

EUROPEAN CULTURAL AND CREATIVE INDUSTRIES ALLIANCE

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EC IP Enforcement Directive (IPRED) Consultation: Response of the European Cultural and Creative Industries Alliance (ECCIA)

I. Introduction

The European Cultural and Creative Industries Alliance is composed of the three major European luxury goods and creative industries organizations, Comité Colbert (France), Fondazione Altgamma (Italy) and Walpole British Luxury (UK).

The European luxury sector is a potential growth driver for 21st century Europe, due to its economic weight and strength of its creativity and innovation. The sector is a key driver of sustainable growth and is of particular significance to Europe by contributing to its overall economic health, competitiveness, creativity, innovation and employment. It is therefore necessary to recognise, value and protect this leading industry and support its development.

The European Commission has recognised the importance of the Luxury sector as a key driver of growth and innovation as part of the Cultural and Creative Industries (CCIs) in Europe.¹ The EU 2020 flagship initiatives Industrial Policy, Innovation Union, Youth on the Move, and New Skills and Jobs have highlighted the critical importance of the Cultural and Creative Industries: “the creativity and diversity of our people and the strength of European creative industries, offer huge potential for new growth and jobs through Innovation.”²

¹ For example, Industry Commissioner Antonio Tajani underlined: “[t]he European Luxury goods sector is a key component of sustainable growth in Europe and on-going Creativity and Innovation.” Altgamma conference, 18.10.10.

² p. 7, Innovation Union COM(2010) 546 final.



Consumers agree: a survey carried out in September 2009 (TNS Sofres), showed that 69% of European consumers believe that the luxury sector plays an important role in the health and competitiveness of the European economy.

European brands account for about 75% of the worldwide luxury market and among the top 25 worldwide luxury companies, 17 are from the European Union.

The personal luxury goods market remains a key driver of growth for Europe accounting for more than €125 billion in revenue, in Europe, and employing, in 2008, approximately 800,000 people. More than 60% of the luxury goods produced in Europe are exported outside the region and unlike most mass-market consumer goods producers, which outsource production to third countries, the European luxury goods sector continues to design and manufacture in Europe.

Its sustainable business model and drive for innovation and excellence has ensured the sector has proven resilient in the financial crisis.

II. General remarks on the Application of the IP Enforcement Directive

Based on the practical experiences of the application of the IP Enforcement Directive (2004/48/EC), it has emerged that there is a need for improvement and clarification in particular relation to the internet environment. One of the key drivers for further development of the online environment, including e-commerce, is to ensure consumer and business trust and legal certainty.

- One of the essential elements to help create legal certainty and ensure consumer trust on the internet is to share responsibilities along the digital value chain. Involving internet intermediaries is of particular importance in this process and the Commission rightly notes in the IPRED application report that “given intermediaries' favourable position to contribute to the prevention and termination of online infringements, the Commission could explore how to involve them more closely.”
- In this context, it would be useful to introduce the principle of duty of care for intermediaries that actively use, present, organize or modify third parties' materials for commercial purposes. This would enhance legal certainty as such a provision

would clarify the responsibilities of intermediaries at the EU level. The duty of care could, for example, require online service providers to take all reasonable measures to detect and prevent IP infringements on their services.

- In this context, it is also important to note that for online sales consumers often have problems in identifying fake products and are misled into unwillingly purchasing illicit materials – often a primary assessment is based on a picture and price, without a possibility to spot an obvious counterfeit at the stage of purchase. Intermediaries are therefore important partners of right holders in protecting consumers from fraud, illicit practises, and counterfeit goods and, as the Commission rightly points out, it should explore how to involve intermediaries more closely.
- In addition to the review of the IP Enforcement Directive, it is important to also increase consumer awareness about the negative implications of violating IPR to the society, for example via consumer awareness campaigns about the importance of ethical purchasing.
- Furthermore to deter IP infringements for commercial transactions and highlight that IP infringements have serious negative impact on consumers, businesses and society in general introducing EU wide harmonized criminal sanctions for those who derive commercial benefit from counterfeits would be another positive step.
- As highlighted in the specific points below, the hosting liability exemption framework of intermediaries established in the e-Commerce Directive (2000/31/EC) is closely linked to IP Enforcement and should therefore be addressed in this context. The concept of “hosting” is effectively defined in Article 14 ECD as consisting in the activity of storage. This focus on storage is consistent with Recital 42 of the ECD, which refers to information which is “transmitted” (which is caught by the “mere conduit” exemption in Article 12) and “temporarily stored” (caught by the hosting and caching exemptions in Articles 13 and 14) “for the sole purpose of making this transmission more efficient”; as well as the *travaux préparatoires* relating to the Directive. It is clear that the policy intention was to limit liability exclusively for those storing and transmitting data.

- The IPRED revision should therefore also take into account the need to clarify the safe harbour status provided for intermediaries in the ECD and given the interlinked nature of the Directives, in particular the prominent role of intermediaries in the enforcement measures laid down in IPRED, the Commission should clarify that online operators that do not limit their activities to mere storage and transmission of data at the direction of a user but go beyond that, by using, presenting, organizing or modifying users' materials for commercial purposes, do not qualify as hosting providers within the meaning of the ECD. Moreover, the Commission should clarify that intermediaries who do not act responsibly in the prompt takedown of infringing items to their best ability when notified, should be considered infringers for the purposes of the IP Enforcement Directive.
- In this context, it may also be helpful to consider introducing the principle of joint liability between intermediaries to encourage all intermediaries in the chain of contracts to feel responsible to check whether its counterparts follow the law.
- The European Commission should also begin work with rights owners and intermediaries on the development of a European wide system of notice and takedown for trade marks, whilst clarifying that responsible intermediaries participating in this system would be guaranteed the benefit of the ECD limited hosting liability and not considered infringers for the purpose of the IP Enforcement Directive.

III. Specific issues encountered in the application of the IP Enforcement Directive

- ***Scope of the Directive:*** The Directive covers all infringements of Intellectual Property Rights. However, only in some jurisdictions is this interpreted to include also trade secrets, domain names and parasitic copying as acts of unfair competition and/or IP infringements. It is essential that the Commission clarifies that the provisions of the Directive also apply to these critical IP issues, and provide tools to battle in particular parasitic copying.

- **Damages:** Given the difficulty in obtaining information from intermediaries regarding third-party infringements and the scope of their infringing activity, the effective assessment of interests and damages is burdensome. As some national courts have refused to apply article 8 for information enquiries for the purpose of quantifying damages, the information requirements in article 8 of the Directive should be clarified to allow efficient award of damages.
- **Right of Information:** Due to diverging national interpretations and practises relating to article 8 of the Directive, retrieving information on infringing activities remains a burdensome task, impeding efficient IP enforcement. The Commission should take the opportunity to implement clear guidance as to how information can be shared between legitimate stakeholders in the spirit of cooperation in order to efficiently prevent online illicit practices.
- **Liability / Injunctions:** Despite the fact that article 14 (3) of the ECD provides that the safe harbour regime does not impede courts from ordering injunctions against intermediaries, some Member States have misinterpreted this provision and applied this regime to refuse to order injunctions under articles 9 and 11 of the IPRED. It is therefore important to clarify the relationship between the e-Commerce Directive and the IP Enforcement Directive, in particular in the light of recital 15 IPRED³. In this context, the Commission should clarify that the availability of injunctions is not linked with the liability of an intermediary and simplify the framework of interim injunctions.
- **Scope of Injunctions:** The scope of injunctions provided in article 11 IPRED have caused considerable amount of case law in particular in relation to article 15 of the e-Commerce Directive [as injunctions with a broad scope might be inconsistent with the “no general obligation to monitor” provided by Article 15 of the ECD].⁴ The line taken by German courts supports the trust of consumers and businesses to operate online; highlighting that article 15 ECD would prohibit any duty to monitor the information stored on a website prior to the tort while however noting that once a right has been

³ Recital 15 of the IPRED: “This directive should not affect [...] Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 [....].”

⁴ For example, pending ECJ case L’Oreal v eBay, C-324/09

infringed, the host provider should be required not only to terminate the infringement but also to prevent further infringements.⁵ This is in line with the spirit of the IPRED.⁶

- The Commission should take this opportunity to clarify the scope of permanent injunctions by, for example, adding an annex containing a non-exhaustive list of proactive and preventive measures to the Directive to guide courts on the scope of injunctions available to prevent repeat infringements.
- In practice, this means that when a permanent injunction is granted against an intermediary online service provider, it should take any measures, technical or procedural, automated or non-automated, including the associated procedures and processes, aimed at the timely prevention and adequate response to attempts to perform illicit acts online as soon as technically and reasonably feasible.
- ***Combating IP infringements through first-buy / objection procedures:***

The Internet has provided countless new ways to refer to trademarks without directly associating the mark with goods or services that the user is offering for sale. For example, practices such as the unauthorized use of trademarks as paid keywords by search engine operators or within listings for non-genuine goods on auction sites constitute clear challenges to the traditional application of trademark law and are used in particular by third party infringers in the context of illicit materials, including counterfeit goods.

 - These challenges should be considered not only in the context of substantive trademark law, but also in the framework of the ongoing review of the IP enforcement Directive, especially if the scope of the IPRED is extended to include unfair competition acts.
 - A solution for addressing the above problems would be the mandating of a first-buy or objection procedure for internet intermediaries that use keywords in paid advertising referencing or in sales listings.
 - This procedure should follow established good practise examples (for example the dispute resolution mechanism operating under ICANN for domain names), and

⁵ Case I ZR 35/04 Internet Auction II, (2007) ETMR 70. Note that the AG opinion in L’Oreal v eBay follows similar lines.

⁶ “[...] the measures, procedures and remedies to be provided for should include prohibitory measures aimed at preventing further infringements of intellectual property rights.” (recital 24 of the IPRED Directive)

allow for right holders to object to the use of keywords that correspond to their trademarks.

- While referencing service providers selling keywords that correspond to trademarks have been found not to infringe the trademark under current substantive law, this procedure would nonetheless (without unreasonably burdening platforms) reduce illicit traffic based on unfair advantage gained from the use of a trademark holder's reputation and hence significantly enhance the enforcement of IP in the internet and increase consumer trust in the online environment.