

Workshop on

**The economic rationale of referring to commercial scale or
commercial purpose when referring to IP infringements**

Brussels, 19 September 2014

The issue

The 'commercial scale' of infringements of intellectual property rights (IPR) (see *Directive 2004/48 on the enforcement of intellectual property rights*¹ "IPRED") is a legal concept on which some IP civil enforcement mechanisms rely. For example, the "commercial scale" threshold determines which civil redress measures can be applied, i.e. it might trigger access to a greater spread of redress measures. In some EU Member States this criterion is also used as a trigger for criminal sanctions of IPR infringements.

Other EU IP law uses similar notions. The InfoSoc Directive², for example, refers to quite a number of different concepts: '*commercial nature*', '*commercially significant purpose*', '*direct or indirect economic or commercial advantage*', or '*commercial use*'. Article 13 of the Design Directive³ clarifies that the rights conferred by a design right upon registration shall not be exercised, inter alia, in respect of acts done privately and for *non-commercial purposes*.

It is then for judges to determine whether activities meet these criteria on a case by case basis. In view of the vagueness of these terms, concerns have been voiced: Decisions of judges are regarded as sometimes arbitrary, not consistent over time and differing across jurisdictions or even among courts. Such differences can give rise to legal uncertainty and differing civil enforcement efficacy within the internal market.

Indeed, current EU IPR law does not provide much guidance as to what constitutes an activity of 'commercial scale/purpose'. Recital (42) of the InfoSoc Directive only specifies that "*[w]hen applying the exception or limitation for non-commercial educational and scientific research purposes, including distance learning, the non-commercial nature of the activity in question should be determined by that activity as such. The organisational structure and the means of funding of the establishment concerned are not the decisive factors in this respect.*" The Design Directive does not provide any specification. Recital (14) of IPRED describes acts carried out on a commercial scale as *those carried out for direct or indirect economic or commercial advantage*, and adds that *this would normally exclude acts carried out by end consumers acting in good faith*.

In fact, these references do not provide any explanation as to why a distinction between commercial and non-commercial scale/purpose should be made. However, since this was a political choice it

¹ [http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32004L0048R\(01\)](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32004L0048R(01))

² Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society; <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32001L0029&from=EN>.

³ Directive 98/71/EC of the European Parliament and of the Council of 13 October 1998 on the legal protection of designs; <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31998L0071:en:HTML>.

should therefore not be the focus of the discussions in this workshop which is dedicated to the question of how this political decision should best be implemented to optimise the economic benefits that should ensue from these rules.

The objective of the workshop

The objective of the workshop would be firstly to discuss the pros and cons of the different concepts used in the IPR legal framework of the EU and secondly to discuss potential economic guidance which could be provided to judges in order to help them applying these concepts in order to determine when an infringement or activity should be deemed to be of a '*commercial scale*' or for '*commercial purpose*' etc.

The following questions should be addressed⁴:

- In which cases (e.g. application of extended redress procedures, obligations on third parties (e.g. ISPs), etc.) would a focus on IPR infringements of a commercial scale/purpose seem appropriate given the economic objective of ensuring efficient IP redress systems?
- Should the focus rather be on the motivation behind an activity (i.e. purpose) or on its (economic) dimension (i.e. scale)?
- Should the assessment be done from the perspective of the infringer or of the rightholder? Or, alternatively, from a 'neutral', independent perspective, e.g. taking potential impacts on the market, or even its future development, into account?⁵
- Should the assessment be quantitative or qualitative in nature, or a combination of both?
- Should the focus be on 'real' or 'actual' scale or on the 'potential' scale? Should the scale be determined in absolute terms or in relative terms, e.g., from the rightholder's perspective, lost profits or lost profits relative to turnover?
- Is it necessary to define the relevant market as it is usually been done in competition cases? If so, how could this best be done?
- Are there any existing best practices to be shared?
- Could concepts used in competition law such as the 'relevant market' be applied accordingly?
- Could methodologies used for the valuation of IP provide guidance for the determination of 'commercial scale/purpose'?

⁴ A starting point for the discussion could be, for example, the report of the WTO Panel on "China – measures affecting the protection and enforcement of intellectual property rights". See WTO document WT/DS362/R, 26 January 2009, section VII C. Criminal Thresholds, and related documents.

⁵ A relevant example could be the case of someone uploading an album of a band on a publicly accessible site from which anyone could download. If this person does not charge for the download or derive any other economic benefit from it, one could argue that from that perspective it is neither commercial scale nor a commercial purpose. The assessment might be different, however, from the perspective of the band and might differ depending on whether it is a blockbuster or, say, the first fairly successful album of a newcomer band and as well on the number of downloads from that site, of course. If such uploads endanger the development of an entire sector, one could even argue that the societal damage is far greater.

- Is a distinction to be made between formal IPRs and other intellectual property, or whether an IPR is registered or not?
- If fresh research was needed, where should this start from and what should it focus at?

Functioning and output of the Workshop

The European Commission will invite about 12 experts in the subject of the workshop from the list of experts and researchers working in the area of economics of IPR.⁶ Experts will be expected to contribute actively to the discussions in the workshop. Some experts might be invited to prepare introductory statements or present their (earlier) work on the topic of the workshop to inspire the discussion in the meeting.

The Commission staff will produce a summary report of the workshop. The paper will be made public by the Commission on its website. Results might also be used in subsequent policy work and reports by the Commission services. It is at the Commission's discretion whether and if so in what form it will initiate follow-up research or analysis.

Experts will not be remunerated, only subsistence and travel expenses will be covered in accordance with the relevant Commission guidelines.

Participation in the workshop

People interested in attending the workshop are invited to add their name to this list by providing the relevant information as requested in the document which can be accessed using the following link: http://ec.europa.eu/internal_market/iprenforcement/docs/workshops/140603-call-for-expression-of-interest_en.pdf. The Commission services will send out invitations to selected experts with relevant expertise in due course.

For further information please contact: MARKT-IPR-economics@ec.europa.eu

⁶ The Commission services are currently establishing such a list. Applications are to be handed in via the following link: http://ec.europa.eu/internal_market/iprenforcement/conferences/index_en.htm.