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► To cite this version:

Nicolas Bronzo. Remedies for Intellectual property rights infringement in France and Europe: have we gone too far?. Second Property Remedies Discussion Forum Aix-en-Provence, Russel L. Weaver; François Lichere, Jun 2014, Aix-en -Provence, France. hal-03985311

HAL Id: hal-03985311

<https://hal.science/hal-03985311>

Submitted on 13 Feb 2023

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Remedies for Intellectual property rights infringement in France and Europe : have we gone too far?

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This article is about remedies for the infringement of intellectual property rights. In the first part, we will briefly see what is intellectual property, and why legal remedies attached to intellectual property rights are of great importance. In the second part of this article, we will give an overall view of the many remedies available to the right-owners to enforce their intellectual property. In the third and last part, we will assess the efficiency of remedies available in the field of intellectual property.

I. Importance of remedies in the field of intellectual property

What is intellectual property? Intellectual property involves all sorts of creations of the mind, such as industrial inventions, literary and artistic works, industrial designs, or distinctive symbols, names and images used in the course of commerce.

Intellectual property is protected in law by exclusive rights. These rights are usually divided into two categories: industrial property and copyright. Industrial property includes patents, trademarks and industrial designs. Copyright covers all kinds of artistic works (writings, music, films, paintings and sculptures, etc.) Industrial property is a rather miscellaneous category, but its basic features differ from copyright. Industrial property rights are subject to prior registration and are issued by the administration.

Economic importance of IPR. Intellectual property has considerable economic importance. In the knowledge economy, growth in developed nations is largely based on innovation, and intellectual property is generally presented as an instrument to foster innovation. The equation is actually quite simple: the protection of intellectual property encourages intellectual and financial investment needed to create. This is called the dynamic effect of intellectual property: it allows the appearance of new technologies or new works. But intellectual property also has a static effect: the existence of private rights facilitates and secures the transfer of intangible assets. Therefore, intellectual property does not exist only for the satisfaction of the individual interest of the owner. It also has a macro function and contributes to the satisfaction of the general interest. This probably explains why the governments of developed countries and international institutions such as the OECD strive to promote and improve the rules on intellectual property.

Vulnerability of IPR. This attention is not superfluous, because intellectual property is a valuable asset which is particularly vulnerable. Vulnerability of intellectual property lies in its features, which differ from those of material property. Intellectual property concerns intangible things that are related to Information one way or another. The economic value of this information is revealed in the transmission, sharing with third parties. Keeping this information to yourself is of little interest. However, it is impossible to control information once it is released, precisely because it is immaterial. In the material world, physical boundaries induce a certain rarity, and it is this rarity, combined with utility, that gives value to the object. In this case, property rights exist to manage scarcity, allocating the best resources available. But intellectual property obeys a different logic. Immaterial things are originally devoid of scarcity. The law thus recognizes a form of property to generate an artificial scarcity, without which there would be no incentive to create or invent, and no economic value. In other words, intellectual property simply does not exist in the absence of legal protection and this legal protection depends to a large extent upon the existence of effective remedies in case of infringement by third parties.

Strengthening and globalisation of IP rights and remedies. During the last thirty years, intellectual property rights have been considerably reinforced. This is true not only in developed countries but also in the rest of the world. The most obvious sign of this trend is the adoption of TRIPS agreement in 1995 as part of the World Trade Organisation. This international agreement is the first to encompass all the intellectual property rights, from copyright to trademarks, including patents and industrial design. It determines the minimum level of protection of intellectual property that the Member States are required to provide. The agreement covers the substantive law on intellectual property, but also the different remedies that should be available to right holders “in order to give effective meaning to substantive IP rights¹”.

The TRIPS agreement provide various remedies for the infringement of IP based on the most advanced national legislation in this regard. Following the agreement, Member States should provide civil remedies, but also administrative measures and criminal sanctions in case of infringement of intellectual property rights. The aim of TRIPS was to develop and strengthen the remedies to fight against counterfeiting on a large scale. In most developed countries, compliance with the agreements did not involve profound legislative changes, but it does not hold true in developing countries where intellectual property rights had to be considerably strengthened.

It is also interesting to notice that if the substantive rules differ from one intellectual property to another, the rules on remedies are, at least for most of it², common to all forms of intellectual property.

In Europe, harmonization of remedies for violation of IP has reached a new level with the adoption of the Directive of 29 April 2004 on the enforcement of

¹ Cornish, Llewelyn and Alpin : Intellectual property : patents, copyright, trademarks and allied rights, Sweet&Maxwell, 8th ed, 2013, n°2-03.

² Variations exist between the specific fields, but they are minimal. See Cornish et al., 2-01.

intellectual property rights. Despite the TRIPs, the different EU Member States did not provide the holders with the same remedies, causing “major disparities as regards the means of enforcing intellectual property rights”³.

These differences affect the proper functioning of the common market, since the protection of creation and investment is not the same from one Member State to another. More important, infringers could take advantage of more lenient enforcement in some jurisdictions.

While TRIPs include civil and criminal measures, the European Directive does not deal with the criminal aspect. Another directive on the subject has been in preparation for some years but the work has not resulted yet.

Directive on the enforcement of intellectual property rights in the Union establishes standards even higher than the TRIPs agreement. Member States had to amend their legislation in varying proportions to comply with the new statute. In the UK, for example, the Directive induced very few modifications⁴. In France, several provisions in the “Code de la propriété intellectuelle” had to be adapted, for example on the calculation of damages or the right to information.

II. An overview of remedies available to protect intellectual property rights

Following the enactment of the enforcement Directive, every European country should provide the right holders with a wide gamut of remedies to tackle any violation of their intellectual property. In this article, we only discuss civil remedies, and we leave aside criminal and customs measures, even if they are essential weapons in the fight against infringement.

A. Provisional measures

One of the salient features of IP remedies is the importance of interim measures. According to the Art. 50 of the TRIPs agreement, provisional measures can be ordered to prevent an infringement from occurring, but also to preserve relevant evidence in regard to the alleged infringement before any decision upon the merits of the case.

Preventing infringement-Injunctions. Article 41 of the TRIPs Agreement requires WTO members to set up “expeditious remedies to prevent infringements”. Under the enforcement Directive, Member States have to ensure that the courts may issue interlocutory injunctions intended to prevent any infringement of an IP right or to forbid continuation of the alleged infringement⁵. Interlocutory injunctions are issued to maintain a *status quo* before any decision on the merits of the case. These injunctions are an efficient and cheap way of protecting IP, and they contribute a great deal to the practical efficacy of IP rights⁶.

An interim injunction is a serious restriction to the defendant's rights. Therefore, it cannot be lightly granted. In the UK, the assessment to decide whether such an

³ Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, Recital (7).

⁴ Cornish et al., 2-03 p. 55.

⁵ Directive 2004/48/EC, Art. 9, 1(a)

⁶ Cornish et. al., 2-30.

injunction can be granted was established in *American Cyanamid v. Ethicon*. First, the Court must be satisfied that there is a “serious question to be tried”, meaning that the claim is not “frivolous or vexatious”. After that, the court should not look for a *prima facie* case in the affidavit evidence, but instead it should assess the balance of convenience. An assessment must be made as to which of the parties would suffer greater harm from the granting or refusal of the remedy pending a decision on the merits. In short, if damages awarded at trial can adequately compensate the claimant, interim relief should not be granted. If damages cannot compensate the claimant, the court then has to consider whether the defendant would be adequately compensated by damages, should the claimant not succeed at trial. In case the defendant would be adequately compensated by damages, the injunction is likely to be granted.

On request of the applicant, courts may also order the seizure or delivery-up of the goods suspected of infringement so as to prevent their entry into the channels of commerce. Seizure or delivery-up ensure that injunctions are properly effective⁷.

Gathering and Preserving evidence of infringement. Right holders often face the difficulty of gathering evidence about the violation of their intellectual property⁸. In addition to the seizure measures directed at freezing the allegedly infringing goods, rights holders can also request measures to collect and secure evidence relating to the infringement. According to Art. 6 of the enforcement directive, if the right owner is aware of evidence which lies in the control of the defendant, he ask the court to issue an order compelling the supposed infringer to present the evidence.

A more efficient way for the owner of intellectual property to gather evidence of a supposed infringement is to inspect the defendant's premises, in order to describe, seize or copy material relevant to the alleged infringing. This procedure was formerly known in the UK as an *Anton Piller Order*, named after the *Anton Piller v. Manufacturing Processes* landmark case in which the Court of Appeal approved of such a procedure in a patent dispute. It was given statutory force by the Civil Procedure Act of 1997. In France, the equivalent procedure is called “saisie-contrefaçon⁹”. Search orders have greatly contributed to the enforcement of IP rights, even though this procedure raises concerns for the fundamental rights and personal liberties of the defendant. In France, the order is executed by a bailiff, accompanied by an expert. The question arose whether the expert accompanying the bailiff could be the IP counsel of the applicant. In particular, some challenged the conformity of the procedure with Article 6 § 1 of the ECHR. The french supreme court decided that the IP counsel was an independent professional¹⁰. Therefore, its presence during operations is not contrary to the principles of fair trial.

⁷ Cornish et al., 2-38.

⁸ E. Bonadio : Remedies and sanctions for the infringement of intellectual property rights under EC law, E.I.P.R 2008, 30(8), 320-327.

⁹ See P. Veron (Dir.), *Saisie-Contrefaçon*, Dalloz Référence, 3rd éd., 2013.

¹⁰ Cour de Cassation, Chambre Commerciale, 8 mars 2005, 03-15.871.

In addition to the search order, the defendant may also be ordered to disclose all relevant information on the origin of the infringing goods and the networks used for distribution. This right is called “Right of information” in the enforcement directive and in the TRIPS agreements¹¹, but it was previously known as a Norwich Pharmacal Order in UK case law¹². French law had no equivalent procedure until the enforcement directive was transposed in 2007¹³. The advantage of this measure is that the injunction may be directed against persons holding infringing goods without being themselves infringers, such as retailers or intermediaries.

Relevant information may include, for instance, names and addresses of the producers, manufacturers, distributors, and other previous holders of the goods. Right holders can also ask for information on the quantities produced or the price obtained for the infringing goods.

Balance with the rights of the defendant. Whether they aim at preventing infringement or at gathering evidence, provisional measures can prove a very efficient way for the right holders to protect their intellectual property, especially considering that they can be taken “without the defendant having been heard, in particular where any delay would cause irreparable harm to the right holder”¹⁴.

When the protection of IP requires going fast, the right holder is provided with adequate *ex parte* means of action. This explains to a large extent the effectiveness of these measures, but it also raises concerns about the rights of the defendant. Injunctions and search orders are usually extremely invasive¹⁵. In this regard, the enforcement Directive offers both procedural and economic safeguards. In order to prevent major abuse, right holders benefiting from provisional measures are requested to initiate proceedings leading to a decision on the merits of the case within a reasonable period that should not exceed a month or so. When *ex parte* orders are granted, the defendant must be given notice without delay after the execution of the measures, and must be able to challenge the lawfulness of the injunction or seizure orders issued *ex parte*¹⁶.

Provisional measures may also be subject to the lodging by the applicant of adequate security intended to ensure compensation for any prejudice suffered by the defendant where it is subsequently found that there has been no infringement or threat of infringement. This ensures a balance between the

¹¹ Art. 47: « Members may provide that the judicial authorities shall have the authority, unless this would be out of proportion to the seriousness of the infringement, **to order the infringer** to inform the right holder of the identity of third persons involved in the production and distribution of the infringing goods or services and of their channels of distribution. »

¹² *Norwich Pharmacal Co. & Others v Customs and Excise Commissioners* [1974] AC 133

¹³ Code de la propriété intellectuelle, art. L. 331-1-2 for copyright, art. L. 615-5-2 for patents, L. 716-7-1 for Trade marks.

¹⁴ Directive 2004/48/EC, Art. 9, 4.

¹⁵ See *Dimock: Intellectual Property Disputes: Resolution and Remedies*, Chapter 15 — Injunctions — Interlocutory and Permanent, by Patrick E. Kierans, Louisa Pontrelli and Daniel Daniele.

¹⁶ E. Bonadio : Remedies and sanctions for the infringement of intellectual property rights under EC law.

parties and requires the applicant to moderate its claims according to his risks¹⁷. The trial may last several months (or even more than a year for patent lawsuits). For the defendant restrained to continue his business, losses during this period can be significant.

A key point regarding provisional measures is to determine the standard of proof the claimant has to meet in order to be granted for provisional measures. The enforcement directive requires the claimant to show "reasonably available evidence to support his claim that his IP right has been infringed or is about to be infringed"¹⁸. The court should reach a sufficient degree of certainty that the applicant is the right holder and his right is being infringed¹⁹. There is a difficult balance to achieve between the protection of IP and the rights of the alleged infringer. It must be remembered that the application for interim relief will generally occur early in the proceedings and that the court will have to make up their mind on the basis of information solely provided by the applicant. Therefore the standard of proof should be high enough to prevent any abuses. But at the same time, asking the claimant to make a strong *prima facie* case would deprive him of useful means to protect his IP.

B. Measures following a decision on the merits

As we have just seen, European law provide the right holders with many procedures to protect their intellectual property at an early stage, before any decision upon the merits of the case. Provisional measures are a very important aspect of IP litigation, but of course they must be completed by proper remedies. Let's assume now that the claimant has established his right at trial. What remedies are available to the right holder?

Permanent injunction. We have already discussed injunctions as a provisional measure, but they also exist in the form of permanent injunctions. A permanent injunction is a final award of relief to a party. It permanently restrains the defendant from acting in a manner that infringes, or would infringe, the proprietary interests of the right holder. Provided the infringement is proven at trial, a permanent injunction will be issued against the defendant unless there is a good reason to do otherwise. (For example if the IP right is about to expire, or if there is no likelihood of repetition by the defendant).

Delivery-up and destruction. As corrective measures, the courts can order the infringing goods to be permanently removed from the channels of commerce. They can also order the destruction of the goods at the expense of the infringer. To prevent any recurrence, this measure can extend to the apparatus used to manufacture the infringing goods²⁰.

Damages. The question of damages owed by the infringer is rather complex. Usually, damages are paid to the claimant to compensate his loss. According

¹⁷ N. Binctin : *Droit de la propriété intellectuelle*, n°1131.

¹⁸ Directive 2004/48/EC Art. 7, 1.

¹⁹ Directive 2004/48/EC Art. 9, 3.

²⁰ Directive 2004/48/EC 10, 1. See also Cornish et. al., 2-37.

to the enforcement directive, the right holder can be awarded damages to compensate the prejudice he suffers as a result of the infringement.

When setting the amount of damages, courts are given an alternative.

Art. 13

[...]

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.*

[...]

Quantification of damages should include “all appropriate aspects”, which means negative consequences for the claimant but also unfair profits made by the infringer. Negative consequences include economic losses (both incurred loss (*damnum emergum*) and lost profit (*lucrum cessans*)) and moral prejudice, for example if the infringement causes an injury to the claimant's reputation. Including illegitimate profits made by the infringer to assess the amount of damages is more unusual.

In France, damages primarily have a restorative function. We normally rely on the principle of full compensation for damages suffered, which means that you must repair the whole harm suffered, but no more. This causes a major problem with IP infringement, because the profit made by the wrongdoer frequently exceeds the loss incurred by the right owner. This is the case when the infringer can manufacture and commercialise more products than the rightful owner. There would be little deterrent effect if the infringer only had to compensate the losses incurred by the claimant while keeping a major part of the profits for himself.

Following the enforcement directive, French law permits the court to take into account illegitimate profits when assessing the amount of damages payable by the infringer of IP rights.

In the UK account for profits was available as an equitable remedy long before the enforcement directive²¹. Normally, the claimant is not entitled to both an account for profits and damages, but has to elect between the two. But since the enforcement directive seems to mix up account for profit with damages, the above distinction is a little blurred.

Anyway, the claimant is not entitled to recover profits that result from an enterprise that includes both an infringing act and a legitimate act. In those

²¹ *Hogg v. Kirby* (1803) 8 Ves Jun 215

cases the profit from the latter will not be recoverable. To be recoverable those profits must have resulted from the infringement. This can be difficult to establish where profits have resulted from the use of a mixture of IP rights, not all of it belonging to the claimant, as the claimant will have to establish the proportion of profits derived from the use of his IP specifically.

When the case is "appropriate", which means when it is not possible to assess the damages based on incurred losses and/or unfair profit, it is always possible to set the damages as a lump sum. Following the directive, the sum should equal at least the amount of royalties which would have been due if the infringer had requested authorisation to use the intellectual property right.

III. Assessing the efficiency of remedies for IP infringement

Development and harmonization of remedies to the infringement of intellectual property has considerably strengthened the position of rights holders. This is entirely consistent with the general strengthening of intellectual property which also passes through the expansion of substantive rights.

Despite this continuous reinforcement, most studies show that the global volume of counterfeiting continues to increase²². It therefore seems necessary to question the relevance of the remedies provided by law. [This leads us to assess the relevance of the provisions passed during the last decades to protect intellectual property (Trips, enforcement directive, national law)].

The first point that should be emphasized is the risk of abuse by owners. The notion of balance between rights of the owner and those of the defendants is not absent from the TRIPS agreement and Directive. National laws also try to maintain some kind of balance. The requirement of proportionality exists at all levels of the procedure. But despite these precautions, strengthening intellectual property rights opens the door to opportunistic behaviour harmful to innovation. This is the case, for example, of patent trolls which we heard so much about these years. If these patent trolls were able to develop, it is mainly because they rely on provisions largely favourable to the rights holders. The strength of provisional measures, the threat of being exposed to high damages are pressure tactics used by trolls to extort money from their victims. Failure of recent attempts in the US to amend procedural rules in patent suits in order to limit the means of action of the Patent trolls demonstrates that this is a touchy subject. It is delicate business to fight against patent trolls without harming other rights holders.

The second major issue is the infringement of fundamental rights. The procedural advantage given to holders gives them extraordinary powers that conflict with the most basic rights of the defendant.

We have already mentioned the complex relationship between "Anton Piller Orders" and the right to a fair trial. But this procedure is also likely to impair the right of property, the right to privacy, or the privilege against self-incrimination.

²² Statistics from the European Commission show that customs seizures increased continuously for 10 years. One can see the increase as a sign that the action of powers gives results, but it also shows that the problem of counterfeiting is far from settled.

The same could be said for other measures and remedies, such as Mareva injunctions (allowing right holders to freeze the assets of the defendant) Norwich Pharmacal orders and the right to information mentioned in the European directive.

Ultimately, we can ask ourselves : can we ensure a better protection for IP rights by constantly strengthening civil remedies ?

The answer is probably negative. The effectiveness of IP right requires rigorous measures, of course, but remedies should also be in adequacy with the phenomenon of counterfeiting. Remedies we have discussed are shaped for tackling what might be called a "corporate counterfeiting", one that is committed by companies, often between competitors, in the course of business. Civil remedies available to right owners are akin to commercial law. But counterfeiting now takes many different forms, and those engaged in counterfeiting and piracy have changed a great deal.

Many documents report that global piracy is now conducted by criminal organizations. The same people who traffic guns and drugs now sell counterfeit goods like DVDs, designer's clothes, or drugs. They tend to consider this activity as equally lucrative and less risky. When counterfeiting borrows circuits of organized crime, civil remedies appear to be largely ineffective. For an organization willing to injure or kill people during the normal course of business, we can assume that the threat of an injunction or seizure will have little deterrent effect. Therefore it seems unnecessary to strengthen civil remedies to address this issue. In this case, criminal justice seems to be a more appropriate response, according the police and justice are given more human and material resources to fight piracy effectively. However, increasing penalties is unnecessary, considering that they are already very severe.

The issue of criminal procedures and remedies to IP rights infringements is particularly important in countries where counterfeiting is a mass phenomenon. In 2007, pursuant to art 6 of the Understanding on Rules and Procedures Governing the Settlement of Disputes, the US requested the Dispute Settlement Body to establish a panel to investigate specific measures affecting the protection and enforcement of Intellectual Property Rights in China. One of the issues in dispute related to the fact that Chinese law established numerical thresholds for criminal procedures and penalties for infringements of intellectual property rights. The panel had to decide whether these thresholds were consistent with article 61 of the TRIPS agreement:

Art. 61

Members shall provide for criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale. [...]

The Panel did not endorse China's thresholds but concluded that the factual evidence presented by the United States was inadequate to show whether or not the cases excluded from criminal liability met the TRIPS standard of "commercial scale" when that standard is applied to China's marketplace²³.

²³ WTO Dispute DS362.

But maybe the growing place of organized crime is not the most striking trend in the evolution of IP rights infringement. The development of networks and personal computing allows each individual to reproduce and share content on the Internet without the permission of copyright holders. Today counterfeiting extends into every family home. Again, this new form of counterfeiting profoundly challenges the conventional remedies, which do not seem suited to this type of infringement, although for different reasons. Counterfeiters discussed here are teenagers, fathers and mothers, who illegally download music or movies instead of getting them legally. Damages, search orders, assets freezing... all these remedies seem disproportionate when applied to a single individual who does not withdraw profit from its activities. Since they are disproportionate, they tend never to be applied. And of course, the same could be said about criminal remedies, shaped for "big time" infringers. As a result, many users of the Internet developed a sense of impunity and a strong lack of consideration for intellectual property. Large-scale campaigns launched a few years ago to explain that downloading films was just like stealing a handbag probably did not encourage the acceptance of IP among the public.

In this regard, it is interesting to dwell a moment on the example of France. In 2009, the parliament passed the law " Creation and Internet " to fight against illegal downloading²⁴. This law created a government agency called HADOPI. In short, this agency is responsible for identifying copyright infringers and implement a " graduated response ", which works as follows: when a copyright holder become aware of an illegal file-sharing, he shall inform the HADOPI, who asks the ISP the identity of the user. The HADOPI then send the user a first warning by email. If the infringer relapses within six months, he receives a second warning, this time by registered mail. If the user keeps his illegal file sharing, HADOPI will transmit the case to the competent court, which may impose criminal sanctions. Initially, the court could order the temporary interruption of Internet access. This unprecedented sanction was supposed to have a strong deterrent effect on the users. One could speculate, however, that such a sanction could cause significant interference with freedom of expression and communication. Following the recommendations of a special report, the French government recently suppressed this measure. Final step of the graduated response is now a simple fine of 1500 euros. This example shows how difficult it is to find a suitable remedy for massive infringement on the Internet.

²⁴ « Loi n° 2009-669 du 12 juin 2009 favorisant la diffusion et la protection de la création sur internet » et « Loi n° 2009-1311 du 28 octobre 2009 relative à la protection pénale de la propriété littéraire et artistique sur internet ».