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Implementation of the EU IP Rights Enforcement Directive
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Cross-border: Europe

Implementation of the EU IP Rights Enforcement Directive

The enforcement of IP rights in Europe is primarily governed by national laws which differ significantly across the EU member states. Consider, for example, European patents. Despite the fact that they are granted under the European Patent Convention, issues relating to the infringement and enforcement of the national parts of granted European patents are handled by member states' national courts, which apply domestic laws. This is also true in respect to Community trademarks and Community designs: although these rights are granted on the basis of EU regulations (which also contain directly applicable provisions on validity, infringement and penalties), they are enforced before the national courts of the individual EU member states, which apply domestic procedural laws. As a result, a pan-European IP litigation typically comprises several parallel lawsuits in a number of member states. Therefore, strictly speaking, there is no such thing as a European IP litigation proceeding.

Pan-European litigation is inevitably time consuming and labour intensive, resulting in significant costs. As a result, plaintiffs sometimes consider establishing the jurisdiction and competence of a single court to rule on the infringement of both domestic IP rights and the parallel IP rights of other member states. Few cases are true cross-border cases. The 'bread and butter' IP litigation is domestic, and the most recent decisions of the European Court of Justice dealing with cross-border issues (*GAT v LuK* and *Roche v Primus*) certainly do not encourage this type of litigation.

Harmonising enforcement of IP rights

In 2004 the European Union took a step towards harmonising the national laws of EU member states with regard to some crucial aspects of the enforcement of IP rights by adopting the EU IP Rights Enforcement Directive 2004/48/EC. Member states were required to bring the laws, regulations and administrative provisions necessary to comply with the directive into force by April 29 2006,

and it appears that most of them have now done so. This chapter discusses the importance of implementing harmonised enforcement laws and comments on some of the directive's key provisions.

Importance of the directive

Enforcement is primarily national

The enforcement of IP rights within the European Union is, for the most part, left to the national laws of the individual member states. In the past there have been major disparities with regard to the means of enforcing IP rights. Depending on what side of the fence a party stands, the national laws of one member state could be beneficial or detrimental in comparison to those of another member state. Such disparities have made it impossible to ensure that IP rights enjoy the same level of protection throughout the European Union.

Exploiting the disparities

In practice, attempts have been made to exploit the disparities of national laws – take, for example, the crucial aspect of obtaining evidence to substantiate a claim on grounds of patent infringement. While, in France, a plaintiff could obtain evidence with the help of a *saisie contrefaçon* (an Anton Piller order), in Germany, this practice was unknown (despite the tendency of German courts to assist plaintiffs in obtaining evidence in the wake of the Federal Supreme Court decision in *Faxcard*).

Where an IP right is infringed in several member states, the plaintiff can choose between several jurisdictions. In practice, this has led to the need to scrutinise on a case-by-case basis whether one can take advantage of the disparities of the national laws within the European Union.

Major disparities will always remain

The transposition of the directive into the national laws of member states has certainly lessened the disparities when it comes to the enforcement of IP rights under

national laws. However, some important differences will nonetheless remain, including the following:

- According to Article 2(1) of the directive, any member state may implement legislation which is more favourable to IP rights holders than that provided for in the directive.
- Legal costs play an important role when it comes to the enforcement of IP rights and in practice the legal costs to be incurred by the parties vary significantly between member states. The same is true with respect to reimbursement of the successful party's legal costs (despite the harmonisation aimed for by Article 14 of the directive).
- The general legal frameworks laid down by the different member states still show significant disparities – for example, whereas in some jurisdictions a first-instance judgment may be obtained within months, in other jurisdictions it may take years before a judgment is handed down.
- IP infringement suits should be handled by specialised chambers of the courts, but even though any experienced practitioner may identify courts within the member states that are widely regarded as having the capacity to understand even the most complex IP matters, others are thought to be less suited to IP matters.
- The court's definition of the scope of protection granted by an IP right is often decisive to the outcome of an infringement trial, since few IP cases are clear cut. Therefore, plaintiffs will try to choose a court which is presumed to define the scope of protection of an IP right widely, whereas defendants will try to avoid such courts (irrespective of the fact that no counsel can ever predict with absolute certainty the outcome of a trial).

Therefore, although to some degree the directive harmonises national laws with respect to the enforcement of IP rights, important disparities remain. In essence, this is due to the fact that the directive:

- covers only some enforcement issues;
- defines minimum requirements that may be exceeded by member states; and
- does not address all factors that affect the outcome of a trial.

Key provisions

Evidence

Section 2 of the directive deals with the means of preserving, obtaining and presenting evidence.

According to Article 6, member states must ensure that a plaintiff which has presented evidence that is reasonably available and sufficient to support its claims, and which has specified evidence that lies in the control of the defendant, may ask the court to order such evidence to be presented by the defendant. In all cases confidential information shall be protected. However, if the infringement is committed on a commercial scale, the defendant may be ordered to hand over banking, financial or commercial documents (subject to the protection of confidential information).

According to Article 7.1, member states shall ensure that, even before a lawsuit is initiated, a party which has presented reasonably available evidence to support its infringement claim may request provisional measures to preserve relevant evidence in respect of the alleged infringement. Such measures may include the detailed description or the physical seizure of the infringing goods, and may even include seizure of materials used in the production of these goods. Such provisional measures to preserve relevant evidence may even be taken without the other party having been heard (ie, *ex parte*), in particular where any delay could cause irreparable harm to the IP rights holder or where there is a risk that evidence may be destroyed. According to Article 7.3, member states shall ensure that provisional measures to preserve evidence are revoked if the applicant does not institute proceedings leading to a decision on the merits of the case within a reasonable period. If the measures to preserve evidence are revoked, or it is subsequently decided that there has been no infringement of an IP right, the defendant may seek compensation for the injury caused by the measures to preserve evidence.

Given that evidence is a key element in establishing IP rights infringement, the harmonisation of national laws by the directive is certainly to be welcomed.

Right of information as regards origin and distribution networks

According to Article 8, member states shall also ensure that, in certain circumstances, the courts may order the defendant to disclose the origin and distribution networks for infringing goods or services. This information comprises the names and addresses of the manufacturers, distributors and suppliers of the goods or services and intended wholesalers and retailers, as well as information on prices and quantities manufactured, delivered, received or ordered.

The claim may be directed not only against the infringer found in possession of the infringing goods, but also against third parties identified by the infringer as

being involved in the manufacture or distribution of the infringing goods. This is a key change implemented by the directive.

Interlocutory injunctions

According to Article 9, the courts of all member states must be able to issue interlocutory injunctions in order to:

- prevent an imminent infringement;
- halt an alleged infringement; or
- make such continuation subject to the provision of guarantees by the respondent (this is intended to ensure the compensation of the rights holder).

Such interlocutory injunctions may also require the respondent to pay a recurring penalty for the continued violation of an IP right.

Injunctions may be issued if the applicant can provide reasonably available evidence to show, with a sufficient degree of certainty, that its rights are about to be infringed. They may be issued *ex parte*. As is true with regard to the provisional measures for preserving evidence under Article 7, the respondent may request a review of the interlocutory injunction and the applicant must begin proceedings leading to a decision on the merits of the case within a reasonable period. If the provisional measures are revoked or it is found that there was no infringement or threat of infringement, the applicant must compensate the respondent for any injury caused by such measures.

Article 9 not only provides that interlocutory injunctions may be issued, but also obliges member states to ensure that the seizure or delivery up of goods suspected of infringing an IP right is ordered. Moreover, if the infringement is committed on a commercial scale, member states shall ensure that property of the alleged infringer is seized if the applicant can show that the recovery of damages is at risk at a later stage. To that end, the court may order the alleged infringer's bank accounts to be blocked and bank, financial or commercial documents to be delivered to it.

However, the impact of Article 9 is insignificant since the 15 'old' member states already provided for the possibility to claim provisional measures, including *ex parte* injunctions, before they transposed the directive into national laws. In practice, significant differences exist across member states with regard to how frequently interlocutory injunctions are issued by the courts, but this will not be altered by the directive.

Corrective measures

According to Article 10, member states shall ensure that

appropriate measures may be taken with regard to goods that the courts have found to be infringing. Such measures include the recall or definitive removal of such goods from channels of commerce or destruction. These measures shall be carried out at the expense of the infringer. When considering a request for corrective measures, the court needs to balance the seriousness of the infringement and the remedies ordered with the interests of third parties. Article 10 is mainly focused on combating piracy and counterfeiting, since the severe measures mentioned therein are somewhat disproportionate in cases of ordinary trademark or patent infringement.

Reimbursement of legal costs

Article 14 provides that, as a general rule, reasonable and proportionate legal costs and other expenses shall be borne by the losing party.

Publication of judicial decisions

According to Article 15, member states' courts shall be empowered to order measures for dissemination of the information concerning the decision. In most cases, this will result in an order to display and publish the decision.

Summary

The implementation of the directive into national laws in the EU member states has resulted in the harmonisation of certain enforcement aspects of IP litigation, notably with respect to:

- the acquisition and preservation of evidence;
- the right to be informed of the origin and distribution networks for infringing goods; and
- the acknowledgement of provisional, precautionary and corrective measures.

Whether the implementation of the directive has changed the IP enforcement situation within a particular member state primarily depends on whether the IP legislation of that member state already met the requirements of the directive. Consequently, while IP owners in a particular member state may hail the transposition of the directive as strengthening their position, IP owners in other member states may not even notice a significant change. Implementation of the directive has not revolutionised IP litigation, at least not in the 15 'old' member states; nor does it require a complete rethink of companies' IP portfolio policies.

Ultimately, the directive sets minimum requirements regarding a few selective enforcement issues. It remains to be seen whether other issues in IP litigation will turn

out to be more crucial than those harmonised by the directive, which will leave pan-European litigation full of significant differences even after the directive has been implemented by all member states.

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