

Deutsche Vereinigung
für gewerblichen Rechtsschutz
und Urheberrecht e.V.

Deutsche Vereinigung für gewerblichen Rechtsschutz und Urheberrecht
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European Commission
Attn. Mr. Alexander Schaub
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Unser Zeichen: **Lo/ks**
(Bei der Antwort bitte angeben)

Draft of the Commission for a Directive of the European Parliament and of the Council on measures and procedures to ensure the enforcement of intellectual property rights of 23.1.2003 (30.1.2003)

Dear Mr. Schaub,

The German Association for Intellectual Property and Copyright Law (GRUR) is a scientific association of scientists and practitioners who work in the field of the protection of intellectual property, copyright and competition law. According to its statutes, the association's objective is scientific further training in the area of the protection of intellectual property rights and the support of the legislative organs as well as the competent ministries and institutions on questions of intellectual property and the law of fair trading.

We would like to comment on the above-mentioned Draft for a Directive, which has been accessible on the Internet since 30.1.2003. The Draft has been compiled - without this having been made recognizable - in two versions which differ from each other - not only in terms of language-content.

1. The project which aims to harmonize the legal consequences of infringements of intellectual property within the scope of Community law and, in doing so, to also include legal instruments which pertain to the codes of civil procedure in the member states, is to be welcomed. The wide-ranging regulation object which is expressed in

Art. 1, is not, however, coordinated with the objective which is mentioned in the grounds for the Draft. According to it, product piracy, in other words, a manifest and particularly serious form of infringement of intellectual property, should be opposed. Serious legal infringements permit drastic regulations in terms of legal consequences which appear excessive with respect to "normal" infringements of intellectual property. Care must be taken, therefore, to ensure that particularly drastic legal consequences are linked to actual preconditions which reflect the seriousness of the infringement, so that the principle of reasonableness is observed.

2. It is to be welcomed that the directive strives to set only minimum standards which the national law can go beyond. Whether this applies to every article of the Draft could be doubtful. It must, therefore, be made clear whether individual regulations are to be understood as fully harmonized.
3. The Directive only deals with the legal consequences, for reasons of competence, insofar as the intellectual property rights in the elements of their rules are already the object of Community law. In the case of national implementation in Germany, such a selective regulation must be avoided. In Germany, moreover, business and trade secrets should be included. For the Community law, it must be pointed out that the legal consequences provided for the Community Patent do not conform with the Draft for an Order (cf. No. 19 below).
4. The wording of individual provisions of the Directive also covers cases of non-commercial, in other words, private behaviour. In terms of legal policy this is false and for the area of industrial intellectual property rights means a change of the constituent elements of the rules for infringements.
5. The rights holders are entitled to the assertion of infringement consequences based on individually assigned intellectual property rights. In principle, this principle of the protection of individual rights must be maintained for the protection of intellectual property. Whether, in addition to the owners of the intellectual property rights, also

simple or exclusive licensees are authorized to assert the legal consequences of a legal infringement, cannot be answered for all intellectual property rights by a uniform regulation. The demarcation is extraordinarily difficult and requires further detailed consultation. It would be preferable to leave the extension of the creditors beyond the circle of intellectual property rights owners to national law.

The association regards it as false, in article 5 No. 1 to grant rights to "other persons who, according to the valid regulations are authorized to use this right", to transfer rights in accordance with Chapter 2 of the Directive in a general way. The group of people affected by it is totally incalculable.

6. Art. 5 No. 2 of the Draft for a Directive also expands the position of the creditor in an unjustifiable way. The first version of the Draft was already difficult to comprehend, which still stated: "within the scope of their legally granted authority". This important restriction has been dropped in the second version, with the consequence that the scope of the norm has been extended once again.

Performing Rights Societies should only be able to assert legal consequences because of an infringement, insofar as the perception of collective copyright rights is assigned to them or insofar as they have entered into safeguarding contracts with individual authors.

Other institutions ("professional organizations") may have similar legal authorities to safeguard rights according to the legal systems of other EU states than Germany. There may also be a legal policy need for the involvement of trade and producer associations in the pursuance of legal infringements. It must be ensured, however, that trade and producer associations and other professional organizations do not act independently of the holder of the rights and take up cases of infringement by virtue of their own legal position. Associations should, at most, be able to assert third-party claims on grounds of the infringement of intellectual property rights derived from the rights of individual holders of intellectual property rights. Insofar as associations

assert third-party claims in their own name, it must be ensured that for this purpose they require authorization from the rights holder; in procedural terms that means in Germany a procedure under the prerequisites of the capacity to sue or be sued in one's own name without being directly involved in the subject matter of the action ("Prozeßstandschaft").

7. In principle, there are no objections to the provisions of Art. 6 (presumption of copyright). In terms of legal policy, however, the reason for consideration 18 deduced from it, which is based on the presumption of the sufficient creative copyright requirements of a work, is inappropriate. Such a principle, as claimed by the reason for consideration 19, does not exist in the legislation and/or the legal practice of the member states.

The presumption of copyright is meaningful for the legal application because the copyright is a non-registered protection right. The same consideration also applies to the ancillary copyright rights as well as the newly-created not registered Community Ornaments Design.

8. There is a need for clarification of the field of application and the mutual demarcation of articles 7 and 8 of the Draft for a Directive which refer to the procurement of evidence.

In principle, the GRUR welcomes the extension of procedural and substantive instruments which grant the rights holders in the event of well-founded suspicion of an infringement of intellectual property rights, under the supervision of the court, information and investigation possibilities prior to proceedings with respect to possible evidence. A tendency which has already found expression in the reform of the German Code of Civil Procedure (ZPO) which came into effect on 1 January 2002, is thus reinforced. Since then, the submission of documents can be ordered or demanded in the initiated civil process (§§ 142, 144, 371 ZPO). Prior to proceedings, the German law operates with substantive information claims which, in particular, are based on §§ 809 and 810 BGB (German Civil Code). In 2002, the Federal Supreme

Court contributed to the practicable application of § 809 BGB with its decision "fax card". Where there is a need for improvement in the German process law, is in the establishment of such claims in summary proceedings. This has been hindered up to now, among other things, by the separation of the independent procedure of taking evidence (§§ 485 ZPO pp.) and the proceedings of the interim injunction (§§ 935 ZPO pp.). It is not recognizable whether Art. 7 and/or Art. 8 of the Draft for a Directive pursue a legal policy objective in the aforementioned sense. However, it is indicated by the grounds, according to which the saisie contrefaçon of French law and the search order (Anton Piller order) of the English law should be picked up. This finds its expression only insufficiently, however, in the wording of the rule.

It is unclear whether Art. 7 only applies to ordinary proceedings already brought on grounds of an infringement of intellectual property rights. This is suggested by a comparison with Art. 8; Art. 8 No. 1 specifically handles the situation "prior to the initiation of proceedings in the matter". On the other hand, it must be emphasized that the surrender of evidence which is required for the definite proof of the legal infringement and which are in the control of the opposing party, is particularly significant prior to proceedings. The wording of Art. 7 No. 1 does not appear to be aimed in this direction. On the other hand, Art. 8 No. 1 is not suitable for the realization of the desirable legal policy objective of collection of information prior to proceedings, because according to its terms, it should be a matter of the "provable risk of the disposal of evidence". The elimination of the danger of disposal of evidence should not be a problem to prevent according to all process laws of the member states. What is necessary rather is to compel the person suspected of an infringement of intellectual property rights to surrender evidence for which there is no intention of disposal.

9. Art. 7 and Art. 8 also provoke criticism in the details of the proposed regulations.

The presentation of evidence prior to proceedings is to be bound to the prerequisites named in Art. 8 No. 1 of the Draft for a Directive. In general, it must be taken into

account that the factual prerequisites of access prior to proceedings on grounds of claimed infringements of intellectual property rights must be formulated more strictly than would be the case during ongoing substantive proceedings. It is also essential that the ordering court is more strongly involved in the control of access to the evidence than is the case in the French legal practice. It must be planned that the confiscation of evidence is carried out in the premises of the putative infringer of the intellectual property rights by an expert or official receiver who is appointed by the court (and thus neutral). Furthermore, the evidence must initially remain at the disposal of this person, so that in constitutional proceedings it can be established by the court whether the putative infringer has secrecy needs worthy of protection.

Furthermore, it should also be ensured that confidential information is made under an auditor's proviso in accordance with German legal practice.

The current version of Art. 7 and 8 of the Draft for a Directive do not go as far as the binding regulations of the TRIPs Agreement.

Art. 7 No. 2 grants access to the evidence on a totally unforeseeable scale. This applies to the determination of the opponent of investigation and pursuance measures insofar as it is paraphrased with the concept "actual beneficiary of the rights infringement"; under this term, private persons could also be covered. This also applies, however, to the comprehensive confiscation of bank, financial and commercial documents. It should only be allowed if the information is *necessary* for the enforcement of a specific claim.

The regulation in Art. 8 No. 3 is misguided, insofar as it calls for the introduction of ordinary proceedings. On the contrary, based on the example of § 926 of the German ZPO, it should make the conduct of ordinary proceedings dependent upon a corresponding application of the application opponent in order to avoid a useless overload of the legal system. This regulation has proved itself in Germany in

summary proceedings for the combating of unfair competition. A similar problem is addressed in No. 12 below.

10. Art . 9 of the Draft for a Directive contains two different information claims, whose prerequisites in each case must be considered separately and which should, therefore, be standardized separately.

Art. 9 No. 2 b concerns information which is required for the enforcement of claims for compensation or rights to removal independent of blame. In its prerequisites, this right to information should be limited by the characteristic of necessity; as a result the alternative claim is linked with the main claim. In German legal practice, furthermore, the material scope of the alternative claim is viewed in detail and a distinction is made between information and rendering of account. The scope of the information required as regards content can be differentiated via the characteristic of necessity for the assertion of the main claim.

While the right to information according to Art. 9 No. 2 b assists in the preparation of the assertion of claims against the recognized infringer of the rights, in accordance with Art. 9 No. 2, the information serves the determination of further, third-party infringers of rights. In Germany, such claims for information have been included in all laws for the protection of intellectual property through the product piracy law. They have proved themselves exceptionally well in German legal practice. A regulation is required for the handling of the principle of appropriateness, on which the granting of the right to third-party information is bound. It must be emphasized that the right to third-party information for the determination of further infringers, is only excluded in exceptional cases in the event of the unreasonableness of the request.

Both regulations according to Art. 9 No. 2 must be linked factually with the fact that the infringement of intellectual property rights by the provider of the information is already adequately established.

Art. 9 No. 1 is conceived as a purely procedural legal instrument. Preferable is the provision of corresponding substantive legal claims. For them, it must then also be regulated that the substantive legal claims can be procedurally asserted through interim measures. To that extent in German law, the provisions of § 19 Par. 3 Trademark Law and the comparable provisions in the other laws for the protection of intellectual property have proved themselves. The elements of the rule of § 19 Par. 3 German Trademark Law should be taken over in Community Law.

11. In Art. 10 No. 3, a factual compulsion to the conduct of substantive proceedings following the order of interim measures is provided for. The experience of the German legal practice with the provisions of § 926 ZPO indicate that it is sufficient to make the conduct of ordinary proceedings dependent upon a corresponding application of the application opponent. The provision of Art. 10 No. 3 is in conflict with the appropriate application of Art. 10 No. 2 Par. 2. There, following ex-parte decisions, the conduct of a verbal hearing on the interim measure is made dependent upon an application by the application opponent (also in German law § 924 ZPO).

Art. 10 No. 5 must clarify make the prerequisites of the compensation liability. Appropriate is the order of a risk liability which does not presuppose any fault of the applicant. § 945 ZPO is designed in corresponding fashion. A risk liability must also be provided for article Art. 11 No. 3.

The provisions of Art. 10 No. 5 and Art 11 No. 3, ordering a compensation liability only because interim measures have been repealed by the court or because they have become invalid due to an action or omission of the applicant, are very problematic. It must also be made a prerequisite in these cases that, notwithstanding his own procedural omissions, the applicant only has to make compensation if the application opponent has not infringed any intellectual property rights. The quoted regulations of the Draft for a Directive correspond to the factual prerequisites as provided for by the incorrect legal policy wording of § 945 of the German ZPO. With

§ 945 ZPO, the German precedents has repeatedly had to struggle with the fact that the compensation liability of the applicant is not excluded because of procedural omissions, if the infringement behaviour of the application opponent is established. German precedents have indirectly managed – by overcoming the norm wording - with a limiting interpretation of the damage concept. Only the legitimately lost profit of the application opponent shall represent damage liable to compensation, not however, lost profits which the application opponent would only have been able to draw through the continuation of his illegal infringement. This complicated detour should be avoided in a new conception of risk liability.

12. Article 11, which has been conceived based on the example of the English freezing injunction (Mareva injunction), corresponds in Germany to the possibility of ordering seizure (safeguarding of financial claims through the summary decision of seizure, §§ 916 pp. ZPO). Art. 11 No. 1 does not indicate under which prerequisites a reason for seizure is given. That “the fulfilment of a compensation claim is called into question”, is a formulation which is too vague. Among other things, it leaves it open as to whether a deliberate infringement on the part of the application opponent already represents such a reason for seizure, which is disputed in Germany with respect to claims based on tort (without reference to infringements of intellectual property).

Art. 11 No. 1 Par. 2 also fails to make it clear what should be made possible with this regulation. A seizure may *only* serve the *securing* of assets in order that a subsequent compensation judgement can be enforced. For that purpose, only a confiscation of assets is required, but not the communication of "bank, finance or commercial documents". Furthermore, there is a total lack of safeguarding of the confidentiality of the documents.

13. The creation of a regulation for the recall of goods infringing an intellectual property right (Art. 12) is, in principle, an idea worthy of discussion. The regulation must, however, be limited to particularly serious cases of infringement. The first version of

the Draft for a Directive left the proper limitation to the member states, because the order should only be taken "in suitable cases". This textual restriction has been omitted in the second version.

If the regulation should be effectively applicable, the implementation of redress must be made possible through an interim measure.

The recall must be associated with a balancing of interests which takes into account the interests of supplied third parties. In the individual case, their interests can be so dominant that the recall must be stopped.

The recall may not be directed at private owners of goods infringing an intellectual property (acting non-commercially).

The relation between the recall and claims for compensation of the rights holder is unclear. Typically, as a measure of removal, a recall has effects on the extent of the infringement. It is, however, unreasonable to allow claims for compensation to expire. Instead an imputation regulation should be created.

14. Withdrawing goods infringing an intellectual property from circulation (Art. 13 of the Draft) represents the elimination of a state of disturbance. Prerequisite must therefore be that a legal infringement threatens to emanate from the party liable to surrender property. This is not the case with private owners.
15. The destruction of the goods infringing an intellectual property (Art. 14) is an elimination measure. It must be tied to the principle of reasonableness. It must also not be directed at private owners.

The relationship between Art. 13 and Art.14 is unclear.

16. Art. 15 concerns an apparent order to refrain. It is unclear whether it should be a matter of the provision of a substantive claim, or whether it should simply be regulated that claims to refrain can be legally asserted by way of an interim measure. It must be made clear that the instrument is also to be applied when there is a risk of a first offence.

From the point of view of German law it is unclear with respect to § 890 ZPO as to what the simultaneous existence of a fine and financial penalty means and whether the term financial penalty is meant to be a technical concept.

17. Art. 16 concerns a relief right and not an alternative measure. The model is § 101, Par. 1 German Copyright Law, on which the text of the Draft should therefore be based. The relief right is to be linked with the blameless infringement of the *protection right*, *not* however with a blameless cause of *damage*. Whether the infringer has acted blamelessly with regard to the damage arising from the infringement is irrelevant. The characteristic "by previous agreement" is superfluous; private autonomous agreements can be made by those concerned at their own discretion without this requiring a legal regulation.
18. There is a need for improvement in the central regulation proposal of Art. 17 on the compensation liability. The regulation proposal mixes definitions which apply to normal infringements of intellectual property rights with such regulations which as stricter sanctions are only regarded as appropriate in the event of considerable fault (in piracy cases). According to current German legal practice, in all cases of infringements of intellectual property rights, compensation for damages including the lost profit is owed, on the basis of an actual calculation of damage. In addition (alternatively), as an aid to calculating damage, a fictitious compensatory royalty can be awarded or the handing over of the profit made illegally by the infringer can be made the basis of the damage calculation. In principle, the regulation in Art. 17 No. 1 and No. 2 of the Draft for a Directive should not change this practice of German law.

In terms of legal policy, in the event of serious infringements of intellectual property rights, provision should be made for the payment of a double license fee. The factual prerequisites for this must, however, be named separately. While the triple damage calculation should be available for every culpable infringement of intellectual property rights, the condemnation to the payment of a double royalty, seems adequate only in serious cases of infringement.

Art. 17 No. 1 introduces a new fault category besides the deliberate intent, which must be explained in more detail. According to it, compensation should be owed if the infringer had "reasonable grounds for knowing" that he was committing an infringement of rights. It must be clarified as to whether only obvious cases should thus be treated as equivalent to deliberate intent or whether it should be a matter of gross negligence. Furthermore, an explanation of which investigation obligations apply to the infringer would be helpful.

It is to be welcomed that Art. 17 No. 2 qualifies the handing over of the infringer's profit as a method for calculating compensatory damages. According to the wording of the text it is unclear, however, whether the handing over of the profit is to be understood alternatively as a substitute for the damage actually calculated or whether it is intended as an additional sanction in the form of punitive damages. This is particularly unclear because in the grounds the deterrent purpose has been emphasized. The handing over of the infringer's profit should be provided as an optional rule under imputation of the compensatory damages.

According to the tried and tested German practice, the claim for damages creditor can choose between the three calculation methods for compensation up to the final verbal hearing and, at his own discretion, demand the respectively larger amount. It must be clarified that this practice can continue.

A more precise definition of which overhead costs the infringer may deduct when handing over the infringer's profit would be useful. It should be considered whether the regulation in this respect should be left to national law.

For the calculation of the infringer's profit it is necessary that the infringer of the rights is required to render accounts prior to proceedings. This alternative claim must be expressly regulated. Art. 9 and Art. 7 are not a suitable legal basis for the supply of the information necessary for the calculation of damages. Furthermore, a strict control of the correctness of the accounting must be provided for; the possibility provided for this in Germany of affirmation in lieu of an oath is insufficient.

Only the rights holder is named as creditor. That represents an apparently unintentional restriction. A claim for compensation of the licensee is also a possibility. If necessary, national law must make more precise definitions.

19. The Draft for a Directive is not coordinated with the rules of legal consequences for the Community patent. In Art. 44 Community Design Patent Order there is generally talk of compensation for the damage resulting from the infringement, which apparently also includes blamelessly illegal actions (different, however, Art. 65 of the draft for the European Patent Litigation Agreement (EPLA), which strongly resembles Art. 17 of the Draft for a Directive). The proposals of the Community Design Patent Order and the EPLA do not contain any basis for the awarding of double royalties; the Community Patent Order confines itself essentially to granting the Community patent court very wide discretion for the award of compensation.

A claim to information on third-infringers apparently is called for in the EPLA, but apparently not in the Community Patent Order.

20. The regulation into Art. 21 on the legal protection of technical protection prerequisites handles the problem in a shortened and mutilated way. The Directive on Copyright in the Information Society shows that the difficulties are much more complex.

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