Europe IP Developments

Enforcement Directive and Harmonisation of Remedies for Intellectual Property Infringement in the EU

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Directive 2004/48/EC on the enforcement of intellectual property rights harmonises various aspects of civil court procedure and remedies as applied to most types of intellectual property in the European Union. Despite having now been in effect for over 10 years, it has until recently featured remarkably little in EU intellectual property litigation and there have been very few references to the Court of Justice that have exclusively concerned it. Thus there has been no opportunity to cast light on what is meant by the rather vague language in which it is expressed. This situation is now starting to change, and the various controversies the subject of the current references to the Court of Justice under it are reviewed in this article.

The results of this process of interpretation will not only affect all national courts hearing intellectual property cases throughout the EU; they will also bind the new Unified Patents Court when that comes into force, despite the fact that in some cases the corresponding wording of the underlying Agreement which establishes the new Unified Patents Court, and which wording is based on the Enforcement Directive, deviates from it.

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Directive 2004/48/EC on the enforcement of intellectual property rights (the ‘Enforcement Directive’) harmonises various aspects of court procedure and remedies as applied to most types of intellectual property in the European Union (EU). In that it thus applies to patents it provides the Court of Justice with a measure of competence over these even though its competence as to the substantive law of patents is limited to those relatively few inventions that are the subject of Directive 98/44/EC of 6 July 1998 on the legal protection of biotechnological inventions. It thereby provides the Court of Justice with some potential influence on the forthcoming Unified Patent Court (UPC) despite the attempts when establishing this to limit the scope for such involvement. However, despite having now been in effect for over 10 years the Enforcement Directive has until recently featured remarkably little in intellectual property litigation in EU Member States and there have been very few references to the Court of Justice that have exclusively concerned it. Thus there has been no opportunity to cast light on what is meant by the rather vague language in which it is expressed. This situation is now starting to change, and the results of this process of interpretation will not only affect all national courts hearing intellectual property cases throughout the EU; they will also bind the UPC when that comes into force, despite the fact that in some cases the corresponding wording of the underlying Agreement which establishes the new UPC, and which wording is based on the Enforcement Directive, deviates from it.

Although its title might suggest that the Enforcement Directive is focused on remedies for the infringement of intellectual property, this is far from being the case, as much of it is concerned with procedural issues encountered in intellectual property litigation, such as the availability of discovery. These procedural provisions have however to be applied by different types of court in different countries operating under wholly different procedural frameworks with different legal and cultural backgrounds, and so, given the vague manner in which the Enforcement Directive is expressed, it has in practice achieved little in the way of procedural harmonisation. This is not surprising, as no other measure purports to effect harmonisation of national legal procedures in the EU, and most courts in EU Member States that hear intellectual property matters also handle many other types of dispute in other areas.
of the law, and as to which there is no such purported harmonisation. Thus they tend to stick to their traditions. In contrast, it is in the area of remedies, which by their nature must be tailored to the type of right in issue, and the nature of the infringement, where the Enforcement Directive is starting to have the most impact and this is also the area in which the current references under it and discussed in this article have been made.

**Injunctive Relief**

Section 5 of the Enforcement Directive, entitled ‘Measures resulting from a decision on the merits of the case’, consists of three Articles. The first of these, Article 10, is entitled ‘corrective measures’ and covers matters such as the recall of infringing goods from the channels of commerce, their definitive removal from the channels of commerce, or their destruction. The other two, entitled ‘Injunctions’ and ‘Alternative Measures’ provide respectively that:

11) Member States shall ensure that, where a judicial decision is taken finding an infringement of an intellectual property right, the judicial authorities may issue against the infringer an injunction aimed at prohibiting the continuation of the infringement. Where provided for by national law, non-compliance with an injunction shall, where appropriate, be subject to a recurring penalty payment, with a view to ensuring compliance. Member States shall also ensure that rightholders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe an intellectual property right, without prejudice to Article 8(3) of Directive 2001/29/EC.

12) Member States may provide that, in appropriate cases and at the request of the person liable to be subject to the measures provided for in this section, the competent judicial authorities may order pecuniary compensation to be paid to the injured party instead of applying the measures provided for in this section if that person acted unintentionally and without negligence, if execution of the measures in question would cause him/her disproportionate harm and if pecuniary compensation to the injured party appears reasonably satisfactory.

Both the use of the word ‘may’ in Article 11, and the very presence of Article 12, providing an alternative to injunctive relief in the same section of the Directive, might lead one to imagine that it would not be uncommon for courts in Europe to use the discretion thereby conferred in determining whether or not to grant a final injunction where an intellectual property right, and in particular a patent, has been held to be infringed in a full action on the merits, as is now the case in the USA. Nothing could be further from the case: in a rare show of unanimity such courts almost invariably grant injunctive relief when there has been a determination on the merits of infringement of a valid patent, and no reference to the Court of Justice has yet been made, as to any intellectual property right under this Directive, which challenges this standard practice.

Although the new Unified Patents Court, when it comes into force, will have to act consistently with the Enforcement Directive, as interpreted by the Court of Justice, (as failure to do so will expose the EU Member States that are party to the UPC Agreement (UPCA) to being in breach of their obligations under the Treaty on the Functioning of the European Union (TFEU), it must do so anyway by virtue of Article 63 UPCA, which serves in effect to restate Article 11 of the Directive, albeit omitting any provision corresponding to Article 12.

63)1. Where a decision is taken finding an infringement of an intellectual property right, the Court may grant an injunction against the infringer aimed at prohibiting the continuation of the infringement. The Court may also issue grant for such injunction against an intermediary whose services are being used by a third party to infringe a patent.

2. Where appropriate, non-compliance with the injunction referred to in Paragraph 1 shall be subject to a recurring penalty payment payable to the Court.

Both Article 11 of the Directive and Article 63 UPCA provide a legal basis for rightholders to seek an injunction against intermediaries whose services are used by a third party to infringe an intellectual property right. It is not necessary that such intermediary itself be an infringer, and this provision, together with a corresponding one as to copyright in Article 8(3) of Directive 2001/29/EC of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, has become increasingly important in recent years as providing the basis for national courts in Europe to
grant orders requiring that internet intermediaries block access to specified websites that supply infringing goods or content.\textsuperscript{5}

\textbf{Damages}

Damages are the subject of Article 13 of the Directive, one of two articles in Section 6, which is entitled ‘Damages and Legal Costs’. This provides that:

13) 1. Member States shall ensure that the competent judicial authorities, on application of the injured party, order the infringer who knowingly, or with reasonable grounds to know, engaged in an infringing activity, to pay the rightholder damages appropriate to the actual prejudice suffered by him/her as a result of the infringement.

When the judicial authorities set the damages:

(a) they shall take into account all appropriate aspects, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused to the rightholder by the infringement; or

(b) as an alternative to (a), they may, in appropriate cases, set the damages as a lump sum on the basis of elements such as at least the amount of royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question.

2. Where the infringer did not knowingly, or with reasonable grounds know, engage in infringing activity, Member States may lay down that the judicial authorities may order the recovery of profits or the payment of damages, which may be pre-established.

It is surprising that this rather inelegantly expressed measure, which conflates the damage suffered by the rightholder with the benefit secured by the infringer, but does at least provide a legal basis, which was previously lacking in some European jurisdictions, for awarding an account of the infringer’s profits as an alternative to awarding damages for the rightholder’s loss,\textsuperscript{7} has not attracted more references to the Court of Justice than has so far been the case. Two references concerning it have however now recently been made. One such pending reference, in Case C-99/15 \textit{Christian Liffers/ProduccionesMandarina, SL et GestevisiónTelecinco, SA} asks whether assessing damages on a royalty basis under Article 13 in a copyright case precludes the rightholder from receiving any compensation for the infringement of the rightholder’s moral rights or is this instead to be treated as a claim that is independent from that in respect of infringement of economic rights.

The potentially more important such pending reference is however that in Case C-481/14 \textit{Jørn Hansson v JungpflanzenGrünewald GmbH}, concerning the infringement of a Community plant variety right, another intellectual property right which the Commission considers to be covered by the Enforcement Directive. The questions asked by the referring Court of the Court of Justice run to over 1300 words, and so what can be predicted with confidence is that the Court of Justice, which does not take kindly to such detailed questions, will answer only those that it judges to be the most important and even then may well paraphrase them before doing so.

However, the nub of the reference is what is meant by ‘reasonable compensation’ in Article 94(1)(a) of Council Regulation (EC) No 2100/94 of 27 July 1994 on Community Plant Variety Rights, by which an infringer “may be sued by the holder to enjoin such infringement or to pay reasonable compensation or both.” In establishing this, the first question posed goes on to ask whether, “in addition to the normal market fee charged in the same sector for a licence to effect the acts” in issue, “a specific ‘infringer supplement’ also be applied on a flat-rate basis in every case?” and whether this follows from the second sentence of Article 13(1) of the Enforcement Directive. The ‘infringer supplement’ is a well-established feature of German Patent Law (but not, for example, that of the UK) and under which, when assessing damages for infringement on a royalty basis by referring to comparable licences previously granted by the patentee, the Court will typically increase the royalty due, in some cases by up to 100%, in recognition of the different circumstances applying to such notional licence. Those who challenge the concept of the infringer supplement point to Recital 26 to the Directive, the final sentence of which states that “[t]he aim is not to introduce an obligation to provide for punitive damages but to allow for compensation based on an objective criterion …” whereas those who hold that the concept
of the infringement supplement is indeed based on an
objective criterion point out that the comparable
licences had been entered into when the parties could
not have been certain that the patent in issue was valid
and infringed. Given the importance of Germany as
patent infringement jurisdiction in Europe the
outcome of this plant variety reference could be most
significant, in either restricting the scope that German
courts have had to impose an infringer supplement or,
if the German infringer supplement approach is held
to be consistent with the Directive, providing an
impetus for it to be applied elsewhere in Europe.

Article 68 UPCA is in similar terms to Article 13
of the Directive:

68) 1. The Court shall, at the request of the
injured party, order the infringer who
knowingly, or with reasonable grounds to know,
engaged in a patent infringing activity, to pay
the injured party damages appropriate to the
harm actually suffered by that party as a result of
the infringement.
2. The injured party shall, to the extent possible,
be placed in the position it would have been in if
no infringement had taken place. The infringer
shall not benefit from the infringement. However,
damages shall not be punitive.
3. When the Court sets the damages:
(a) it shall take into account all appropriate
aspects, such as the negative economic
consequences, including lost profits, which the
injured party has suffered, any unfair profits
made by the infringer and, in appropriate cases,
elements other than economic factors, such as
the moral prejudice caused to the injured party
by the infringement; or
(b) as an alternative to point (a), it may, in
appropriate cases, set the damages as a lump
sum on the basis of elements such as at least the
amount of the royalties or fees which would
have been due if the infringer had requested
authorisation to use the patent in question.
4. Where the infringer did not knowingly, or
with reasonable grounds to know, engage in the
infringing activity, the Court may order the
recovery of profits or the payment of
compensation.

Unlike Article 13 if the Directive, Article 68
UPCA incorporates reference to the non-punitive
nature of the damages in the body of the Article,
rather than leaving it in the corresponding recital,
but it does not appear that any difference in meaning
is intended, and indeed given the need for the
UPC to comply with both the Enforcement Directive
and the UPCA there is every reason to interpret
them in the same way.

Legal Costs

Legal costs are the subject of Article 14, the other
of the two articles in Section 6 of the Enforcement
Directive, which provides for cost-shifting, by which
the winning party recovers its reasonable and
proportionate legal costs and other expenses:

14) Member States shall ensure that reasonable
and proportionate legal costs and other expenses
incurred by the successful party shall, as a
general rule, be borne by the unsuccessful party,
unless equity does not allow this.

Article 14 of the Directive has previously been
considered by the Court of Justice in Case C-406/09
Realchemie Nederland BV8 which observed (in
paragraph [48]) that the provision is intended to
strengthen the level of protection of intellectual
property, by avoiding the situation in which an injured
party is deterred from bringing legal proceedings in
order to protect its rights. However the usual UK
practice of full cost shifting (so far as the costs were
reasonably and necessarily incurred) can also deter a
small or medium size enterprise from enforcing its
intellectual property rights if it fears, in the event of
loss, having to pay legal costs incurred by the other
party over which it has had no control and which may
be considerably larger than it itself has incurred. This
problem was recognized in the UK and led to the
introduction of costs ceilings in proceedings brought
in the Intellectual Property Enterprise Court,9 and
other types of limitation on costs recovery are
common elsewhere in Europe, with for example that
in Germany being related to the value of the case as
assessed by the Court.

This is also recognized by those who drafted the
UPCA, which has given rise to a potentially
significant difference in wording between Article 14
of the Enforcement Directive and the corresponding
provision of the UPCA, Article 69(1):

69) 1. Reasonable and proportionate legal costs
and other expenses incurred by the successful
party shall, as a general rule, be borne by the
unsuccessful party, unless equity requires
otherwise, up to a ceiling set in accordance with the Rules of Procedure.

Both articles provide for cost-shifting, but unlike the Directive the UPC expressly provides for a ceiling to this, and indeed proposals for the cost shifting regime in the UPC with a ceiling depending on the assessed value of the case have recently been published. However the consistency of the UPC provision with the Enforcement Directive will depend to an extent on the outcome of a pending reference to the Court of Justice in Case C-57/15 United Video Properties Inc. v Telenet NV, which asks, in part:

1. Do the terms ‘reasonable and proportionate legal costs and other expenses’ in Article 14 of … (‘the Enforcement Directive’) preclude the Belgian legislation which offers courts the possibility of taking into account certain well-defined features specific to the case and which provides for a system of varying flat rates in respect of costs for the assistance of a lawyer?

A flat rate, as under consideration here, is not the same as a ceiling as referred to in Article 69(1) UPC A, but the approach of the Court of Justice in assessing whether, and in what circumstances, flat rates having the effect, like ceilings, of limiting the degree of cost shifting available, can be regarded as “reasonable and proportionate” is clearly likely to have some bearing on whether any aspects of the proposed UPC approach to awards of legal costs might risk being inconsistent with the Enforcement Directive.

Conclusion

The Enforcement Directive is now set to assume much greater practical importance in the framework of European intellectual property than it has in the past, and it is also likely to be the Court of Justice’s decisions under this Directive that will have the greatest practical effect on the operation of the forthcoming Unified Patent Court given the otherwise limited extent of EU competence in the area of patent law.

Although the Enforcement Directive would appear to offer considerable latitude in national implementation, experience with other intellectual property Directives suggests that once the Court of Justice is asked to interpret its provisions it may well prove to be surprisingly prescriptive in certain aspects of its interpretation. Moreover, the increased prominence that this process will give to different national approaches to remedies for intellectual property infringement in Europe will lead to cross fertilisation between these, and the Unified Patent Court, where such approaches are found by the Court of Justice to be consistent with the Directive.

References

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4. eBay v MercExchange 546 US 1029; 126 S Ct 1837; 78 USPQ 2D 1577 (Supreme Court).
5. The decision of the Court of Justice as to those situations in which it may be appropriate to grant a permanent injunction in a case in which a standards essential patent is found valid and infringed by virtue of adherence to the standard, Case C-170/13Huawei Technologies Co. Ltd v ZTE Corp., ZTE Deutschland GmbH (Court of Justice, 16 July 2015) is based not on Article 11 of the enforcement Directive but rather on Article 102 Treaty on the Functioning of the European Union, outlawing abuse of a dominant position in the relevant market.
As to application of the provision in the context of trade mark infringement, the decision of the Court of Justice in Case C-324/09 L’Oréal SA v eBay International AG [2011] ECR I-6011 and the subsequent decision of the English High Court in Cartier International AG v British Sky Broadcasting Limited&ors [2014] EWHC 3354 (Ch.), in which the plaintiff producers of luxury goods, for which they held trademarks, were granted, subject to certain safeguards and limitations, an injunction against several English Internet service providers requiring that they block access to websites operating from abroad that it was alleged were being used to sell to English customers counterfeit merchandise that infringed such trademarks. The latter case also lists, at [3], other English decisions in which similar orders had been made in relation to websites that were alleged to provide copyright infringing content.


The cost recovery ceilings in the Intellectual Property Enterprise Court, which apply except in exceptional circumstances, are £50,000 for the liability phase and £25,000 for the damages phase.