

# Screening report

# Montenegro

## Chapter 7 – Intellectual property law

### **Date of screening meetings:**

Explanatory meeting: 11 – 12 October 2012

Bilateral meeting: 20 – 21 November 2012

## I. CHAPTER CONTENT

The *acquis* on intellectual property law specifies harmonised rules for the protection of copyright and neighbouring rights, as well as for industrial rights and contains provisions on enforcement.

In the area of **copyright and neighbouring rights**, the objectives of Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society are to adapt legislation on copyright and related rights to reflect technological developments and to transpose into EU law the main international obligations arising from the treaties on copyright and related rights adopted within the framework of the World Intellectual Property Organisation (WIPO). Directive 2006/116/EC as amended by Directive 2011/77/EU establishes a complete harmonisation of the period of protection for different types of works and other subject matters in the Member States, e.g. 70 years after the death of the author for works and 50 or 70 years after the trigger event for neighbouring rights. It also deals with the protection of previously unpublished works, of critical and scientific publications and of photographic works. As regards rental and lending rights, Directive 2006/115/EC deals with the rights of authors and neighbouring right holders. It provides for harmonisation of certain neighbouring rights including the right of fixation, reproduction, broadcasting and communication to the public as well as distribution. The objective of Directive 93/83/EEC is to facilitate cross-border transmission of audio-visual programmes, in particular broadcasting via satellite and retransmission by cable. The objective of Directive 2001/84/EC on the resale right for the benefit of the author of an original work of art is to strike a balance between the economic situation of authors of graphics and plastic art works and that of other parties who benefit from successive exploitations of their works. Directives 87/54/EEC, 96/9/EC and 2009/24/EC harmonise the level of protection in semiconductor topographies, databases and computer programs respectively. Newly adopted Directive 2012/28/EU sets out common rules on the digitalization and online display of so-called orphan works (i.e. works that are still protected by copyright but whose authors or other right holders are not known or cannot be located or contacted to obtain copyright permissions).

In the field of **industrial property rights**, the *acquis* sets out harmonised rules for the legal protection of trademarks (Directive 2008/95/EC) and designs (Directive 98/71/EC), as well as a partially harmonised regime for patents. These include conditions for compulsory patent licensing. An important element of the EU-wide patent system is accession to the European Patent Convention and the European Patent Organisation (EPO). Specific provisions apply to biotechnological inventions (Directive 98/44/EC). The *acquis* also establishes rules at EU level for the protection of industrial designs and an EU trademark and design system. EU-wide unitary trademarks and industrial designs are established by Regulation (EC) No 40/94 and Regulation (EC) No 6/2002. An important element of the EU-wide trademark and design system is participation in the Madrid Protocol and the Hague Agreement concerning the international registration of trademarks and industrial designs. Provisions exist with regard to supplementary protection certificates (SPCs) for pharmaceuticals [Regulation (EEC) No 1768/92 or, in codified version, Regulation 469/2009], including a six month paediatric-related extension [Article 36 of Regulation (EC) No 1901/2006] and plant protection products [Regulation (EC) No 1610/96]. SPCs serve to provide inventors with additional protection when the subject matter of the patent is covered by an administrative marketing authorisation which does not allow them to benefit from the exploitation of a patent for the entire period for which the patent was granted.

Directive 2004/48/EC on the **enforcement** of intellectual and industrial property rights requires all Member States to apply effective, dissuasive and proportionate remedies and penalties against those engaged in counterfeiting of goods and piracy and thus creates a level playing field for right holders in the EU. Customs administrations play an important role in preventing the circulation of products infringing copyright or industrial property under Regulation (EC) No 1383/2003. Furthermore, the EU is a member of the World Trade Organization (WTO) which administers the Agreement on Trade Related aspects of Intellectual Property Rights (TRIPS).

Compliance with the *acquis* on intellectual property law requires an adequate implementation capacity and effective enforcement. In particular, there is a need for appropriate administrative structures including a national authority to receive applications for protection in all areas related to intellectual property rights (IPR). Relevant authorities should receive appropriate training on IPR matters.

## **II. COUNTRY ALIGNMENT AND IMPLEMENTATION CAPACITY**

This part of the report summarises the information provided by Montenegro at the bilateral screening meeting held on 20 and 21 November 2012 and the results of a fact-finding mission of Commission services to Montenegro from 28 February to 1 March 2013.

Montenegro indicated that it can accept the *acquis* regarding IPR. Montenegro indicated also that it already implements largely the *acquis* and does not expect any difficulties in continuing to implement it.

Montenegro adopted a National Intellectual Property Strategy 2012-2015 in December 2011 and produced a first report on its implementation in February 2013. The Ministry of Economy is in charge of copyright, related rights and industrial property. It is responsible for drafting the relevant legislation and monitoring the status of IPR protection in cooperation with other competent national institutions. Montenegro informed that an Intellectual Property Office, responsible for copyright and industrial property, was established in May 2008. There is no high level Intellectual Property Council to coordinate and steer the IPR reform.

### **II.a. Copyright and neighbouring rights**

The main legal reference to copyright and neighbouring rights in Montenegro's legislation is the Copyright and Related Rights Act (Official Gazette of Montenegro No. 37/11).

Regarding the international framework, Montenegro continues to apply the Bern Convention for the Protection of Literary and Artistic Works, the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty. Montenegro is a member of WIPO since 2006 and of WTO since 2012.

Regarding copyright in the information society, Montenegro informed that it had transposed Directive 2001/29/EC. Montenegro has incorporated the reproduction right, the right of communication to the public and the making available right, as well as the distribution right into its legislation. It applies a number of exceptions and limitations envisaged in the Directive (e.g. reproductions for private use, educational teaching, persons with disability, quotations, official proceedings, right to information, works in public places) as well as the

three-step test foreseen in Article 5.5 of the Directive. Montenegrin law contains provisions regarding technological protection as well as sanctions and remedies.

Montenegro stated that it had complied with Directive 2006/115/EC on rental and lending rights. The relevant law envisages exclusive rental and lending rights for authors, performers and film and phonogram producers with some exceptions. It defines co-authors of an audio-visual work (e.g. the author of the adaptation; the author of the screenplay; the author of the dialogue; the director of photography; the principal director and the composer of music specifically created for use in the audio-visual work). It contains provisions regarding the right to equitable remuneration for co-authors and performers from the film producer for rental of audio-visual works and envisages mandatory collective management of the right to remuneration for lending of the library material. Montenegro informed that individual management is allowed until the establishment of the relevant collective rights management organisation.

Montenegro stated that it has transposed Directive 2006/116/EC on the terms of protection. The duration of protection for authors' rights is 70 years after the author's death, including the relevant provisions for co-authors, collective works, anonymous and pseudo-anonymous works, and 50 years for the related rights. Montenegro stated that it will enact and implement in due course the amendments introduced by the Directive 2011/77/EU extending the terms of protection for performers and sound recordings to 70 years, as the implementation deadline for EU Member States expires on 1 November 2013.

Montenegro indicated that it has transposed Directive 87/54/EEC on the legal protection of topographies of semiconductor products, Directive 96/9/EC on the legal protection of databases and Directive 2009/24/EC on the legal protection of computer programs. In relation to computer programs and databases, Montenegro agreed to change the wording of Article 110 of the Copyright Law by replacing "*do not relate*" by "*shall be without prejudice to*". It also agreed to clarify the wording of Article 141(4) of the Law.

Montenegro stated that an original topography enjoys the copyright protection if it is a result of personal intellectual efforts and when it has not previously been exploited commercially. The rights granted are exclusive rights and cover the right to authorise or prohibit reproduction of a protected topography, commercial exploitation or the importation for that purpose of a topography or of a manufactured semiconductor product using the topography. The exclusive rights do not apply to the reproduction of a topography intended for non-commercial use and the reproduction for the purpose of analysing, evaluating or teaching the concepts, processes, systems or techniques embodied in the topography. The protection lasts ten years from the filing of the application for registration or first commercial use. During this period the holder of the topography can mark the topography with the letter 'T'.

Montenegro stated that the protection of databases is granted to original copyright-protected databases which are individual intellectual creations and to non-original databases which are granted a *sui generis* protection. The law lists the exclusive rights for copyright-protected databases and the *sui generis* rights as well as the applicable exceptions. The exhaustion of the distribution right takes place in the territory of Montenegro. The period of protection of *sui generis* databases is 15 years after the making of the databases or their disclosure.

Computer programs are protected within the meaning of the Bern Convention as individual intellectual creations in the domain of literature, science and art expressed in any form. Ideas,

principles, procedures and methods which underlie a computer program, including its interface, are not protected. The law defines authors, co-authors and authors of joined works as well as rules for computer programs made in the course of employment or for hire. As a rule, rights belong to the employer or the person ordering the work. The law grants the exclusive right of reproduction, translation, adaptation, arrangement and any other alteration, as well as the distribution right and lists exceptions to this right. The period of protection is 70 years from the death of the author.

Montenegro acknowledged that it has not yet transposed the EU definition of "*satellite*". Apart from that, Montenegro confirmed its alignment with Council Directive 93/83/EEC on satellite and cable transmission. Montenegro envisages mandatory collective rights management for the cable retransmission rights. Until the establishment of the collecting society the management will be done individually. The exception provided in Article 10 of the Directive concerning the broadcasters' own transmissions has been implemented.

On resale right, Montenegro confirmed that it has aligned with Directive 2001/84/EC which guarantees notification of a sale and the payment of a royalty to the author of an original work.

Montenegro stated that it has not aligned yet with Directive 2012/28/EU on certain permitted uses of orphan works.

Concerning collective rights management, Montenegro's legislation foresees detailed provisions for the functioning of collecting societies. So far only the music authors' rights organisation PAM-CG has been licensed by Montenegro's Intellectual Property Rights Authority (IPOM). Organisations representing other right holders did not yet fulfil registration criteria. According to Montenegro's legislation, authors assign their rights to the organisation on an exclusive basis, while users receive non-exclusive licenses. Payments of royalties are made annually. 10 % of royalties are earmarked for cultural funds while the management fee is around 25% of the royalties. PAM-CG has a good database of works, which also allows them to track the use of music by users and request payment of royalties accordingly. The newly re-designed website is transparent and several internal documents are accessible to the public. PAM-CG is a full member of CISAC (the International Confederation of Authors and Composers Societies) as of June 2012. PAM-MG signed 33 reciprocal representation agreements with sister societies in other countries.

According to Montenegro, three persons are responsible for IPR in the Ministry of Economy covering copyright and industrial property. The department for Copyright and Related Rights in Montenegro's Intellectual Property Office has two employees. This department is responsible for the registration of copyright and related rights, the supervision of the collective rights management organisations and international cooperation.

## **II.b. Industrial property rights**

Montenegro is Party to the main international agreements on industrial property. As a member of the WTO, Montenegro has introduced provisions of the TRIPS into its legislation. Montenegro stated that it will support and implement the Doha declaration on health measures in the least developed countries.

On trademarks, Montenegro informed that it had transposed Directive 2008/95/EC and clarified that the rules relating to the exhaustion of rights may be expanded abroad once the country becomes an EU member. Montenegro stated that it complies with Regulation (EC) No 40/94 creating a trademark system.

On industrial designs, Montenegro stated that it had transposed Directive 98/71/EC and that it complies with Regulation (EC) No 6/2002 which creates a Community Design System. Montenegro stated that it will address an inconsistency in the law resulting from the use of the term "*author*" instead of "*designer*" by a relevant amendment of the law.

Montenegro stated that it has transposed Directive 98/44/EC on legal protection of biotechnological inventions by means of the Patent Law. Montenegro acknowledged that the Patent Law still needs to be fully harmonised with some Articles of Directive 98/44/EC such as Articles 13, 21, 22 and 28.

As for SPCs, Montenegro stated that it was not obliged to conform with Regulation (EC) No 469/2009 before its accession to the EU. Montenegro's Patent Law includes provisions on SPCs for pharmaceutical and plant protection products which are not fully aligned yet with the *acquis* (e.g. the definition of the term "*product*"). Montenegrin authorities plan to adopt legislation on paediatric-related pharmaceutical legislation including the possibility for a six month extension of the pharmaceutical SPCs. The licensing of patents relating to the manufacture of pharmaceuticals for export to countries in need (i.e. countries with public health problems in accordance with Regulation (EC) No 816/2006) has been enacted.

Montenegro stated that it wants to become a full member of the European Patent Convention. It already participates in training courses organised by the EPO. In the context of a Unified Patent Court (UPC) Agreement, Montenegro considers the establishment of regional first instance courts as a more affordable alternative to the establishment of a court in each member country of the UPC.

Montenegro admitted that the provisions for court appeals against administrative decisions are insufficient. Montenegro still has to ensure that a final ruling will be made by a court and not by an experts group.

The Intellectual Property Office of Montenegro is responsible for the issuance of patents, trademarks, designs and other comparable rights as provided for by law, regulations and international agreements. Currently the Intellectual Property Office has 26 employees (out of planned 31). The industrial property department has 6 employees. Montenegro stated that the average time between application and registration of trademarks used to be two years and that this has been shortened recently. The Patent Law of Montenegro provides for a registration procedure of patents without drawing up any "prior art" search report or conducting any substantive examination. Therefore, a patent application in Montenegro is issued if formal requirements are met and without taking into account prior inventions or patents that could anticipate such an application.

Montenegro has stated that it is aware of the EU exhaustion regime and IPR case law. The EU exhaustion regime will be implemented as of accession.

## **II.c. Enforcement**

Montenegro has enacted most of the provisions of the IPR Enforcement Directive 2004/48/EC in each specific intellectual property law, namely the Trademark Law (Official Gazette of Montenegro, nos. 72/10 and 44/12); the Law on Patents (Official Gazettes of Montenegro, nos. 66/08, 40/10 and 40/11); the Law on Legal Protection of Industrial Design (Official Gazette of Montenegro, no. 80/10); the Law on Protection of Topographies of Integrated Circuits (Official Gazette of Montenegro, no. 75/10) and the Law on Plant Varieties Protection (Official Gazette of Montenegro, nos. 48/07 and 48/08).

Furthermore, some civil measures provided for in the Enforcement Directive have been enacted via general Montenegrin laws such as the Law on Optical Discs (Official Gazette of Montenegro, nos. 2/07 and 53/11); the Law on Contracts and Torts (Official Gazette of Montenegro, no. 37/11); the Law on Civil Procedures (Official Gazette of Montenegro, nos. 22/04, 28/05 and 76/06); the Law on the Enforcement and Security Procedures (Official Gazette of Montenegro, no. 36 /11); the Law on enforcement of the legislation that regulates IPR protection (Official Gazette of Montenegro nos. 45/05 and 37/11) and Regulation on Customs Authority Procedures for goods that are Suspected of Infringing IPR (Official Gazette of Montenegro, no. 33/11).

Although Montenegro indicated that it has implemented most of the provisions of the enforcement Directive, there are no provisions for injunctions against intermediaries either in the specific intellectual property laws or in the general civil procedural law.

Montenegro informed that customs, police, prosecutors, the phyto-sanitary administration and the market inspection authority are the administrations responsible for the enforcement of intellectual property rights.

According to Montenegro, a department of intellectual property and administrative procedures was created in the customs administration in 2009. It has various responsibilities such as participating in the drafting of regulations on IPR, monitoring the implementation of these regulations, reviewing and processing applications for actions for IPR protection as well as cooperating at national and international level. Two customs officers work in the department but some duties are also undertaken by officers from the sector for customs enforcement as well as by officers directly involved in customs controls.

In 2012 the Customs administration dealt with thirteen cases as compared to eleven cases in 2011 and five cases in 2010. Montenegro's customs authorities can act ex-officio in cases of suspected IPR infringement and can postpone the clearance of customs if there is a suspicion of infringement. Internally, the police is actively involved in copyright matters.

Montenegro stated that the customs administration established a good cooperation with the Montenegrin Intellectual Property Office. They meet regularly to discuss specific enforcement issues and/or ex-officio cases. The above administrations also meet with the market inspectorate and courts. Montenegro stated that the customs administration cooperates with neighbouring countries on IPR enforcement and signed bilateral agreements for mutual assistance. It participates in the Venice regional cooperation initiative. Following a forum held in Venice in July 2010, a technical group for intellectual property was established with the participation of customs officers from Montenegro, Italy, Albania, Bosnia and Herzegovina and Serbia. Montenegro informed that this technical group met several times in

2011 and 2012 and adopted conclusions on the enhancement of cooperation between customs services, enforcement authorities, as well as between these authorities and right holders. The conclusions of the technical group refer also to the exchange of information between customs authorities, the selection of common criteria for customs control of goods, further improvement of the WIPO's INES+ database<sup>1</sup>, the accession to the IPM (Interface Public-Members) web portal of the World Customs Organization, as well as awareness-raising campaigns. Montenegro explained that in September 2008 the customs administration installed the intellectual property database INES in the framework of a regional project on industrial and intellectual property for the Western Balkans and Turkey. This project was adopted in 2007 and was carried out by the EPO. An improved version (INES +) was installed in 2010 by EPO experts.

The Commercial Court in Podgorica is responsible for hearing IPR related cases for legal entities while the basic civil courts in several cities are responsible for natural persons. Montenegro stated that the Commercial Court has achieved good results in settling disputes in the field of IPR protection but that lack of experience is one of its weaknesses. Montenegro specified that there are five IPR specialised judges who operate within the Commercial Court. However, Montenegro acknowledged the need to create a separate IPR department within the Commercial Court. Montenegro clarified that when decisions of the Commercial Court are contested by either party, the Court of Appeals and the Supreme Court are competent to rule, while the Higher Court and the Supreme Court are competent to rule on cases previously heard in the basic courts.

The Commercial Court in Podgorica adopted 66 decisions in 2010, 49 in 2011 and 29 in 2012. According to Montenegro, the average duration of the proceedings is six months. Average legal costs for right holders depend on the value of the case subject. The court fees range from €20 to €1,500 and lawyer expenses depend on the case subject and range from €75 for claims of up to €2.500 to €250 for claims above €50.000.

The market inspectorate has the responsibility to undertake IPR investigations but there are no inspectors specialised in IPR. The market inspectorate conducted 595 controls in the industrial property field from 2010 to 2012 and detected eleven trademark infringements. It conducted 388 controls for copyright over the same period of time and detected 138 irregularities. Montenegro declared that it will continue working towards the strengthening of the capacity of the market inspectorate.

Montenegro stressed that it developed an international cooperation on IPR with neighbouring countries. The Montenegro Intellectual Property Office concluded cooperation agreements with the Intellectual Property Offices of Serbia, Slovenia, Croatia and Hungary, where its staff attended several meetings and training courses on specific IPR issues including enforcement.

Montenegro mentioned the collaboration between Montenegrin intellectual property authorities and the division of WIPO for certain European and Asiatic countries which provided expert support for the elaboration of Montenegro's national intellectual property strategy 2012 – 2015.

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<sup>1</sup> INES is an intellectual property database; it compiles inter *alia* data on suspensions of customs procedures.



### **III. ASSESSMENT OF THE DEGREE OF ALIGNMENT AND IMPLEMENTING CAPACITY**

Overall, Montenegro has reached a high level of alignment with the *acquis* in the area of IPR. Montenegro has also demonstrated that it has the basic administrative capacity to enforce IPR effectively. Montenegro has to maintain an effective and operational monitoring system of the implementation of its IPR strategy. It has to demonstrate efficient coordination between different bodies involved in IPR protection, including adequate IT infrastructure.

#### **III.a. Copyright and neighbouring rights**

Montenegro's legislation is largely aligned with the *acquis* regarding copyright and neighbouring rights.

There are several outstanding issues as regards alignment with the *acquis*. Concerning transposition of Directive 2001/29/EC, among others, Montenegro's provisions concerning private copying levies should be further aligned and some elements of the definitions included in the Directive such as exclusive rights of broadcasting organisations and right of communication are missing. Montenegro has to enact the definition of "*satellite*" from Directive 93/83/EEC on satellite and cable retransmission. Regarding the period of protection, Montenegro will have to transpose the amendments introduced by Directive 2011/77/EC relating to the extended period of protection for performers and record producers. In relation to computer programs and databases, Montenegro will have to amend the wording of Article 110 of the Copyright Law (i.e. to replace "*do not relate to*" into "*shall be without prejudice to*") and clarify the wording of Article 141(4) of the same law. Montenegro promised to send an upgraded translation of the law on topography which will allow the Commission to better assess its compatibility with Directive 87/54/EEC on the legal protection of topographies of semiconductor products. The provisions of Directive 93/83/EEC on satellite and cable transmission and Directive 2006/115/EC on rental and lending rights concerning the compulsory collective rights management remain ineffective as there is no organisation for collective management of rights representing right holders in these fields. Therefore, Montenegro will have to build up an effective system of collective management of rights. Provisions on the artists' resale rights are in line with Directive 2001/48/EC. Montenegro has to implement Directive 2012/28/EU on certain permitted uses of orphan works.

Montenegro still has to demonstrate that it has the necessary administrative capacity to implement the *acquis*. The administrative capacity in the area of copyright should be further strengthened, especially as regards the understanding and practical implications of the copyright law provisions.

#### **III.b. Industrial property rights**

Montenegro has largely aligned its legislation with the *acquis* on industrial property rights. Montenegro will still have to demonstrate that it has the necessary administrative capacity to implement it.

A patent database is not available on the website of the Intellectual Property Office.

Regarding Montenegro's legislation on SPCs, the definitions of "*product*" and "*medicine*" are not in line with the *acquis* and Montenegro committed to correcting this. No paediatric

extensions for pharmaceutical patents are possible at this stage. The possibility and the conditions to appeal administrative decisions regarding SPCs to judicial courts need to be clarified.

On industrial designs, the current use of the term "*author of design*" will have to be replaced by the term "*designer*" as used in the *acquis*. Regarding the scope of industrial designs, Montenegro plans to fully align Article 14 of its designs law with Article 9 of Directive 98/71/EC.

Montenegro does not grant olfactive trademarks. However, sounds can qualify for trademark protection if, *inter alia*, they can be represented by a stave. Amendments to the trademark law use a proper definition of "*likelihood of confusion*" and "*likelihood of association*". The concept of "*well-known/reputation*" trademark in Montenegro will have to be replaced by the same concept applied in the EU. There is no trademark holders association in Montenegro. A trademark database is not available on the website of the Intellectual Property Office.

With regard to the transposition of the biotechnology invention Directive 98/44/EC, the draft law mentions "*alive biological material*" while Directive 98/44/EC uses the term "*biological material*" - the terms need to be aligned. Article 13(1) and (5) of the Directive are not transposed. Article 13(2)(b) of the Directive provides for two options, the latter of which (i.e. option of independent expert) is not reflected in Article 23(a) of the draft law.

There is no association or qualification exam for IP attorneys.

### **III.c. Enforcement**

Montenegro has aligned its legislation with most of the provisions of the EU Enforcement Directive 2004/48/EC. The provisions of the Directive on injunctions against intermediaries have to be enacted. As regards the right of information (Article 8 of the Enforcement Directive), some Montenegrin IPR laws (e.g. the law on trademarks and the law on legal protection of industrial designs) provide that the information on the origin and distribution networks of the infringing goods may be requested from both infringers and witnesses. The term "*Witnesses*" is understood broadly and therefore might include end-users as well. This implies that the provisions of these laws go beyond the provisions of the Enforcement Directive, which uses the notion of "*commercial scale*" in order to exclude end-users. Montenegro needs to address this shortcoming.

Montenegro has the basic competent authorities to enforce IPR (i.e. courts, prosecutors, police, customs, market inspectorate). Despite the lack of a central coordinating body, cooperation among these institutions as well as cooperation with the relevant IP Office, the Ministry of Economy and authorities from neighbouring countries is satisfactory. The average duration of civil proceedings is relatively short and the cost of litigation is relatively low. There are five IPR specialised judges who operate within the Commercial Court. There are no IPR specialised judges in the basic courts. Montenegro has to strengthen its administrative capacity by providing more specialised training courses and - in a longer perspective - employing more staff on IPR issues. The IT systems of several institutions (e.g. courts and market inspectorate) should be upgraded and relevant databases established and made operational. The cooperation and exchange of information between different institutions involved in the IPR enforcement should be formalised and occur on a more systematic and permanent basis.