



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 12 April 2006

**Interinstitutional File:
2005/0127 (COD)**

8319/06

LIMITE

**DOCUMENT PARTIALLY
ACCESSIBLE TO THE PUBLIC**

**DROIPEN 27
PI 25
CODEC 335**

OUTCOME OF PROCEEDINGS

of : Working Party on Substantive Criminal Law
on : 7 March 2006

No. Prev. doc : 6612/06 DROIPEN 14 PI 18 CODEC 169

No. Cion prop. : COM(2005) 276 (11245/05 DROIPEN 35 PI 17 CODEC 629)

Subject : – Proposal for a Directive of the European Parliament and of the Council on criminal measures aimed at ensuring the enforcement of intellectual property rights
– Proposal for a Council Framework Decision to strengthen the criminal law framework to combat intellectual property offences

I. INTRODUCTION

The **Working Party on Substantive Criminal Law** met on 7 March 2006 in order to proceed to the examination of the proposal for a Council Framework Decision to strengthen the criminal law framework to combat intellectual property offences, submitted by the Commission to the Council on 19 July 2005, together with the proposal for a Directive of the European Parliament and of the Council on criminal measures aimed at ensuring the enforcement of intellectual property rights, examined by the **Working Party** during its previous meeting on 9 January 2006.

Furthermore, the **Working Party** discussed the replies of the Members States, sent in follow-up to the Presidency's request¹ to the delegations for contributions with regard to the Intellectual Property rights that should fall into the scope of the above mentioned Directive.

In view, of a restructuring of the Commission's proposal to be adopted, most probably, in April, delegations were from the outset reticent to discuss in depth the proposed Council Framework Decision and formulated provisional comments.²

DELETED reminded its general scrutiny reservation with regard to both instruments while **DELETED** entered a general scrutiny reservation on the Framework Decision and **DELETED** a parliamentary and a general scrutiny reservation on both the proposed Directive and the Framework Decision.

Both instruments are furthermore subject to a reservation by **DELETED**.

II. DISCUSSIONS ON ARTICLE 2: LEVEL OF THE CRIMINAL SANCTIONS

Delegations in general considered that the structure of Article 2 should be revisited. In particular, paragraph 1 should become paragraph 2 and vice versa, bearing in mind that paragraph 2 has a general character and that "effective, proportionate and dissuasive penalties" should be provided for in the basic infringement while some aggravating circumstances should call for differentiated penalties. Furthermore, delegations reminded the range of penalties provided for in the Framework Decision on ship-source pollution and underlined that these should be taken into consideration for the definition of the penalties 'level.

Paragraph 1.

DELETED queried the aggravating circumstance of the "health or safety risk" and wondered whether it should be a concrete or abstract risk or whether this risk emanates from the original or the counterfeit product. **DELETED** entered a reservation on the penalties provided for while committing an offence under the aegis of a criminal organisation. **DELETED** indicated that the two aggravating circumstances of committing the offence under the aegis of a criminal organisation and

¹ Doc. 5979/06 DROIPEN 10 PI 9 CODEC 98

² See also doc. 6612/06 DROIPEN 14 PI 18 CODEC 169 in paragraph II

the risk to health or safety should not be cumulative. **DELETED** considered that the description of the two aggravating circumstances is not only very general but that also they go far beyond the aim of the instrument which is the protection of intellectual property. **DELETED** supported by the **Commission representative** underlined that the protection of intellectual property rights should also be seen from the angle of the consumer. **DELETED** considered that, due to the fact that the commercial scale includes the notion of the organisation, there is a certain overlap of the aggravating circumstance with the basic offence provided for in Article 3 of the Directive.

Paragraph 2

Many delegations indicated being not convinced by the harmonisation of pecuniary sanctions while at the same time they underlined that there should be made a distinction between the pecuniary sanctions provided for with regard to natural persons and the ones provided for the legal entities.

DELETED was in favour of such an harmonisation. Some delegations, reminding the way pecuniary sanctions were defined in the Framework Decision on ship-source pollution indicated that, bearing in mind the proportionality and subsidiarity principles, they were not in favour of ceilings for those sanctions and underlined the necessity of a horizontal examination of a harmonisation of the pecuniary sanctions.

DELETED stressed that, the harmonisation of pecuniary sanctions in the Framework Decision on ship-source pollution should not serve as a precedent for other Framework Decisions.

Concerning custodial sentences, **DELETED** were of the view that their levels should be defined in the light of the relevant 2002 Council Decision.

Paragraph 3

The vast majority of delegations, considering this paragraph superfluous, wished its deletion.

Summarising discussions, the **Chair** concluded that the drafting of Article 2, except from the fact that it needs restructuring, goes far beyond its aim, bearing in mind that it refers to the organised crime and it does not take into account other existing instruments. Furthermore, the Working Party seemed to reject a harmonisation of the pecuniary penalties and had the view that there should be a distinction between the penalties provided for the natural and the legal persons and a clarification of aggravating circumstances.

III. SCOPE OF THE DIRECTIVE (ARTICLE 1).

- Replies of the delegations to the request of the Presidency as included in document 5979/06 DROIPEN 10 PI 9 CODEC 98

The vast majority of delegations replied to the request by the Presidency. The delegations that had not reacted yet, flagged their intention to do so soon. The **Chair**, in an attempt to proceed to a synthesis of the Member States replies indicated that two delegations were against the incrimination of the *sui generis* right of a database maker, four delegations were against the incrimination of the rights of the creator of the topographies of a semiconductor product, one delegation was against the incrimination of the trademark rights, two delegations were against the incrimination of the design rights, ten delegations were against the incrimination of patent rights, five delegations were against the incrimination of geographical indications, ten delegations were against the incrimination of the utility model rights, five delegations were against the incrimination of the plant variety extracts and ten delegations were against the incrimination of trade names.

DELETED, referring to the approach adopted for proceeding with the definition of the scope of the Directive, considered that the replies by the delegations reveal a confusion with regard to the aim of this exercise. The harmonisation of this sector which is of utmost importance could not be successfully completed without establishing logical/legal criteria on the basis of which options could be chosen. According to this delegation, these criteria should be:

- 1) The scope of the Directive 2004/48/EC which provides that the scope includes all subjects covered by the concept of intellectual property. On the basis of recital 28 of the same Directive criminal sanctions could be applied, where necessary for particular types of conduct.
- 2) The scope of the proposed Directive could include the harmonised rights already covered by Community legislation.
- 3) The TRIPS Agreement , which provides for criminal law protection "at least " in the case of trademarks and copyright, this being a minimum requirement. This criterion was introduced by

DELETED

DELETED considers the first criterion as the most appropriate and supported by other delegations, reminded the Working Party of the difficult discussions that took place in 2004 for the definition of the scope of Directive 2004/48/EC and called on the delegations to reflect on the concept of Community policy, which cannot be limited simply to intellectual property but should also cover free movement of goods, protection of competition and protection of the environment as provided for in the Treaties.

DELETED, reminding the European Court of Justice Ruling 176/03, indicated that discussions should focus on the most serious infringements taking at the same time due account of the subsidiarity principle. In this respect, **DELETED** referring to the discussions on the procedural consequences of the judgement of the Court of Justice, underlined that it should be made a distinction between first and third Pillar infringements and requested the Council Legal Service to examine the possible criteria to that end so that the Working Party could dispose of a more pertinent working basis.

Most of the delegations that took the floor were of the view that Intellectual Property Rights, which are not harmonised at Community level, should be excluded from the scope of the instrument and underlined the necessity to make a distinction between community law-rights and national law-rights. While, **DELETED** argued that every Community instrument should be examined *in concreto* in order to assess the necessity of application of criminal measures to increase its effectiveness. **DELETED**, referring to the above mentioned European Court of Justice Ruling, **queried** the necessity to provide for criminal measures with respect to some sectors already harmonised at Community level.

In this context, the **Chair** raised the question on how would it be possible to provide for criminal measures for Community law Intellectual Property Rights, whose norms are not harmonised at Community civil law level.

DELETED considered that if there were not existing harmonised norms at Community level there was no possibility to provide for criminal measures while **DELETED** thought that the necessity of criminal measures should be examined at first hand and expressed the wish to have the views of experts in the sector of Intellectual Property rights, bearing in mind that, Intellectual Property infringements have been in a satisfactory way addressed through the now existing instruments.

DELETED felt that Intellectual Property, being a property as every other, needs protection by criminal measures. That said, a list of the protected Intellectual Property rights including in particular not only trademark rights and rights related to copyright but also other ones, would increase the legal security. At the same time, the scope of the instrument should be the largest possible and cover not only the Community harmonised rights but also rights of the national laws.

DELETED, referring to recitals 7 and 10 of the 2004 Directive, considered that all infringements call for criminal protection and that the notion of the Community norms should be interpreted *latto sensu* bearing in mind the fact that the proposed instrument aims at the protection of the Internal Market and the free movement of goods.

The **Commission representative** expressed his agreement with this approach.

DELETED underlined the necessity to dispose of the modified proposal by the Commission in order to be able to define the scope of the instrument.

Closing discussions, the **Chair** concluded that the Working Party seemed to consider the criterion of the Community law as the most important for the definition of the scope of the instrument taking at the same time into account the **necessity** of providing for criminal measures in the light of the Ruling of the European Court of Justice. The majority of delegations, considered that listing the protected Intellectual Property rights would increase the legal security, while the view of the widest possible scope for the instrument was also voiced by three delegations.

An opinion by the Council Legal Service on the impact of the Ruling of the European Court of Justice in the case 176/03, on the proposed instrument and in particular its scope, were welcome.

The next meeting of the Working Party has been scheduled for the 10th of May 2006.