

## II. *Review of the catalogue of enforcement measures, procedures and remedies under the Enforcement Directive: “grandfather” provisions and novelties*

### 1. Substantive provisions under the Directive

Six groups of substantive enforcement measures and remedies have been harmonized under the Enforcement Directive. The Directive constitutes:

- (1) Right of information (Article 8);
- (2) Corrective measures (Article 10);
- (3) Injunctions (Articles 11);
- (4) Alternative measures (Article 12);
- (5) Damages (Article 13), and
- (6) Publication of judicial decisions (Article 15).

All listed measures and remedies can be applied while adopting a court decision on the merits of the case. The right of information can be also asserted while considering an IP infringement case. The listed provisions on substantive enforcement measures can be furthermore divided to:

- (1) Measures that are not directly used to compensate damages suffered due to IP rights infringement (measures without compensatory nature), and
- (2) Measures that are related to adjudication of damages (measures with compensatory nature).

In practice, both groups of the listed measures can be applied in a complex manner. Notably, the provisions of the Enforcement Directive, which shall be implemented by the Member States, regarding the right of information by third parties, corrective measures, and injunctions are broadly formulated in terms of the list of natural or legal persons to whom those measures can be applied by the national judicial authorities. It can be agreed with an explanation that any widening of the circle of those persons should be critically considered in practice<sup>387</sup>.

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387 *E.g.*, the term “intermediaries” is not defined in the Directive, therefore, it can be interpreted as comprising any kind of intermediaries in one or other way involved in IP infringement cases. Such interpretation should be carefully considered by actually applying the listed civil enforcement measures, as argued in *Kur*, Enforcement Directive – Rough Start, Happy Landing? P. 829. It conveys the meaning that serious infringements from those committed on “accidental” basis should be separated.

## a) Right of information (Article 8)

By supplementing Article 47 of the TRIPS Agreement and transposing the relevant provisions in certain national legislations such as Germany and Benelux countries<sup>388</sup>, Article 8 of the Enforcement Directive lists persons (infringers and/or (importantly!) any other persons) who, under the request of the competent judicial authorities, are to provide the information on the origin and distribution networks of the goods or services which infringe IP rights; defines the content of such information and regulates the relation between the provisions as set out in Article 8(1) and (2) and the national legislation. By virtue of Article 8(2), the requested information can comprise:

“The names and addresses of the producers, manufacturers, distributors, suppliers and other previous holders of the goods or services, as well as the intended wholesalers and retailers; (b) information on the quantities produced, manufactured, delivered, received or ordered, as well as the price obtained for the goods or services in question.”<sup>389</sup>

As follows from Article 8(3), the Directive provides only minimal standards regarding the provision of information<sup>390</sup>, thus, the national legislators, who are to implement Article 8, can broaden the list of persons who are to provide information<sup>391</sup> as well as the content of required information. The importance should be given to the fact that, differently from Article 47 of TRIPS, the Directive stresses “*commercial scale*” of activities committed by infringers and/or any other persons from whom information is required<sup>392</sup>. Moreover, although it is not directly provided in the Directive, the wording and context of Article 8 implicates that requirement to provide such information in practice would mean either a provision of accounting or financial documents which allow to calculate damages caused by the infringement and/or information which allows to identify infringers, third persons involved in the infringement and an infringement which was or is being committed<sup>393</sup>.

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388 See *Explanatory Memorandum of the Commission's Proposal for the Draft Enforcement Directive* (2003), p. 19; also *Kur*, Enforcement Directive – Rough Start, Happy Landing? P. 822. E.g., a right of information could be found in the prior-to-implementation German Copyright Law, also in the copyright laws of Switzerland and Austria, as referred in *Mizaras*, Civil Remedies for Infringement of Copyright, p. 212. Importantly, the amendments to the implementing German legislation was focused on regulation of provision of such information by third persons (it being a TRIPS-plus provision), as discussed in details in *Peukert/Kur*, Stellungnahme des Max-Planck-Instituts der Richtlinie 2004/48/EG in Deutsches Recht, pp. 296-299.

389 Thus, the Directive expands the provision embodied in Art. 47 of TRIPS.

390 See *Mizaras et al.*, Implementation of EU Legislation in the Civil Laws of Lithuania, pp. 151-152.

391 Importantly, any broadening of the list of persons who can be asked to provide information should be carefully considered, as mentioned in *supra* Ft. 387 herein.

392 On the term “*commercial scale*”, as used in the Enforcement Directive, see further discussion in *infra* § 5C.II.2.

393 Such distinction has been made in *Mizaras*, Civil Remedies for Infringement of Copyright, pp. 213-215, referring to the Lithuanian Copyright Law as well as German, Austrian and Swiss copyright legislation, particularly provisions on the right of information.

The harmonized provisions are without prejudice to other national statutory provisions which govern use of information in civil or criminal proceedings or responsibility for misuse of the right of information. Moreover, the Directive does not obstruct an application of the national provisions that constitute a right to refuse to provide certain information, for instance, information concerning family members, or regulate the provision of confidential information or personal data<sup>394</sup>.

b) Corrective measures (Article 10)

By virtue of Article 10 of the Enforcement Directive, the Member States shall ensure that the competent judicial authorities, at the request of the applicant, may order to recall or definitively remove infringing goods or, in appropriate cases, materials or implements principally used in the creation or manufacture of those goods from the channels of commerce, or to destruct them. An order to apply such measures shall be without prejudice to any damages due to the right holder by reason of the infringement, and without compensation of any sort.

The listed measures are so-called corrective measures which have been developed in the national court practices in the Netherlands, also Belgium<sup>395</sup>. They are embodied in the Directive with a reference to a principle of proportionality between the seriousness of the infringement, the remedies ordered and the interests of third parties<sup>396</sup> (Article 10(3) of the Directive) while applying them. The reference should be likewise made to Article 46 of the TRIPS Agreement on disposal of goods outside the channels of commerce or destruction of goods, unless it is contrary to existing constitutional requirements<sup>397</sup>. TRIPS, therefore, stipulates two types of corrective measures, and the Directive also adds recall as another alternative corrective measure.

It is however unclear from the wording of the Directive if the national legislator, by implementing the Directive, or the national court, by applying corrective measures, are free to decide which measure (recall, definitive removal or destruction) is to be applied in IP infringement cases, as the Directive lists them alternatively<sup>398</sup>. It can be presumed that the implementing legislation and court practice on the subject-matter will show actual application of the provision on corrective measures; however-

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394 See further discussion on the right of information in the Baltic legislation in *infra* § 5D.II.

395 See *Explanatory Memorandum of the Commission's Proposal for a Draft Enforcement Directive* (2003), p. 19; also *Mizaras et al.*, Implementation of EU Legislation in the Civil Laws of Lithuania, pp. 146.

396 The Directive does not, however, make any difference if infringing goods or materials or implements used in the creation or manufacture of those goods belong to the infringer or third persons, as observed in *Mizaras*, Novelty on Regulation of Intellectual Property Rights Protection: Material Remedies without Compensatory Effect, p. 69.

397 Such measures are considered to be effective deterrents against pirates and counterfeiters whose the only significant expense is often acquiring infringing implements and/or materials, as commented in *Correa*, A Commentary on the TRIPS Agreement, p. 411; also *Gervais*, The TRIPS Agreement: Drafting History and Analysis, p. 300.

398 As argued in *Peukert/Kur*, Stellungnahme des Max-Planck-Instituts der Richtlinie 2004/48/EG in deutsches Recht, p. 295.

er, it can also lead to different implementation outcomes in different EU countries<sup>399</sup>.

Furthermore, corrective measures, as follows from the title and the wording of Article 10 of the Directive, are aimed at restoring the status before infringing activities occurred and they are to be carried out at the expense of the infringer, unless there are reasons for not doing so (Article 10(2) of the Directive). It is also argued that such measures can play a preventive, punitive, and even compensatory role in practice<sup>400</sup>. Corrective measures which are harmonized by the Directive and also embodied in the national IP legislation, as further examined, can be derived from criminal type of confiscation of infringing good and (or) materials as well. The harmonized provisions were, however, criticised as being applicable to all infringements of IP rights, instead of limiting the application of corrective measures to obvious cases of counterfeiting and piracy only<sup>401</sup>.

### c) Injunction (Article 11)

Referring to Article 44 of the TRIPS Agreement, the measure aimed to prevent infringing activities from being continued is embodied in Article 11 of the Enforcement Directive under which:

“<...>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.”<sup>402</sup>

Article 11 additionally constitutes a right to ask the national courts to issue such injunction against the intermediaries whose services are used by third parties infringing IP rights, e.g., internet service providers, hence, adding to Article 44 of the TRIPS Agreement. It is considered to be a very important provision due to a number of infringements of IP rights committed in digital environment nowadays. It continues the harmonization practice in this field within the EU. The provision is to be applicable without prejudice to a right to ask for such injunction which is constituted

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399 It is also argued in *Mizaras*, *Novelties on Regulation of Intellectual Property Rights Protection: Material Remedies without Compensatory Effect*, p. 68, that the Member States should list *all* alternative corrective measures. It is due to the fact that some of the countries have not had a measure on recall from the channels of commerce, but definitive removal and destructions, which, accordingly, can not be considered new for them. On the implementing legislation regarding corrective measures and application of them in the Baltic court practice see further discussion in *infra* § 5F.III.1.

400 See *Mizaras*, *Copyright Law* (Vol. II), pp. 277-280.

401 See *Kur*, *Enforcement Directive – Rough Start, Happy Landing?* P. 826.

402 Injunctions, as embodied in Article 11 of the Directive, do not cover preliminary injunctions (or interlocutory injunctions as they are called in the Enforcement Directive) which are intended to prevent any imminent infringement before deciding on the merits of the case and regulated under Article 9 of the Directive on provisional and precautionary measures which is further discussed in *infra* § 5A.II.2.c).

in Article 8(3) of the Copyright Directive<sup>403</sup>. Moreover, by virtue of Article 11, with a view to ensuring compliance with the injunction issued, the Member States can, but must not, adopt the provisions on application of penalty payments in cases of non-compliance with the injunction<sup>404</sup>.

An application of an injunction, as formulated in Article 11 of the Directive, is a preventive measure as far as prohibition of infringing activities, which already occurred, are concerned<sup>405</sup>. Notably, following the wording of Article 11, the courts can, but must not issue an injunction<sup>406</sup>. The formulation is not clear, though, as regards actual threat of infringing activities in the future which can necessitate a so-called preventive claim<sup>407</sup>. On the other hand, by referring to Article 15 of the Explanatory Memorandum by the Commission, also Recital 24 of the final text of the Enforcement Directive, it can be interpreted that such injunction is also aimed at preventing new IP rights infringements when there is a real threat that they can be committed in the future<sup>408</sup>.

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- 403 According to the referred Article 8(3) of the Copyright Directive, the Member States shall ensure that the right holders can ask for an injunction against intermediaries whose services are used by third persons infringing copyright or related rights.
- 404 Such penalty is provided in the Lithuanian Civil Code. Although such possibility to impose a penalty can be applauded in terms of more effective implementation of the ordered injunction, however, it can be also seen as a punitive element which is not in compliance with the concept of civil remedies for IP rights infringements, as argued in *Mizaras*, *Novelties on Regulation of Intellectual Property Rights Protection: Material Remedies without Compensatory Effect*, p. 62. See also discussion in *infra* § 5E.I.4.
- 405 It is also sometimes called a *quasi-preventive remedy* which not only stops the continuation of the infringement, but deters from the commitment of such infringement in the future, as referred in *Ibid*, p. 62.
- 406 Although it was argued that, even the Directive is obscure regarding the mandatory nature of injunctions, it is anticipated that ECJ will interpret Art. 11 of the Directive broadly, as referred in *von Mühlendahl*, *Enforcement of IPRs – Is Injunctive Relief Mandatory?* P. 380.
- 407 Already before the adoption of the Directive a possibility to submit a so-called preventive claim has been provided in the Lithuanian Civil Code, also the Lithuanian Copyright Law as of 2003. The provisions on the preventive action against IP rights infringements that are about to be committed, provided that evidence on such threat are to be provided, could be found in German (in case of repeated infringements only), also Austrian and Swiss copyright laws, as analysed in *Mizaras*, *Civil Remedies for Infringement of Copyright*, pp. 243-257.
- 408 See *Explanatory Memorandum of the Commission's Proposal for a Draft Enforcement Directive* (2003), p. 21. Such interpretation can be also seen in view of Art. 41(1) of TRIPS which sets out “<...> expeditious remedies to prevent infringements <...>”, and not only a suspension of them once they have started. See *Correa*, *A Commentary on the TRIPS Agreement*, p. 411; also *Gervais*, *The TRIPS Agreement: Drafting History and Analysis*, p. 287, *Mizaras*, *Novelties on Regulation of Intellectual Property Rights Protection: Material Remedies without Compensatory Effect*, p. 67; also further discussion on the national court practice regarding adoption of injunctions (preliminary and permanent) in IP rights infringement cases in *infra* § 5E.I.

d) Alternative measures (Article 12)

Importantly, at the request of the liable person to whom either corrective measures (Article 10 of the Directive) or an injunction (Article 11 of the Directive) can be applied, in case there is neither intent nor negligence involved in the infringing activities of that person, the courts instead of corrective measures or an injunction can order a pecuniary compensation, provided that an application of corrective measures or an injunction would cause a liable person disproportionate harm and such compensation appears to be reasonably satisfactory for an injured party.

The optional provision set out in Article 12 of the Enforcement Directive on alternative measures is a TRIPS-plus provision which was modelled on Article 101(1) of the German copyright law<sup>409</sup>. Alternative measures are considered to be as a certain balancing mechanism among the enforcement measures applicable in case of deliberate or negligent IP infringements.

e) Damages (Article 13)

Supplementing Article 45 of the TRIPS Agreement which constitutes a common rule on damages to compensate the right holder for the injury suffered<sup>410</sup>, Article 13 of the Enforcement Directive embodies an adjudication of damages, one of the key provisions in the field of enforcement of IP rights, which shall be implemented by the Member States. Referring to the different legal regulation on damages in the EU Members States, especially the provisions on calculation of loss of profits by the right holder or gain of profits by the infringer<sup>411</sup>, the Directive seeks to harmonize the regulation on pecuniary damages with the aim they are *appropriate* for the suffered harm due to an IP infringement<sup>412</sup>. An adjudication of moral damages is not harmonized by the Directive<sup>413</sup>, though, moral prejudice caused by the infringement must be, *inter alia*, considered by the courts as an element other than economic factor under Article 13(1)(a) of the Directive.

Article 13 of the Enforcement Directive first refers to a general obligation for the Member States to regulate civil liability by compensating for actual damages that were suffered as a result of an IP infringement which was committed knowingly or with reasonable grounds to know it. It constitutes fundamental principles applicable

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409 See *Explanatory Memorandum of the Commission's Proposal for a Draft Enforcement Directive* (2003), p. 21.

410 See *Correa*, A Commentary on the TRIPS Agreement, p. 426; also *Gervais*, The TRIPS Agreement: Drafting History and Analysis, p. 298.

411 See *Explanatory Memorandum of the Commission's Proposal for a Draft Enforcement Directive* (2003), p. 14. The recourse, though, can be made to Art. 44(1) of TRIPS, which refers to *bona fide* acquirers in view of application of injunctions, as observed in *Correa*, A Commentary on the TRIPS Agreement, p. 424.

412 Notably, the term “adequate” is used in Art. 45 of TRIPS. See also explanations regarding the term in *Correa*, A Commentary on the TRIPS Agreement, p. 426.

413 Such solution was due to diverging concepts of protection of moral rights in continental and Anglo-American (also followed in the UK) legal systems.

for any civil liability case by form of adjudicating damages, *i.e.* illegal activities, actual prejudice, causative relation between illegal activities and prejudice occurred, and fault<sup>414</sup>.

The methods of calculation of damages harmonized by the Directive are either actual damages (compensatory damages) or damages which can be adjudicated as a lump sum (license analogy)<sup>415</sup>. While adopting a decision on actual damages, the courts should consider various factors:

“<...> 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 right holder by the infringement.”

It can be noted that lost profits and unfair profits made by the infringer are listed as aspects that should be considered in order to calculate actual damages. Therefore, it has been reasonably discussed by some scholars if those aspects qualify as criterion to calculate actual damages or as a separate type of compensatory damages<sup>416</sup>. Both positions can be accepted. Additionally, by considering the implementing provisions on the issue as well as the aims of the Directive, it can be agreed that lost profits and unfair profits by the infringer fall under the rules of civil liability which are applied to adjudicate actual damages<sup>417</sup>.

Alternatively, as previously referred, the courts may set damages as a lump sum which is calculated:

“<...> 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.”

Such alternative provided in the Directive is considered to be a very important method to calculate damages in IP infringement cases which goes beyond the traditional civil methods to calculate damages due to specificity of IP rights, *i.e.* due to the fact that in some IP rights infringement cases it is very difficult to assess pecuniary damages suffered.

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414 See on civil liability conditions under the national legislation in *infra* § 5F.I.1.; also in *Mizaras et al.*, Implementation of EU Legislation in the Civil Laws of Lithuania, p. 148.

415 The final harmonizing provisions on damages set out in the Directive are different from the initial Commission's proposal. Damages set at double the royalties or fees which would have been due if the infringer had requested the authorisation to use IP right in question, or compensatory damages corresponding to the actual prejudice suffered with a possibility to recover all profits made by the infringer have been initially proposed by the Commission, as can be seen in *Explanatory Memorandum of the Commission's Proposal for a Draft Enforcement Directive* (2003), p. 22, also Art. 17 of the Commission's Proposed Draft Directive.

416 See *Dreier*, Ausgleich, Abschreckung und andere Rechtsfolgen von Urheberrechtsverletzungen – Erste Gedanken zur EU-Richtlinie, pp. 706, 710, 712; also *Peukert/Kur*, Stellungnahme des Max-Planck-Instituts der Richtlinie 2004/48/EG in deutsches Recht, pp. 292-294.

417 See further discussion on the implementing provisions on loss of profit, an infringer's gained profit in *infra* § 5F.I.1.

The provision on a lump sum damages was embodied in the Directive using the practice of other countries, namely Germany, which in their prior-to-Directive national legislation already contained a licence analogy method<sup>418</sup>. Article 13 does not refer to any concrete amount of damages as lump sum, by leaving for the Member States to regulate it (e.g., double or even triple amount of royalties<sup>419</sup>). Although the Commission claimed that such alternative calculation of damages did not constitute punitive damages<sup>420</sup> and was aimed at compensating actual damages suffered, the actual application of such method and its deterrent effect could confirm the contrary<sup>421</sup>.

The Enforcement Directive (in particular, its provisions on damages which open the possibility for the courts to compute higher damages than under the previous national legislations<sup>422</sup> and which can also implicate adjudication of higher damages than necessary to compensate the actually done harm) furthermore makes a difference between wilful and negligent infringements. In case an infringement was committed not knowingly or with reasonable grounds to know, as pursued by Article 13(2) of the Directive, the Member States may constitute in their national legislations that the courts can order the recovery of profits gained by the infringer or the payment of so-called *pre-established damages*. The Directive does not concretize any of the methods of calculation of such damages leaving it to national legislators' discretion. Pursuing the Commission's initially expressed position on the gained

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418 The licence analogy method has been used to calculate damages on the basis of the objective calculation of a royalty amount which should have been paid by the user in case a licence agreement between such user and a right holder had been made. While assessing such amounts, the tariffs of royalties to be paid by the users which are established by, for instance, GEMA in Germany, are taken into consideration. See more in *Dreier*, *Ausgleich, Abschreckung und andere Rechtsfolgen von Urheberrechtsverletzungen – Erste Gedanken zur EU-Richtlinie*, pp. 709-710; also in *Mizaras*, *Civil Remedies for Infringement of Copyright*, pp. 192-193.

419 Notably, license analogy method differs from the legal institute of compensation instead of actual damages. Such compensation was embodied in the Lithuanian copyright legislation prior to the adoption of the Directive already in 1994. None of the Western European countries provided for such possibility to adjudicate damages in the form of compensation which was actually assessed on the basis of a resale price of legal IP products (double or triple royalties) and reflected the concept of “statutory damages” known in the US legal system. Besides the Lithuanian copyright legislation, the “compensation” provision could be likewise found in Russian, Ukrainian, Kirgizian, also Poland, Slovenia copyright laws, as referred to in *Mizaras*, *Civil Remedies for Infringement of Copyright*, pp. 139-140. See also further discussion on the implementing legislation on damages in *infra* § 5F.I.1.c).

420 See *Explanatory Memorandum of the Commission's Proposal for a Draft Enforcement Directive* (2003), p. 22; *ref.* also to Recital (26), *Dir. Note*: the discussion regarding double or triple amount of royalties or license fees took place while drafting the Directive.

421 See *Metzger/Wurmnest*, *Auf dem Weg zu einem Europäischen Sanktionenrecht des geistigen Eigentums?* P. 931. Following the explanation in *Correa*, *A Commentary on the TRIPS Agreement*, p. 411, TRIPS Part III does not encompass punitive sanctions. See further discussion on national court practice on adjudication of damages in IP cases in *infra* § 5F.I.1.

422 As argued in *Kur*, *Enforcement Directive – Rough Start, Happy Landing?* P. 828.

profits<sup>423</sup>, it can be interpreted that gained profits cover the gross income gained by the infringer who is bound to provide evidence of his deductible expenses and profits attributable to factors not related to the infringement.

f) Publication of judicial decisions (Article 15)

Another substantive provision on enforcement measures harmonized by the Enforcement Directive concerns publicity measures, as constituted in its Article 15, which obligates the Member States to ensure that:

“<...> in legal proceedings instituted for infringement of an intellectual property right, the judicial authorities may order, at the request of the applicant and at the expense of the infringer, appropriate measures for the dissemination of the information concerning the decision, including displaying the decision and publishing it in full or in part.”

Such measure has not been constituted in the TRIPS Agreement and, in view of the goals of the Directive, was viewed as another effective mean to inform the public about infringements of IP rights, hence, playing a preventive role against infringements of IP rights<sup>424</sup>.

Article 15 of the Directive does not concretize in which media means the decision or its part should be published or how the dissemination of information is to be done (the newspapers were mentioned only in the Explanatory Memorandum by the Commission<sup>425</sup>). It does provide, though, that Member States may provide for additional publicity measures, which in certain circumstances, include also prominent advertising which can be interpreted as, for instance, informing the infringer's customers by mail. The provision on publicity measures is especially important for the jurisdictions of the new EU Member States such as the Baltic countries in which IP mentality, awareness and knowledge about IP rights and respect towards them is still under formation<sup>426</sup>.

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423 See *Explanatory Memorandum of the Commission's Proposal for a Draft Enforcement Directive* (2003), p. 22.

424 See *Ibid.*

425 See *Ibid.*

426 On implementing legislation regarding publicity measures and application of them in the Baltic court practice see further discussion in *infra* § 5F.IV.

## 2. Procedural provisions under the Directive

Along with the substantive civil enforcement measures and remedies, the Enforcement Directive establishes three groups of the procedural enforcement measures:

- (1) Evidence<sup>427</sup> and measures for preserving evidence (Articles 6 and 7, respectively);
- (2) Provisional and precautionary measures (Article 9)<sup>428</sup>; and
- (3) Legal costs (Article 14).

The listed procedural measures are generally aimed to ensure enforcement of the final court decision on the merits of IP infringement case, also to ensure a collection and preservation of collected evidence in IP infringement cases or to prevent from infringing IP rights and/or deter from infringing them<sup>429</sup>. The implementation of all those provisions is mandatory to the Member States.

### a) Evidence (Article 6)

Evidence has an undoubtedly paramount importance in IP infringement cases<sup>430</sup>. The Enforcement Directive therefore focuses on the harmonization of the national provisions in the field of collection and presentation of evidence to the courts, which very much differed prior to the Directive, as far as IP infringement cases are concerned. By virtue of Article 6(1) which is modelled on Article 43(1) of the TRIPS Agreement, the Directive first constitutes a general obligation of the Member States to ensure that:

“<...> on application by a party which has presented reasonably available evidence sufficient to support its claims, and has, in substantiating those claims, specified evidence which lies in the control of the opposing party, the competent judicial authorities may order that such evidence be presented by the opposing party, subject to the protection of confidential information.”

It is additionally provided that, in order to implement the obligation as set out in Article 6(1), the Member States may establish in their national legislation that *samples* of a substantial number of copies of a work or any other protected object should

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427 The question remains, however, if the provision on evidence, which is harmonized by the Directive, can be generally considered as a procedural, rather than the substantive one, as argued in *Knaak*, Die EG-Richtlinie zur Durchsetzung der Rechte des geistigen Eigentums und ihr Umsetzungsbedarf im deutschen Recht, pp. 747-748.

428 By virtue of Art. 50 of TRIPS, both measures for preserving evidence and provisional and precautionary measures can be called “preliminary measures”, as indicated in *Straus*, Reversal of the Burden of Proof, the Principle of “Fair and Equitable Procedures” and Preliminary Injunctions under the TRIPS Agreement, pp. 812-814, *ref.* also to ECJ, Judgement of 26 March 1992, Case C-261/90, OJ 1989, L 317/48.

429 See *Explanatory Memorandum of the Commission’s Proposal for a Draft Enforcement Directive (2003)*, p. 19; Recital 20, Dir.; also *Mizaras et al.*, Implementation of EU Legislation in the Civil Laws of Lithuania, p. 158.

430 See Recital 20, Dir.

be considered by the competent judicial authorities to constitute reasonable evidence. Thus, the Directive leaves broad terms such as “*a substantial number of copies*” or “*reasonably available evidence*” for discretion of the national legislators and/or for an interpretation and assessment by the national courts in each individual IP infringement case. On the other hand, such broad terms constituted in the Enforcement Directive can weaken its actual harmonization effect which is generally pursued by the Directive, because different solutions by the national legislators or different argumentation by the national courts can lead to different outcomes regarding evidence that should be presented and estimated in IP infringement cases<sup>431</sup>.

By supplementing Article 43 of the TRIPS Agreement and referring to Recital 20 of the Enforcement Directive, Article 6(2) of the Directive importantly refers to a sufficiency of evidence in cases where infringement of IP rights was committed on a commercial scale<sup>432</sup>. The provision obliges the Member States to enable the national courts to order, where appropriate, on application by a party, the communication of banking, financial or commercial documents under the control of the opposing party, subject to the protection of confidential information<sup>433</sup>.

#### b) Measures for preserving evidence (Article 7)

By further supplementing Article 43 as well as Article 50 of the TRIPS Agreement and by incorporating the well-established legal institutes from some European jurisdictions such as *Anton Piller* order or *Doorstep* order (UK) and *saisie-contrefaçon* (France)<sup>434</sup>, Article 7 of the Directive focuses on preservation of evidence in IP rights infringement cases and incorporates such legal concepts as *saisie descriptive* and *saisie réelle* taken from the well-established French court practice on the issue<sup>435</sup>. It seeks to harmonize measures for preserving evidence, particularly measures that can be applied before the commencement of proceedings on the merits of the case, *i.e.* so-called *civil (ex parte) searches*. By virtue of Article 7(1) of the Directive, the Member States shall ensure that:

“<...> even before the commencement of proceedings on the merits of the case, the competent judicial authorities may, on application by a party who has presented reasonably available evidence to support his claims that his intellectual property right has been infringed or is about to

431 On this point it is frequently argued that evidence should be enough to convince the judge that infringement occurred or can occur, as also referred in *Correa*, A Commentary on the TRIPS Agreement, p. 420.

432 On the term “*commercial scale*” see further discussion in *infra* § 5C.II.2.

433 On the implementing national legislation of the Baltic countries regarding evidence in IP rights infringements cases as well as sufficiency of evidence in cases committed on a commercial scale under the national court practice see further discussion in *infra* § 5D.I.

434 See *Explanatory Memorandum of the Commission’s Proposal for a Draft Enforcement Directive (2003)*, pp. 13, 19. It can be argued, though, that Art. 7 of the Directive only partly reflects the French *saisie contrefaçon* concept because in France a right holder is not obliged to provide any reasonably available evidence. See also *Correa*, A Commentary on the TRIPS Agreement, p. 420.

435 See *Cottier, Véron*, Concise International and European IP Law, p. 471.

be infringed, order prompt and effective provisional measures to preserve relevant evidence in respect of the alleged infringement, subject to the protection of confidential information.”

Article 7(1) again refers to broad term “*reasonably available evidence*” regarding the committed infringement of IP rights or IP rights which are about to be infringed. Such provision does not explain to the national judicial authorities how to determine which evidence is sufficient to decide that a measure to preserve evidence, for example, a detailed description, with or without the taking of samples, or a physical seizure of the infringing goods, and, in appropriate cases, the materials and implements used in the production and/or distribution of these goods and the documents, can and should be applicable<sup>436</sup>.

Moreover, differently from the wording of Article 9(3) of the Directive regarding submission of reasonably available evidence in cases of application of provisional measures, Article 7(1) does not refer to evidence which can allow the sufficient degree of certainty about the ownership of IP rights and current or imminent infringement<sup>437</sup>. It is rightly interpreted, though, that the Directive pursues lower threshold of evidence to be provided in order to adopt measures preserving evidence. This is especially due to the fact that the wording of Article 7(1) was, *inter alia*, based on the French concept of *saisie-contrefaçon*.

It is also argued that reasonably available evidence such as expert testimony and test data are considered to be relevant for the establishment of the facts and the determination of validity and infringement of IP rights at hand and are to be respected in all enforcement procedures by both parties and the third persons involved<sup>438</sup>. It is left for the discretion of the national courts and it can reflect different outcomes in such cases due to different levels of general preparation and experience of national judges in the different jurisdictions<sup>439</sup>.

The possibility pursued by the Directive to order measures to preserve evidence without the other party being heard (*inaudita altera parte*) is likewise modelled on Article 50 of the TRIPS Agreement from which the Directive literally transposes that it should be particularly applicable in cases “where any delay is likely to cause

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436 E.g., as stated in *Straus*, Reversal of the Burden of Proof, the Principle of “Fair and Equitable Procedures” and Preliminary Injunctions under the TRIPS Agreement, p. 813, in cases of infringements of process-patents, “the identity of product at hand alone will not suffice”. See also *Correa*, A Commentary on the TRIPS Agreement, p. 420.

437 Such omission has been debated in the legal literature, see more in *Knaak*, Die EG-Richtlinie zur Durchsetzung der Rechte des geistigen Eigentums und ihr Umsetzungsbedarf im deutschen Recht, pp. 745, 748; also *Tilmann*, Beweissicherung nach Art. 7 der Richtlinie zur Durchsetzung der Rechte des geistigen Eigentums, pp. 737, 739.

438 See *Straus*, Reversal of the Burden of Proof, the Principle of “Fair and Equitable Procedures” and Preliminary Injunctions under the TRIPS Agreement, pp. 811-812.

439 The Baltic national court practice also illustrates difficulties faced by the national judges while ordering measures to preserve evidence due to lack of instructions or court practice regarding the definition of “reasonably available evidence”. It especially concerns “hearsay evidence” which is not directly mentioned in Art. 7 of the Directive. Art. 7(5) indirectly implicates that information about an infringement can be based on witness testimony. On the Baltic national court practice regarding the preservation of evidence in IP rights infringement cases, also application of *civil (ex parte) searches* see further discussion in *infra* § 5D.I.

irreparable harm to the right holder or where there is a demonstrable risk of evidence being destroyed”<sup>440</sup>.

On the other hand, the Directive explicitly requires enabling the national courts to ask for a certain security measures for a defendant in order to avoid any abuse from the side of IP right holders, by employing the principle of “fair and equitable procedures” as set out in Article 3(1) of the Directive, also Article 41(2) and 42 of the TRIPS Agreement<sup>441</sup>. Those measures cover a lodging of an adequate security or an equivalent assurance by the applicant and also an appropriate compensation for any injury caused to the defendant. It moreover provides that the applicant must institute proceedings, *i.e.* submit a claim, to the court within its indicated time which cannot exceed 20 working days or 31 calendar days whichever is the longer. In the opposite case the measures to preserve evidence are to be revoked or ceased to have effect with a possibility for a defendant to ask for the appropriate compensation for any injury caused due to those measures<sup>442</sup>.

#### c) Provisional and precautionary measures (Article 9)

On the basis of Article 50 of the TRIPS Agreement<sup>443</sup>, Article 9 of the Enforcement Directive seeks to harmonize provisional and precautionary measures which can be applied by the national courts before deciding on the merits of the case. Similarly to the measures on preserving evidence in IP rights infringement cases, provisional and precautionary measures are especially relevant in practice due to the fact that in most cases the right holders seek to take a rapid action to stop the continuation of IP rights infringement or to prevent any imminent infringement<sup>444</sup>. The provisional and precautionary measures are also to assure claims brought by the right holders regarding the adjudication of damages which were suffered because of IP infringements.

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440 As argued, evidence of risk that evidence can be destroyed should be “*demonstrable*”, as stressed out in *Correa*, A Commentary on the TRIPS Agreement, p. 436.

441 See *Straus*, Reversal of the Burden of Proof, the Principle of “Fair and Equitable Procedures” and Preliminary Injunctions under the TRIPS Agreement, p. 813.

442 The requirements constituting the mechanism to protect defendants’ rights while applying measures on preserving evidence are embodied in Art. 7(3), also Art. 7(4) of the Directive which almost literally transpose Art. 50(6) and Art. 50(7) of TRIPS; see more in *Correa*, A Commentary on the TRIPS Agreement, pp. 437-438.

443 Art. 50 was also drafted on the basis of proposals submitted by the European Communities, the United States and Switzerland, as referred in *Straus*, Reversal of the Burden of Proof, the Principle of “Fair and Equitable Procedures” and Preliminary Injunctions under the TRIPS Agreement, p. 812.

444 See *Explanatory Memorandum of the Commission’s Proposal for a Draft Enforcement Directive (2003)*, p. 20.

Provisional measures harmonized under the Directive comprise:

- a) An interlocutory injunction (Article 9(1)(a)) which can be also issued against an intermediary whose services are being used by a third party to infringe an IP right<sup>445</sup>, and
- b) The seizure or delivery up of the allegedly infringing goods so as to prevent their entry into or movement within the channels of commerce (Article 9(1)(b)).

Besides the provisions which *mutatis mutandis* are applicable to measures on preserving evidence (a submission of reasonably available evidence on an imminent infringement in order to have “a sufficient degree of certainty” which would depend on the specific circumstances of the individual case at hand), orders on provisional and precautionary measures can be applied *inaudita altera parte* following the same legal requirements and facing the same legal consequences as provided for orders on preserving evidence<sup>446</sup>. Article 9(2) likewise obliges the Member States to enable the national courts to order:

“<...> the precautionary seizure of the movable and immovable property of the alleged infringer, including the blocking of his bank accounts and other assets. To that end, the competent authorities may order the communication of bank, financial or commercial documents, or appropriate access to the relevant information.”

Such practically important precautionary measure can be ordered only in case of an infringement of IP rights on a commercial scale<sup>447</sup> and if the injured party demonstrates circumstances which can endanger the recovery of damages. This measure has been modelled on the British law concept known as the *freezing injunction* or *Mareva injunction*<sup>448</sup>. Considering the judicial practice in other EU countries, interlocutory injunctions or precautionary seizures are to be ordered with a scrutiny performed by the national judges considering all factual circumstances of an individual case as well as complex technical facts presented by the parties and with an assistant of independent specialists or experts<sup>449</sup>.

d) Legal costs (Article 14)

By supplementing Article 45(2) of the TRIPS Agreement, Article 14 of the Directive embodies the obligation for Member States to ensure reasonable and proportionate legal costs and other expenses (meaning investigation costs, costs for experts’

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445 Ref. also to the Copyright Directive.

446 See discussion in supra § 5A.II.2.b).

447 On the term “commercial scale” see further discussion in infra § 5C.II.2.

448 See *Explanatory Memorandum of the Commission’s Proposal for a Draft Enforcement Directive* (2003), p. 21.

449 See *Straus*, Reversal of the Burden of Proof, the Principle of “Fair and Equitable Procedures” and Preliminary Injunctions under the TRIPS Agreement, pp. 822, 823.

and/or specialists' opinions, etc.<sup>450</sup>) incurred by the successful party which, as a general rule, be borne by the unsuccessful party, unless equity does not allow this.

Although the harmonizing provision in the Directive on the legal costs is laconic and comprises broad terms such as "reasonable and proportionate legal costs" without explaining how it should be estimated<sup>451</sup>, it has an extreme practical importance in IP litigation process, especially in the jurisdictions where litigation is generally expensive<sup>452</sup>.

### III. Concluding remarks

Despite the initial positive legal and anti-piracy policy intentions for which the Enforcement Directive was welcomed, the legal context and the final wording of it left many doubts in terms of its actual harmonizing effect in different jurisdictions, including the Baltic countries. Such conclusion follows from the following observations.

*First*, the Directive, which goal was mainly to fight against piracy and counterfeiting by harmonizing the enforcement rules within the EU, did not indeed accumulate all methods and forms of IP enforcement, be they civil, administrative and criminal. The focus on civil enforcement alone was logically based on impossibility to cover all IP enforcement means, especially combining civil and criminal measures. It was due to the different legal nature and characteristics of civil and criminal measures. Moreover, harmonization of criminal measures on that stage would have been a quite demanding and legally doubtful exercise due to the fact that criminal law and criminal procedural law exceptionally falls under the scope of the national regulation of the Member States.

*Second*, a legal uncertainty remains due to the scope of the Enforcement Directive. The Directive is applicable to *all* IP rights, including industrial property rights, by not addressing essence and nature of the latter rights due to their specific subject-matter. The same applies to the specificity of the systems of Community rights to which the Directive does not give any special attention and also other rights which are not IP rights from their essence (so-called "grey area" rights), however, which can indirectly fall under the scope of the Directive.

*Third*, although the best legal practices in some countries regarding the application of some enforcement institutes had been duly considered, the Enforcement Directive has been drafted without actual assessment of certain characteristics of legal traditions of the EU Member States. The consideration of the accession fact of new

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450 The list of sample expenses has been initially provided by the Commission, as referred in *Explanatory Memorandum of the Commission's Proposal for a Draft Enforcement Directive (2003)*, p. 22.

451 The same can be said about the provision on legal costs, embodied in Article 45(2) of TRIPS, which, interestingly, covers appropriate attorney's fees as an optional part of the expenses; see also *Correa*, A Commentary on the TRIPS Agreement, p. 427.

452 On the legal costs in the Baltic legislation and IP litigation practice see further discussion in *infra* § 5F.II.