



EUROPEAN COMMISSION
Directorate General Internal Market and Services

INTELLECTUAL PROPERTY
Fight against counterfeiting and piracy

SYNTHESIS OF THE RESPONSES

“CIVIL ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS: PUBLIC CONSULTATION ON THE EFFICIENCY OF PROCEEDINGS AND ACCESSIBILITY OF MEASURES”

July 2013

1. INTRODUCTION

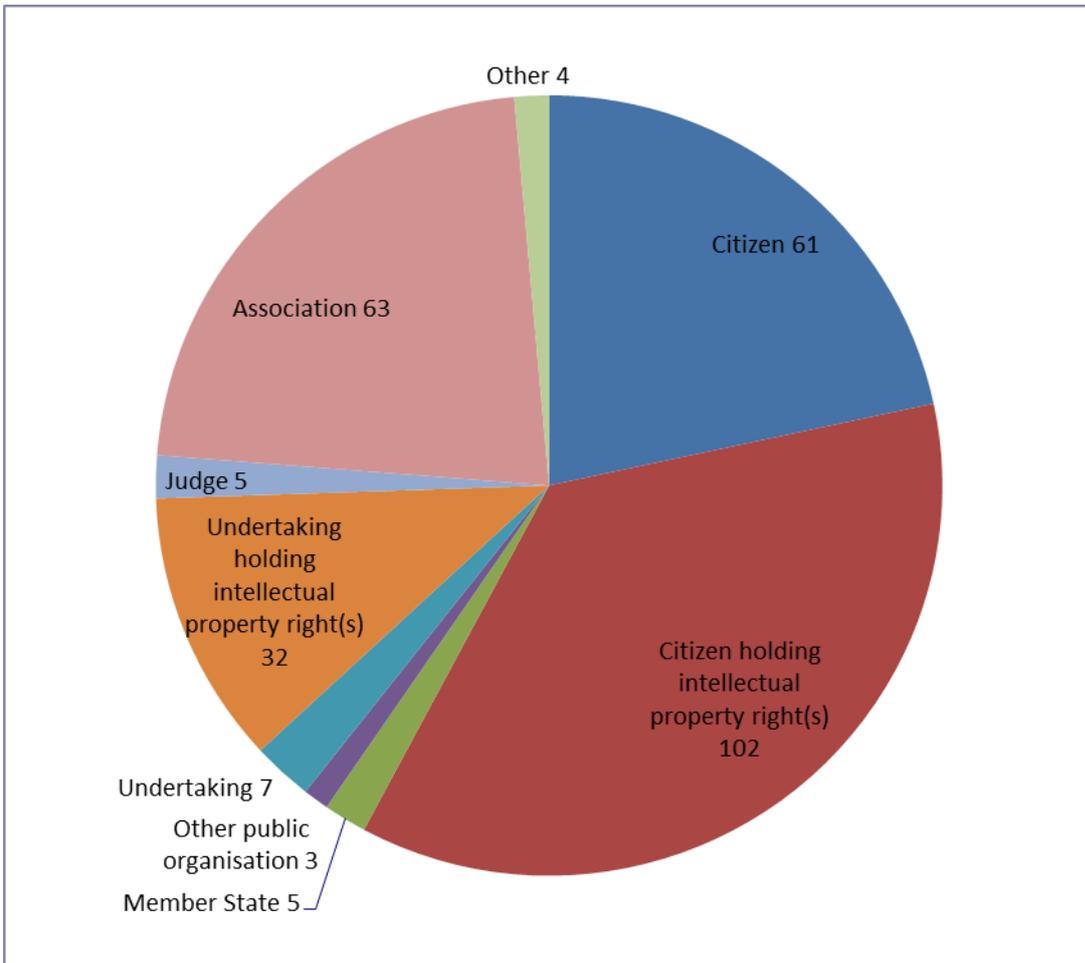
An online public consultation on the efficiency of proceedings and accessibility of measures for the civil enforcement of intellectual property rights was launched on 30 November 2012 and closed on 30 March 2013. The questionnaire was made available in English, German and French but responses were accepted in all official languages of the Union. This survey was part of a more general consultation process that has lasted for over two years and from which conclusions will be drawn in a future Communication from the Commission.

The services of DG Internal Market and Services (hereunder DG MARKT) would like to thank the respondents for their contributions. The 282 responses received through IPM are available on the website of DG MARKT, except for those for which confidential treatment was explicitly requested. It should be noted that some technical problems were reported when submitting contributions via the on-line system IPM (Interactive Policy Making). It was therefore decided to publish several contributions sent by email within the deadline when it was justified that they could not be submitted via the IPM system for technical reasons. The contribution of one Member State sent by mail after the deadline is also published (France). However, these few contributions are not included in the statistics extracted automatically from the IPM system. It is also worth noting that statistics reported in the summary do not take into account the fact that some stakeholders responded several times through different contributions. The purpose of this summary is not only to provide statistical data but to present an overview of the interested parties and the main arguments exposed.

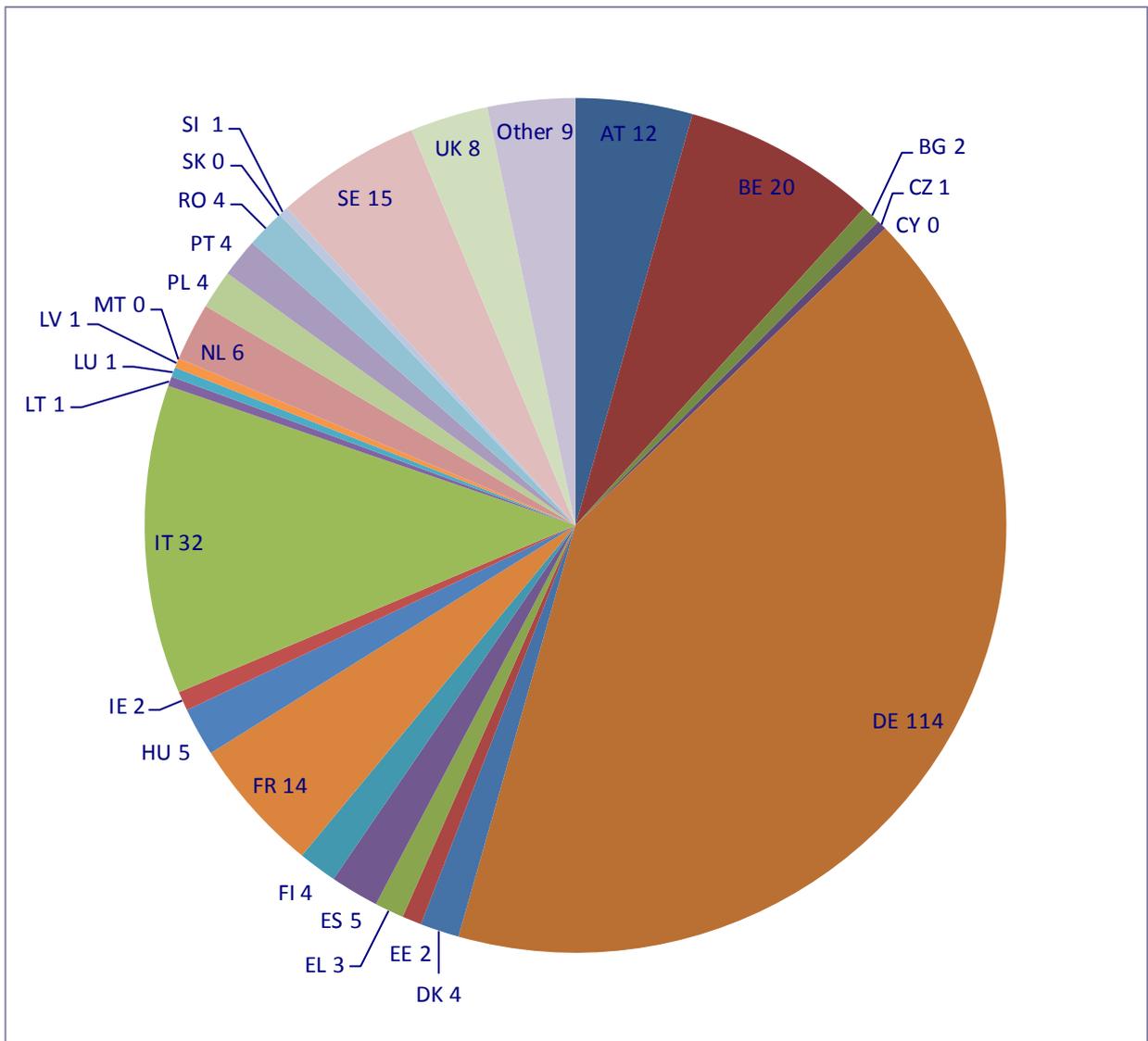
2. BACKGROUND INFORMATION ABOUT RESPONDENTS AND THE SIGNIFICANCE OF IPR

2.1. Identity and origin of respondents

The largest share of replies (57%) was submitted by individual citizens (two thirds of whom declared themselves as being rightholders). Responses were furthermore received from undertakings holding intellectual property rights (including trade and business associations and anti-counterfeiting/piracy organisations), internet service providers, telecommunications operators, collecting societies and public authorities. Among undertakings or associations, around 8% declared being classified as a SME. Five Member States provided replies within IPM (Denmark, Germany, Greece, Hungary, Romania). One Member State's response (France) is not included in the statistics.



There was a wide geographical coverage in terms of responses received, with respondents from 24 EU Member States. No response originating from Cyprus, Slovakia and Malta was received. A significant number of responses were also submitted by European and international bodies and associations.



It is important to stress that 84% of the 200 contributors having responded to the question related to the type of IPR hold (possible multiple choices reply) have declared themselves as copyright holders. This represents more than 75% of the whole contributors. 21,5% of the contributors declared they were trademarks holders and 7% patent rights holders.

2.2. Significance of IP rights and impact of infringements over the value of IPR portfolio

More than two thirds of the respondents (70 %) have answered the question about the significance of their IPR on their performance and growth. It seems however difficult to present the responses about the importance for each IP right since they do not correspond to the figures provided in the initial question (for example, one contributor declared holding geographical indications rights but 37 contributors declared their geographical indication rights had no significance for their performance and growth). It seems however that among the various intellectual property rights, more respondents holding copyrights or rights related to copyright (50%) consider as crucial the significance of their right for their businesses.

Less than 15% percent of the respondents have answered the questions regarding the importance of licensing intellectual property rights from other entities or to other entities. Among those, 69% found that licensing is either crucial or of high economic importance for their businesses. Respondents from the pharmaceutical sector emphasized that the majority of their cooperation with research firms or universities is done via various license agreements, therefore enforceability of those agreements is crucial. Respondents from the audiovisual industry also pointed out the high importance of licensing in their industry as well as the significant economic damage caused by infringements.

If around 100 contributors responded to the question concerning the value of their IPR portfolio, few indications were given as to its exact value and the way it is calculated. Some respondents referred to their annual turnover or explained that there is no reasonable method to properly determine the value of their portfolio.

The vast majority of respondents indicated that infringements have a negative impact on their IPR portfolio. For the audiovisual industry, it is considered that unpaid license fees are the greatest part of their loss (between 20 and 70 % of the annual income) costing ca 500 million euros per year. Other than the representatives of the music and film industries, the representatives of the plant breeding and seed trading industry suggested the highest damage from infringing activities (claiming that around 50% of farmers use counterfeit products).

Nevertheless, some respondents, especially from the audiovisual industry claim that infringements have a positive effect on their IPR portfolio, increasing the awareness of their works.

2.3. Substitution rate between a legitimate and an IPR infringing product

The substitution rate of IPR infringements against licit sales reported by the respondents seems to vary from sector to sector. Respondents from the cinema sector have reported 20%, respondents from the digital music sector have reported between 10 and 50%, seed producers from 0 to 70% depending on the specie and book publishers have reported almost a 1:1 ratio. According to some respondents the substitution rate of IPR infringement is zero and on-line infringement of copyrighted works in the field of digital media is even considered by some to increase the awareness of consumers about the author and the author`s works. It was also claimed that for artists at an early stage of their career, online infringement of copyright can help to gain popularity and some respondents have reported that online infringements even raised their revenue.

Other respondents have criticized the different calculation methods of substitution rates of copyright infringements in general. These suggest that many factors can influence the revenue of a right holder, such as changes in demand levels, GDP/ capita of a country, education level, etc. These critics call for a more transparent and unified calculation method of the substitution rate of IPR infringement on sales. Other respondents are of the opinion that such a rate is not a useful indicator of the impact of IPR infringements, notably on investment.

2.4. Impact of infringements of IPR and of the quality of civil enforcement systems on investment in Research and Development

A majority of respondents (64%) have answered the question about the relevance of the quality of the civil enforcement system for investments in research, development and innovation. Among those who responded to this question, more than 60% held that the

quality of the civil enforcement system for intellectual property rights has either crucial or high importance for their investment in research, development and innovation.

In terms of the impact of IPR infringement on right holders, a number of respondents have pointed to the correlation between the strength of the IP enforcement system and the level of investments. According to the responses, weak systems give rise to loss of revenue resulting in less investment and less innovation. A number of respondents have called for more effective enforcement of IPR as a pre-condition of further investment.

Representatives from the audiovisual industry pointed out that the negative impact of IPR infringements on their research and development activity also results in less investment in young artists and new technologies, and result generally in higher unemployment and lower salaries. Representatives from telecommunication sectors note that due to an increasing number of patent infringements companies can lose incentives to invest in open standardized technology and instead encourage a shift towards proprietary technologies.

3. EFFICIENCY AND EFFECTIVENESS OF CIVIL PROCEEDINGS IN CASES CONCERNING INFRINGEMENTS OF INTELLECTUAL PROPERTY RIGHTS

3.1. Alternative dispute resolution (ADR)

The survey showed that 36% of respondents pursued alternative dispute resolution mechanisms before instituting courts proceedings in cases of intellectual property rights' infringement. Among the mechanisms applied, the most popular were bilateral negotiations (approximately 40%) and mediation (approximately 21%), arbitration representing only 10% of the cases. More than 28% of respondents claimed to undertake other forms of ADR. The cost and length of such proceedings depend mostly on the complexity of the case and on the formality of the relevant structure. For example, the vast majority of the stakeholders pointed out that they incurred only limited costs or no direct costs whatsoever while pursuing bilateral negotiations, due to lack of procedural and legal fees. In contrast, respondents indicated that arbitration costs, in most cases involving professional representatives and arbiters, may be significant. In principle, such proceedings last for several months or up to a year, but still are generally considered to be less time consuming than Court litigation. Rightholders claimed to have their rights sufficiently safeguarded in ADR mechanisms, especially taking into account the recent CJEU case law, confirming that private proprietary rights shall be weighed equally against other fundamental rights. On the other hand, some respondents, acknowledging the complexity of IPRs legal assessment and their frequent ambiguity, stated that parties' fundamental rights (i. e. right to be heard and to due process) may not be as adequately safeguarded in ADR mechanisms as in Courts.

One-third (33,3%) of all stakeholders considered the mechanisms in question insufficiently accessible to the parties affected by an infringement, mostly due to their limited applicability (i. e. they are not suitable for large scale, commercial or notorious infringements) but also because of their dependability on the infringer's genuine will to cooperate and their unsuitability for complex cases. In the same manner as for court litigation, respondents signaled difficulties arising from problems with identifying an infringer, dealing with unrepresented litigants-in-person, unjustified or frivolous notifications and lack of specialised mediators/arbitrators in the IP area. Some stakeholders indicated that ADR results are often reviewed in subsequent court proceedings, becoming merely another phase of the litigation. Still, such mechanisms were deemed to be particularly useful in cases concerning Internet domain names,

contractual disputes, trademark rights and generally with regard to minor infringements. In such instances they avoid application of excessive penalty payments and raise awareness of IPR. Opponents to ADR prefer notice and take down procedures, discussions with intermediaries and informal contacts with infringers.

A general overview of the responses leads to the conclusion that in a few types of cases and circumstances of IP infringement, alternative dispute resolution may provide flexible and relatively quick proceedings. However, there was a unanimous view that any requirement to undertake ADR prior to litigation would not be welcome.

3.2. Use of Court litigation

Only 26% of respondents to this question had taken part in litigation in cases concerning IPR infringements during the period under examination. A large majority of these stakeholders acted as plaintiffs. Nevertheless, almost one-quarter of the responses came from defendants. Apart from the aforementioned, a significant input to this section was given also by the Member States, judges and respondents acting as third parties (collecting societies, registered associations). The responses referred to litigation in every Member State covered but most frequently concerned France, Germany and Italy. Views were provided both by stakeholders who took part in court proceedings only incidentally and those pursuing numerous proceedings regularly. Most cases are subject to an appeal explaining the significant length and cost of such litigation.

Reasons for refraining from litigation

The following most-cited reasons for refraining from litigation were indicated: too lengthy and too expensive procedures, low likelihood of being compensated at the end of the proceedings and low likelihood of successfully proving the infringement to the required standard. They were often followed by other factors, such as lack of courts and judges specialised in the field, limited effective remedies – also in regard to identifying the infringer - and requirements to incur expensive guarantees while seeking an injunction. Some stakeholders in principle focus on criminal and administrative procedures or consider minor infringements as having too little importance in damaging their rights.

Dependence on jurisdiction and type of court concerned

The overwhelming majority of stakeholders stated that their decision on whether or not to litigate depended neither on the jurisdiction nor on the type of court concerned. However, those whom attached importance to these factors complained of disproportionate differences across Member States in terms of costs and length of the proceedings, as well as lack of sufficient expertise on the part of Courts in some of them. Moreover, accessing legal procedures in different countries is generally deemed as hampered by higher costs (i. e. necessity for local legal advice), language barriers, unawareness of the applicable legal system and relatively greater uncertainty regarding expected outcomes.

General intentions of instituting civil law proceedings

Slightly more stakeholders perceive restraining infringements committed for profit as more important than doing so for non-profit infringements. Furthermore, the main intentions in instituting civil law proceedings concerning infringement of IPRs were identified as: stopping the infringing activity and dissuading future infringing behavior.

Few stakeholders indicated the need to raise general awareness of IPR or achieving enhanced cooperation with intermediaries in the long term.

3.3. Cross-border litigation

Despite acknowledging the general increase of cross-border IPR infringements, the majority of stakeholders did not launch proceedings concerning such infringements that occurred in another Member State or in several Member States (only 6% of the respondents to the consultation did so). A few of them recognised the possibility to consolidate claims raised in one jurisdiction. In order to avoid this deficiency in the current legal framework, some rightholders called for an initiative at EU level, which would facilitate cross-border measures (i. e. against intermediaries), consolidation of claims and automatic enforcement of specific injunctions/judicial decisions issued in one Member State throughout the European Union (either directly or in expedited court procedure).

3.4. Incidence of claims against validity of rights

Another issue that the public consultation sought to examine was whether claims against the validity of infringed/allegedly infringed IPRs have a notable impact on the litigation in such cases. More than a half (56%) of respondents to this question confirmed that these claims have been made in the context of the litigation they were a party to, sometimes invoked by defendants, it was claimed in a frivolous way, in order to delay the proceedings, especially in cases concerning rights deriving from patents and trademarks. Rightholders indicated negative impact of these claims, as they make procedures more complex and burdensome. They called for establishing proper disincentives with this regard, taking into account the fact that the challenged rights are generally found invalid in less than one-third of cases and that Article 5 of the Enforcement Directive is not correctly implemented in some Member States. On the other hand, few stakeholders claimed that validity of IPR should be accepted *ex officio*.

3.5. Costs of the proceedings

Amounts involved

The reported amount of court fees in relation to first instance proceedings on the merits of the case concerning IPR infringements differs significantly among Member States – from a few euros (for example 9 euros in Romania for a patent claim, 80 euros in Finland, 51 euros in Sweden, 397 euros in England for a copyright claim) to several thousand euros when those costs are correlated to the value of the claim. It was reported that in a number of Member States, the costs are calculated as a percentage (5% in Poland, 6% in Hungary) of the value of the claim with caps (for example, from 200 to 2800 euros in Latvia, from 37 to 1466 euros in Italy, from 300 to 10 000 euros in France, from 7,5 to 25 000 euros in Poland). More than 46% of respondents did not bear any other court fees. However, stakeholders largely drew attention to other costs that they had to pay: costs for serving the verdict, translation costs, costs associated with preserving evidence and technical costs. Costly bonds/securities/ guarantees of various kinds were outlined as a core barrier for litigants, particularly in the course of preliminary and interim procedural stages.

Reported costs of expert(s)' opinion(s) generally depends on the complexity of the case and the field of expertise, and ranged from several hundred euros to several thousand euros. In-house costs involve mainly employees' salaries and range from tens or several

ten thousand euros per year. Nearly all stakeholders emphasized expenditures related to legal representation, which start from approximately 1000 euros in minor cases but may be as high as several hundred thousand euros in the most complicated cases.

In total, it was reported that the costs of pursuing civil proceedings regarding IPRs are relatively high, depending on the nature of the dispute – from several tens hundred euros to several hundred thousand euros per case and usually constitute a key deterring factor, particularly for SMEs, making effective enforcement of IPRs contingent upon resources possessed by certain stakeholders.

Costs incurred in preliminary proceedings are usually lower than those in first instance and amount to 30-50% of the latter. Similarly, appeal costs constitute in general 50-70% of first instance costs. However, a few respondents suggested that these could be even higher than in certain instances.

Some stakeholders repeated the view that establishing the EU-wide rule that an injunction obtained in one Member State may be served in all others, and better harmonisation of full cost reimbursement would significantly reduce the aforementioned expenditures.

Party bearing the costs

The majority of respondents indicated that the following costs associated with the proceedings on the merits of the case at first instance were ordered by the court to be reimbursed to the winning party by the losing party following the final decision: court fees for instituting proceedings, attorney's charge and other court fees. 37% of respondents considered the general rule, according to which legal costs and other expenses incurred by the successful party shall be borne by the unsuccessful party, is effectively applied by the courts. However, almost 33% presented the contrary opinion. The latter took the view that there are substantial disparities among Member States, the winning party may receive only a small percentage or capped fixed sums (especially for incurred legal costs) or courts may divide the costs proportionally between the parties. This leads to receipt of de facto statutory amounts that tend not to cover the actual costs incurred by the winning party.

3.6. Length of the proceedings

According to the responses the average length of particular stages of civil law cases concerning IPRs infringements depends on jurisdiction, remedy sought, nature of the claim and complexity of the issue. Reported time between the lodging of a request before a court and the granting of a preliminary injunction in such cases ranged between a few hours or days (i. e. 7 days in Czech Republic, in the United Kingdom an application is made and an order is given on the same day in cases concerning trademarks) to a few months – i. e. 13 months in Portugal as for the case concerning patent rights (also in respect to whether it is *ex parte* or *inter partes*). Overall assessment of all the responses shows that an average time of court proceedings on the merits of a case varies from less than 2 years (9 months in Ireland in a patent case, 18-24 months in France in a patent case) to 3-5 years (3 years in Slovenia, 2-5 years in Hungary). As to the average length of the appeal court proceedings, it was indicated as ranging from a year (6-12 months in Romania, 1-1.5 years in Germany and the United Kingdom) to a few years (4 years in Belgium in a case concerning editors' rights, 3 years in Greece). Generally, patent disputes are lengthier than other IP cases.

3.7. Specialisation of Courts

Respondents signaled that few Member States have courts (more precisely sections of general courts or of a selected number of courts) or judges specialised in litigation of intellectual property related cases.

3.8. Fast track proceedings

The majority of contributors (47.2%) – including many citizens - were against instituting fast track proceedings, stressing *inter alia* that:

- There is no justification for special treatment of cases concerning IPRs;
- Such proceedings would jeopardize the proper safeguard of defendants` rights and procedural guarantees, assuming their guilt and facilitating unjust abuse by rightholders as the proceedings would be geared towards their interests;
- It would be difficult to regulate them at the EU level due to important national discrepancies (procedural law, competencies, court structure), their implementation could be contrary to the principle of subsidiarity;
- They would lack appropriate assessment of the case and would base a judgment only on *prima facie* analysis, not suitable for complicated disputes.

Opponents to the fast track proceedings called for taking up other initiatives, such as the development of voluntary measures, improved procedures connected with enforcement of injunctions against ISPs and other intermediaries.

However, respondents in favour of establishing EU model rules for fast track proceedings (42.1%) in the aforementioned cases stressed the following advantages:

- They could ensure immediate damages when the evidence is uncontested, particularly important in reference to provisional and precautionary measures due to lack of consistency within EU in terms of the length of the standard procedure;
- They could provide quick and more cost-effective action against the defendant when an illegal activity is most commercially damaging, preventing continuation of the infringement until the court`s decision comes into force;
- They could cover procedures against intermediaries, as well as procedures for the enforcement of injunctions obtained in other Member State.

Most responding stakeholders (40.3%) declared that it would not be useful to establish fast track rules for litigation of infringements of community trademarks and community designs.

In some Member States fast track proceedings are accessible in civil law cases concerning infringements of IPRs. However, they may be either specifically established for the cases in question or be of a more general character and i. e. depend on the value of the claim. In none of the Member States contribution were mentioned maximum limits for damages awarded through fast track proceedings.

3.9. Small claims proceedings

A major proportion of responding stakeholders (49.4%) were also opposed to establishing, at EU level, specific model rules for small claims proceedings for civil law cases concerning infringements of IPRs. Putting forward similar arguments as in the case of fast track proceedings, opposing respondents claimed that:

- Small claims proceedings could endanger application of procedural guarantees, facilitate bringing legal action without sufficient grounds for infringement, risk marginalisation of procedures, create inequality between rightholders and defendants;
- Small claims proceedings would be mostly used in relation to small scale, non-commercial infringements, which certain claimed should not be prosecuted at any level;
- Taking into account their mostly local character, it would be unnecessary to regulate them within the complex and inevitably expensive EU legal framework; these proceedings are already covered by Regulation No 861/2007;
- Such proceedings would not be suitable for resolving all types of IP disputes (i. e. patent, registered design issues, infringements committed in the online environment) due to the complexity of such cases.

Nevertheless, approximately one-third of contributors (32.8%) expressed their support for an EU initiative, suggesting the following advantages:

- Small claims proceedings would be particularly beneficial for smaller stakeholders, preventing their exclusion from the legal system;
- They would have positive impacts on litigation when claimed damages are minor, enhancing their efficiency and cost-effectiveness; they would generally reduce complexity of litigation in minor cases and make it less burdensome;
- Such proceedings could especially cover preliminary measures, injunctive relief, identity disclosure claims, copyright, trademarks;
- They could have a deterring effect on future infringements and play a preventive role as IPR enforcement would become more widely applicable.

As in the case for fast track proceedings for litigation of infringements of Community trademarks and Community designs, a majority of stakeholders (43.2%) suggested that it would not be useful.

Some of the Member States have already established small claims proceedings in civil cases concerning infringements of IPRs, whose application depends mostly on the value of the case.

In 3 Member States there are maximum amounts for damages that can be awarded as a result of these proceedings (from 600 euros to 6,700 euros).

3.10. Safeguards of defendant`s rights

Respondents presented various proposals regarding possible and necessary safeguards of defendant`s rights, which should be put in place in case of the establishment of the EU-level fast track/small claims proceedings concerning infringements of IPRs. The following issues were specifically stressed:

- Fundamental rights (i.e. right to privacy, primary assumption of innocence, right to be heard, right to due process and fair access to defense) must be ensured, and therefore defendants must have the opportunity to challenge the validity of underlying rights, as well as to appeal the decision issued;
- Procedures should ensure a proper assessment of the evidence and only actual and proved damages should be claimed. The defendant should be adequately notified beforehand and should be given enough time to take relevant actions in order to cease the infringement;
- Right to privacy and personal data protection may be restricted solely under the most pressing circumstances and on the basis of a Court decision;
- Possible solutions: should include caps on damages, adequate judicial oversight of the proceedings, provision of a security by the claimant that would be awarded to the defendant in case of failure in proving the alleged infringement, the defendant could have the opportunity to avoid punishment by paying reasonable royalties, proceedings should be limited to addressing relatively uncomplicated cases the potential consequences for the defendant are not severe.

4. ACCESSIBILITY AND FUNCTIONING OF MEASURES AIMING AT ENSURING CIVIL ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS

This section of the survey focused on the main issues identified during the public consultation process on the functioning of Directive 2004/48/EC on the enforcement of IPR (IPRED).

4.1. The Right of information

How do right holders identify infringers/alleged infringers

Several responses focused on the identification of infringements and counterfeit products rather than the identification of infringers. As regards identification of infringers themselves, almost all responses related to infringements occurring on the internet (136 responses were given, around 3% of which did not relate to infringements on the internet). Many right holders indicated that they were trying to identify platforms that were “structurally facilitating” infringements, owners of websites and commercial scale infringers but not end users. They try to identify website owners through information disclosed on the website itself, the WHOIS database information or other tools such as business registration information and by filing for disclosure orders against banks and other intermediaries. It was however claimed that this process is often ineffective and that the retrieved information proves to be false. For end users, they are identified when they participate in P2P networks, through the collection of IP addresses and requests for information to ISPs.

Difficulties in identifying infringers/alleged infringers

Among the 146 respondents who answered the questions relating to potential problems in the identification of infringers/ alleged infringers of their IPR, 68% declared having faced problems.

A few respondents (less than 10) took the view that difficulties of identification were not a problem because enforcement of IPR was not justified in the context of the internet, or that at least for non-commercial infringements, the right for privacy and secrecy of correspondence should overrule the right of property.

Involvement of intermediaries to identify infringers/ alleged infringers

15,5% of the respondents to the question (11% of the total contributions) indicated that it had been possible to obtain information on individual infringers directly from an intermediary without a Court order (i.e. in the Netherlands). Costs vary between 80 and 400 euros per request on top of the ISP's costs. For those who were denied the request for identification by ISPs (23,5% of the respondents to the question), the requirement to first obtain an order from a judicial authority was invoked (49%). The intermediate position existing in France was mentioned, where a list of IP addresses are transmitted to a public authority (HADOPI) which orders ISPs to disclose the requested information.

59% of the respondents who asked to obtain a court order obliging an intermediary to disclose the identity of the infringer (10% of the total contributions) were successful in doing so 41% therefore were refused such a request for information. Difficulties arose when the request was for a provisional measure before a decision on the merits was taken, and when the alleged infringement was not of a commercial scale for both the intermediary and the infringer. One Member State proposed to clarify in IPRED that the right of information can be used even before a judgement on the merits is issued, independently from any liability of the third party from which the information is required, and can be used to collect evidence of the extent of the infringement.

50% of those of those who were denied access to information reported that these refusals were justified on ground of data privacy. Respondents complained of lack of implementing measures of legislative provisions imposing on ISPs to divulge identity linked to an IP address; prohibition to collect and process IP addresses and data retention periods being too short. Respondents also complained that even where legislation allows for the disclosure of identity, the data are very often fake or false. More generally, it is always difficult to identify precisely an infringer on the internet because of the existence of wireless internet or the possibility for several persons to use the same computer.

As regards infringements of IPR on the internet, right holders felt generally that anonymity was the main problem because infringers operate anonymously and channel revenues through empty shell companies. Several respondents added that internet access providers provide reliable data which is not the case for other intermediaries, such as hosting service providers, payment service providers, ad-brokers, auction sites, etc. They were of the opinion that an obligation to "Know Your Customer" should be imposed on intermediaries (in particular on Internet Service Providers), to benefit from the liability "safe harbour" foreseen by the e-commerce directive.

Identification in cross-border cases

Very few respondents (2,5% of the total contributions) indicated that they had obtained a Court order decision to request an intermediary established in another Member State to provide information on the identity of the infringer. Some respondents were of the opinion that separate orders need to be applied for in the country where the intermediary is based.

4.2. Mechanisms to inform about the alleged infringement and to impede access to goods and services allegedly infringing IPRs

Notification mechanisms to inform intermediaries

45,7% of the respondents were of the opinion that notification mechanisms are useful to inform intermediaries about the fact that their services are being used to infringe an IPR (many of them argued that they should not be imposed as a pre-condition before launching a procedure). Some of the responses concerned the offline world and reported that notification mechanisms were useful, in particular when the infringement occurred in another MS. It was however pointed out that such notification mechanisms could be used to stop the circulation of legitimate products where the IPR is of dubious validity by intimidation, especially if there is no compensation in case of wrongful claims. However, most of the responses focussed on notification mechanisms on the internet. It was claimed that notification mechanisms would be useful, but their efficiency was variable depending on the right in question (relatively efficient for trademarks but less efficient for copyright infringements) and on the bona fide of the intermediary. It was proposed that intermediaries should take all the necessary steps when informed and be considered as jointly liable if they did not. Both complainants and intermediaries reported that such notification mechanisms require huge investments. Intermediaries insist that notifications should be made using the notification tools they made available to limit costs.

On the other hand, a significant proportion of the respondents (37,6%) were of the opinion that such mechanisms are not useful. They consider it inappropriate for technical intermediaries to take arbitrary actions against their customers on the basis of allegations. According to them, infrastructure providers should always stay neutral to prevent precautionary private censorship. They consider that if any service provider (domain name registrar, hosting provider, payment provider, search engine, advertising broker, etc) would be able to withdraw services at any moment, this would threaten fundamental rights, like the right for due process, the protection of personal data and the freedom of expression. According to them, any act that has a chilling effect on the freedom of speech should be taken by a competent judicial authority, not a private company.

Notification mechanisms to inform the infringer

41,5% of respondents were of the opinion that a notification mechanism to inform the infringer about the infringing character of its activity is useful, in particular because of its educational role in informing the infringer of the illegality of its conduct. The French experience with the HADOPI was reported as an example of how this type of notification was useful. It was however reported that this would only be useful if it covered non-professional infringers/ private individuals but not professionals operating for profit.

As regards notifications in cross-border cases, the same percentage of respondents (around 40 %) found them useful, at least as part of evidence gathering exercises. It

should be noted that some participants have a positive experience of notification with respect to ISPs and Domain name site whether EU based or non-EU based.

Use of the notification mechanisms

Very few responses and details were provided on the question as to whether notification mechanisms were actually used by right holders in the Member State of the respondent (4 positive responses), whether the infringer had the possibility to contest a notification (3 positive responses) and whether these mechanisms could be used to ask an intermediary to impede access to goods or services that the rightholder considers to be infringing his IPRs and that are offered through the services of the intermediary (3 positive responses). The same lack of responses affected questions relating to the obligation to obtain an order from the competent judicial authorities to oblige the intermediary to impede access to goods or services (2 positive responses), to the possibility to ask for such a measure at a preliminary proceedings stage (1 positive response), and to the provision of a review of measures resulting from the use of this mechanism.

Particular consequences for commercial scale infringements/notorious infringers

A large number of responses were received to the questions concerning consequences stemming from infringements committed on a commercial scale or by a notorious infringer (254 and 251, which represent 90% and 89% of the total contributions). Around 39% of respondents to these questions considered that particular consequences should be attached in cases of infringements committed on a commercial scale or from notorious infringers. Some responses called for rapid out of court procedures for notorious or commercial scale infringers. However, the risk of abusive/unjustified notice was reported as a reason to avoid specific consequences for notification, without the intervention of a judge. Even among respondents in favour of particular consequences for commercial scale infringements, consequences such as seizure of property and bank accounts, or suspension of accounts should be used proportionately, a reasonable fine being better than suspension. A multi-stakeholder dialogue to enforce measures aimed at cutting off the source of revenues of online infringers was also described as more reasonable solution. Around 42% of respondents found it inappropriate to attach particular consequences to commercial scale or notorious infringers in the framework of notification mechanisms. They in particular found these notions too vague and easy to stretch and insist on the intervention of a Court.

4.3. Requirements for granting injunctions

61.4% of the contributors confirmed that preliminary injunctions had been sought in the context of litigation they were party to. These injunctions were granted by the competent judicial authorities in the prevailing number of cases (over 70%). Similarly, 65.5% of the respondents that had sought permanent injunctions had had them granted albeit there were differing percentages reported by sector and Member State, i. e. in 90% of cases concerning audiovisual industry in Austria, in 80% of cases concerning plant variety rights in Germany, 50% of cases concerning pharmaceutical industry in Poland or 100% of cases concerning music industry in the United Kingdom and 30% concerning audiovisual industry in Italy.

When asked to indicate whether certain factors are taken into account by the competent judicial authorities when granting a provisional injunction, the stakeholders pointed out the following: potential harm of the measure for either of the parties (approx. 60% of the respondents, including views of the Member States: Denmark, France, Germany, Greece,

Romania); urgency of the case (approx. 57% of the respondents, including views of the Member States: Denmark, France, Germany, Greece, Romania); impact of the measure on the market, competition and consumers (approx. 46% of the respondents, including RO's statement) and claims against the validity of IPRs (approx. 43% of the respondents, including views of the Member States: Denmark, Germany, Greece).

A substantial number of the respondents also stressed that a party seeking a preliminary injunction must demonstrate the likelihood of success on the merits of the case, potential threat of the imminent damage, proportionality of the measure and necessity of granting the injunction. In particular, registered organisations and consumers organisations referred to the CJEU jurisprudence, clarifying that national courts must apply the proportionality test for such injunctions, i. e. weighing the relevant fundamental rights of the parties against each other in order to reach a just decision, while assessing the need for granting the injunctions. Stakeholders also put forward other circumstances, which are taken into account by the competent judicial authorities in these situations, such as: a delay in seeking the relief, an examination of the validity, a presence of other non-infringing activities on the specific market or the inadequate character of damages. Other circumstances, which were raised were strictly connected with the specifics of the particular sector, i. e. scale of the infringement and danger of blocking legal content (digital industry), potential harm for patients or for a national health system (pharmaceutical industry). One of the Member States (Germany) expressed the view that granting a provisional injunction shall be conditional upon situations where the claim is likely to be justified and where without application of this measure, the circumstances would be changed in such a way that the claim could possibly not be enforced or would be much more difficult to enforce.

Two Member States (France, Germany) stressed that it is possible to file a "protective letter" with competent judicial authorities in the case that a rightholder considers it likely that an application for ex parte provisional measures against a defendant may be lodged in the near future. In Germany, Courts apparently take the content of the protective letter into consideration. It has had a special importance in certain cases, where there is no verbal phase of the procedure. Yet, in Germany there is no current legislation in place for protective letters. However, the Federal Government has already proposed to set up an electronic registry for them. On the other hand, the French authorities stressed that this practice is not very frequent and judges are not obliged to take it into account.

4.4. Injunctions imposed on intermediaries

Very few stakeholders took a stand on the issue of injunctions imposed on intermediaries (28 stated clearly whether they obtained a preliminary injunction and 25 indicated if they obtained a permanent injunction). Few respondents had obtained either a preliminary injunction (7 responses) or a permanent injunction (6 responses) imposed on an intermediary, who was not a party to the proceedings, whereas 21 respondents had not obtained a preliminary injunction and 19 had not obtained a permanent injunction in such circumstances. Respondents expressed that the preliminary injunction was not granted due to an exemption of the intermediary from liability, difficulties in proving the intermediary's knowledge or involvement in the infringing activity, lack of sufficient merit of the claim.

18 stakeholders declared that they have not obtained a permanent injunction imposed on an intermediary providing services necessary for the financing of the infringing activity, whereas 9 others submitted the opposite answer. These injunctions were sought *inter alia* against payment service providers, advertisers, hosting providers and access providers.

Only 12 out of 73 respondents had obtained a permanent injunction imposed on an intermediary providing services necessary to access the infringing services/goods (i. e. ISP, hosting provider and access provider in Belgium, Ireland, Netherlands), while 16 stated that it was impossible. Few stakeholders called for boosting general monitoring with regard to this issue.

One Member State (France) whose legislation includes within the notion of intermediaries those whose services are used by an infringer in the framework of its IPR infringing activity, calls for a clarification in IPRED that injunctions are available independently from any liability of the intermediary.

Most stakeholders obtained neither a preliminary (18 responses) nor a permanent (20 responses) injunction imposed on an intermediary providing services necessary to access the infringing services/goods when the intermediary or the person infringing/allegedly infringing his IPRs were incorporated in a Member State other than the one in which they operated. Some of the respondents stressed that such actions – if possible according to the national legislation – are usually pursued in the country, where the intermediary is located.

4.5. Third party facilitation of infringements of IPRs

Few responses (15) were received on the question of third party facilitation of IPR infringements. According to the responses received, it is possible in France, Germany, Greece, Hungary and Ireland to launch legal proceedings against a third party who, even if not directly liable for an infringement of IPR under current rules, is engaged in an activity that actively and knowingly facilitates infringements of IPRs.

Some of the responses were referring to situations already examined in the previous section of the report whereby an injunction can be imposed on an intermediary, independently from any liability question.

Other responses referred to the possibility to launch actions and claim damages against third parties because of their implication in the infringement. One Member State (France) referred to how providing the means for allowing a third party to infringe an IPR was considered as counterfeiting and could give rise to civil liability. It was reported that in Germany and Greece, it is possible for right holders to launch legal proceedings against or claim damages from a third party who actively and knowingly facilitates infringements of IPRs. On the contrary, it is impossible for right holders to claim damages from a third party who actively and knowingly facilitates infringements of IPRs in Ireland.

The possibility to seek such damages from third parties who are not directly infringing an IPR but are facilitating infringements gave rise to particular comments from internet intermediaries who raised the link with the liability exemption provided for in article 14 of the e-commerce directive. Guidance was requested in order to explain that for an intermediary to be liable it must have actual knowledge of, and active involvement with a particular IP violation committed by its user. It was claimed that any promotional, automatic measure which advertises listings in general should not deprive a platform from the liability exemption. It was also stated that the focus should be put on self-regulatory mechanisms based on the 'Follow the money approach', and that multi-stakeholder discussion to enforce measures aiming at cutting off the source of revenues of infringement online would be more effective and proportionate to fundamental rights.

4.6. Corrective measures

Another subject matter covered by the public consultation was the effective use and functionality of corrective measures, applied within the framework of the civil enforcement of IPR system. Acknowledging the current state of play in this area, it was pointed out that the infringing goods and services may not ultimately be prevented from returning to the channels of commerce, thus jeopardizing the efficiency of enforcement.

Taking into account that only 48 respondents decided to indicate precisely whether the corrective measures had been ordered in cases in which they were a party to, it is difficult to assess the exact level of the applicability and efficacy of those measures. Moreover, responses of the contributors were divided almost equally among those who gained orders for corrective measures (23 responses) and those presenting the opposite position (25 responses) – despite the country of their origin and their identity. Therefore, the frequency of such measures` use and consequently their actual role within the course of the civil enforcement of IPR has not been precisely clarified.

Party bearing the costs of corrective measures

Only 6 respondents expressed that it was a right holder, who paid for the execution of the corrective measures, while 7 respondents stated that an infringer paid for them. Among those presenting the latter view, the majority stated that the costs were imposed on the infringer directly.

Possibility for the judge to privilege one specific type of corrective measure

Stakeholders expressed a considerable interest in the possibility for the competent judicial authorities to privilege one specific type of corrective measure or in ordering that the goods that were found to infringe an intellectual property right should be disposed of outside the channels of commerce.

With reference to the first issue, 42.3% of the contributors were against privileging any particular corrective measure. 24.5% of the ones advocating for specific measures indicated type preferences if corrective measure were put forward e. g. donations to charity or destruction of the physical goods (claimed particularly by the representatives of the music industry). Denmark and Germany were also in favour of this latter solution. France is of the opinion that judges should be free to decide what is the most appropriate measure to be ordered.

On the contrary, almost 43% of the respondents – including some of the Member States which submitted their response - expressed their support for the competent judicial authorities ordering that the goods that were found to infringe an intellectual property right should be disposed of outside the channels of commerce. A significant part of them indicated – again – that tangible goods, if possible, should be donated to charity, destroyed or recycled. An exception should be made for dangerous goods (i. e. constituting a threat to human health or environment – pharmaceuticals, agrochemical products). Here respondents strongly advocated for destruction of such goods, as it would not only ensure the definite removal from the channels of commerce but would also deter further infringements, in contrast to other – less secure – means mentioned above, which could result in re-selling.

In both cases some stakeholders explained that the corrective measures already provided by the current legal framework are sufficient and that the main difficulty lies in their

practical implementation. Germany mentioned that Article 10 of IPRED already sets forth the relevant prerogatives for the court with reference to ordering the disposal outside the channels of commerce of the infringing goods. Moreover, it was also indicated that the confiscation of infringing goods is already foreseen in the French law, as the judge can decide to return the merchandise to the right holder or destroy it. In the first case, the right holder has then the possibility to restore the goods to the channels of commerce.

Consent of the right holder for disposing the goods outside the channels of commerce

Responses on whether the consent of the right holder should constitute a condition *sine qua non* for disposing of the goods that were found to infringe an intellectual property right outside the channels of commerce divided almost equally among the contributors. Many stakeholders (32.1%) and all the Member States, which submitted their response, advocated for this option, taking the view that such goods should be destroyed unless their distribution is specifically regulated (i.e. pharmaceutical products) or they could be recycled. Irrespective of that, it was stated that only the right holder is capable of deciding whether there is a risk of re-entry into channels of commerce or whether those goods are needed as court evidence. One of the Member States (Hungary) pointed out that the court order stipulating recall from the channels of commerce could, on an *ex parte* basis, be extended to those retailers who are identified in the data provided by the infringer or to make an offer to the retailers to purchase back the concerned goods. On the contrary, 33.5% of respondents – including the majority of individuals - claimed that the right holder`s consent should not be considered as a deciding factor, due to reasons as: this should be left at the court`s discretion or donation to charity or re-use of the goods in the controlled way should have priority. Furthermore, respondents held that only destruction of the infringing goods ensures their definite removal from the channels of commerce and has a deterring effect.

Existence of recycling/donation schemes

In the overwhelming majority of the Member States there are no accredited recycling schemes for the goods that were found to be infringing intellectual property rights (affirmative answers were submitted only by the respondents from Bulgaria and Romania). Romania indicated that the national legal framework provides for recovery and destruction of the counterfeited goods, which become property of the state and can be delivered i. e. to social care institutions or non-profit organisations – however, only upon the written consent of the right holder. Similarly, only Hungary and Romania stated that there are schemes for donating the goods that were found to be infringing intellectual property rights to accredited charity organisations. In justified cases, the court may order, in place of destruction, that the means and materials seized should be auctioned according to the procedure of judicial execution; in such cases, the court shall decide how the sum obtained is to be used. In Romania, the goods delivered to social care institutions, non-profit organisations or humanitarian associations enter into their propriety. Existence of the specific modalities of destruction of goods that were found to be infringing intellectual property rights was confirmed by Germany, Hungary and Romania, while Denmark and Greece claimed not to have them established. In particular, Romania indicated that pursuant to the national legal system such goods shall be destroyed at the expense of the right holder, whereas Hungary maintained that they may be ordered to be destroyed by the court`s decision at the expense of the infringer, unless the circumstances of the specific case would justify otherwise.

Sanctions for reintroducing goods to the channels of commerce

Denmark, Germany, Greece and Romania indicated that there are sanctions for parties who, notwithstanding that the infringing goods were subject to corrective measures, allowed these goods to subsequently return to the channels of commerce.

The majority of contributors (42,1%), in particular the right holders` associations and the collective rights societies, expressed interest in introducing sanctions for a party, who notwithstanding that the infringing goods were subject to corrective measures ordered by the competent judicial authorities, allowed these goods to subsequently return to the channels of commerce. They added that the lack of sanctions against such actions may result in inefficiency of the corrective measures in principle because they are vulnerable to depend on the infringer`s willingness to abide by them. They claimed that rechanneling of infringing goods is an infringing activity itself and constitutes contempt of court. Some stakeholders operating in the pharmaceutical sector stressed that the IPR holder must be put in the position he would have been prior to the infringement and they called for measures to prevent and compensate for the "spring board effect", whereby the infringer took away the benefits of the first mover advantage of the relevant IP owner; in contrast to compulsory licenses. Stakeholders involved in the music industry called for stricter sanctions with this regard, in order to prevent notorious introduction of the infringing content back on-line as soon as it has been taken down. Among Member States, Denmark, Greece and Romania expressed their support for introducing the aforementioned sanctions.

On the contrary, 32.5% of respondents (mostly individuals) opposed such kinds of sanctions being established, arguing that it would violate the subsidiarity principle as such a decision should be made at Member State level, outlining also that the sanctions in question already exist in national legislation. Furthermore, a number of the contributors took the view that in general sharing of the intellectual properties should be legally recognised in the interests of societal advancement. Germany stressed in particular that establishing such measures seems unnecessary as the actions in question would constitute a violation of the court`s order and should therefore be subject to the general rules in this area.

4.7. Damages

Amount of damages requested

As it was mentioned earlier in connection with the efficiency of civil proceedings (and the decision of right holders to seek damages), around 51% of the respondents (31 out of 60) pointed out that since court procedures are lengthy and costly they rather refrain from court proceedings and as a result they refrain from claiming damages. As four respondents have pointed out, even if courts generally have sufficient legal basis and adequate power to award damages, it is difficult to prove the amount of the damage and occasionally it is difficult to get the court to accept the evidence provided. One Member State (France) recognises the difficulty for judges to assess the level of damages and recommends increasing the use of experts to improve the level of indemnification.

Criteria taken into account by courts to award damages

The German Government has pointed out that procedural guarantees set out in the EU Fundamental Rights Charter have to be followed, and no simplified procedure may derogate from those guarantees. Respondents from Germany and Denmark have reported

that there are three different calculation methods on the basis of which right holders can claim their damages before courts: (i) loss of profit, (ii) financial gain of the infringer, (iii) amount of license fee, which the infringer should have paid. The third calculation method has the higher importance, since for example artists, authors, neighbouring right holders can also claim for such damages.

According to 28 out of 60 respondents it is possible to award damages on the joint basis of loss of profit and unjust enrichment. In Member States such as Germany and Denmark one of the calculation methods has to be chosen, there is no possibility to combine the different calculation methods. According to 35 out of 59 respondents it is not possible to award damages on the basis of the alleged infringement of a broader portfolio of intellectual property rights, because the courts generally request to specify which IP rights of the right holder has been infringed. Following from the above, 46 out of 62 respondents pointed out that unjust enrichment of the infringer and – according to 36 out of 62 respondents - also the due diligence of the right holder are taken into account by national courts when determining the amount of damages.

According to 5 respondents the infringement does not cause any damage, on the contrary –they claimed that in some cases online infringing activity has raised brand awareness and increased the revenue of the right holder.

Level of damages attributed

54% of the 235 respondents expressed the view, that the damage awarded by the courts should equal at least the profits generated by the infringer as this would guarantee that the IP enforcement system will also retain a certain deterrent character. A large number of respondents pointed out that if the amount of the damage awarded only equals the license fee, than its deterrent effect is undermined.

66% (39 out of 59) of the respondents do not consider the amount of damages awarded to be sufficient, because the actual prejudice suffered is much higher. 46 respondents also pointed out that the costs of investigating potential infringers, for example in the online music sector, outweigh in themselves the development costs.

Punitive damages

According to 7 respondents (out of 11 responses received for this question) punitive damages are not awarded by Member State courts in IPR infringement cases. The German and French authorities have stated that they are opposed to punitive damages in this field.

Damages attributed to third parties

Only 15 respondents answered the questions regarding whether third parties, who are affected by either the infringement or the enforcement measures that are subsequently held to be unfounded can claim compensation for damages arising out of such infringement actions. According to the vast majority of the responses third parties can claim compensation for damages in both cases according to the general civil law liability laws of their respective national legal systems, which also cover these types of damages.

4.8. Use of IPR enforcement measures for frivolous and/or anti-competitive purposes

Percentage and impact of cases where enforcement measures are used frivolously or for anti-competitive purposes

Among the 35 responses to the question relating to the percentage of cases where enforcement measures were used frivolously or for anti-competitive purposes, 60 % (mainly IP rightholders) considered the rate was 0, 23 % (in particular in the pharmaceutical and software industries) considered the rate was 50 or more, the remaining responses reporting rates between 5 and 33 %. The contribution of a judge mentioned a rate of 15%. The responses concerned civil proceedings but also the use of notification mechanisms on the internet to request ISPs to remove allegedly infringing IP rights content.

Specific provisions or sanctions for anti-competitive or frivolous use of IPR enforcement measures

According to the vast majority of the respondents there are neither specific provisions nor specific sanctions on anti-competitive use of the enforcement measures in their respective Member States. As it turns out from the majority of the responses, instead of special provisions for frivolous or anti-competitive use of enforcement measures, general provisions of civil law and general procedural guarantees will apply, such as the right to privacy, due process, prohibition of misusing rights (contrary to its social purposes), good morals, fairness and equity principles or general prohibitions of competition law (cartels) or prohibition of misuse of market dominance or anti-discrimination provisions. The French authorities mentioned the possibility to subject a seizure to the lodging by the applicant of adequate security or an equivalent assurance intended to ensure compensation if needed.

Some of the respondents have pointed out, that defendant`s rights are safeguarded by the general procedural guarantees such as the protection of privacy or the right to a fair trial.