

LEGISLATIVE MEASURES RELATED TO INTELLECTUAL PROPERTY INFRINGEMENTS

Phase 3

Criminal Legislative Measures in Serious and
Organised Intellectual Property Crime Cases
EXECUTIVE SUMMARY



July 2024

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ISBN: 978-92-9156-360-9. Catalogue number: TB-02-24-853-EN-N. DOI: 10.2814/04504
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Foreword

The importance of criminal sanctions has been a key focus of the Observatory on Infringement of Intellectual Property Rights in its efforts to support the fight against serious and organised IP crime under the European Multidisciplinary Platform Against Criminal Threats (EMPACT) framework.

As IP crime is increasingly recognised as a serious threat to innovation, economic growth, creativity, sustainable development, the environment, and the health and safety of citizens, it is of the utmost importance that IP crime remains a priority within the EMPACT framework when it is renewed in 2025.

In the recent European Commission Recommendation of 19 March 2024 on measures to combat counterfeiting and enhance the enforcement of intellectual property rights, the EU MS are encouraged to reassess and, where appropriate, raise the available maximum custodial sentence for the most serious forms of wilful counterfeiting and piracy committed on a commercial scale by criminal organisations.

The present study provides an overview of the current IP crime legislative landscape across the EU and highlights a number of approaches across the EU. It will be a key resource to assist the recommended reassessment.

Providing more lenient criminal sanctions for IP crimes than for other kinds of serious and often organised crimes not only reduces the deterrent effect of the legislation but can negatively affect the perception of the seriousness of IP crime, the importance of fighting IP crime, and the necessity of dedicating appropriate resources for this purpose. Furthermore, from the investigative point of view, low maximum sanctions can also jeopardise the possibility of using certain investigative techniques.



João Negrão
Executive Director
EUIPO



Executive summary

Background

Intellectual property (IP) infringements and IP crime represent a serious economic threat in terms of economic losses to IP owners and damage to the economy as a whole. They also negatively impact the health and safety of citizens and the security of internet users, and they can be a challenge to environmental protection and other sustainability goals.

In 2021, IP crime was included among the EU's priorities in the fight against organised crime for 2022-2025 (Priority 7.4, *Fraud, economic and financial crimes- Intellectual property (IP) crime, counterfeiting of goods and currencies*), to be addressed through the European Multi-disciplinary Platform Against Criminal Threats (EMPACT). This indicates the level of attention paid by EU MS to serious criminal IP infringement and related criminal activities. The EUIPO actively supports the implementation of this EMPACT IP crime priority through various important initiatives.

European Multi-disciplinary Platform
Against Criminal Threats
(EMPACT) Priority 7.4

*Intellectual property (IP)
crime, counterfeiting of
goods and currencies.*

EUROPEAN COMMISSION
RECOMMENDATION of 19 March 2024 on
measures to combat counterfeiting and enhance
the enforcement of intellectual property rights

Member States are encouraged to reassess whether the available criminal penalties for such criminal offences [wilful trade mark counterfeiting or copyright piracy] in their national law, are sufficient to provide a deterrent, consistent with the level of penalties applied to crimes of a corresponding gravity to ensure effective enforcement and respect the principle of proportionality, taking into account the case law of the Court of Justice of the EU, including Case C-655/21.

The European Commission Recommendation of 19 March 2024 on measures to combat counterfeiting and enhance the enforcement of intellectual property rights intertwined with EMPACT priority 7.4 and encouraged EU MS to reassess and potentially review criminal measures foreseen by their national legal systems, encouraging them to take into account the principle of proportionality of the penalty to the crime, as progressively clarified by the jurisprudence of the CJEU.

To continue its support for criminal enforcement against IP crime, the EUIPO has commissioned the present study, encompassing a broad overview of existing criminal measures in serious and organised IP crime cases in the EU, with a few examples from third countries.

The study

Despite the existence of several international minimum standards, national legislations governing criminal IP infringements vary considerably, not just internationally but also across the EU. These differences in national legislative frameworks can sometimes be exploited by IP criminals, and in the worst case they can be an obstacle to effective investigations, prosecutions, and the rendering of proportionate and deterrent sanctions.

The study focuses on serious and organised infringements related to trade mark counterfeiting, copyright piracy, and trade secret theft (whether committed by an insider or via computer hacking) across the countries considered, as these constitute the main IP infringements covered in their legislative frameworks. Additionally, the study focuses on related crimes like fraud, unauthorised access to computer systems (hacking), and money laundering. Observations are also made regarding health and safety violations, aiding and abetting, and liability of legal entities.

Serious crime, under Article 2 of the United Nations Convention against Transnational Organised Crime (UNTOC) and implemented in the EU in the Council Framework Decision 2008/841/JHA on the fight against organised

Article 2 – United Nations Convention against Transnational Organised Crime (UNTOC)

(a) ‘Organized criminal group’ shall mean a structured group of three or more persons, existing for a period of time and acting in concert with the aim of committing one or more serious crimes or offences established in accordance with this Convention, in order to obtain, directly or indirectly, a financial or other material benefit;

(b) ‘Serious crime’ shall mean conduct constituting an offence punishable by a maximum deprivation of liberty of at least four years or a more serious penalty.

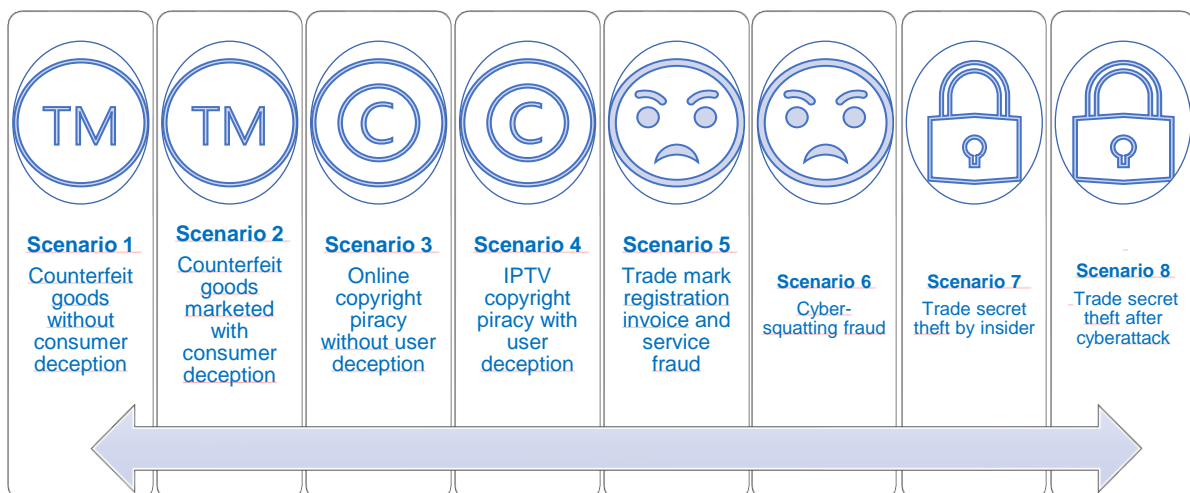
crime, is defined as conduct constituting an offence punishable by a maximum deprivation of liberty of at least 4 years or a more serious penalty.

In particular, this study analyses the significant legislative differences between jurisdictions, with a special focus on the maximum sanctions available, and highlights when the crimes under analysis are considered serious crimes or not under the national legislation.

The study follows a storyline approach, which allows a legal analysis of a series of practical and fictitious, yet realistic scenarios inspired by real cases, with the aim of capturing the essence of the existing legal framework in the EU MS. A short outline of the main aspects of the national legislative framework of the 27 EU MS is provided in a separate document, including national summaries of the legislative framework. The scenarios also provide some examples from the United Kingdom and the United States, as well as other third countries in various regions outside Europe.

As depicted in the graphic below, the first two scenarios concern counterfeit trade-marked goods sold with or without consumer deception; two scenarios are related to copyright piracy with and without user deception; two scenarios are linked to fraud, namely invoice fraud and cybersquatting; and the last two scenarios focus on trade secret theft, one by an insider and one through a cyberattack.

Figure 1. *Scenarios*

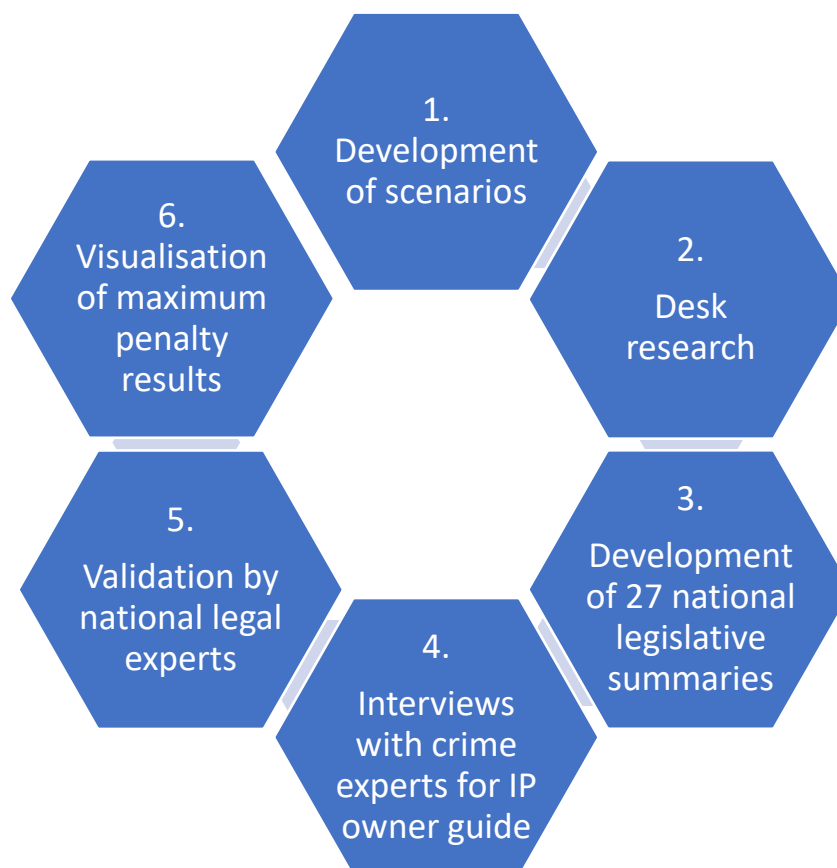


Methodology

This study is meant as a practical, practitioner-oriented high-level overview to help understand how serious and often organised IP crime is legislated against across the EU, and provides some examples from third countries. The purpose is not to provide a comprehensive legal analysis of the individual EU MS regarding all potential manifestations of IP crime.

The data collection was based on the approach illustrated by the graphic below.

Figure 2. Data collection approach



This study aims to use the practical scenarios to highlight the differences in legislative frameworks between the EU MS, without taking MS-specific practical implementation into consideration.

The study focuses particularly on the maximum terms of imprisonment available for the IP crimes considered, but also provides some information on criminal acts according to a criminal code and/or special legislation, polycriminality, *mens rea*, preparatory acts and aiding and abetting, sanctions other than imprisonment, liability of limited-liability companies, statutes of limitations, and legal requirements for initiating criminal proceedings.

Trade mark counterfeiting



The Agreement on Trade-related Aspects of Intellectual Property Rights (the TRIPS Agreement) and its Article 61, is the main international standard concerning trade mark counterfeiting and copyright piracy. The article obliges member countries of the World Trade Organization (WTO) to set criminal procedures and sanctions on trade mark counterfeiting and copyright piracy. The Article also sets the minimum requirements for criminalisation, notably the requirements of wilfulness and commercial scale. The obligations under TRIPS apply equally to all EU MS and implementation of the Article is considered implementation of EU law.

ARTICLE 61 – TRIPS AGREEMENT

Members shall provide for criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale.

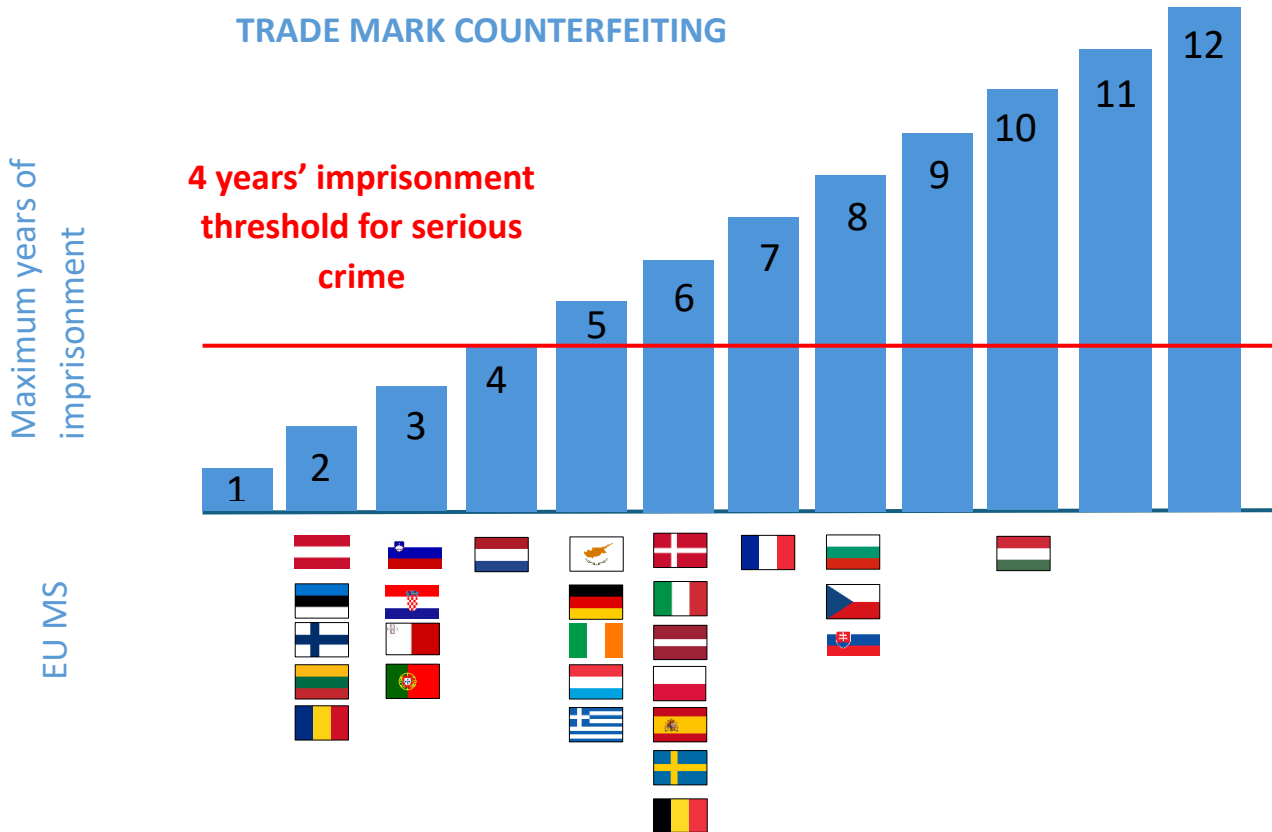
Remedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity.

In appropriate cases, remedies available shall also include the seizure, forfeiture, and destruction of the infringing goods and of any materials and implements the predominant use of which has been in the commission of the offence. Members may provide for criminal procedures and penalties to be applied in other cases of infringement of intellectual property rights, where they are committed wilfully and on a commercial scale.

Trade mark counterfeiting is a crime in all EU MS.

Trade mark counterfeiting is dealt with in scenarios concerning counterfeit goods marketed without consumer deception, counterfeit goods marketed with consumer deception, trade mark registration invoice and service fraud, and cybersquatting fraud.

Figure 3. Trade mark counterfeiting: maximum penalty in EU27



Copyright piracy



Copyright piracy is not only covered by TRIPS Article 61, but also falls under the larger scope of cybercrime as defined in the Budapest Convention on Cybercrime Article 10.

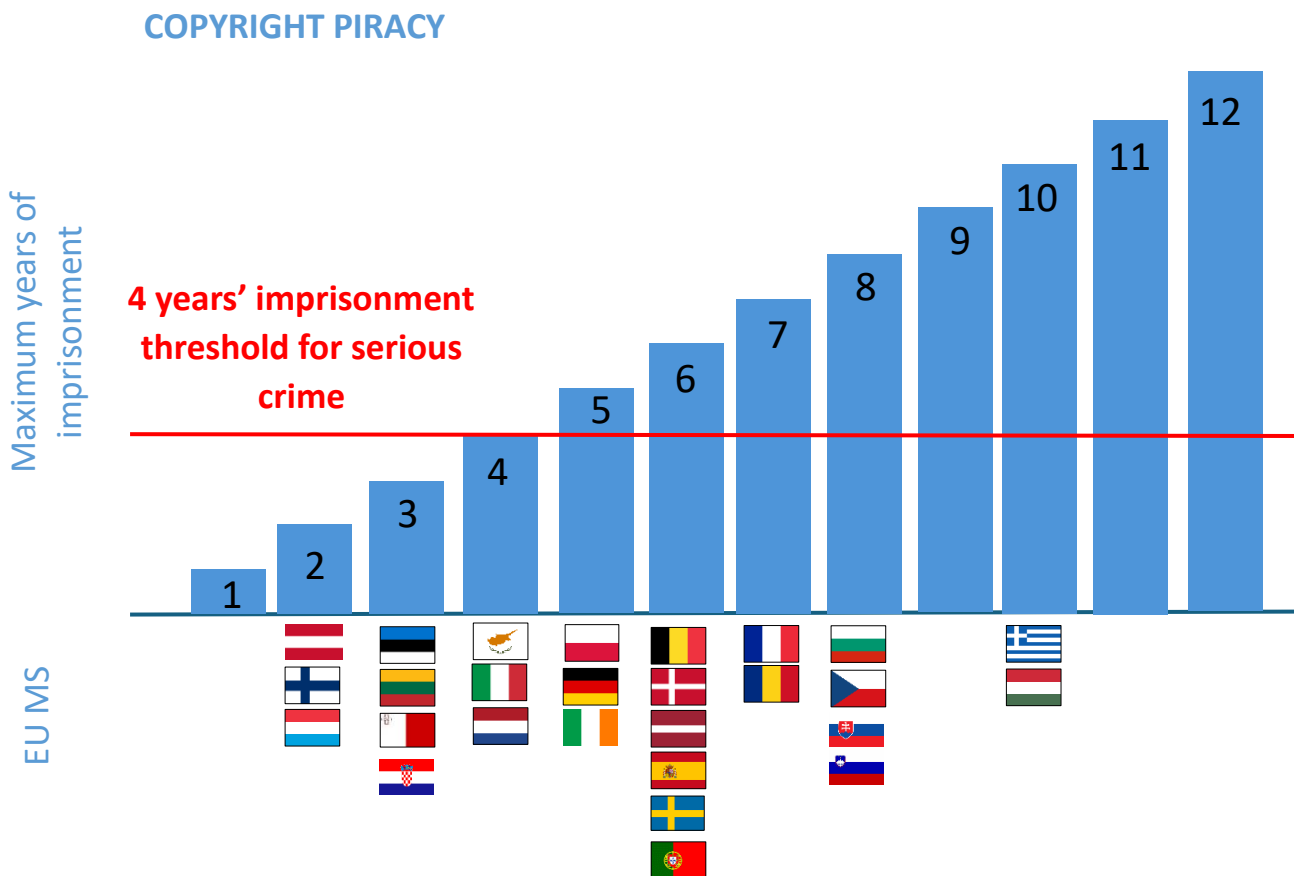
Copyright piracy is a crime in all EU MS.

Copyright piracy is dealt with in scenarios concerning online copyright piracy without user deception, IPTV piracy with user deception, and cybersquatting fraud.

ARTICLE 10 – THE CYBERCRIME CONVENTION

1. *Each Party shall adopt such legislative and other measures as may be necessary to establish as criminal offences under its domestic law the infringement of copyright, pursuant to the obligations it has undertaken under the Paris Act of 24 July 1971 revising the Bern Convention for the Protection of Literary and Artistic Works, the Agreement on Trade-Related Aspects of Intellectual Property Rights and the WIPO Copyright Treaty, with the exception of any moral rights conferred by such conventions, where such acts are committed wilfully, on a commercial scale and by means of a computer system.*
2. *Each Party shall adopt such legislative and other measures as may be necessary to establish as criminal offences under its domestic law the infringement of related rights...*
3. *A Party may reserve the right not to impose criminal liability under paragraphs 1 and 2 of this article in limited circumstances, provided that other effective remedies are available and that such reservation does not derogate from the Party's international obligations set forth in the international instruments referred to in paragraphs 1 and 2 of this article.*

Figure 4. Copyright piracy: maximum penalty in the EU27



Trade secret theft

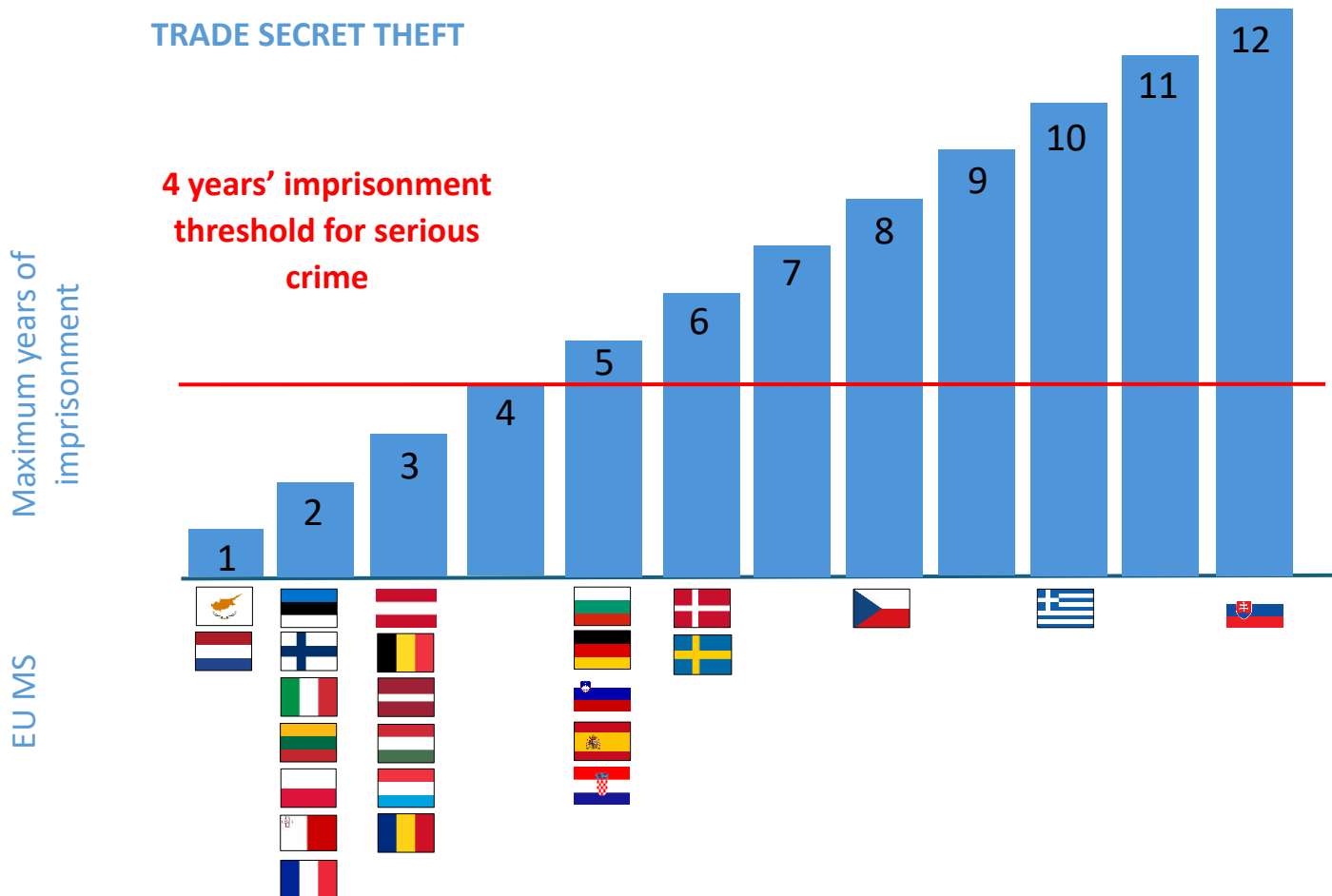


Notably, the TRIPS Agreement sets obligations on its member countries to provide criminal procedures and sanctions only for wilful trade mark counterfeiting and copyright piracy on a commercial scale; criminalisation of wilful violations of other IPs, such as trade secrets, designs, patents, geographical indications, or plant varieties, is left to the discretion of national legislators.

Many countries – 25 of 27 EU MS – have chosen to impose criminal penalties on the intentional theft of trade secrets.

Trade secret theft is dealt with in the scenarios concerning trade secret theft by an insider and trade secret theft through cyberattacks.

Figure 5. Trade secret theft: maximum penalties in 25 EU MS (2 MS do not envisage criminal liability for trade secret theft)



Fraud

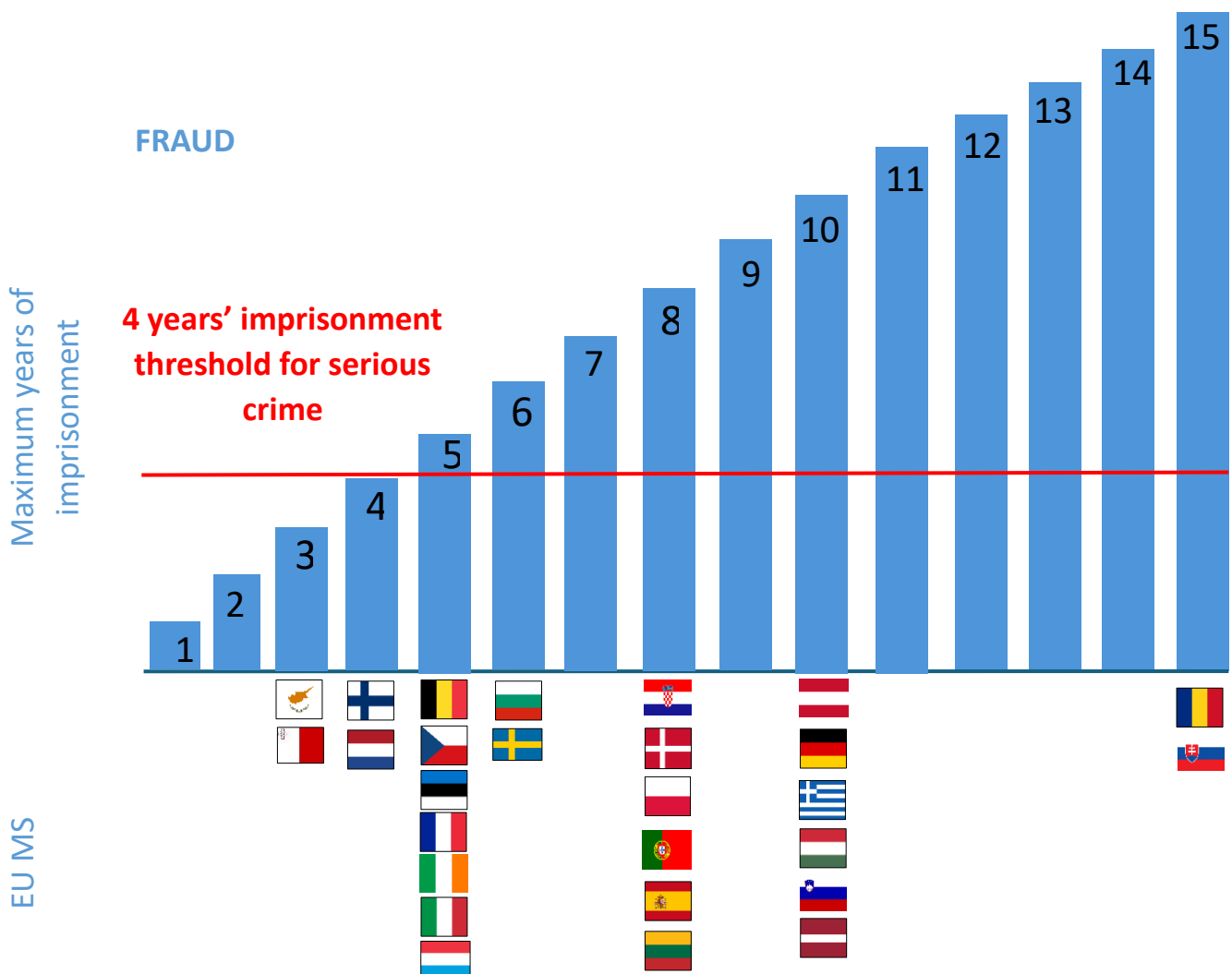


Fraud usually consists of a deliberate act of deception for personal gain or to cause a loss to another party. The subjective element of criminal intent is therefore generally required. An example of fraud in EU legislation can be found in Article 3 (fraudulent use of non-cash payment instruments) of Directive (EU) 2019/713 of 17 April 2019 on combating fraud and counterfeiting of non-cash means of payment.

Fraud is a criminal offence in all EU MS.

Fraud is dealt with in the scenarios on counterfeit goods marketed with consumer deception, trade mark registration and invoice fraud, and cybersquatting fraud.

Figure 6. Fraud maximum penalties in EU27



Unauthorised access to a computer system (hacking)

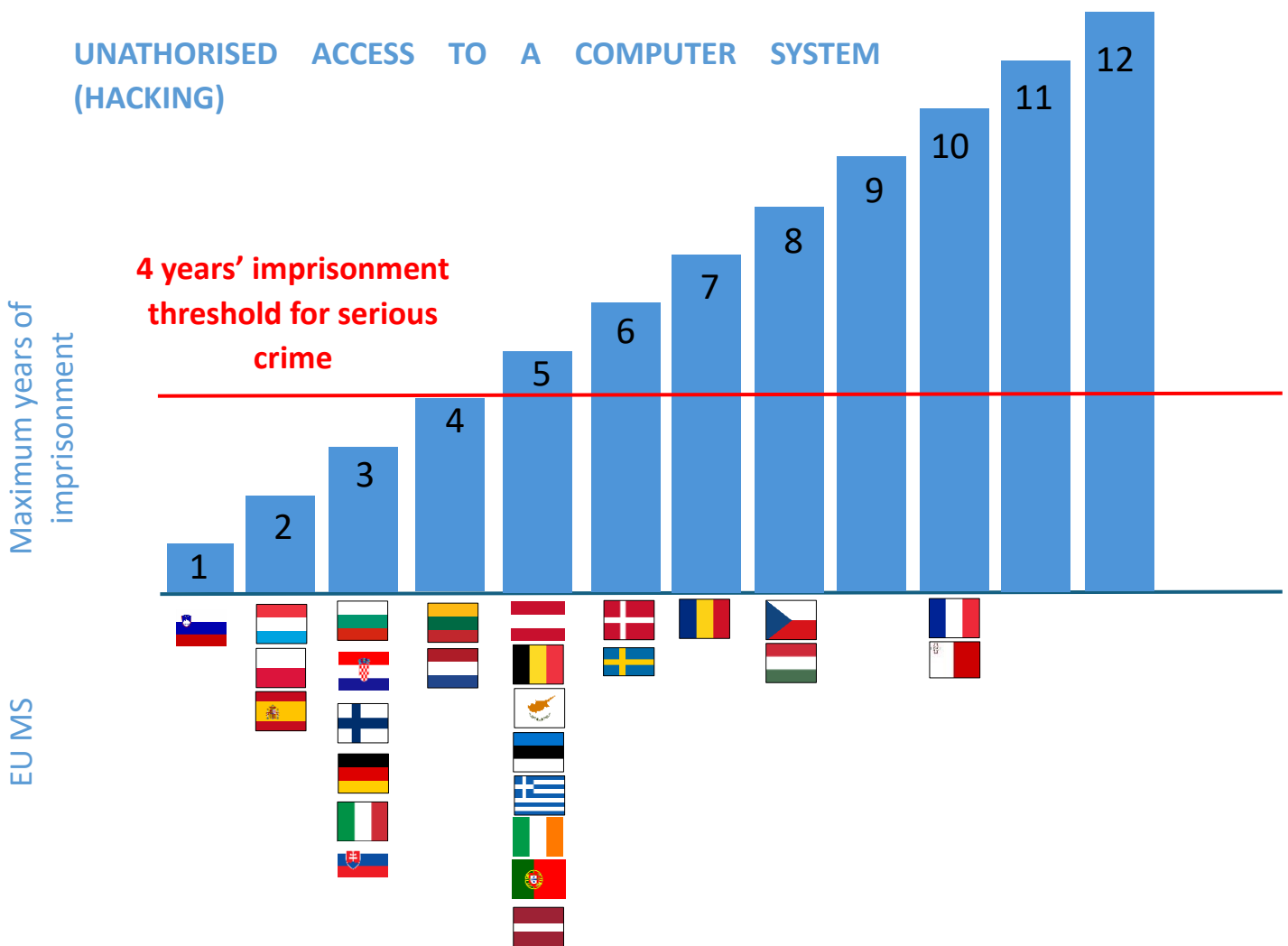


Hacking usually covers criminal acts where the defendant has gained illegal or unauthorised access to a computer system. In the EU, Directive 2013/40/EU of 12 August 2013 on attacks against information systems Article 3 (illegal access to information systems) states that Member States must take the necessary measures to ensure that, when committed intentionally, the access without right, to the whole or to any part of an information system, is punishable as a criminal offence where committed by infringing a security measure, at least for cases which are not minor.

Hacking is a criminal offence in all EU MS.

Hacking is dealt with in the scenario concerning trade secret theft though cyberattack.

Figure 7. *Unauthorised access to a computer system (hacking): maximum penalty in EU27*



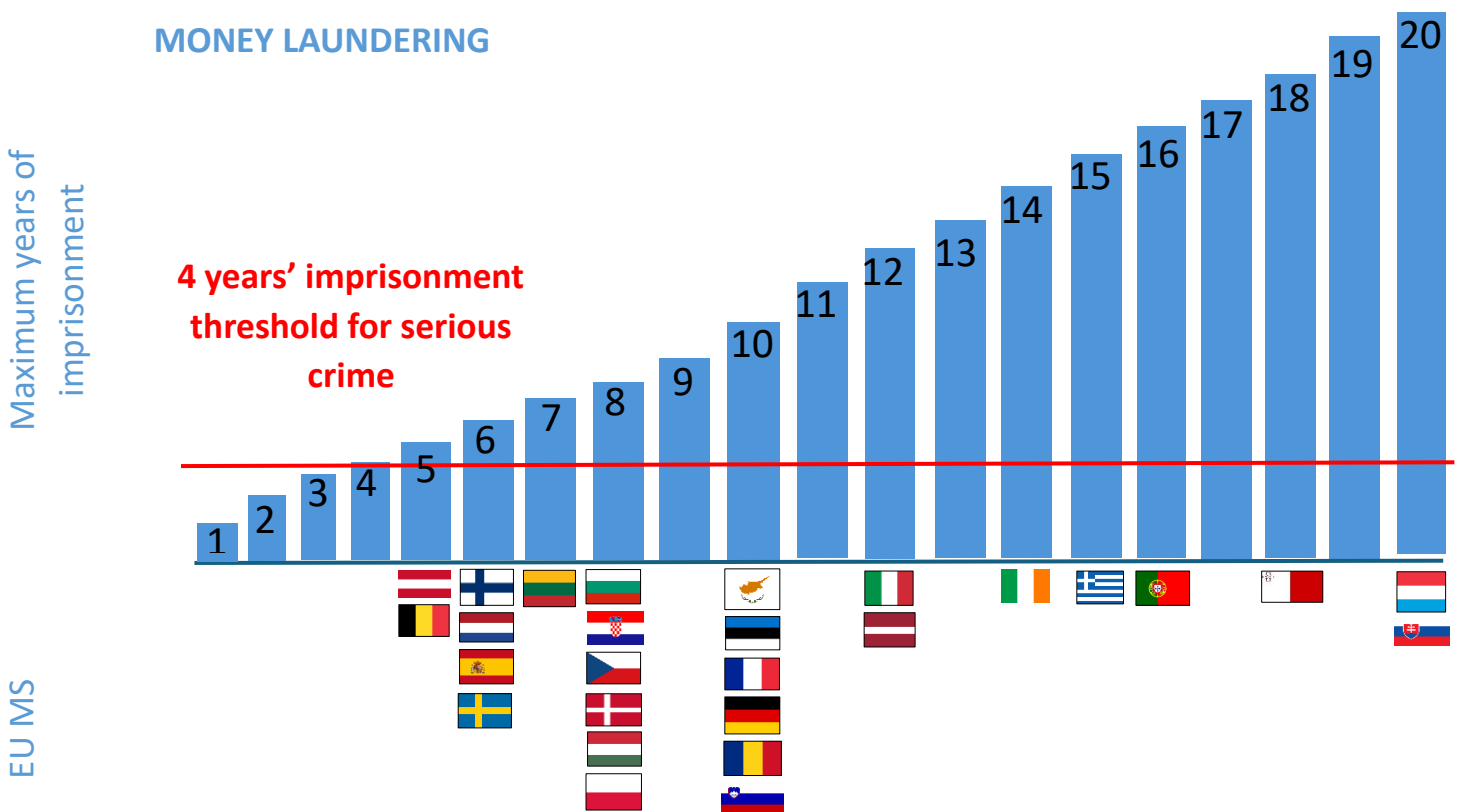
Money laundering

Money laundering offences usually include the conversion or transfer of property derived from criminal activity, for the purpose of concealing or disguising the illicit origin of the property.

All EU MS have criminal sanctions in place for money laundering offences.

Money laundering is dealt with in the scenarios pertaining to counterfeit goods marketed without consumer deception, counterfeit goods marketed with consumer deception, online copyright piracy without user deception, IPTV piracy with user deception, cybersquatting fraud, and trade mark registration and invoice fraud.

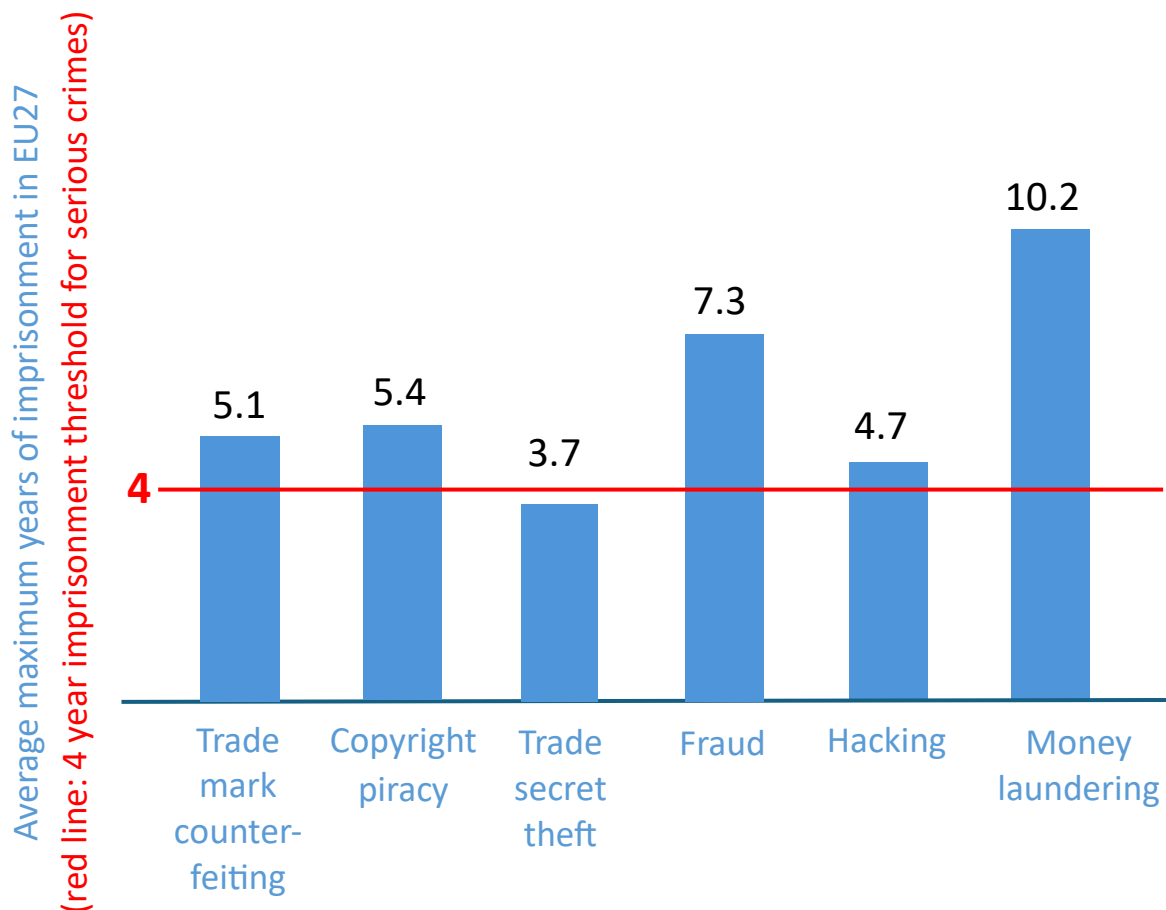
Figure 8. Money laundering: maximum penalty in EU27



Summary of the six IP and related crimes analysed

As seen in the graph below summarising the average maximum prison sentence for trade mark counterfeiting, copyright piracy, trade secret theft, fraud, unauthorised access to a computer system (hacking), and money laundering across the 27 EU MS, the average maximum sanction differs significantly between the analysed crimes, reflecting the legislative seriousness attributed to each type of crime.

Figure 9. Comparison of the average maximum imprisonment sanctions for the 6 analysed crimes





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