

Seminar on Enforcement of Plant Variety Rights in the European Community

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Directive 2004/48 on
Enforcement of Intellectual Property Rights

and

Council Regulation (EC) No 1383/2003 on
Customs Actions

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1. INTRODUCTION

Council Regulation 2100/94¹ (the “Basic Regulation”) provides some basic conditions regarding civil claims, infringements and jurisdiction (Articles 94 to 107). These rules ensure that there will always be a competent national court to deal with infringements of Community plant variety rights. The Basic Regulation provides that the rules of procedure concerning infringements are governed by corresponding national law² and that Member States shall take all appropriate measures to ensure that the same provisions are made applicable to penalize infringements of Community plant variety rights as apply in the matter of infringements of corresponding national rights.³ For this reason, national law is of essence. When assessing the applicable national law one must look at different angles such as plant variety right law, procedural law, civil law and criminal law. It may be the case that infringement is taking place in a number of countries. In this case, the holder needs to inform himself of the peculiarities of each national system. This may be easier once Directive 2004/48 on IP Enforcements is implemented into national law by all Member States (by 29 April 2006)⁴ (the “Enforcement Directive”). If the infringement relates to importation or exportation from the EU, Regulation 1383/2003 on Customs Actions⁵ applies (the “Customs Regulation”). The Customs Regulation enables right holders to take actions even before goods enter the EU.

As previous speaker has already dealt with the provisions on in Council Regulation 2100/94, I will concentrate on the Enforcement Directive and the Customs Regulation. I will also mention a few words on the Community initiatives to criminalise infringements of intellectual property rights. The presentation is an overview of the directive and the regulation and should not be seen as an exhaustive presentation. I will concentrate on the provisions in the Customs Regulation

¹ Council Regulation (EC) No 2100/94 of 27 July 1994 on Community plant variety rights, OJ No. L227/1, 1.9.94

² Article 103 of the Basic Regulation

³ Article 107 of the Basic Regulation

⁴ 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 195/16, 2.6.2004.

⁵ Council Regulation (EC) No 1393/2003 of 22 July 2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights, OJ L 196, 2.8.2003, p.7

since the Directive on Enforcement will be dealt with by other speakers when presenting their national laws implementing the directive.

2. THE CUSTOMS REGULATION

2.1 Introduction

The Customs Regulation has been in force since 1 July 2004. The regulation is accompanied by an implementing Regulation; Commission Regulation No 1891/2004.⁶ The Customs Regulation replaced its predecessor Regulation No 3295/94.⁷ A major improvement for plant breeders was introduced in the new version since it comprises plant variety rights, which was not the case with Regulation No 3295/94.

The basic principles of the Regulation are rather simple. It gives the customs authorities the right to stop (and under certain circumstances even destroy) goods suspected of infringing an intellectual property right subject to customs clearance. The customs authorities may either initiate the procedure themselves based on their own information and experience or act upon a request from a right-holder. In most cases, the right-holder must, in parallel, initiate actions in a national court in order to prolong the time during which the goods may be kept by the customs authorities and in order to get a final decision as regards whether an infringement has actually taken place. In order to safe guard the interest of the declarant, the holder or the owner of the goods (hereinafter collectively called the “declarant”) and to avoid abusive actions from right-holders, procedures with specific time limits apply. Below an overview of the scope of the Regulation and the procedures applicable are presented.

2.2 Scope of the Customs Regulation

Imports and exports

Pursuant to Article 1, the customs authorities may take action where goods suspected of infringing an intellectual property right:

⁶ Commission Regulation (EC) No 1891/2004 of 21 October 2004 laying down provisions for the implementation of Council Regulation (EC) No 1383/2003 concerning customs actions against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights, OJ L 328, 30.10.2004, p.16

⁷ Council Regulation No 3295/94 of 22 December 1994 laying down measures to prohibit the release for free circulation, export, re-export or entry for a suspensive procedure of counterfeit and pirated goods, OJ L 341 30.12.2004, p.8

- (a) when they are entered for release for free circulation, export or re-export⁸
or when they are found during checks on goods
- (b) leaving or entering the Community customs territory⁹
- (c) placed under a suspensive procedure¹⁰;
- (d) in the process of being re-exported subject to notification¹¹
- (e) placed in a free zone or free warehouse¹²

The above situations are defined in the so-called Community Customs Code¹³ which is a vast and detailed piece of legislation governing the Community customs legislation. I will not comment on these particular situations in this presentation. It is sufficient to say that the definition comprises almost all customs situations provided the goods suspected of infringing an intellectual property right originate in, or are destined for, a non-Member State of the Community. Trade between the Community Member States are excluded from the scope of the Regulation due to the fundamental principle of free movement of goods enshrined in the EC Treaty.

Goods infringing an intellectual property right

Regulation No 1383/2003 provides for three goods categories under which an intellectual property right is infringed: counterfeit goods,¹⁴ pirated goods¹⁵ and goods which infringe certain national or Community intellectual property rights. Amongst the latter category, national and Community plant variety rights are specifically mentioned.¹⁶ In the definition of the term “right-holder” reference is specifically made to a holder of a plant variety right.¹⁷

Exemptions

The Customs Regulation does not apply to goods which are protected by a plant variety right and which were manufactured with the consent of the right-holder but which were imported/exported without the consent of the holder of the plant variety right. Goods manufactured under conditions other than those agreed with the right-holder (for instance, in breach of a license agreement) are

⁸ Article 61 of Regulation (EC) No 2913/92

⁹ Articles 31 and 183 of Regulation (EC) No 2913/92

¹⁰ Article 84(1)(a) of Regulation (EC) No 2913/92

¹¹ Article 182(2) of Regulation (EC) No 2913/92

¹² Article 166 of Regulation (EC) No 2913/92

¹³ Council Regulation (EEC) No 2913/92 of 12 October 1992 establishing the Community Customs Code, OJ L 302 , 19.10.1992 P.1

¹⁴ For a definition of Counterfeit goods, see Article 2(1)(a) of the Customs Regulation

¹⁵ For a definition of Counterfeit goods, see Article 2(1)(b) of the Customs Regulation

¹⁶ see Article 2(1)(c)(iii) of the Customs Regulation

¹⁷ Article 2(2) of the Customs Regulation

also excluded from the scope of the Customs Regulation.¹⁸ One of the aims with this provision is to avoid that customs action could be exploited to prevent the importation of lawful goods of competitors to the right holder or the parallel importation of non-counterfeit goods into the Community. Finally, the regulation does not apply to goods contained in a traveller's personal baggage.¹⁹ However, in no event do the customs authorities decide either in procedural or in substantive terms whether a right has been infringed by the suspect goods which they have detained. This decision is reserved solely to the national courts.

2.3 Who is entitled to lodge an application?

Under Article 2(2) of the Customs Regulation and Article 1 of the Implementing Regulation, an application for action may be lodged by

- (a) the holder of the plant variety right,
- (b) persons authorised to use the plant variety right or
- (c) the representative of the holder of the plant variety right or person authorised to use the right.

The persons mentioned above need to furnish proof that he is the right-holder (a copy of registration from the database of a national office or CPVO), person authorised to use the right (for instance a license agreement) or a representative (proxy of the right holder or the person authorised to use the right).

2.4 Procedures and time limits

The procedure initiated by the applicant

Applications for actions should be sent to the customs department designated by the relevant Member State for receiving and processing application (only one customs department per Member State).²⁰ These departments are also to keep available the forms necessary for an application. In many Member States, the forms can be retrieved from the website of the relevant customs department.

¹⁸ Article 3(1) of the Customs Regulation

¹⁹ Article 3(2) of the Customs Regulation

²⁰ see list of authorities in an Annex to the Implementing Regulation

Where the applicant is the right-holder of a Community plant variety right, an application may, in addition to requesting action by the customs authorities of the Member State in which the application is lodged, request action by the customs authorities of one or more Member States (a so-called Community application).²¹

In order to be successful, it is important to provide as much information to the customs authorities as possible. This will facilitate for the authority to assess the application. When completing the application, provision of the following information is mandatory:²²

- an accurate and detailed technical description of the goods (in this regard photographs or samples may also be submitted);
- any specific information the right-holder may have concerning the type or pattern of fraud;
- the name and address of the contact person appointed by the right-holder;

The application must also be accompanied by a declaration from the right-holder.²³ The declaration replaces the security which had to be paid under the preceding regulation when lodging an application. The declaration should be in writing and state that the applicant accepts liability towards the declarant for any damages in the event that a procedure initiated by the customs authorities is discontinued owing to an act or omission by the right-holder or in the event that the goods in question are subsequently found not to infringe an intellectual property right.²⁴ A declaration must also be given that all costs incurred in keeping goods under customs control will be borne. Where a so called Community application is lodged, the applicant must also agree to bear the costs of any translations which may be necessary.²⁵ Finally, the applicant must undertake to inform the competent customs department of any changes or the loss of his intellectual property rights.²⁶ The customs department may decide not to process the application where the application does not contain the mandatory information.²⁷

Apart from the mandatory information, the applicant should also make available to the customs authorities any other information he may have, since the most complete picture possible of the

²¹ Article 5(4) of the Customs Regulation

²² Article 5(5)

²³ Article 6 of the Customs Regulation

²⁴ A template of such a declaration is found in an Annex to the Implementing Regulation

²⁵ Article 6(2) of the Customs Regulation

²⁶ Article 5(2) of the Customs Regulation

²⁷ Listed in Article 5(5) of the Customs Regulation

original goods (e.g. their value, the means of transport used, the country of production, the routes used by traffickers and the technical differences between the authentic and suspect goods) makes it possible to bring the suspect goods to the attention of the customs offices. There is no fee charged for processing the application.²⁸

The procedure initiated ex-officio by a customs authority

A customs department may (it is not an obligation) take certain actions ‘ex officio’, in other words, before an application is lodged by the right holder.

The prerequisite for acting is if the authority

“have sufficient grounds for suspecting that goods ... [declared to customs or under customs control] ... infringe an intellectual property right”²⁹

It is not completely clear where the barrier of having sufficient grounds to *suspect* an infringement lies, but it is clear that the barrier is lower than in the previous Regulation. The previous Regulation required that the infringement of an intellectual property right appears *evident* in order for an authority to take action.³⁰

If the above requisite is fulfilled, the customs authorities may either suspend the release of the goods or detain them. The customs authorities are to notify the right-holder of their action. This allows the right-holder some limited time to make an application under the procedure described above. The right-holder may request action by the customs authorities within a period of three working days from the moment of receipt of the notification.³¹ Before informing the right-holder of the suspicion that a right has been infringed, the customs authorities may ask him to provide any information they may need to confirm their suspicions.³²

²⁸ Article 5(7) paragraph 2 of the Customs Regulation

²⁹ Article 4 of the Customs Regulation

³⁰ Article 4 of Regulation 3295/94

³¹ Article 5(1) or (4) of the Customs Regulation

³² Article 4(2) of the Customs Regulation

It is interesting to note that customs authorities actually make use of their right to take actions. In 2003 and 2004, around 20% of all actions taken by customs authorities were initiated by the authorities themselves.³³

Decision of the customs department

Once the competent customs department has received an application it must process the application and notify the applicant in writing of its decision within 30 working days.³⁴ The customs department must immediately forward the decision to customs office(s) likely to be concerned by the goods in question.³⁵ If the customs office having received the decision is satisfied that goods are suspected of infringing an intellectual property right covered by that decision, it shall suspend the release of the goods or retain them.³⁶ The authority must inform the competent customs department,³⁷ the right-holder and the declarant of its action.³⁸

Duration of the suspension of release or detention of the goods

The customs office may suspend release of the goods or detain them for 10 working days from the day on which the applicant receives notification.³⁹ This period may be extended by a maximum of 10 days in appropriate cases.⁴⁰ In the case of perishable goods, this period is to be only three working days. This period may not be extended.⁴¹ Plant material would in most circumstances be regarded as perishable goods. The three days period was actually introduced as a consequence of widening the scope of the Customs Regulation to goods – in particular foodstuffs, protected by a plant variety right or under the protection system for geographical indications and designations of origins.⁴²

During the above given period, the applicant must initiate an action (normally with a national court) to determine whether an intellectual property right has been infringed. The applicant must

³³ see website

http://europa.eu.int/comm/taxation_customs/customs/customs_controls/counterfeit_piracy/statistics/index_en.htm

³⁴ Article 5(7) of the Customs Regulation

³⁵ Article 8(2) of the Customs Regulation

³⁶ Article 9(1) of the Customs Regulation

³⁷ Article 9(1) second paragraph of the Customs Regulation

³⁸ Article 9(2) of the Customs Regulation

³⁹ Article 13 of the Customs Regulation, the period begins to run the day after the notification is received. Saturdays, Sundays and holidays are not included. Article 5 of the Implementing Regulation

⁴⁰ The term ‘appropriate’ is not defined and leaves a certain discretion to the customs authorities

⁴¹ Article 13(2) of the Customs Regulation

⁴² See p. 153, Oliver Vrins and Marius Schneider, *Enforcement of Intellectual Property Rights Through Border Measures*, Oxford University Press, 2006

then inform the customs authority that the procedure to determine whether an intellectual property right has been infringed has been initiated. The infringement of the right is to be assessed in the light of the law in force in the Member State in which the suspect goods are placed.⁴³ To initiate proceedings to determine whether a plant variety has been infringed would in most cases mean the need to file a writ of summons to the national court competent to deal with plant variety right infringements. It has proven that customs authorities also accept other forms of proceedings such as interlocutory proceedings and interim measures.⁴⁴ If no proceeding is initiated within the given time limits, the goods will be released.

2.5 Simplified procedure for destruction of goods

The Member States may provide for a simplified procedure, to be used with the right-holder's agreement, which enables suspect goods to be abandoned for destruction under customs control. It is not necessary to determine in advance whether an intellectual property right has been infringed. It is not an obligation for Member State to implement this provision and so far only a few of the Member States have done so.⁴⁵ If a Member State opts to implement such rules, the following provisions must be adopted in the national legislation.

Notification by the right-holder

Within 10 working days (or three working days in the case of perishable goods) of receipt of notification of suspension of release of the goods or the detention thereof, the right-holder must notify the customs authorities in writing that the suspect goods infringe an intellectual property right. In addition, the written agreement of the declarant to abandon the goods for destruction must be provided. In this respect it should be noted that this agreement is to be presumed to be accepted when destruction has not specifically been opposed within the prescribed period.

Taking of samples before destruction

Destruction of the suspect goods must be systematically preceded by the taking of samples. They are to be kept by the customs authorities in such conditions that they can be used as evidence admissible in legal proceedings.

⁴³ Article 10 of the Customs Regulation

⁴⁴ See p. 150, Oliver Vrins and Marius Schneider, *Enforcement of Intellectual Property Rights Through Border Measures*, Oxford University Press, 2006

⁴⁵ See p 144. *ibid*

Accepting liability and bearing costs

Destruction is to be carried out, unless otherwise specified in national legislation, at the expense and under the responsibility of the right-holder.

2.6 Right-holder's right to access information

At the request of the right-holder, the customs authorities is to inform him, if known, of the names and addresses of the consignee, the consignor, the declarant or the holder of the goods and the origin and provenance of the suspect goods. This information is to enable the right-holder to establish whether a right has been infringed.⁴⁶ The applicant and the declarant are to be given the opportunity to inspect the suspect goods.⁴⁷ At the express request of the applicant, the customs office may take samples from the suspect goods and hand them over to him for examination. The right-holder is to carry out any analysis under his sole responsibility.⁴⁸

2.7 Release of suspected goods

Release of suspected goods in the event of failure to notify the customs authorities

If the customs office holding the suspect goods has not been notified in good time that national proceedings have been initiated to determine whether a right has been infringed⁴⁹ or has not received the right-holder's agreement to destroy them⁵⁰ and all customs formalities have been completed, it is to release the goods or end their detention.⁵¹

Release of suspected goods by providing a security

The declarant of goods suspected of infringing a plant variety right can obtain the release of the goods or an end to their detention on provision of a security.⁵² Release can be allowed provided that the customs office or initial department has been notified of the initiation by the applicant of proceedings to determine whether a right has been infringed, that precautionary measures have not been authorised by the competent national court, and that all customs formalities have been completed. The security must be sufficient to protect the interests of the right-holder.

2.8 Goods found to have infringed an intellectual property right

⁴⁶ Article 9(3), first subparagraph

⁴⁷ Article 9(3), second subparagraph

⁴⁸ Article 9(3), third subparagraph

⁴⁹ Article 10

⁵⁰ Article 11(1)

⁵¹ Article 13

⁵² Article 14

Goods found to have infringed an intellectual property right shall in principle neither be allowed to enter the Community nor be exported.⁵³ Member States should adopt the necessary measures to allow the competent authorities to destroy infringing goods.⁵⁴

2.9 Liability questions

The question of whether the customs authorities are liable towards the right-holder or the declarant is to be assessed in the light of the relevant national legislation.⁵⁵ The right-holder's civil liability is to be governed by the law of the Member State in which the goods in question were subject to customs declaration or checks.⁵⁶

2.10 Concluding remarks

The Regulation as amended in 2003 is a clear improvement for holders of Community and national plant variety rights since plant variety rights were not even comprised by the scope of the former Regulation. A Regulation is directly applicable in all Member States which is an advantage since the procedures are standardized and equally applicable in all Member States. The Regulation abolishes fees and guarantees so as to help small and medium sized companies (SMEs) to use the system without incurring costs. The idea of guarantees is replaced by having the owner of the rights declaring to pay if his case is proven not to be well founded. The scope of the "ex officio" procedure has been extended and allows the customs authorities to react without a prior application for action. The Regulation also opens the possibility to avoid to take an action on the merits of the case before being able to have the goods destroyed with the agreement of the holder of the goods or the person who declared the goods to customs; this should reduce the costs involved in some cases.

In short, the Customs provides effective tools for coming to terms with illegal import and export of protected plants. However, it is still necessary for holders of plant variety rights to be on the alert and be prepared to invest time and resources to inform themselves and the competent authorities about illegal trade. This is essential in order to be able to keep the time limits *vis-à-vis* customs authorities and national courts laid down in the Regulation.

⁵³ Article 16 of the Customs Regulation

⁵⁴ Article 16 of the Customs Regulation

⁵⁵ Article 19

⁵⁶ As defined in Article 1(1) of the Customs Regulation

3. THE ENFORCEMENT DIRECTIVE

3.1 Introduction

It has been established that despite the obligations Member States have under the TRIPS Agreement, major disparities as regards the means of enforcing intellectual property still exists. In some Member States, no measures concerning important issues such as right of information was in place at all.⁵⁷ The objective of the Enforcement Directive is to harmonise the area of civil legal procedures on enforcement of intellectual property rights in the Member States so as to ensure a high, equivalent and homogenous level of protection in the internal market.⁵⁸ However, the directive should not affect substantive law on intellectual property.⁵⁹ The Commission has adopted a list comprising the intellectual property rights that the Commission believes is covered by the Directive. National and Community plant variety rights are covered by the list.⁶⁰ The Directive must be implemented by the Member State by 29 April 2006 (two weeks ago from the date of the Seminar).

This presentation aims at pointing out some of the measures that Member States need to implement in national legislation in order to comply with the directive.

3.2 Evidence

The collection of evidence is crucial in order to be successful in an infringement action.⁶¹ At the same time it is of course necessary to safe guard the rights of the defence.⁶² The Directive provides that national courts can order the disclosure and deliverance of evidence by the opposing party.⁶³ If the infringement is committed on a commercial scale the competent judicial authorities may order the communication of banking, financial or commercial documents under the control of the opposing party. The disclosure is subject to the protection of confidential information.⁶⁴

⁵⁷ Recital 7 of the Enforcement Directive

⁵⁸ Recital 10 of the Enforcement Directive

⁵⁹ Recital 15 of the Enforcement Directive

⁶⁰ Commission statement 2005/295/EC, OJ 2005 of 13.4.2005, L 94, p. 37

⁶¹ Recital 20 of the Enforcement Directive specifies that given that evidence is an element of paramount importance for establishing the infringement of intellectual property rights, it is appropriate to ensure that effective means of presenting, obtaining and preserving evidence are available.

⁶² This is acknowledged in recital 20 of the Enforcement Directive

⁶³ Article 6(1) of the Enforcement Directive

⁶⁴ Article 6(2) of the Enforcement Directive

Even before the commencement of proceedings on the merits of the case, the competent authority may order provisional measures to preserve relevant evidence in respect of the alleged infringement. Such measures may even include the taking of samples and physical seizure of the goods in question. In certain cases, an order can be given without the other party having been heard.⁶⁵ This may be the case if any delay is likely to cause irreparable harm or if there is a risk that the evidence may be destroyed. Orders to allow the provision of evidence may however only be given on application by a party who has presented reasonably available evidence to support his claim on infringement. The party asking for such an order may have to give an adequate security to ensure compensation to the defendant under certain circumstances, such as where it is subsequently found that no infringement has been taken place.⁶⁶

Measures for preserving evidence could be of particular important for holders of plant variety rights that need to get access to private glass houses or private fields in order to get samples of plant material suspected to infringe their rights.

3.3 Right of information

Upon request (a justified and proportionate request) a claimant is entitled to get information from the infringer and/or any other person who has, in general terms, been taking part in the production or distribution of the infringing goods.⁶⁷ This may help the holder to trace origin of goods and distribution networks. Information concerning names, addresses, quantities and prices may be obtained.⁶⁸ Safeguards to ensure the right of defence and other general principles, such as self-incrimination and personal data, are also provided for.⁶⁹

3.4 Provisional and precautionary measures

The Directives provides that a judicial authority may issue an interlocutory injunction against an alleged infringer, or an intermediary whose service is being used to infringe a property right, with the effect of forbidding the actions alleged to infringe an intellectual property right.⁷⁰ An order to seize goods suspected of infringing rights may also be issued.⁷¹ As is the case of the gathering of evidence, an interlocutory injunction may also be given without the other party having been

⁶⁵ Article 7(1) of the Enforcement Directive

⁶⁶ Article 7(2) and (4) of the Enforcement Directive

⁶⁷ Article 8(1) of the Enforcement Directive

⁶⁸ Article 8(2) of the Enforcement Directive

⁶⁹ Article 8(3) of the Enforcement Directive

⁷⁰ Article 9(1)(a) of the Enforcement Directive

⁷¹ Article 9(1)(b) of the Enforcement Directive

heard. Measures to safe guard the interests of the defendant are also provided for such as the provision of security. If formal infringement proceedings are not commenced by the applicant within a reasonable time, the measures must be revoked.⁷² Upon revocation, compensation for any injury caused by those measures must be paid by the applicant.⁷³

3.5 Corrective measures

When an infringement has been established, the competent judicial authority may order to recall the infringing goods from the channels of commerce, remove the goods from the channels of commerce or destroy the goods. The measures should be taken at the infringer's expenses, unless particular reasons are invoked for not doing so. Member States may provide for alternative measures if the mentioned measures would cause disproportionate harm, pecuniary compensation appears reasonably satisfactory or if the infringer acted unintentionally and without negligence.

Damages could also be awarded if the infringement was done knowingly or with reasonable grounds to know.⁷⁴ Damages awarded should be appropriate to the actual prejudice suffered by the right holder as a result of the infringement. Judicial authorities setting the amount of the damages should take a broad view and take into account all appropriate aspects such as negative economic consequences for the right-holder, such as lost profits and unfair profits made by infringer. As an alternative, damages may be set as a lump sum on basis of elements such as 'at least' amount of royalties or fees.⁷⁵ An infringer that has committed an infringement unknowingly may need to pay damages for recovery of profits or payment of damages.⁷⁶

Reasonable and proportionate legal costs and other expenses incurred by the successful party may also be awarded unless equity does not allow this.⁷⁷

4. PROPOSAL TO CRIMINALIZE INFRINGEMENTS

Criminal sanctions were proposed to be introduced in the Enforcement Directive but were finally omitted.⁷⁸ One of the reasons for not including criminal sanctions was that the legal basis was

⁷² Article 9(5) of the Enforcement Directive

⁷³ Article 9(7) of the Enforcement Directive

⁷⁴ Article 13(1)(a) of the Enforcement Directive

⁷⁵ Article 13(1)(b) of the Enforcement Directive

⁷⁶ Article 13(2) of the Enforcement Directive

⁷⁷ Article 14 of the Enforcement Directive

unclear. It was not established if the Community had competence to adopt criminal sanctions in this area. The Commission however adopted a proposal for a Directive on criminal measures⁷⁹ and a proposal for a Council Framework Decision to strengthen the criminal law framework to combat intellectual property offences.⁸⁰ A decision from the European Court of Justice cleared the doubts on the question on the legal basis and established that the Communities have such competence.⁸¹ Accordingly, the Commission adopted on 26 April 2006 a proposal for a directive to combat intellectual property offences that amends the proposal approved by it on 12 July 2005. The proposal for a Council framework decision to strengthen the criminal law framework to combat intellectual property offence was withdrawn and its provisions incorporated into the amended proposal for a directive. According to Commission Vice-President Franco Frattini, who is responsible for justice, freedom and security matters, the new provisions proposed by the Commission represent the criminal law dimension of the fight against counterfeiting and piracy in Europe. Effective approximation of Member States' criminal legislation in this field is the minimum needed to pursue together a major campaign aimed at eradicating these phenomena, which are causing serious harm to the economy. Nowadays, criminal organisations are focusing on these activities, which are often more lucrative than other forms of trafficking and on which the authorities do not crack down as much. Counterfeiters and pirates undermine legitimate businesses and pose a threat to innovation. What is more, in many cases the counterfeit goods are prejudicial to public health and safety.⁸²

The scope of the proposed directive clearly includes plant variety rights. Proposed Article 1 states that the measures should apply to intellectual property rights provided for in Community legislation and/or national legislation in the Member States. All intentional infringements on a commercial scale should be treated as criminal offences, as well as attempting, aiding or abetting and inciting such infringements. For natural persons sanctions such as custodial sentences, fines and confiscation of infringing goods are proposed. Legal persons could be subject to sanctions such as fines and confiscation.

In appropriate cases Member States should also provide for;

- Destruction of the infringing goods

⁷⁸ Article 20 Commission Proposal for Enforcement Directive: « serious infringements » should be treated as a criminal offence subject to certain criminal sanctions

⁷⁹ 12.7.2005, COM (2005) 276 final, 2005/0127 (COD)

⁸⁰ 12.7.2005, COM (2005) 276 final, 2005/0128 (CNS)

⁸¹ Case C-176/03, *Commission v. Council*, 13 September 2005

⁸² See press release from the Commission, Reference: IP/06/532 Date: 26/04/2006

- Total or partial closure, on a permanent or temporary basis, of the establishment used preliminary to commit the offence
- A permanent or temporary ban on engaging in commercial activities
- Placing under judicial supervision
- Judicial winding-up
- A ban on access to public assistance or subsidies
- Publication of judicial decisions

The proposal for a framework decision sets out criminal penalties. It is proposed a maximum of at least four years of imprisonment should apply if the offence involves criminal organisation or if it jeopardises public health and safety. Fines for the mentioned offences are proposed at a level of €100 000 to 300 000. The proposal allows for Member States to apply tougher penalties.

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