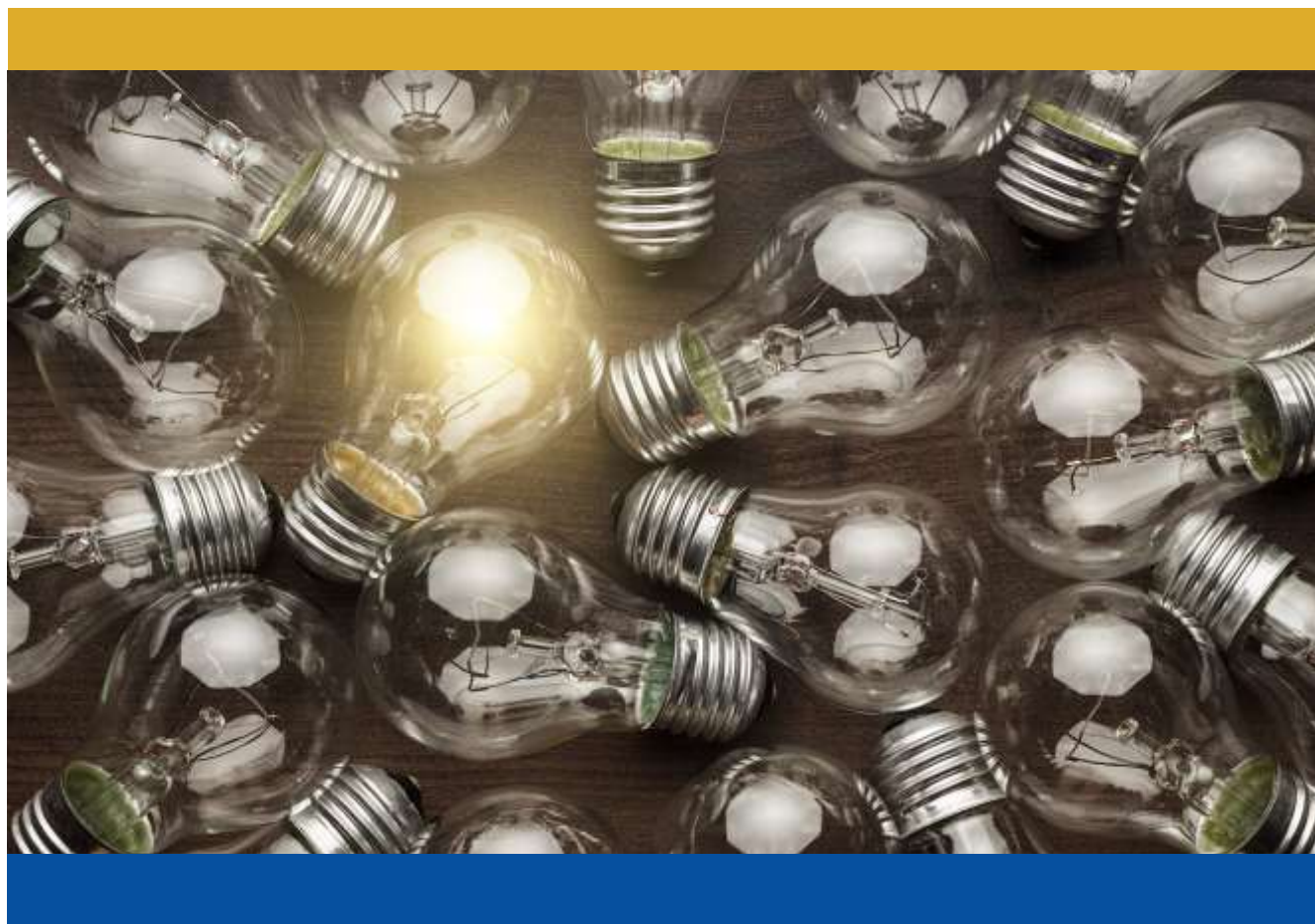


# STUDY ON LEGISLATIVE MEASURES RELATED TO ONLINE IPR INFRINGEMENTS

## Executive Summary

A PROJECT COMMISSIONED BY THE EUROPEAN UNION INTELLECTUAL PROPERTY OFFICE



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## EXECUTIVE SUMMARY

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### Background

Intellectual property right (IPR) infringement has taken and increasingly takes place in the online environment, in particular on the internet, which has raised concerns on many different levels, and has led to a number of recent European initiatives<sup>1</sup>.

A number of legislative measures have been adopted at both international and European levels whose purposes are to strengthen and harmonise the protection of IPR. These measures include remedies, which aim to enable rights holders and law enforcement authorities, such as prosecutors, to enforce IPR in an effective manner<sup>2</sup>.

However, the provisions in the abovementioned legislation are, for the most part, not drafted in ways that specifically address how to prevent or combat online IPR infringement, but are merely in the form of minimum requirements, which leave room for individual Member States to adopt and apply specific national measures.

Previous Observatory studies have looked into IPR infringement in the online environment, but none of them have dealt with the issue as to which concrete, existing, legislative measures can be used to prevent or combat online IPR infringement<sup>3</sup>.

The main purpose of this study is, therefore, to establish whether and to what extent a number of *specific* legislative measures, which can be applied to prevent or combat IPR infringement in the online environment, are available in the Member States. The legislative measures that the study will focus on are measures that can be characterised as providing 'practical solutions to practical problems', such as the option to require that an online service provider discloses the identity of a customer who is suspected of infringing the IPR rights of a third party and the option to apply the European Investigation Order (EIO) to crimes involving IPR.

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<sup>1</sup> Most notably, the 2013 Europol's Serious and Organised Crime Threat Assessment (SOCTA), the EU Customs Action Plan to combat IP infringements for the years 2013-2017, the Commission Communication on a Digital Market Strategy for Europe (COM(2015) 192 final) and the joint Europol and EUIPO Situation Report on Counterfeiting in the EU, the latest report being from 2017.

<sup>2</sup> See the overview of these legislative measures below in Chapter 7.

<sup>3</sup> Reference will however, be made to the related study: Study on voluntary collaboration practices in addressing online infringements of trade mark rights, design rights, copyright and rights related to copyright, 2016.

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## Methodology

The main purpose of this study is to establish whether a number of specific legislative measures, which may be used to combat or prevent online IPR infringement, are in fact available in the EU Member States, and if so whether they have been or can be applied for this purpose in each Member State.

To fulfil this goal, the initial part of the study consisted of mapping the available legislative measures in relation to the following eight selected topics:

1	Obtaining account information
2	Blocking access to websites
3	Domain name actions
4	Actions targeted at hosts
5	European Investigation Order
6	Extradition – European Arrest Warrant
7	Money laundering
8	Criminal sanctions

The main tools for the mapping exercise consisted of two questionnaires: one addressed civil measures and one addressed criminal measures.

The questionnaires were presented to an expert group that was established for this study, after which it was sent out to representatives of all Member States through two different practitioner networks<sup>4</sup>.

Most of the detailed questions received replies and from most, albeit not all, Member States<sup>5</sup>, which is a fact that must be taken into account when reading the study. However, since the aim of mapping was to draw the overall picture of the availability of legislative measures in the EU Member States as such rather than a detailed picture of the situation in each Member State<sup>6</sup>, the number of replies justifies that it is possible to draw this overall picture.

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<sup>4</sup> The questionnaire on civil measures was distributed to a number of individual ECTA members and ECTA Committee members. The questionnaire on criminal measures was sent to the various national authorities that are represented in EUROJUST. The project team wishes to thank all of the respondents for their valuable and essential contributions to the study.

<sup>5</sup> The number of missing replies will be indicated in each table as 'No answers'.

<sup>6</sup> An example of a study which focuses on the legal situation in each Member State is the EUIPO report 'Consumers Frequently Asked Questions (FAQS) on Copyright', 2017, available at: <https://euiipo.europa.eu/ohimportal/da/web/observatory/observatory-publications>

Furthermore, it has been outside the scope of the study to verify the replies independently. The replies thus reflect the views of the respondents, which must be borne in mind when reading the study in general, and in particular when individual responses have been quoted or highlighted.

## Key findings

The mapping and analysis of the legislative measures that are available in the responding EU Member States, and which can be used by the rights holders and the competent authorities to combat and prevent online IPR infringement, show both EU-wide commonalities and national differences.

In relation to the first two of the abovementioned eight topics, namely the legislative measures that concern the disclosure of information on a suspected infringer and the possibility to block access to websites, these measures are as a starting point available in all Member States<sup>7</sup>. In addition, the legal basis for the diverse national measures has been harmonised to a certain extent by the relevant articles in the Directive on the enforcement of IPR<sup>8</sup>. Although the fundamental conditions for obtaining such information or for achieving a blocking order are to some degree harmonised, differences between the Member States may exist when it comes to the more detailed, procedural conditions. In most Member States, harmonised legislation is thus complemented by specific, national legislation, such as the general laws on civil and criminal procedures, whose provisions also apply to both IPR infringement and other kinds of illicit behaviour<sup>9</sup>.

As regards the third topic on domain name actions, the picture is notably different. The EU has not harmonised national legislation on registration and administration of the country code top-level domains (ccTLDs) of the individual Member States. This means that the legal basis for the specific legislative measures that this study covers — namely suspension, transfer or deletion of domain name registrations that are suspected of infringing the IPR of a third party — is subject to the national laws of each Member State and to the specific rules or user terms that the administrator of each ccTLD has laid down. Although the three analysed legislative measures are available in most Member States, none of them are available in all Member States. By way of an example, in some Member States it may be possible to obtain a court order that transfers infringing domain names from the holder of the domain names to the rights holder. This will not be possible in other Member States, even if the involved parties are the same.

The mapping and analysis of the fourth topic on legislative measures aimed at the entities that host suspected IPR infringing content, also reveals a rather fragmented, overall picture. On the one hand, the exemption from liability of hosting providers is covered by Article 14(1) of the Directive on electronic commerce<sup>10</sup>, which is implemented into the laws of all Member States. However, the actual standard of

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<sup>7</sup> There are some amendments to this starting point in certain situations. See more details in Chapters 8.2 and 8.3.

<sup>8</sup> Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights.

<sup>9</sup> As regards disclosure of information, the situation has been aptly described as ‘a mosaic approach that requires the courts to apply different national laws’, by Roland Knaak and Lukasz Zelechowski in Michel Vivant (ed.): ‘European case-law on infringements of intellectual property rights’, Bruylant, 2016.

<sup>10</sup> 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 July 2000).

secondary liability is not harmonised and thus relies on national law. Article 14(1) of the Directive on electronic commerce implies that the provider is not liable for the content that it hosts for its customers, unless the host knew that the content was illegal or does not act expeditiously to 'take down' (i.e. to remove or disable access to) the content as soon as it is made aware of the illegal content. Thus, while a hosting provider is not liable typically for infringing material, it is possible to get a court order that requires a host to take down IPR infringing content from its platform in all Member States. On the other hand, the option to require that a host provider suspend the existing account of a suspected infringer is not subject to specific EU legislation, and mapping shows that this legal measure is either unavailable or the availability is unresolved in almost half of the Member States. The situation is even more fragmented when it comes to the option to prevent a suspected infringer from opening a new account with the hosting service when an account has been suspended previously. This legal measure is either unavailable or its availability is unclear or subject to legal debate in over half of the Member States.

IPR infringement in the digital environment implies that the infringing activities may take place in several Member States simultaneously, while the suspected infringers may be located in one or several Member States. Investigative judicial cooperation between the Member States, therefore, plays an important role in IPR enforcement in such cases.

The EIO<sup>11</sup> is a recent legislative measure of judicial cooperation between the Member States that replaces a previously more fragmented framework<sup>12</sup>. It is based on mutual recognition of decisions, which means that each Member State is obliged to recognise and carry out the request of another Member State, as it would do with a decision coming from its own authorities. Counterfeiting and product piracy is included in the list of offences, which are covered by the EIO if the basic requirement of the EIO is met, namely that the offence is subject to a maximum period of at least three years imprisonment in the issuing country. However, not every type of IPR infringement is considered to be 'counterfeiting and piracy', and the maximum sentence in cases of counterfeiting and piracy is not three years in all Member States. Both of these factors limit the application of the EIO by the competent authorities in the Member States in relation to IPR infringement.

The European Arrest Warrant (EAW)<sup>13</sup> is a simplified cross-border procedure for prosecuting or executing a custodial sentence or detention order. An EAW is a request issued by a judicial authority in one Member State to detain a person located in another Member State and to surrender the said person for prosecution in the requesting Member State. 'Counterfeiting and piracy of products' as well as 'computer related crimes' are included in the list of offences, which do not require that the offence is also a criminal act in the executing state. This is a derogation from the otherwise existing requirement of 'double criminality', meaning that the offence that forms the background for the EAW is punishable in both the issuing state

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<sup>11</sup> Directive 2014/41/EU of the European Parliament and of the Council of 3 April 2014 on the European Investigation Order in criminal matters, (EIO Directive).

<sup>12</sup> The EIO is intended to create a comprehensive system to replace all the existing instruments in this area, including Council Framework Decision 2008/978/JHA of 18 December 2008 on the European evidence warrant for obtaining objects, documents and data for use in proceedings in criminal matters, and it should cover 'as far as possible all types of evidence, containing time-limits for enforcement and limiting as far as possible the grounds for refusal' (Recital 6, EIO Directive).

<sup>13</sup> Council Framework Decision 2002/584/JHA of 13 June 2002 on the European arrest warrant and the surrender procedures between Member States, OJ L 190, 18 July 2002.

and in the executing state. It is, however, a condition that the offence is punishable by a custodial sentence or a detention order for a maximum period of at least three years and as they are defined by the law of the issuing Member State<sup>14</sup>. Similarly to the abovementioned EIO, such limitation precludes the application of the EAW in some Member States for a number of IPR infringements. In such cases an EAW may, however, still be issued if the IPR infringement is punishable in the issuing Member State with at least 12 months of imprisonment, in addition to which the executing State may then require that the criminal offence, on which the EAW is based, also constitutes an offence under their national law.

The two most recently adopted anti-money laundering instruments, namely, 'The Fourth Anti-Money Laundering Directive'<sup>15</sup> and 'The Fund Transfers Regulation'<sup>16</sup>, cover proceeds originating from most types of criminal activities<sup>17</sup>. The instruments, in principle, cover proceeds originating from online IPR infringement, but at present there appear to be no concrete examples of this.

The study also addresses a number of aspects that relate to criminal sanctions in the event of IPR infringement, which are laid down in the national laws of the Member States. Criminal sanctions are not subject to harmonisation at EU level, but as is illustrated above, the type of penalties and the maximum penalties do at the same time play an important role in the actual applicability to online IPR infringement of the two EU, law-based legislative measures, the EIO and the EAW. Mapping shows that the type of penalties and the maximum penalties for IPR infringement vary considerably in the Member States, namely maximum custodial sentences, where those are applicable, which vary from 2 to 10 years. Furthermore, when it comes to such issues as whether negligent infringements are punishable and whether legal persons can be held liable for criminal infringements, the legal situation in the Member States is far from uniform.

A separate chapter contains some concluding observations on the analysis and also suggests that there is room for and need for more in-depth studies on a number of the discussed topics.

Technological advancements have had an impact, and are likely to continue to impact both online IPR enforcement as well as possible IPR infringement. The final chapter identifies a number of these new opportunities and challenges, such as the use of blockchain technology, the use of big data and filtering techniques and the privatisation of enforcement mechanisms through the use of non-judicial takedown mechanisms.

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<sup>14</sup> Article 2(2) EAW Council Framework Decision.

<sup>15</sup> Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (Money Laundering Directive.)

<sup>16</sup> Regulation (EU) 2015/847 of the European Parliament and of the Council of 20 May 2015 on information accompanying transfers of funds and repealing Regulation (EC) No 1781/2006 (text with EEA relevance), OJ L 141, 5 June 2015, pages 1-18.

<sup>17</sup> See the definition of 'criminal activities' in Article 3(4) of the Money Laundering Directive and, in particular, the definition of 'offences' in Section (f).

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