secondly, that also under the CJEU’s case law the ordinary meaning of undefined terms used in acts of secondary EU law such as IPRED is an important element when interpreting such terms (see e.g. *C-201/13, Deckmyn*, para. 19).

The concept of ‘commercial scale’ as provided for in Articles 6(2), 8(1) and 9(2) of IPRED should be interpreted and applied taking into account qualitative elements, such as the economic or commercial advantage which may be pursued by the infringements in question, as well as quantitative elements, such as the number and extent of the infringements, which are relevant in the case at hand.

### III. ENSURING A BALANCED APPROACH TO IPR ENFORCEMENT AND PREVENTING ABUSE

#### 1. General obligation and fundamental rights

The general obligation in the Directive is to provide for measures, procedures and remedies necessary to enforce IPR. These are to be ‘fair and equitable’ and must not be ‘unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays’; they must also be effective, proportionate and dissuasive, must not act as barriers to trade and must provide safeguards against abuse (Article 3(1) and (2)). In addition, such measures, procedures and remedies should be determined in each case in a manner allowing the specific characteristics of that case to be taken into due account, including the specific features of each intellectual property right and, where appropriate, the intentional or unintentional character of the infringement<sup>48</sup>. As a result, in order to ensure the balanced use of the civil IPR enforcement system, the competent judicial authorities should generally conduct a case-by-case assessment when considering the grant of the measures, procedures and remedies provided for by IPRED.

IPRED respects all of the fundamental rights and observes the principles recognised in particular by the Charter of Fundamental Rights of the European Union (‘Charter’); in particular, it seeks to ensure full respect for intellectual property, in accordance with Article 17(2) of the Charter<sup>49</sup>. In consequence, the rules set out in the Directive must be interpreted and applied in such a way that not only is this specific fundamental right safeguarded, but other fundamental rights at issue are also fully considered and respected. The latter can include, as the case may be, the rights to effective judicial protection and to protection of privacy and personal data, as well as the freedoms of expression and to conduct a business<sup>50</sup>. A range of CJEU judgements issued after the adoption of the Directive address this issue.

In particular, in the *Promusicae* judgment<sup>51</sup> the CJEU addressed the issue of balancing different fundamental rights when it interpreted the provisions of the e-Commerce Directive, the Information Society Directive<sup>52</sup>, IPRED and the E-Privacy Directive<sup>53</sup>, in light of the

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<sup>48</sup> Recital 17 of IPRED.

<sup>49</sup> Recital 32 of IPRED.

<sup>50</sup> See, respectively, Articles 47, 7, 8, 11 and 16 of the Charter.

<sup>51</sup> Judgment of the CJEU (Grand Chamber) of 29 January 2008, [C-275/06](#), *Productores de Música de España (Promusicae) v Telefónica de España SAU*, EU:C:2008:54, para. 68.

<sup>52</sup> Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, OJ L 167, 22.06.2001, p. 10–19.

<sup>53</sup> Directive 2002/58/EC of the European Parliament and of the Council of 12 July 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector, OJ L 201, 31.07.2002, p. 37–47 (which complements Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data, OJ L 281, 23.11.1995, p.31–50).

Charter. The CJEU explained that when interpreting these directives, the national authorities and courts concerned must ensure that a fair balance is struck between the different fundamental rights involved and that there is no conflict with the other general principles of EU law, such as the principle of proportionality. In this particular case, the CJEU concluded that Member States are not required to lay down an obligation to communicate personal data to ensure effective protection of copyright in civil proceedings. However, the CJEU also concluded that they should, when transposing the directives mentioned above, interpret them in such a way that a fair balance is struck between the fundamental right guaranteeing protection of personal data and private life and the fundamental rights to property and effective judicial protection.

This approach was further reflected in subsequent decisions of the CJEU<sup>54</sup>, providing more guidance on how to strike a fair balance between different conflicting fundamental rights, *inter alia* when deciding on right of information requests and the awarding of injunctions<sup>55</sup>.

Although these decisions were issued in the specific context of litigation relating to copyright infringements, the CJEU's analysis addresses in general the balance between the fundamental rights at issue. Therefore, the Commission believes that the requirement of ensuring a fair balance between such rights, in light of the general principle of proportionality, applies not only in copyright infringement cases, but in cases concerning all the IPR falling within IPRED's scope.

In all cases where the provisions of IPRED are interpreted and applied and where various conflicting fundamental rights protected in the EU's legal order are at stake, it should be ensured that a fair balance is struck between them, in light of the principle of proportionality.

## **2. Striking a fair balance between the applicable fundamental rights in the case of the right of information**

Striking a fair balance between different fundamental rights is particularly important when applying the right of information set out in Article 8 of IPRED. Article 8 obliges Member States to enable the competent judicial authorities to order that the infringer or certain other persons provide precise information on the origin of the infringing goods or services, the distribution channels and the identity of any third parties involved in the infringement<sup>56</sup>.

When dealing with right of information requests brought under Article 8, situations can exist where several fundamental rights need to be balanced with one another. This could be the case notably with the fundamental rights to protection of property (including intellectual property) and to effective judicial protection on the one hand and the fundamental rights to protection of privacy and personal data, as well as the freedom to conduct a business, on the other hand.

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<sup>54</sup> E.g. Order of the CJEU (Eighth Chamber) of 19 February 2009, [C-557/07](#), *LSG-Gesellschaft zur Wahrnehmung von Leistungsschutzrechten GmbH v Tele2 Telecommunication GmbH*, EU:C:2009:107; Judgment of the CJEU (Third Chamber) of 19 April 2012, [C-461/10](#), *Bonnier Audio AB and Others v Perfect Communication Sweden A,B* EU:C:2012:219; Judgment of the CJEU (Fourth Chamber) of 16 July 2015, [C-580/13](#), *Coty Germany GmbH v Stadtsparkasse Magdeburg*, EU:C:2015:485.

<sup>55</sup> See also further discussion concerning Article 8 on- right of information (chapter III) and Articles 9 and 11 on injunctions (chapter IV) of IPRED.

<sup>56</sup> See also recital 21 of IPRED.

Any order by the competent judicial authorities to provide information issued under Article 8 should only concern information which is actually needed to identify the source and scope of the infringement. This follows in the view of the Commission from the requirement of a justified and proportionate request laid down in Article 8(1) and the general obligations laid down in Article 3 (notably the requirements that any measure enacted must be fair and equitable and may not be unnecessarily complicated or costly, and that safeguards against abuse must be provided for).

The CJEU has clarified<sup>57</sup> that EU law, in particular Article 8(3) of IPRED read in conjunction with Article 15(1) of the E-Privacy Directive, does not preclude Member States from imposing an obligation to disclose to certain private third parties personal data relating to internet traffic in order to enable such third parties to bring civil proceedings for copyright infringements. However, it was also found that the rules of EU law at issue in that case do not require Member States to impose such an obligation either.

The CJEU has also indicated that those rules do not preclude the application of national legislation based on Article 8 of IPRED which, in order to identify an internet subscriber or user, permits an internet service provider in civil proceedings to give a copyright holder or its representative information on the subscriber to whom the internet service provider provided an IP address which was allegedly used in an infringement. Such national legislation, however, should enable the national court seized to weigh the conflicting interests involved, on the basis of the facts of each case and taking due account of the requirements of the principle of proportionality<sup>58</sup>.

In another case, the CJEU clarified that Article 8(3)(e) of IPRED precludes provisions of national law allowing, in an unlimited and unconditional manner, a banking institution to invoke banking secrecy to refuse to provide, pursuant to Article 8(1)(c) of IPRED, information on the name and address of an account holder<sup>59</sup>. Such unlimited and unconditional authorisation to invoke banking secrecy can seriously impair the effective exercise of the fundamental right to intellectual property to the benefit of the right of persons covered by Article 8(1) of IPRED to the protection of personal data concerning them<sup>60</sup>.

Under Article 8 of IPRED, the competent judicial authorities can require an infringer or certain other persons to provide information on the origin and the distribution networks of the goods or services which infringe an IPR. This information can include personal data, where such disclosure occurs in compliance with the applicable legislation on the protection of personal data and provided safeguards exist to ensure a fair balance between the various fundamental rights at issue.

### **3. Presentation of specified evidence in control of the opposing party**

According to Article 6(1) of IPRED, the competent judicial authorities may order that evidence which lies in the control of an opposing party be presented, where the applicant has presented reasonably available evidence sufficient to support its claims and has, in substantiating those claims, specified the evidence.

<sup>57</sup> [C-275/06, Promusicae](#), para. 58-59. See also section 1 above.

<sup>58</sup> [C-461/10, Bonnier](#), para. 51-61.

<sup>59</sup> Judgment of the CJEU (Fourth Chamber) of 16 July 2015, [C-580/13, Coty Germany GmbH v Stadtsparkasse Magdeburg](#), para. 43.

<sup>60</sup> [C-580/13, Coty Germany](#), para. 40.

During the evaluation it has been reported that in some Member States the process of specifying the evidence lying in the control of the opposing party can be very burdensome for the applicant and thus in practice significantly limit the possibility to obtain such evidence. It was reported that applicants are in some cases requested to specify the exact nature, location, reference numbers or contents of the requested documents, even if such information is obviously difficult, if not impossible to obtain for an external person who has not necessarily seen the documents requested<sup>61</sup>.

While some degree of specification is undoubtedly necessary, requiring an excessive level of detail calls into question the effectiveness of the disclosure measures provided for by Article 6(1) and raises concerns as to the proportionality of the requirements set out on the national level. It also raises the question of the 'fair and equitable' nature of such requirements and could make it overly complicated to use the Directive's measures. As such, detailed national requirements of this kind could be contrary to Article 6(1), read in conjunction with the obligations set out in Article 3 of the Directive.

The Competition Damages Directive<sup>62</sup> is more elaborate in this respect. The Directive's Article 5(2) on the disclosure of evidence obliges the Member States to ensure that national courts are able to order the disclosure of specified items of evidence or relevant categories of evidence circumscribed as precisely and as narrowly as possible on the basis of reasonably available facts in the reasoned justification.

The Commission is of the view that there may well be grounds for adopting a similar approach when interpreting and applying Article 6(1) of IPRED. While the applicant should specify the information he is requesting to the furthest extent possible, the obligation to do so should be interpreted within the reasonable limits, in light of the specifics of the case at hand. That means that, in the view of the Commission, while in principle the applicant should specify in his request individual items of evidence, Article 6(1) does not preclude that in certain cases an applicant specifies a concrete category of items of evidence, provided that the degree of specification allows the opposing party to identify concrete evidence lying in its control and the competent judicial authority to decide on the disclosure request.

In addition, there are difficulties in understanding what is meant by the '*evidence which lies in the control of the opposing party*'. More specifically, uncertainties have arisen as to whether the term 'control' should only refer to possession of evidence, or whether it should be understood more broadly, and extend even to require the opposing party to undertake a reasonable search<sup>63</sup>.

While, in the Commission's view, Article 6(1) appears to offer no clear basis for requiring a party to actively look for evidence in possession of third parties outside its control with a view to presenting such evidence, it notes that the use of the word 'control' suggests that it is not necessarily required that the party is actually in possession of the evidence. Therefore, in the Commission's view, where justified, Article 6(1) could give grounds to an obligation on a party to carry out a diligent search for the evidence within its organisation (including

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<sup>61</sup> Consultation on the evaluation and modernisation of the IPR enforcement legal framework, p. 18. See also SEC(2010) 1589 final, p. 9.

<sup>62</sup> Directive 2014/104/EU of the European Parliament and of the Council of 26 November 2014 on certain rules governing actions for damages under national law for infringements of the competition law provisions of the Member States and of the European Union, OJ L 349, 5.12.2014, p. 1.

<sup>63</sup> CSWD - Analysis of the application of Directive 2004/48/EC of 22.12.2010, p. 9; Commission document "*Synthesis of the comments on the Commission Report on the application of Directive 2004/48*", July 2011, p. 19.

separate legal entities which it controls), provided that the applicant has adequately substantiated and specified the request for the evidence concerned, the obligation does not go beyond what is proportionate and is not unnecessarily costly, and safeguards against abuse are provided for where necessary<sup>64</sup>.

Any request for the presentation of evidence under Article 6(1) of IPRED should be adequately substantiated and specified, and remain limited to what is proportionate in the specific circumstances of the case. This requirement need not however exclude the possibility of the party subject to this measure from being required, in certain cases, to present concrete categories of evidence or to carry out a diligent search for evidence within its organisation.

#### **4. Ensuring protection of confidential information**

The possibility to obtain the measures specified in Articles 6(1), 6(2), 7(1), 8(1) and 8(2) of IPRED is subject to the protection of confidential information. This restriction is particularly important when the documents indicated as evidence or information to be potentially presented contain trade secrets or other commercially sensitive information of the party subject to those measures.

For right of information requests under Article 8, it was reported<sup>65</sup> that the fact that certain types of information may be subject to different confidentiality regimes in different Member States may cause additional problems for rightholders. This is because it is not clear whether they could use information legally obtained in one country in another country, where the confidentiality of such information would fall under stricter confidentiality rules.

For the sake of proportionality, requests for the presentation of evidence brought under Article 6, for preservation measures under Article 7 and for the provision of the information referred to in Article 8 should be relevant to prove the claim(s) at issue in the legal proceedings concerned. However, even if some of the information in the possession of the opposing party will be crucial for demonstrating the alleged infringement or its scope or consequences, the specific nature of this information could in certain cases e.g. still be of such an important commercial value that it should not be disclosed to the applicant. According to the feedback from the evaluation, judicial authorities can find it difficult to deal with these conflicting interests, especially when the parties are competitors.

The Commission notes in this regard that said Articles do not provide that such confidential information cannot be used in the proceedings at hand. Rather, they provide that the information must be protected. In some Member States<sup>66</sup>, measures have been introduced to allow the disclosure of confidential information only to the court or a third party bound by specific confidentiality rules. Also, Article 60(3) of the Agreement on a Unified Patent Court<sup>67</sup> provides for the possibility for the Unified Patent Court ('UPC') to order an inspection of premises by a person appointed by the UPC. While the applicant cannot be

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<sup>64</sup> See Article 3 of IPRED.

<sup>65</sup> Consultation on the evaluation and modernisation of the IPR enforcement legal framework, p. 18-25.

<sup>66</sup> E.g. the Netherlands.

<sup>67</sup> OJ C 175, 20.6.2013, p. 1.

present during such inspection, he may be represented by an independent professional practitioner whose name has to be specified in the order.

In the Commission's view the competent judicial authorities should be able to decide, in accordance with the detailed rules of national law, on their own initiative or at the request of a party to the proceedings, on the appropriate means to protect confidential information where such information may be affected by the measures provided for in Articles 6, 7 or 8. While this is not expressly required under these provisions, it considers that such means could include, where justified, the possibility to present such information only to the competent judicial authorities or to an independent and impartial third party which is appointed to assist in the proceedings or inspections with a view to description or seizure and which is subject to appropriate confidentiality obligations. Any such means should ensure that the information is not disclosed to the applicant, another party to the proceedings or the public at large, while having due regard to the rights of defence of the applicant or such other parties<sup>68</sup>.

Effect should be given to the obligation to protect confidential information laid down in Articles 6, 7 and 8 of IPRED through appropriate means which provide for the necessary safeguards. Such appropriate means could include the presentation of confidential information only to the competent judicial authorities or the inspection of premises with a view to description or seizure only by certain independent and impartial third parties.

## 5. Importance of securities

IPRED prescribes that measures to preserve evidence (Article 7(2)) and provisional measures (Article 9(6)) may be subject to the lodging by the applicant of adequate security or an equivalent assurance to ensure compensation for any prejudice suffered by the defendant. Such securities or assurances are an important instrument not only to compensate for such injury *ex post* where necessary, but also to prevent potential abuse of the measures provided for by IPRED. In that respect, the specific obligations provided for in Articles 7(2) and 9(6) implement the general obligation in Article 3(2), in particular that the measures, procedures and remedies provided for by the Directive must be applied in such a manner as to provide for safeguards against their abuse.

However, Article 3(2) also stipulates that the measures, procedures and remedies must be effective, proportionate and dissuasive and, according to Article 3(1), fair and equitable and must not be unnecessarily costly. This underlines that whereas abuse must be prevented, the means to do so may not be such as to be in conflict with these latter requirements. That means, for instance, that the securities that need to be lodged for the provisional measures to be awarded should not be set at such levels that in practice applicants will no longer apply for the provisional measures in question. This is particularly relevant for SMEs, as the costs of civil proceedings, together with the risk of losing the case and having to pay the fees of both parties, are a main deterrent to enforce IPR in civil court proceedings<sup>69</sup>.

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<sup>68</sup> Cf. Judgment of the Court (Third Chamber) of 14 February 2008, [C-450/06](#), *Varec SA v Belgian State*, EU:C:2008:91, regarding the balancing of the conflicting rights at issue in litigation relating to public procurement procedures.

<sup>69</sup> "Intellectual Property SME Scoreboard 2016", EUIPO, European Observatory on Infringements of Intellectual Property Rights, 2016.

Requiring the applicant to lodge an adequate security or equivalence assurance as a precondition for issuing provisional and precautionary measures in accordance with Articles 7 and 9 of IPRED can be a suitable means to prevent the abusive use of such measures. When determining what security or equivalent assurance is to be deemed adequate in a given case, account should be taken, *inter alia*, of the economic capacity of the applicant and the potential effects for the effectiveness of the measures applied for, in particular for SMEs.

## 6. Possibilities and merits of a protective brief

Article 7(1) of IPRED provides for the possibility, in appropriate cases, to issue measures to preserve evidence without the other party having been heard (i.e. *ex parte*), in particular where any delay is likely to cause irreparable harm to the rightholder or where there is a demonstrable risk of evidence being destroyed. Similarly, as provided in Article 9(4) of IPRED provisional and precautionary measures may be issued *ex parte* in particular where any delay would cause irreparable harm to the rightholder. In such cases, due to the urgent nature and/or the need not to inform the defendant in advance, the decision on the award of the measures is taken on a unilateral basis without prior notification and hearing. Thus, it is without the defendant being given the chance to submit arguments in its defence, even if the defendant may suffer from the possible severity of the impact of the measure awarded.

Articles 7 and 9 provide for a number of safeguards, notably the fact that such *ex parte* injunctions can be granted only on specific grounds, must be immediately communicated to the defendant after their execution and are subject to judicial review *ex post*, where the defendant can be heard. Nonetheless, the fact remains that such *ex parte* measures significantly affect the defendant's fundamental right to be heard and defend himself in court, which is part of the fundamental right to a fair trial<sup>70</sup>. Limitations to the right to be heard should therefore in principle only be imposed under these articles while providing for the necessary safeguards and to the extent that such limitations are necessary to ensure the rights to protection of intellectual property and to effective judicial protection of the applicant, which are also fundamental rights guaranteed under the Charter.

In order to achieve a fair balance between these conflicting interests and fundamental rights, some Member States (Belgium, France, Germany, the Netherlands and Spain) and Rule 207 of the Rules of Procedure of the Unified Patent Court<sup>71</sup> provide for the instrument of protective brief, referred to also as protective letter or protective writ. With a protective brief, a defendant fearing to be sued for an IPR infringement (for instance, because it has received a warning letter from the rightholder) informs the competent judicial authorities in advance, (*i.e.* even before an application has been made), why the potential infringement claim is, according to the defendant, not founded. The main purpose of the protective brief is to provide the judicial authorities with as much relevant information as possible, without hearing the defendants once the application for a preliminary injunction has been made, before taking a decision on that application.

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<sup>70</sup> Article 47 of the Charter. See also Article 42 of the TRIPS Agreement.

<sup>71</sup> Preliminary set of provisions for the Rules of Procedure of the Unified Patent Court (18th Draft), available at: <https://www.unified-patent-court.org/documents>.

Although not expressly provided for in IPRED, the instrument of a protective brief can be seen as a good instrument to help balance, in a fair and proportionate manner, the various conflicting interests and fundamental rights at issue in relation to the possibility of issuing *ex parte* measures set out in Articles 7(1) and 9(4) of IPRED.

#### IV. ENSURING EFFECTIVE IPR ENFORCEMENT, INCLUDING IN A DIGITAL CONTEXT

The focus of this chapter is on the issue of injunctions and intermediaries. The views expressed in the public consultation show that rightholders consider preliminary injunctions as an essential instrument to protect their rights. Besides, as outlined in the Directive on the harmonisation of certain aspects of copyright and related rights in the information society ('Information Society Directive')<sup>72</sup>, in the digital environment, in particular, the services of intermediaries may increasingly be used by third parties for infringing activities; in many cases, such intermediaries are best placed to bring such infringing activities to an end.

##### 1. Injunctions and liability

IPRED sets out two types of injunctions. First, under Article 9(1)(a) the Member States are obliged to ensure that rightholders are in a position to apply for an interlocutory injunction against an infringer or an intermediary. The aim of such injunctions is to prevent imminent infringement or to prohibit the continuation of an infringement. Second, Article 11 obliges Member States to ensure that, in proceedings on the merits of the case, the competent judicial authorities may issue an injunction either against the infringer to prohibit the continuation of the infringement, or against an intermediary aimed not only at bringing to an end infringements but also at preventing further infringements<sup>73</sup>.

In this context it is important to stress that EU law distinguishes between the concept of liability and the possibility to issue injunctions against an intermediary as established in Articles 9(1)(a) and 11 of IPRED<sup>74</sup>. The CJEU has confirmed that the obligation imposed on Member States by Article 11 of IPRED applies '*regardless of any liability of its own [i.e. of the intermediary] in relation to the facts at issue*'<sup>75</sup>.

The possibility to issue an injunction against an intermediary on the basis of Articles 9(1)(a) and 11 of IPRED does not depend on the intermediary's liability for the (alleged) infringement in question. Consequently, the competent judicial authorities cannot require applicants to demonstrate that the intermediary is liable, even indirectly, for an (alleged) infringement, as a condition for an injunction to be granted.

<sup>72</sup> Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, OJ L 167, 22.6.2001, p. 10–19, Recital 59.

<sup>73</sup> C-324/09, *L'Oréal v. eBay*, para. 131; C-70/10, *Scarlet Extended*, para. 31; C-360/10, *SABAM*, para. 29.

<sup>74</sup> Such possibility – also irrespective of the liability of the intermediary – is also provided for in Art. 8(3) of the Information Society Directive.

<sup>75</sup> Judgment of the CJEU (Grand Chamber) of 12 July 2011, C-324/09, *L'Oréal SA and Others v eBay International AG and Others*, EU:C:2011:474, para. 127. See e.g. also C-494/15, *Tommy Hilfiger*, EU:C:2016:528, para. 22. Articles 12-14 of the e-Commerce Directive establish specifically in respect of certain online intermediaries, that the liability exemptions provided for in those provisions do not affect the possibility for a court or administrative authority of requiring them to terminate or prevent an infringement.

## 2. Clarifying the concept of intermediary

IPRED refers in its Articles 9(1)(a) and 11 to the possibility of issuing injunctions against ‘*any intermediary whose services are used by a third party to infringe IPRs*’. The Directive does not specify which economic operators are to be considered as intermediaries for the purpose of the Directive.

The CJEU has clarified that an economic operator can qualify as an intermediary within the meaning of these provisions when it provides a service which is capable of being used by one or more other persons in order to infringe one or more IPR or to access infringing contents or goods<sup>76</sup>. For it to be qualified as such, the economic operator does not need to have a specific relationship, for instance through a contractual link, with those other persons<sup>77</sup>.

In consequence, the application of Articles 9(1)(a) and 11 of the Directive is not limited to a specific group of intermediaries but spans across different sectors, and includes both offline and online services<sup>78</sup>.

The CJEU has specifically stated that internet service providers<sup>79</sup>, social networking platforms<sup>80</sup>, online marketplaces<sup>81</sup> and tenants of market halls<sup>82</sup> should be seen as intermediaries in the circumstances of the facts at issue in the legal proceedings at hand.

The Commission considers, on the basis of the CJEU's case law available to date, that there is no reason to believe that this is an exhaustive list and that, therefore, a range of other economic operators which provide services capable of being used by other persons to infringe IPR can also fall within the scope of the Directive's notion of intermediary, which is to be determined on a case-by-case basis. In the Commission's view, such economic operators can, depending on the case, potentially include for instance providers of certain information society services, postal and parcel services providers, transport and logistics companies and retailers.

The Commission further recalls that Articles 9(1)(a) and 11 should be interpreted and applied in light of the general requirements of Article 3 and the applicable fundamental rights protected in the EU's legal order. Accordingly, on the one hand, the involvement of such economic operators, which did not themselves engage in any infringing activity, in the process of IPR enforcement under IPRED can be required to ensure that rightholders are in a position to effectively enforce their rights. On the other hand, there may in a given case be no justification for such involvement where the services provided are so distant or immaterial to the (alleged) infringement that the economic operator in question cannot

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<sup>76</sup> See [C-314/12 UPC Telekabel](#); Judgment of the Court (Third Chamber) of 24 November 2011.

<sup>77</sup> Judgment of the CJEU (Second Chamber) of 7 July 2016, [C-494/15, Tommy Hilfiger Licensing LLC and Others v DELTA CENTER a.s.](#), para. 23. With respect to Article 8(3) of the Information Society Directive, see also [C-314/12 UPC Telekabel](#), para. 34-35.

<sup>78</sup> As regards offline and online service providers, see [C-494/15, Tommy Hilfiger](#), para. 29.

<sup>79</sup> [C-557/07, LSG-Gesellschaft](#), para 46; [C-314/12 UPC Telekabel](#), para 43-46; Judgment of the Court (Third Chamber) of 24 November 2011, [C-70/10, Scarlet Extended SA v Société belge des auteurs, compositeurs et éditeurs SCRL \(SABAM\)](#), EU:C:2011:771, para 30.

<sup>80</sup> Judgment of the CJEU (Third Chamber) of 16 February 2012, [C-360/10, Belgische Vereniging van Auteurs, Componisten en Uitgevers CVBA \(SABAM\) v Netlog NV](#), EU:C:2012:85, para. 28.

<sup>81</sup> [C-324/09, L'Oréal v. eBay](#), para. 131.

<sup>82</sup> [C-494/15 Tommy Hilfiger](#), para 28.

reasonably be expected to significantly contribute to such effective enforcement, meaning that its involvement would be disproportionate and unnecessarily burdensome<sup>83</sup>.

Economic operators which provide a service capable of being used by other persons in order to infringe IPR can, depending on the facts of the case at hand, qualify as intermediaries within the meaning of Articles 9(1)(a) and 11 of IPRED, also in the absence of a specific relationship, such as a contractual link, between those two parties.

### **3. Ensuring a balanced regime for injunctions and intermediaries**

In the context of the balancing of rights and interests that is typically required in relation to the interpretation and application of IPRED's regime on injunctions and intermediaries, two issues are, in addition to the foregoing, typically of particular importance, namely, the scope of any injunctions issued and filtering.

#### ***Scope of injunctions***

While it is initially the applicant who is to specify in his application the scope of an injunction he considers appropriate to prevent an imminent infringement or to stop an ongoing one, it is the competent judicial authority which is to decide on that application. It is also therefore the competent judicial authority which determines what measures will have to be taken (if any) by the defendant. That judicial authority should assess the application by taking due account of the specific characteristics of the case (see Recital 17 of IPRED) and any injunction issued must be in accordance with the principle of proportionality and the other general requirements laid down in Article 3 as well as the applicable fundamental rights.

It follows that the competent judicial authority should not issue injunctions which require the taking of measures that go beyond what is appropriate and necessary in light of the facts and circumstances of the case at hand to prevent an imminent infringement or to forbid the continuation of an infringement. Therefore, any injunction issued should be capable of being effective, but should have the minimal scope necessary to accomplish this objective. It is not necessary that the measures required by the injunction lead to a complete cessation of the IPR infringements; it can under certain circumstances be sufficient that they make the infringing acts difficult or seriously discourage them<sup>84</sup>. At the same time, the addressee of the injunction should not be required to make unbearable sacrifices<sup>85</sup>.

In litigation relating to copyright infringement, the CJEU indicated<sup>86</sup> that the measures adopted by an internet service provider, as an intermediary to whom the injunction was addressed, must be strictly targeted. More specifically, such measures must serve to bring an end to a third party's infringement of copyright or of a related right but without thereby unnecessarily affecting internet users who are using the provider's services to lawfully access information. The CJEU found in the circumstances of that case that, failing that, the provider's interference in the freedom of information of those users would be unjustified in the light of the objective pursued. As was noted above<sup>87</sup>, in respect of intermediaries, the

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<sup>83</sup> Cf. Recital 59 of the Information Society Directive.

<sup>84</sup> Judgment of the CJEU (Fourth Chamber), 27 March 2014, [C-314/12](#), *UPC Telekabel Wien GmbH v Constantin Film Verleih GmbH and Wega Filmproduktionsgesellschaft mbH*, EU:C:2014:192, para. 63.

<sup>85</sup> [C-314/12](#), *UPC Telekabel*, para. 53.

<sup>86</sup> [C-314/12](#), *UPC Telekabel*, para. 56.

<sup>87</sup> See also discussion in chapter IV sec. 1 on injunctions and liability.

CJEU has further clarified that injunctions can not only serve to bring the infringement to an end, but also to prevent further infringements.

Accordingly, in case of an infringement of IPR consisting of the publication of a certain content online, it may be appropriate for an injunction addressed to an intermediary to require this intermediary to take down or disable access to that content. Generally speaking, requiring that access to the entire website is blocked might be too far-reaching, although there can be circumstances where the competent judicial authority deems this necessary and proportionate (e.g. in cases of large-scale infringements or infringements occurring in a structural manner). In the Commission's view any such decision should always be taken in function of the specifics of the case at hand.

The CJEU also clarified<sup>88</sup> that the competent judicial authorities may decide not to explicitly describe the specific measures which the provider must take to achieve the result sought. However, the CJEU also made it clear that in such cases a number of conditions are to be respected, notably that the measures do not go beyond what is reasonable, respect for the principle of legal certainty, compliance with the fundamental rights of the parties concerned including the internet users' freedom of information, strict targeting of the measures and a possibility for the competent judicial authorities to verify that these conditions have been complied with, notably through a possibility for the internet users concerned to assert their rights once those measures are known.

In the Commission's view, whilst the above case law relates to copyright infringements, the principles articulated therein should be also analogically applied in relation to infringement of IPR other than copyright and related rights.

Injunctions issued under Articles 9(1)(a) and 11 of IPRED should be capable of being effective, but they should not go beyond what is necessary and proportionate in the circumstances of the case at hand to achieve that objective. It can be sufficient that they make the infringing acts in question difficult or seriously discourage them, without necessarily leading to the complete cessation thereof. However, in view of the CJEU case law, the addressee of the injunction cannot be required to make 'unbearable sacrifices'<sup>89</sup>. Measures imposed need to be sufficiently precise and effective, without requiring that a measure must guarantee that an end is put to the infringement<sup>90</sup>. Compliance with the fundamental rights of all parties involved should be ensured in this regard, including those of third parties which may be affected by the measures taken to comply with the injunction such as internet users.

### ***Filtering systems***

A distinction must be made between an injunction requiring one or more specific infringing content items to be removed from a website and an injunction that may ultimately result in obliging an intermediary to actively monitor all content made available in a given place to ensure that none of the individual items infringe IPR.

According to Article 15(1) of the e-Commerce Directive, Member States are prohibited from imposing a general monitoring obligation on online intermediaries within the meaning

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<sup>88</sup> [C-314/12](#), *UPC Telekabel*, para. 52-57.

<sup>89</sup> [C-314/12](#), *UPC Telekabel*, para. 53.

<sup>90</sup> Judgment of the CJEU (Third Chamber) of 15 September 2016, [C-484/14](#), *Tobias Mc Fadden v Sony Music Entertainment Germany GmbH*, EU:C:2016:689, para. 93-95; [C-314/12](#) *UPC Telekabel*, para. 56 and, 58-62.

of Articles 12-14 of that Directive<sup>91</sup>. Such an obligation would also be incompatible with the general requirements of fairness, proportionality and any measures not being excessively costly set out in Article 3 of IPRED<sup>92</sup>.

In the *Scarlet Extended*<sup>93</sup> and *SABAM*<sup>94</sup> cases the CJEU elaborated on the limits to the scope of an injunction resulting from those provisions as well as from the applicable fundamental rights of the parties concerned. At issue in *Scarlet Extended* was a system to be installed by an internet service provider for filtering:

- all electronic communications passing via its services, in particular those involving the use of peer-to-peer software,
- which applies indiscriminately to its customers,
- as a preventive measure,
- exclusively at its expense, and
- for an unlimited period,

which is capable of identifying on the provider's network the movement of electronic files containing a musical, cinematographic or audio-visual work in respect of which the applicant claims to hold intellectual-property rights, with a view to blocking the transfer of files the sharing of which infringes copyright. A largely similar system, to be installed by a hosting service provider in respect of information stored on its servers, was at issue in *SABAM*.

In both cases the CJEU found that requiring the providers concerned to install such general filtering systems would not be compatible with Article 15 of the e-Commerce Directive and Article 3 of IPRED, read together with and construed in light of the requirements stemming from the protection of the applicable fundamental rights.

At the same time, Recital 47 of the e-Commerce Directive recalls that Article 15 only concerns monitoring obligations of a general nature and does not automatically cover monitoring obligations in a specific case. In particular, it does not affect orders by national authorities in accordance with national legislation. Recital 48 adds that this Directive does not affect the possibility for Member States to require the service providers concerned to apply reasonable duties of care in order to detect and prevent certain types of illegal activities.

Therefore, where appropriate and within the limits of the abovementioned provisions, certain due diligence obligations may be imposed e.g. on providers of online hosting services with a view to preventing the upload of IPR infringing content identified by rightholders and in cooperation with them<sup>95</sup>.

When ordering intermediaries to take certain measures aimed at preventing further infringements in accordance with Articles 9(1)(a) or 11 of IPRED, the competent judicial authorities may, where appropriate, issue injunctions which entail specific monitoring obligations. However, the prohibition of imposing a general obligation to monitor resulting from Article 15(1) of the e-Commerce Directive and Article 3 of IPRED, read in conjunction with the requirements stemming from the applicable fundamental rights, preclude intermediaries from being made subject by means of such injunctions to obligations requiring

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<sup>91</sup> Article 2(3)(a) of IPRED specifies that that Directive shall not affect the e-Commerce Directive and in particular its Articles 12-15.

<sup>92</sup> [C-324/09, L'Oréal v. eBay](#), para. 139; [C-70/10, Scarlet Extended](#), para. 36; [C-360/10, SABAM](#), para. 34.

<sup>93</sup> [C-70/10, Scarlet Extended](#).

<sup>94</sup> [C-360/10, SABAM](#).

<sup>95</sup> Cf. the obligations for certain online hosting service providers to prevent the upload of unauthorised protected content, in cooperation with rightholders, that are proposed in Article 13 of the Commission's proposal for a Directive on copyright in the Digital Single Market (COM(2016) 593, of 14.9.2016).

them to install and operate excessively broad, unspecific and expensive filtering systems of the type and in the circumstances at issue in the *Scarlet Extended* and *SABAM* cases.

#### 4. Forward-looking, catalogue-wide and dynamic injunctions

There are differences in Member States' national legislation on the scope of an injunction granted by a competent judicial authority, in particular on the way it can address imminent or repetitive infringements of IPR. While available in some jurisdictions such as Ireland and the UK, catalogue- or repertoire-wide injunctions<sup>96</sup> are not available in all Member States.

Furthermore, injunctions may in certain cases lose some effectiveness because of changes in the subject matter in respect of which the injunction was ordered. This may be, for example, the case of website blocking injunctions, where a competent judicial authority grants the injunction with reference to certain specific domain names, whilst mirror websites can appear easily under other domain names and thus remain unaffected by the injunction.

Dynamic injunctions are a possible means to address this. These are injunctions which can be issued for instance in cases in which materially the same website becomes available immediately after issuing the injunction with a different IP address or URL and which is drafted in a way that allows to also cover the new IP address or URL without the need for a new judicial procedure to obtain a new injunction. The possibility of issuing such injunctions exists, *inter alia*, in the United Kingdom and Ireland. This objective could also be pursued through intervention of a public authority or the police, as it occurred in a specific case in Belgium<sup>97</sup>.

As was noted above, it is clear from its very wording that the interlocutory injunctions provided for in Article 9(1)(a) of IPRED can be issued to prevent imminent infringement and the CJEU has clarified<sup>98</sup> that, in respect of intermediaries, the injunctions referred to in Article 11 can also be issued to prevent further infringements. Other than that, there are at present no clear indications as to the compatibility with or need for such injunctions under IPRED. In the view of the Commission, this should be assessed on case-by-case basis, it being understood that, where it comes to injunctions against intermediaries, the relevant conditions and procedures are in principle to be specified in national law<sup>99</sup>. In any case, due account should be taken of the objective pursued by these two articles, the general requirements of Article 3 of IPRED as well as the applicable fundamental rights.

The Commission takes note of the fact that some Member States provide for the possibility of issuing forward-looking, catalogue-wide and dynamic injunctions. Whilst this issue is not expressly addressed in IPRED, the Commission considers that, under the condition that necessary safeguards are provided for, such injunctions can be an effective means to prevent the continuation of an IPR infringement.

<sup>96</sup> I.e. injunctions requiring e.g. intermediaries to prevent further infringements of all rights held by a rightholder or that are part of a licensee's catalogue or repertoire, based on an established infringement of a sample of those rights.

<sup>97</sup> Anvers, 14 February 2013, Cases 2012/FR/303, 2012/PGA/3549, 2012/KC21/262, and Cass., 22 October 2013, P.13.0550.N; In this ruling, the judge required that the Belgian police ('Computer Crime Unit') set up a list of domain names related to the website 'thepiratbay.org'.

<sup>98</sup> [C-324/09](#), *L'Oréal v. eBay*, para. 131.

<sup>99</sup> See Recital 23 of IPRED. See also [C-324/09](#), *L'Oréal v. eBay*, para. 135; [C-70/10](#), *Scarlet Extended*, para. 31; [C-360/10](#), *SABAM*, para. 29.

## 5. Digital evidence

Gathering, presenting and preserving evidence of infringements committed online may be, in some situations, a major challenge. The Directive does not explicitly refer to the use and presentation of digital evidence in proceedings for the enforcement of IPR.

During the evaluation it was pointed out that evidence in digital form may be hard to preserve and that images of the content of a webpage at a certain moment (so-called 'screenshots') are in some situations not accepted as evidence by the competent judicial authorities in some Member States. However, the use of screenshots is one of the most common ways to demonstrate that a certain activity took place in the online environment. In practice, a screenshot can, for instance, demonstrate a characteristic of the online distribution of an infringing good, as the content of a webpage may illustrate what kind of good was available for sale, by whom, on which territory and targeted at which audience. As such, they can help rightholders to effectively enforce their rights also in an online context. Likewise, defendants may also wish to rely on screenshots to contest allegations of IPR infringing behaviour.

In some Member States<sup>100</sup> the current practice of the competent judicial authorities is to admit screenshots as evidence, on the condition that they have been taken by a notary or bailiff and that they indicate the allegedly infringing goods or services in a sufficiently visible and precise manner. Given the absence of any express rules in this regard, in the view of the Commission, IPRED cannot be said to necessarily require such practice. However, in its view such approach is, generally speaking, compatible with IPRED. It can be seen as best practice, as it can be a good manner to address the aforementioned needs of the parties while ensuring that sufficient certainty exists as to the accuracy and reliability of the evidence on the basis of which the competent judicial authority is to decide the case.

The possibility which exists in the national laws of certain Member States to allow screenshots as evidence in legal proceedings brought under IPRED, provided that they indicate the allegedly infringing goods or services in a sufficiently visible and precise manner and comply with certain procedural safeguards, can in the Commission's view be considered as best practice. Depending on national legal systems, such safeguards can include for instance the obligation to have such evidence taken by a notary or a bailiff.

## V. ENSURING THE SINGLE MARKET DIMENSION FOR IPR ENFORCEMENT

### 1. Clarifying which rights are covered by the Directive

IPRED concerns the measures, procedures and remedies necessary to ensure the enforcement of intellectual property rights<sup>101</sup> (Article 1). The Directive applies to any infringement of IPR as provided for by Union law and/or by the national law of the Member State concerned, although the Directive does not affect means which are or may be provided for in EU or national legislation, in so far as those means may be more favourable for rightholders

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<sup>100</sup> E.g. Belgium, France, Poland.

<sup>101</sup> According to its Article 1, for the purposes of the Directive, the term 'intellectual property rights' includes industrial property rights.

(Article 2(1))<sup>102</sup>. IPRED applies without affecting the specific provisions on the enforcement of rights and exceptions contained in EU legislation on copyright and rights related to copyright (Article 2(2)). It does not affect EU law on protection of personal data or the e-Commerce Directive in general, and in particular Articles 12 to 15 of that Directive (Article 2(3) of IPRED).

### ***IPR covered by the Directive***

While the Directive does not provide a list of the specific rights which are considered intellectual property rights for its purposes, Recital 13 explains that its scope should be defined as widely as possible to encompass all the IPR covered by provisions of EU law in this field and/or by the national laws of the Member States.

In 2005, the Commission issued a non-legally binding Statement<sup>103</sup> on Article 2 of the Directive to help to clarify its scope. The Commission indicated in this Statement that it considers that at least the following intellectual property rights are covered by the scope of the Directive:

- copyright and rights related to copyright,
- sui generis right of a database maker,
- rights of the creator of the topographies of a semiconductor product,
- trade mark rights,
- design rights,
- patent rights, including rights derived from supplementary protection certificates,
- geographical indications,
- utility model rights,
- plant variety rights,
- trade names, in so far as these are protected as exclusive property rights in the national law concerned.

In the Commission's view, the measures, procedures and remedies set out in the Directive should in any case be available in infringement proceedings on any of the rights listed in its Statement of 2005.

### ***Interlink with the Trade Secrets Directive***

However, some uncertainties remain, particularly with other rights protected under national law, such as domain names, trade secrets and other acts frequently covered by national unfair competition law (e.g. parasitic copies). While according to Recital 13 of IPRED the Member States may extend, for internal purposes, the provisions of the Directive to acts of unfair competition, including parasitic copies, or similar activities, they are not obliged to do so. From the evaluations that have been carried out so far<sup>104</sup> it seems that none of the Member States has decided to extend the Directive's provisions to such acts.

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<sup>102</sup> Cf. [C-367/15](#), OTK, para. 23: "Directive 2004/48 lays down a minimum standard concerning the enforcement of intellectual property rights and does not prevent the Member States from laying down measures that are more protective".

<sup>103</sup> Statement by the Commission concerning Article 2 of Directive 2004/48/EC of the European Parliament and of the Council on the enforcement of intellectual property rights (2005/295/EC), OJ L 94, 13.4.2005, p. 37–37.

<sup>104</sup> In particular, Report from the Commission "Application of Directive 2004/48/EC of the European Parliament and the Council of 29 April 2004 on the enforcement of intellectual property rights" (COM(2010)0779 final); "Support study for the ex-post evaluation and ex-ante impact analysis of the IPR enforcement directive (IPRED)", Technopolis Group in a consortium with EY and Schalast Rechtsanwälte, 2017.

The adoption of the Trade Secrets Directive<sup>105</sup> in 2016 brought some clarification on the acts covered so far by national unfair competition law. The Trade Secrets Directive indicates that it should not affect the application of any other relevant law in other areas, including IPR and that it should be seen as *lex specialis* when its scope overlaps with IPRED<sup>106</sup>. Therefore, once the Trade Secrets Directive's transposition is complete<sup>107</sup>, anyone suffering from acts that could be interpreted as unlawful acquisition, use or disclosure of trade secrets, as defined in that Directive, will be in a position to benefit in the first place from the measures, procedures and remedies set out in the Trade Secrets Directive. Having said that, for all the acts of unfair competition regulated at national level that do not fall within the scope of the Trade Secrets Directive, the general rules will apply; the provisions of IPRED will only be applicable if the Member State concerned decided to extend its application on the national level in line with Recital 13 of IPRED.

For trade secrets, the Trade Secrets Directive applies as a *lex specialis* in respect of IPRED.

For all acts of unfair competition regulated under national law which do not concern the infringement of an IPR within the meaning of IPRED, nor fall within the scope of the Trade Secrets Directive, the provisions of IPRED are applicable only where a Member State decides to extend, for internal purposes, those provisions to the acts in question.

## 2. Proceedings outside of the Directive's scope

The Directive specifically refers in its Article 2(1) to the infringement of IPR. In this context the possibility to apply the provisions implementing the Directive in proceedings aiming at the invalidation of rights has been called into question.

The CJEU clarified<sup>108</sup> that while the Directive applies to the proceedings aiming to ensure that IPR are protected, it does not apply to invalidation proceedings, where a person who, without being the proprietor of an IPR, disputes the protection granted to the proprietor of the corresponding rights.

In addition, the CJEU held<sup>109</sup> that the Directive does not apply to proceedings in which those liable for payment of the fair compensation bring an action before the referring court for a ruling against the body responsible for collecting that remuneration and distributing it to copyright holders, which defends that action.

The measures, procedures and remedies provided for in IPRED cannot be invoked in proceedings for the invalidation of IPR, nor in proceedings entailing an action to pay fair compensation to copyright holders brought against the body responsible for collecting and distributing such remuneration.

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<sup>105</sup> Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure, OJ L 157, 15.6.2016, p. 1.

<sup>106</sup> Recital 39 of the Trade Secrets Directive.

<sup>107</sup> Member States are to transpose that Directive by 9 June 2018.

<sup>108</sup> Judgment of the CJEU (Third Chamber) of 15 November 2012, [C-180/11](#), *Bericap Záródástechnikai Bt. v Plastinnova 2000 Kft*, EU:C:2012:717, para. 79-81.

<sup>109</sup> Judgment of the CJEU (Fourth Chamber) of 10 April 2014, [C-435/12](#), *ACI Adam BV and Others v Stichting de Thuiskopie and Stichting Onderhandeligen Thuiskopie vergoeding*, EU:C:2014:254, para. 63.

### 3. Entitlement to apply for measures, procedures and remedies

Article 4 of the Directive indicates that, subject to certain conditions, Member States must recognise the following as persons entitled to apply for the measures, procedures and remedies set out in the Directive: (i) the holders of IPR, (ii) all other persons authorised to use those rights, in particular licensees, (iii) intellectual property collective rights-management bodies, and (iv) professional defence bodies.

#### *Licensees*

Article 4(b) of the Directive indicates that persons that are authorised to use IPR, in particular licensees, in so far as permitted by and in accordance with the provisions of the applicable law, are entitled to seek application of the measures, procedures and remedies set out in the Directive. However, it has been questioned whether a licensee is also entitled to seek application of these measures if despite obtaining a licence from a rightholder, the licensee did not, where relevant, register such licence in an appropriate register.

The CJEU has clarified<sup>110</sup> that in case of licences issued for a registered Community design ('RCD') or European Union trade mark ('EUTM'), the licensee may bring proceedings under the Regulations in question alleging infringement of the RCD/EUTM which is the subject of the licence, even if that licence has not been entered in respectively the Register of Community designs or Register of EU trade marks, and that such licensee should in particular have the possibility to apply for injunctions.

Whereas these judgments could be seen as indications that the same goes in respect of Article 4(b) of IPRED, this will depend on the provisions of national law of the Member State concerned to which that provisions expressly refers to determine the legal standing of the persons in question under the Directive.

Whereas in case law relating to the EU's Regulations on designs and trade marks, the CJEU has held that licensees have legal standing to apply for injunctions even without prior registration. For other IPR, in accordance with Article 4(b) of IPRED, these matters depend on national law.

#### *Collective rights management bodies and professional defence bodies*

Article 4(c) and (d) provides that IP collective rights management bodies and professional defence bodies, respectively, regularly recognised as having a right to represent rightholders, are entitled to seek the application of the civil enforcement means provided for by the Directive '*in so far as permitted by and in accordance with the provisions of the applicable law*'<sup>111</sup>. In this context, the implementation of the ability of collective bodies to bring proceedings varies considerably across Member States.

While the wording used in these provisions indicates that Member States have discretion in this regard, several Member States provide for the possibility to grant such bodies legal standing to bring proceedings on behalf of their members, where their purpose is to defend the rights of their members and the case is deemed of interest to those members<sup>112</sup>.

<sup>110</sup> Judgment of the CJEU (Seventh Chamber) of 4 February 2016, [C-163/15](#), *Youssef Hassan v Breiding Vertriebsgesellschaft mbH*, EU:C:2016:71, para. 26; Judgment of the CJEU (Seventh Chamber) of 22 June 2016, [C-419/15](#), *Thomas Philipps GmbH & Co. KG v Grüne Welle Vertriebs GmbH*, EU:C:2016:468, para. 25.

<sup>111</sup> The same phrase has been included in Article 4(b) of IPRED.

<sup>112</sup> Provisions of this kind exist in France, Belgium, Portugal and the Netherlands.

The Commission notes that doing so generally appears to improve the possibility to effectively enforce IPR, in particular because such bodies may in some cases be better positioned and equipped (in terms of access to information, expertise, human resources, financial position, etc.) than the rightholders themselves to actually and effectively bring legal proceedings to address IPR infringements where needed, in particular where the rightholders are SMEs<sup>113</sup>.

Several Member States have decided to use the possibility, set out in points (c) and (d) of Article 4 of IPRED, to entitle collective rights management bodies and professional defence bodies which are regularly recognised, to have a right to represent rightholders to seek application of the measures, procedures and remedies provided for in IPRED. Doing so generally improves the effective enforcement of IPR and can therefore be considered best practice.

#### **4. Presumption of authorship and ownership**

Article 5 of the Directive sets out a rebuttable presumption of authorship or ownership in favour of the person (the author or the holder of rights related to copyright) whose name appears on the work or protected subject matter in the usual manner. This provision is aimed at facilitating the enforcement possibilities of these persons, considering that proof of authorship or ownership may be difficult to provide, especially when several works are involved.

In the view of the Commission, Member States have a degree of discretion when giving effect to Article 5, notably as regards the detailed rules on when and how the necessary proof to rebut this presumption is to be provided, given that this provision does not contain any express rules in this regard. However, it also notes that these detailed rules and the manner in which they are applied cannot be such as to call into question the effectiveness of Article 5.

The rebuttable presumption of authorship or ownership provided in Article 5 of IPRED should be interpreted and applied in such a manner that its objective to facilitate the enforcement of the relevant IPR by authors and holders of rights related to copyright is safeguarded.

#### **5. Availability of certain specific measures**

##### *Evidence*

Articles 6 and 7 of the Directive set out obligations on Member States to ensure that there are effective means to present and preserve evidence. The aim of these provisions is to guarantee that the information needed to determine whether an IPR infringement took place and if so, what its consequences are, even if the applicant is not in the possession of this information, is made available to the applicant and to the competent judicial authorities. However, these procedures should take into account the rights of the defendant and provide the necessary

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<sup>113</sup> According with the general feedback received from the stakeholders. See also See "*Support study for the ex-post evaluation and ex-ante impact analysis of the IPR enforcement directive (IPRED)*", Technopolis Group in a consortium with EY and Schalast Rechtsanwälte, 2017, p. 88-89.

guarantees, including the protection of confidential information and protection of personal data and private life<sup>114</sup>.

Article 7(1) allows the competent judicial authorities to order, upon substantiated application, prompt and effective provisional measures to preserve relevant evidence of the alleged infringement. The right to preserve evidence is expressly applicable before the proceedings on the merits begin, subject to the protection of confidential information and on condition that the optional safeguards and guarantees (as referred to in Article 7(2)) to avoid potential abuses are provided for in the national law. That means, in particular, that the applicant may also lodge an appropriate request by means of preliminary proceedings, including in certain cases *ex-parte* proceedings<sup>115</sup>.

In some Member States, it remains difficult to apply for such provisional preservation measures before the proceedings on the merits of the case have actually begun<sup>116</sup>. However, the express wording of Article 7(1) of the Directive indicates that requests for such measures should not be denied on the mere grounds that the proceedings on the merits have not yet been initiated.

### ***Right of information***

The views expressed in the public consultation pointed to uncertainty as to whether the right of information of Article 8 IPRED can be exercised before any judgment on the merits of the case concerning an IPR infringement is issued<sup>117</sup>. Article 8(1) indicates that a right of information order can be issued '*in the context of proceedings concerning an infringement of an intellectual property right*'. However, it does not indicate, as it is the case e.g. in the Article 7(1) that such order can be issued '*even before the commencement of the proceedings on the merits of the case*', nor does it specifically say that it can be issued before the proceedings on the merits are concluded. As a result, in some Member States it is difficult to obtain a right of information order before the final decision in the proceedings on the merits.

The CJEU recently clarified<sup>118</sup> that the formulation used in Article 8(1) does not imply that the right to information must be necessarily exercised in the same legal proceedings as the proceedings concerning an IPR infringement. In particular, it found that the right of information may be invoked where after the definitive termination of proceedings in which it was held that an IPR was infringed, the applicant in separate, subsequent proceedings seeks the provision of information on the origin and distribution networks of the goods or services by which that IPR is infringed with a view to bringing an action for damages.

While the approach differs across the Member States, some best practices can be identified. For example, in Germany, the Trade Marks Act provides<sup>119</sup> that in cases of a manifest infringement of the IPR at issue, the obligation to provide information may be ordered by means of a preliminary injunction in accordance with the relevant provisions of the German Code of Civil Procedure.

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<sup>114</sup> Recital 20 of IPRED.

<sup>115</sup> See Sec. 'Possibilities and merits of a protective brief', p. 15.

<sup>116</sup> CSWD – Evaluation of Directive 2004/48/EC, p. 13.

<sup>117</sup> Consultation on the evaluation and modernisation of the IPR enforcement legal framework, p. 22.

<sup>118</sup> Judgment of the CJEU (Ninth Chamber) of 18 January 2017, [C-427/15](#), *NEW WAVE CZ, a.s. v ALLTOYS*, EU:C:2017:18, para. 27.

<sup>119</sup> Paragraphs 2 and 7 of Section 19 of the German Trade Marks Act.

The specification in Article 8 of IPRED that a right of information order is available ‘in the context of’ proceedings concerning an IPR infringement means that the provision of information need not necessarily be ordered in those same legal proceedings. It can also be ordered in separate subsequent proceedings brought with a view to a possible action for damages. Depending on the applicable provisions of national law, it may also be ordered at an earlier stage, by means of a preliminary injunction.

### *Corrective measures*

Article 10 of the Directive states that the competent judicial authorities may order recall from the channels of commerce of goods which have been found to be infringing an IPR, and in appropriate cases also materials and implements principally used in the creation or manufacture of these goods. Furthermore, their definitive removal from the channels of commerce or their destruction may be ordered. Such measures are to be carried out at the expense of the infringer.

Article 10 of the Directive is based on Article 46 of the TRIPS Agreement. Article 10(3) of IPRED provides, just as the third sentence of Article 46 of the TRIPS Agreement, that in considering a request for corrective measures, it is necessary to take into account the need for proportionality between the seriousness of the infringement and the remedies ordered and the interests of third parties. In addition, according to the further sentence of Article 46, in regard to counterfeit trade mark goods, the simple removal of the trade mark unlawfully affixed is not sufficient, other than in exceptional cases, to permit release of the goods into the channels of commerce. It results from the CJEU's general case law in this regard<sup>120</sup> that Article 10 of the Directive is to be interpreted and applied, as far as possible, in light of this provision of the TRIPS Agreement.

It is also worth noting that, unlike the provisions on damages (Article 13), Article 10 does not expressly require that an infringer knowingly, or with reasonable grounds to know, engaged in an infringing activity, for the measures in question to be imposed.

Article 10 of the Directive should be interpreted and applied, as far as possible, in the light of Article 46 of the TRIPS Agreement. According to that latter provision, the simple removal of the trade mark unlawfully affixed to counterfeit trademark goods is not sufficient, other than in exceptional cases, to permit release of the goods into the channels of commerce.

## **6. Cross-border dimension**

IPRED does not aim to establish harmonised rules for judicial cooperation, jurisdiction, or the recognition and enforcement of decisions in civil and commercial matters, nor does it aim to deal with applicable law. There are other EU legal instruments which govern such matters

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<sup>120</sup> Cf. e.g. Judgment of the Court of 16 June 1998, [C-53/96](#), *Hermès International v FHT Marketing Choice BV*, EU:C:1998:292, para. 28; C-275/06, *Promusicae*, para. 60.

in general terms and which are, in principle, equally applicable to intellectual property and IPR-related litigation<sup>121</sup>.

As regards these other EU legal instruments, in civil and commercial matters, the jurisdiction of the courts of the Member States is to be determined in accordance with the Brussels I Regulation<sup>122</sup>. That Regulation governs the recognition and enforcement of the decisions of such courts throughout the EU. Rules on the applicable law in respect of non-contractual obligations, which are often at issue in IPR enforcement proceedings, are provided by the Rome II Regulation<sup>123</sup>.

### ***Competent courts, in particular for injunctions***

Many IPR-related disputes have a transnational dimension. Consequently, litigation on IPR infringements, in particular those committed in an online environment, can take place simultaneously in several Member States. That can be challenging for rightholders, particularly in respect of determining the competent national court and the scope of any injunctions sought.

It is noteworthy that the Brussels I Regulation contains several clarifications on the jurisdiction of courts to issue provisional measures in cross-border cases. Recital 25 of the Regulation specifically includes a reference to IPRED, clarifying that the notion of 'provisional, including protective, measures' within the meaning of, *inter alia*, Article 35 of the Regulation<sup>124</sup> include, for example, protective orders aimed at obtaining information or preserving evidence as referred to in Articles 6 and 7 of IPRED.

Under the Brussels I Regulation, rightholders are as a general rule to sue the alleged IPR infringers before the court of the Member State of the alleged infringers' domicile (Article 4). However, in matters relating to tort, delict or quasi-delict, they can also do so before the court of the Member State of the place where the harmful occurred or may occur (Article 7(2)).

In addition, the Brussels I Regulation also provides for a possibility to sue an alleged infringer who is one of a number of defendants in the court of the Member State where any one of them is domiciled, provided that the claims are so closely connected that it is expedient to hear and determine them together to avoid irreconcilable judgments resulting from separate proceedings (Article 8(1)). The CJEU has clarified<sup>125</sup>, in the context of a copyright infringement case, that the application of this provision is not precluded solely because actions against several defendants for substantially identical copyright infringements are brought on national legal grounds which vary according to the Member States concerned.

### ***Recognition and enforcement of judgments***

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<sup>121</sup> Recital 11 IPRED.

<sup>122</sup> Regulation (EU) No 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (recast), OJ L 351, 20.12.2012, p. 1.

<sup>123</sup> Regulation (EC) No 864/2007 of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations, OJ L 199, 31.7.2007, p. 40–49.

<sup>124</sup> Article 35 of the Brussels I Regulation reads as follows: "Application may be made to the courts of a Member State for such provisional, including protective, measures as may be available under the law of that Member State, even if the courts of another Member State have jurisdiction as to the substance of the matter."

<sup>125</sup> Order of the Court (Third Chamber) of 7 March 2013, Case [C-145/10 REC.](#), *Eva-Maria Painer v Standard VerlagsGmbH* and Others, ECLI:EU:C:2013:138, p. 72-84.

In accordance with the Brussels I Regulation (Article 39), any decision taken by a court of a Member State which is enforceable in that Member State is directly enforceable in other Member States as well, without any declaration of enforceability being required (i.e. abolition of *exequatur*).

The CJEU has held that the concept of ‘civil and commercial matters’ within the meaning of Article 1 of the Brussels I Regulation must be interpreted as meaning that this Regulation applies to the recognition and enforcement of a decision of a national court that contains an order to pay a fine in order to ensure compliance with a judgment given in a civil and commercial matter<sup>126</sup>.

Issues relating to jurisdiction of courts, the recognition and enforcement of court decisions and applicable law arising in the context of IPR-related litigation are to be decided in accordance with the EU legal instruments regulating these matters, in particular the Brussels I and Rome II Regulations.

The Brussels I Regulation, in particular, contains certain clarifications concerning the jurisdiction of courts with respect to the application of provisional measures based on Articles 6 and 7 of IPRED in cross-border cases, as well as specific rules on the possibility to sue a person who is one of a number of defendants.

## VI. NEXT STEPS

The Commission will continue to work closely with all EU Member States, competent judicial authorities and other parties involved in the enforcement of IPR in proceedings before those authorities to ensure that the EU legal framework, and particularly IPRED, remains fit for purpose and to build on the guidance outlined in the present document.

As announced in the Communication ‘*A balanced IP enforcement system responding to today’s societal challenges*’, in addition to the guidance and best practices set out above, the Commission will, in particular:

- will work with Member States' national experts and judges on further, more targeted guidelines, to give more detailed and practical guidance on specific IPRED issues, based on best practices experience;
- will bring the above-mentioned guidelines and best practices online, *inter alia* via the Your Europe portal.

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<sup>126</sup> [C-406/09 Realchemie](#).

## **Appendix – List of relevant CJEU judgments**

1. Judgment of the Court of 16 June 1998, C-53/96, *Hermès International v FHT Marketing Choice BV*, EU:C:1998:292, 61996CJ0053
2. Judgment of the Court (Grand Chamber) of 29 January 2008, C-275/06, *Productores de Música de España (Promusicae) v Telefónica de España SAU*, EU:C:2008:54, 62006CA0275 / 62006CJ0275
3. Judgment of the Court (Third Chamber) of 14 February 2008, C-450/06, *Varec SA v Belgian State*, EU:C:2008:91, 62006CA0450
4. Order of the Court (Eighth Chamber) of 19 February 2009, C-557/07, *LSG-Gesellschaft zur Wahrnehmung von Leistungsschutzrechten GmbH v Tele2 Telecommunication GmbH*, EU:C:2009:107, 62007CB0557
5. Judgment of the Court (Grand Chamber) of 12 July 2011, C-324/09, *L'Oréal SA and Others v eBay International AG and Others*, EU:C:2011:474, 62009CJ0324
6. Judgment of the Court (Grand Chamber) of 18 October 2011, C-406/09, *Realchemie Nederland BV v Bayer CropScience AG.*, EU:C:2011:668, 62009CJ0406
7. Judgment of the Court (Third Chamber) of 24 November 2011, C-70/10, *Scarlet Extended SA v Société belge des auteurs, compositeurs et éditeurs SCRL (SABAM)*, EU:C:2011:771, 62010CJ0070
8. Judgment of the Court (Third Chamber), 16 February 2012, C-360/10, *Belgische Vereniging van Auteurs, Componisten en Uitgevers CVBA (SABAM) v Netlog NV*, EU:C:2012:85, 62010CJ0360
9. Judgment of the Court (Third Chamber) of 19 April 2012, C-461/10, *Bonnier Audio AB and Others v Perfect Communication Sweden AB*, EU:C:2012:219, 62010CJ0461
10. Judgment of the Court (Third Chamber) of 15 November 2012, C-180/11, *Bericap Záródástechnikai Bt. v Plastinnova 2000 Kft.*, EU:C:2012:717, 62011CJ0180.
11. Order of the Court (Third Chamber) of 7 March 2013, Case C-145/10 REC., *Eva-Maria Painer v Standard VerlagsGmbH and Others*, ECLI:EU:C:2013:138, 62010CO0145.
12. Judgment of the Court (Fourth Chamber), 27 March 2014, C-314/12, *UPC Telekabel Wien GmbH v Constantin Film Verleih GmbH and Wega Filmproduktionsgesellschaft mbH*, EU:C:2014:192, 62012CJ0314
13. Judgment of the Court (Fourth Chamber), 10 April 2014, C-435/12, *ACI Adam BV and Others v Stichting de ThuisKopie and Stichting Onderhandelingen ThuisKopie vergoeding*, EU:C:2014:254, 62012CJ0435
14. Judgment of the Court (Grand Chamber), 3 September 2014, C-201/13, *Johan Deckmyn and Vrijheidsfonds VZW v Helena Vandersteen and Others*, EU:C:2014:2132, 62013CA0201
15. Judgment of the Court (Fourth Chamber) of 16 July 2015, C-580/13, *Coty Germany GmbH v Stadtsparkasse Magdeburg*, EU:C:2015:485, 62013CJ0580
16. Judgment of the Court (First Chamber) of 16 July 2015, C-681/13, *Diageo Brands BV v Simiramida-04 EOOD*, EU:C:2015:471, 62013CJ0681

17. Judgment of the Court (Seventh Chamber) of 4 February 2016, C-163/15, *Youssef Hassan v Breiding Vertriebsgesellschaft mbH*, EU:C:2016:71
18. Judgment of the Court (Fifth Chamber) of 17 March 2016, C-99/15, *Christian Liffers v Producciones Mandarina SL and Mediaset España Comunicación SA, anciennement Gestevisión Telecinco SA*, EU:C:2016:173, 62015CJ0099
19. Judgment of the Court (Seventh Chamber) of 22 June 2016, C-419/15, *Thomas Philipps GmbH & Co. KG v Grüne Welle Vertriebs GmbH* EU:C:2016:468
20. Judgment of the Court (Second Chamber) of 7 July 2016, C-494/15, *Tommy Hilfiger Licensing LLC and Others v DELTA CENTER a.s.*, EU:C:2016:528, 62015CJ0494
21. Judgment of the Court (Fifth Chamber) of 28 July 2016, C-57/15, *United Video Properties Inc. v Telenet NV*, EU:C:2016:611, 62015CJ0057
22. Judgment of the Court (Third Chamber) of 15 September 2016, C-484/14, *Tobias Mc Fadden v Sony Music Entertainment Germany GmbH*, EU:C:2016:689
23. Judgment of the Court (Ninth Chamber) of 18 January 2017, C-427/15, *NEW WAVE CZ, a.s. v ALLTOYS, spol. s r. o.*, EU:C:2017:18
24. Judgment of the Court (Fifth Chamber) of 25 January 2017, C-367/15, *Stowarzyszenie "Oławska Telewizja Kablowa" w Oławie v Stowarzyszenie Filmowców Polskich w Warszawie*, EU:C:2017:36, 62015CN0367

Pending:

C-644/16 *Synthon* – Request for a preliminary ruling from the Hoge Raad der Nederlanden (Netherlands) lodged on 15 December 2016, *Synthon BV v Astellas Pharma Inc.* (Article 6 of IPRED)

C-149/17 *Bastei Lübbe* – Request for a preliminary ruling from Landgericht München I (Germany) lodged on 24 March 2017, *Bastei Lübbe GmbH & Co. KG v Michael Strotzer* (Article 3(2) of IPRED)

C-521/17 *SNB-REACT* – Request for a preliminary ruling from Tallinna Ringkonnakohus (Estonia) lodged on 1 September 2017