

# Summary Report

## Question Q169

### **Criminal law sanctions with regard to the infringement of intellectual property rights**

- Within the framework of Question 134 concerning "*The enforcement of intellectual property rights - TRIPS*", the AIPPI studied the way the countries respected the obligatory provisions of the TRIPS treaty.

But the work undertaken by the AIPPI did not concern the question, expressly provided for in article 61 of the TRIPS treaty, of the criminal sanctions with regard to wilful acts of trademark counterfeiting and copyright piracy.

It was thus necessary for the AIPPI, to study the question of the implementation of article 61 of the TRIPS treaty, which, on the one hand, imposes, in a compulsory way, penal sanctions for the acts of trademark counterfeiting and copyright piracy, and on the other hand, gives to Member States of the World Trade Organisation, the possibility to provide for penal sanctions in other cases of intellectual property rights infringement, and in particular for patent infringement.

- The working guidelines exposed in a very complete way all the aspects of the questions and the Groups massively answered.

The Reporter General received 34 reports: 33 of the following National Groups: South Africa, Germany, Argentina, Brazil, Bulgaria, Canada, Croatia, Denmark, Spain, the United States, Finland, France, Hungary, Ireland, Israel, Italy, Japan, Latvia, Luxembourg, Netherlands, Norway, Paraguay, Portugal, Republic of Korea, Romania, Singapore, Sweden, Switzerland, Thailand, Czech Republic, the United Kingdom, Uruguay and Venezuela. 1 report of a Regional Group: the Arab Regional Group forwarded a report on the Algerian situation.

These reports fully set out the situation of the Substantive Law in each country and also suggest solutions for the future.

From the point of view of the Comparative Law, studies contained in the reports of many Groups (Brazilian, Canadian, Croatian, Finnish, French, Hungarian, Japanese, Korean, Dutch, Paraguayan, of South Africa or Switzerland), constitute an excellent source of information on the legal system currently in force in these countries.

Indeed, these reports expose very exhaustively all the legal rules in force in their countries on this matter, from the point of view of both material and procedural rules.

Independently of the conclusion that the AIPPI could take on this question, these reports constitute a very rich source of lessons on the legal system in force in the various countries whose Groups are members of the AIPPI.

General observations, with regard to the applicable criminal law sanctions, as well as to the elements of the criminal liability and the criminal procedure, can be considered:

**a) The implementation of the criminal law sanctions:**

- All the national legal systems provide for criminal law sanctions for acts of infringement of intellectual property rights.

Thus, one can note that the countries whose Groups forwarded their report, are in conformity with the TRIPS treaty, since they provide for criminal law sanctions against trademark counterfeiting and copyright piracy.

Criminal law sanctions provided for punishing infringement of those intellectual property rights are the usual criminal law sanctions, namely fine or imprisonment.

However, the report of the Arab Regional Group stresses that in Algeria, if criminal law sanctions are provided for copyright piracy, no sanction is provided for the trademark counterfeiting, contrary to the requirements of the TRIPS treaty.

And in its report the Luxembourg Group wonders about the possibility of providing, in the national law, for criminal law sanctions for trademark counterfeiting.

In addition, if, among the countries which put their legal system in conformity with the provisions of the TRIPS, Argentina, Canada, Ireland, Paraguay, the United Kingdom and Singapore provide for criminal law sanctions for trademark counterfeiting and copyright piracy, these countries do not provide for criminal liability for patent infringement.

However, the criminal liability for patent infringement is provided for in the legislation of most of the Groups and in particular of the European Groups (Denmark, France, Netherlands, Spain, Portugal, Italy, Norway and others), the Asian Groups (Republic of Korea and Japan) as well as Uruguay.

Some of these reports specify that the criminal law sanctions also concern for the infringement of the other intellectual property rights such as the rights of the interpreters or for the acts of unfair competition.

It is the case in the Republic of Korea, in Switzerland, in Brazil or in Finland, which provide for the possibility of punishing the acts of unfair competition by criminal law sanctions.

- Thus, even if there is a large range of situations, one can note that in the majority of the countries, criminal law sanctions apply to all the acts of infringement of the various intellectual property rights and the implementation of those sanctions is not limited to the acts of copyright piracy and trademark counterfeiting, as imposed in the TRIPS treaty

The resort to criminal law sanctions brings to the fore the gravity of the phenomenon of the counterfeit on a world level.

Moreover, certain Groups, in particular the Italian Group, suggest to reinforce the criminal law sanction.

- But the Groups whose national legislation does not provide for the criminal liability for infringements of Intellectual Property rights, and in particular patent infringements, stress the difficulties that this procedure can present, taking into account, on the one hand, the very complex and technical character of the cases and on the other hand, the slowness of the criminal procedures.

Moreover, some reports of the Groups whose laws provide for criminal law sanctions against infringement, stress that in practice, they have little resort to the criminal law procedures; it is in particular the observation of the French Group. The Danish Group even notes that if criminal sanctions are provided for in the law, they are never enforced.

On the other hand, the Argentinean Group considers that the best sanction as regards patent infringement consists in granting higher damages.

Other Groups, such as the Latvian Group, note that they have little experience as regards implementation of the criminal law sanctions to the acts of infringement and that it is advisable to await the development of precedents before discussing the question.

But one can answer to the Groups which underline the difficulty of the implementation of the criminal law, in particular to the acts of patent infringement, that the difficulty of assessment of these acts exists independently of the nature of the sanction.

- Thus the AIPPI must deal with the following question of principle: Do criminal law sanctions have to be applied to all the acts of infringement of intellectual property rights, and in particular to patent infringement ?

One can consider, with the Paraguayan Group, that it is desirable to harmonise and to unify, on a world level, the criminal law sanctions for infringement of intellectual property rights.

And, if certain reports (Ireland, Argentina, France) stress that there are, in criminal law, real difficulties of assessment of the patent infringement, one can wonder whether the solution would not consist in improving the competence of the judges composing the criminal courts.

**b) Elements of the penal liability:**

- One of the conditions of the penal liability relies in the intentional element (bad faith).

The Groups specify that this intentional element is required by their national criminal laws.

Thus under criminal law, an act of counterfeit which has not been committed intentionally cannot be sanctioned.

- The Groups are unanimous on the requirement of the intentional element.

And the Groups specify that, in accordance with the general rules of the criminal law, the burden of proof of the intentional element rests with the plaintiff

But many Groups (Brazilian, Korean, French, Swedish, or Spanish Groups) add that this intention can be presumed and can result from the material elements of the litigation. And it seems that judges are in practice likely to admit this presumption as regards trademark.

However, the British and Italian Groups seem to be very attached to the obligation to positively prove the intentional element of the infringement.

Consequently, the AIPPI will have to decide if the plaintiff can prove the intentional element by presumptions resulting in particular from the circumstances in which the infringement occurred or if this element must be proven positively.

And the AIPPI will also have to take position on the question of knowing if this intentional element must consist in the knowledge of the illicit character of the activity carried out or if it can be limited to the knowledge of the existence of an intellectual property right

- However, the requirement of the intentional element is not the only difference between the criminal and the civil procedure as regards counterfeit.

The reports of the Groups point out other differences, and notably the terms of limitation which are generally shorter in criminal law than in civil law. It is the case in Norway, in Hungary, in France or in Japan.

But there are also countries in which the limitation periods in criminal law can be longer than the limitation periods in civil law: such is the case in the United Kingdom, Singapore or in Switzerland.

Lastly, the Groups generally note that, apart from the intentional element and of the term of limitation, there are little differences between the acts of infringement in civil and criminal procedures.

The AIPPI could discuss the question of knowing if it is advisable to harmonise more completely the statute of the acts of infringement both on the civil level and on the criminal level, and to unify the terms of limitation.

**c) Criminal procedures:**

- The liability for an act of infringement implies the validity of the intellectual property right.

However one notes differences on the question of knowing if the penal judge has the capacity to rule on the validity of an intellectual property right or if he has to resort to an other exclusively competent authority.

In most of the countries and in particular in France, in Norway, Finland or Paraguay, the civil Judge already seized of an action has the capacity to rule on the validity of the right relied on.

But sometimes the civil judge, to the exclusion of the penal judge, has jurisdiction to rule on the validity of the patent. In particular, the Finnish Group specifies that in his country the civil judge alone has jurisdiction to rule on the validity of an intellectual property right.

Other reports indicate that in practice, penal proceedings for infringement have to be postponed until the ruling of the civil court seized, on the question of the revocation of the intellectual property right on, which the proceedings for infringement rely. This indication is given by the Dutch and Portuguese Groups.

The Korean Group indicates that the Patent Office alone has jurisdiction to deal with the question of the validity of an intellectual property right and that therefore, the penal judge must postpone his ruling.

But the reports of the French, Norwich and Israeli Groups indicate that the penal Judge has the capacity to rule on the validity of an intellectual property right on which the infringement proceeding is grounded, but the ruling on this question will not have the force of *res judicata* with regard to third party.

The Israeli Group adds that the penal courts strictly assess the validity of an intellectual property right and if there is still room for a doubt concerning the validity, in particular of a patent, no sanction could be pronounced.

The Japanese Group indicates that, in his country, the penal Judge has capacity to rule on the validity of a patent, but that the question was recently the subject of a case law controversy.

It is a practical question of great importance for the course of infringement procedures.

Therefore, the AIPPI will have to take position on this question which is settled in a very disparate way in the every national legislation.

The most reasonable solution probably consists in:

- not making compulsory, for the penal Court seized of an infringement proceeding to postpone its decision until a civil Judge rules on the validity of the intellectual property right on which the penal procedure relies
- and giving to the Court the possibility of ruling on the validity of this title, while considering that the decision of the penal Judge, on the penal liability for acts of infringement, will not have the force of *res judicata* concerning the validity of the patent or the mark or other IPR.

Such a solution would enable to avoid useless times resulting from the stay of the penal proceedings while waiting for the result of the civil decisions.

- Other aspects of penal procedure for acts of infringement are also dealt with but in a very diverse way between the countries:

It is the case in particular for the question of the compensation for the tort : in some countries, the penal courts are allowed to grant victims of infringement damages (Norway, Hungary, Portugal, France, Luxembourg), but in other countries, this possibility does not exist (Japan, Brazil).

Sometimes, if the penal Judge can grant damages, their amount is limited (the United Kingdom, in the event of summary procedure, Israel).

The Swiss Group recommends the introduction of two parallel procedures, one under the criminal law, the other under the civil law, in order to obtain the penal sanction of the acts of infringement, as well as the compensation for the tort suffered.

There still, the AIPPI could decide to suggest the harmonisation of the rules of criminal prosecution for the acts of infringement, by allowing the penal Judge to grant victims of infringement damages.

But the solution that the AIPPI will adopt will have to take into account the national specificities which remain very sharp in penal matter.

- Lastly, the Groups wish to reinforce the part of the victim in the penal procedure, in particular by giving to the victim the possibility of putting an end to the lawsuit by an settlement with the infringer.

That is provided by the Swiss law. Indeed, the Swiss Group states that the settlement binds the penal Judge who can only determine the costs and expenses.

And the Italian Group suggests to grant victim of infringement the right to settle the lawsuit by a transaction.

But in most of the legal systems, the parts cannot settle the criminal proceedings by a transaction (Brazil, Hungary, Portugal, United Kingdom, Norway or Japan).

Nevertheless those Groups wish to reinforce the part of the victim in the course of the trial, notably by allowing him to use the evidence of the criminal offence, obtained thanks to the penal procedure, in the civil procedure.

It is the opinion of the Japanese and Swiss Groups.

There still, a recommendation could be made by the AIPPI about the role of the victim in the control of the penal lawsuit.

If it is difficult to release a general rule, the AIPPI could favour, in the interest of the intellectual property rights, the possibility for the victim of using evidence of the criminal offence, obtained thanks to the penal procedures, in the civil procedure.

**Conclusion:**

- The Groups seem, in their majority, satisfied of legal systems currently in force in their countries. They thus do not have specific improvements to suggest.
- Nevertheless the Groups note that very few infringement cases are brought before penal courts.

Therefore judges lack competence and this influences the quality of the decisions.

Under these conditions the victims of the infringement prefer to bring their case before civil courts.

It would probably be desirable that the civil Judges can take part in penal procedures to share their competencies with penal judges and thus contribute to reduce the legal risk.

That would reinforce the dissuasive role of the penal procedure and would probably constitute an effective action for the reduction of infringement.

- In addition the Spanish Group suggests to reinforce criminal law sanctions, in particular with regard to the confiscation and the destruction of the counterfeited objects.

A harmonisation of the sanctions should be done on the international level. And it is perhaps on this suggestion of the Paraguayan Group that the AIPPI must conclude its work.