

Criminalising patent infringement in the EU

Trevor Baylis, the British inventor of clockwork radio fame, catapulted IP into the news last autumn when he called for patent infringement to become a criminal offence¹:

"If I was to nick your car, which is worth £10,000, say, I could go to jail, But if I were to nick your patent, which is worth a million pounds, you'd have to sue me. And if I was a colossal company, or indeed another country, that had stolen your invention, how could you find a million pounds a day to take me to court?"

Baylis' proposal was widely criticised by patent professionals, led by the Chartered Institute of Patent Attorneys² in the UK where patent infringement is purely a matter for the civil courts. Responding in kind to Baylis's colourful language, individual patent attorneys went so far as to call the idea "Barking mad"³. Nevertheless, current EU proposals seek to criminalise patent infringement across Europe.

Most computer programs cannot be patented in Europe, but they are usually covered by copyright. As a result, copying computer programs and selling them without authorisation has been a criminal offence in the UK for many years. However, some computer programs are patentable and protection can be much wider and more effective than copyright. Patents provide broader coverage and there is no need to show that an infringer has copied the patentees product. The criminalisation of patent infringement is therefore of relevance to software developers and users.

The European Patent Convention, which governs patent law across Western Europe, excludes the granting of patents for computer programs "as such". However, the "as such" exception means that patents can be granted where programs provide a new and non-obvious "technical effect". In these cases, the current rules effectively allow the program itself to be claimed in the patent. The technical effect can be something external to the computer (e.g. stopping a car more quickly with an improved ABS system) or internal to it (making a computer run faster). It includes things like data transmission systems and encryption, though methods of doing business, mathematical methods or aesthetic creations are expressly excluded. In very general terms, if a patent would be available for doing something by means other than a computer program, a patent should be available doing it using a computer program.

Patent infringement can already result in criminal prosecution in a number of European countries, including France⁴ and Germany, although prosecutions "very seldom" occur¹⁰. Nevertheless, for years there has been consistent pressure by the European Commission to extend criminal sanctions for patent infringement across the EU, despite widespread criticism. A recent resolution of the EU's Competitiveness Council¹¹ suggests that there will be a further effort to impose criminal sanctions across Europe.

Enforcement of patent rights is a matter for national law and procedure although the European Patent Convention does provide for a broadly consistent code of patent law across the EPC member states (which include, but are not restricted to the EU member states). However, following on from the TRIPS agreement, in 2003, the Commission of the European Union proposed a Directive on the Enforcement of Intellectual Property Rights ("IPRED"). This Directive set out certain minimum requirements that had to be provided in the IP enforcement systems of the member states.

The IPRED was consistently presented by the European Union as to having the purpose of establishing "best practice" across the EU in the fight against piracy and counterfeiting. It was intended to comply with Part III of the TRIPS agreement, which sets out minimum IP enforcement standards.



However, the draft included the provision of criminal sanctions for all types of IP infringement where this was intentional and on a commercial scale, whereas TRIPS only requires these “in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale”⁵. Thus, the directive went well beyond the requirements of TRIPS, a point admitted by the EU Commission, which referred to its “TRIPS-plus” approach⁶.

TRIPS makes it clear that “counterfeiting” refers to the copying of a trade mark and “piracy” to the copying of copyright goods, in other words “fakes” of one kind or another. Apart from the absence of any actual reference to patent infringement itself, it is unlikely to be a decisive issue where fake goods are concerned since patent rights are rarely material to the outward appearance of goods.

The original proposal’s inclusion of criminal sanctions for patent (and to a lesser extent registered design) infringement faced widespread opposition. Furthermore, its timing was difficult for the Commission as it coincided with the negotiations for enlargement of the EU to include a number of eastern European states, which, it has been suggested, were likely to be unsupportive of the proposed directive. In order to bring the directive into force before the inclusion of these states, the controversial criminal provisions were removed. The slimmed-down directive then came into force in May 2004.

Just over a year later the Commission issued the snappily titled “Proposed directive on criminal measures aimed at ensuring the enforcement of intellectual property rights”, which is more conveniently known as IPRED2. Essentially, this sought to introduce the criminal provisions that had been excised from IPRED. Again the justification was:

“to align national criminal law and improve European cooperation so as to deal effectively with counterfeiting and piracy activities, which are often carried out by criminal organisations.”

Again, the proposal was to extend the criminal law to all types of IP infringement, including those such as patent infringement which are at most peripheral to counterfeiting or piracy. Article 3 was as follows:

“Member States shall ensure that all intentional infringements of an intellectual property right on a commercial scale, and attempting, aiding or abetting and inciting such infringements, are treated as criminal offences.”

Objections to this proposal came from two quite different directions. On one hand there was concern about the further intrusion of the EU into the area of criminal law. On the other (which will be considered here), there was further widespread criticism of the use of criminal sanctions in patent disputes. The broad scope of the provision, extending as it did to “attempting, aiding or abetting and inciting” was a further source of concern.

In the UK, the Chartered Institute of Patent Attorneys (CIPA) argued that criminal sanctions “should generally be restricted to [infringement of] registered trade marks and copyright” and only for “acts which flagrantly and deliberately encroach on owners’ rights”⁸. It was further submitted that the draftsmen of the directive had made several errors: (i) equating all intentional IP infringements to piracy and counterfeiting; (ii) failing to justify criminal sanctions otherwise than for piracy and counterfeiting and (iii) failing to recognise that there are legitimate competitors to IP rights holders.

In the case of the last point it was pointed out that, whilst an infringing act may be deliberate, the scope of patent protection and/or validity of the patent are frequently a matter of dispute. If a competitor had to face serious criminal sanctions they would be forced to take an overly conservative approach to such questions; the result would be a *de facto* extension of patent protection and a reduction of competition.



CIPA emphasised that this problem is even more serious in the case of unexamined registered rights, such as the EU design registration. There are inevitably many such rights that are registered but not valid and the threat of criminal prosecution would likely be a significant deterrent against a third party producing a similar product, even if he/she had an apparently good defence on the basis of invalidity.

Another concern for CIPA was that the broad wording of the article might even prevent patent attorneys and other legal advisors from being able to advise a client – could giving advice about the possible invalidity of a patent amount to aiding or abetting infringement?

The submission of the Law Society⁹ were broadly consistent with those of CIPA and also questioned the legal basis for such a directive in the EU Treaty, as well as pointing out various practical problems with criminal prosecutions in this field.

Concerning the legal basis, the Law Society pointed out that the ECJ had, in its judgment concerning the Framework Decision on the protection of the environment, confirmed that “as a general rule neither criminal law nor the rules of criminal procedure fall within Community’s competence”. It was, however, conceded that the EU was not prevented from requiring criminal sanctions where these are the only effective remedy.

Regarding the practical issues, the Law Society posed the question of who would prosecute. It pointed out that private prosecutions are possible in the UK, though rare. In contrast, the Trading Standards departments of local authorities are unlikely to have the resources to bring a prosecution (particularly in respect of a patent). Perhaps more fundamentally, it was pointed out that that whoever brought the prosecution, it would be difficult to afford sufficient certainty in order to bring proceedings and that there were civil liberties issues.

Further criticism of the proposal came from the Max Planck Institute¹⁰. It also questioned the legal basis, pointing out that TRIPS was already binding on all member states so the need for further legislation was unclear. As mentioned above, it pointed out that criminal prosecutions for patent infringement are rare where they are possible, but (presumably if they became more common) they pose “a risk that, by enhancing the threatening potential this entails, the (desirable) freedom of market actors to engage in business is curtailed beyond proportion, which would produce results adverse to the aims of the common market”. The Institute came to the clear conclusion:

“It follows that harmonisation of criminal law in the field of IP, if admissible at all, must remain confined to cases of clear piracy and counterfeiting. In less straightforward cases – in particular when the conflict concerns the scope of protection granted vis-à-vis similar goods or achievements – sanctions under civil law can usually be regarded as sufficient from a Community perspective (notwithstanding rules of national law).”

It seemed that these criticisms have had some effect. In April 2007, the European Parliament adopted a resolution that made significant amendments. These clarified that it should only apply to counterfeiting and piracy. As such, the amended draft did not apply to any infringement of patents, utility models and plant variety rights. However, design rights (presumably including registered designs) were included.

Officially, the proposed directive is awaiting a decision by the Council of Ministers, but for some years there was no sign of action from the Council. Then, at the beginning of March this year, at an EU Competitiveness Council meeting a resolution was passed inviting the EU Commission to consider “submitting an amended proposal for a Directive on criminal measures aimed at combating counterfeiting and piracy”.



The Resolution makes no mention of the fact that a Proposed Directive for this precise purpose had already been agreed in amended form by the European Parliament. Given that the Parliament left intact the parts of the Proposed Directive that actually related to piracy and counterfeiting, the most expedient way to achieve the Commission's objectives would have been to accept the amendments made by the Parliament. By asking the Commission effectively to start again, it can only be assumed that the Council wishes there to be more widespread criminal sanctions than the Parliament would accept, or most experts would support. It seems that the Council has made up its mind and is prepared to keep pursuing this policy until it succeeds.

Rob Jackson, Partner

First published in *Computers & Law*, May 2010

References

- 1 - BBC Web site - Inventor urges patent law change - <http://news.bbc.co.uk/1/hi/uk/8232130.stm>
- 2 - CIPA Press release - Patent attorneys urge Lord Mandelson to resist Trevor Baylis's plea to criminalise patent infringement - <http://www.cipa.org.uk/pages/press/article?5A435D19-E1D4-42B6-8774-D5DDF666AA84>
- 3 - IPKat - Criminalising patent infringement - "barking mad"? - <http://ipkitten.blogspot.com/2009/09/criminalising-patent-infringement.html>
- 4 - French Intellectual Property Code L. 615-12. L. 615-14 provides for maximum penalties of two years in prison and a fine of 1,000,000 francs.
- 5 - TRIPS Article 62
- 6 - EU Press release - Intellectual property: Commission proposes Directive to bolster the fight against piracy and counterfeiting - <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/03/144&format=HTML&aged=0&language=EN&guiLanguage=en>
- 7 - EU Press release - Counterfeiting and piracy: Commission proposes criminal law provisions to combat intellectual property offences - <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/06/532&format=HTML&aged=1&language=EN&guiLanguage=en>
- 8 - Preliminary Comments of the Chartered Institute of Patent Agents, 26th September 2005
- 9 - Proposal for a Directive on criminal measures... Comments by the Law Society of England and Wales - August 2006 - <http://www.lawsociety.org.uk/secure/file/157008/e:/teamsite-deployed/documents/templatedata/Internet%20Documents/Non-government%20proposals/Documents/ipcriminalsanctions310806.pdf>
- 10 - Max Planck Institute: Statement on Directive on Criminal Measures Aimed at Ensuring the Enforcement of Intellectual Property Rights - http://www.ip.mpg.de/shared/data/pdf/directive_of_the_european_parliament_and_of_the_council_on_criminal_measures_aimed_at_ensuring_the_enforcement_of_intellectual_property_rights.pdf
- 11 - EU Council Resolution of 1st March 2010 (2999th Competitiveness Council Meeting) - http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/intm/113098.pdf

United Kingdom

Dehns
St Bride's House
10 Salisbury Square
London
EC4Y 8JD

T: +44 (0)20 7632 7200
F: +44 (0)20 7353 8895
E: mail@dehns.com

Dehns
Aspect House
84-87 Queens Road
Brighton
BN1 3XE

T: +44 (0)1273 244200
F: +44 (0)20 7353 8895
E: brighton@dehns.com

Dehns
Willow Court
West Way
Oxford
OX2 0JB

T: +44 (0)1865 305100
F: +44 (0)20 7353 8895
E: oxford@dehns.com

Germany

Dehns
Singlspielerhaus
Sendlinger Str. 29
80331 Munich

T: +49 89 2422 8130
F: +49 89 2422 8140
E: munich@dehns.com

www.dehns.com