

IP Justice White Paper
on
Proposed European Union IP Enforcement Directive

**Europe’s Proposed Intellectual Property Enforcement Directive Unmasked:
*Overbroad Proposal Threatens Civil Rights, Innovation and Competition***

By Robin D. Gross, Esq.
IP JUSTICE Executive Director

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Europe's Proposed Intellectual Property Enforcement Directive Unmasked: *Overbroad Proposal Threatens Civil Rights, Innovation and Competition*

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On January 30, 2003 the Commission of the European Communities published its [proposal](#) for a Directive on measures and procedures to ensure the enforcement of intellectual property rights throughout the Community.

Unfortunately, the proposed European Union [Intellectual Property Enforcement Directive](#) contains a number of seriously troubling provisions that threaten innovation and competition and endanger the civil rights of all Europeans. Specifically, Article 9 creates broad and abusive subpoena powers for intellectual property holders to obtain personal information on consumers. And Article 21 mandates a ban on illegal technical devices that threatens innovation, competition, and the fair use (fair dealing) and free of speech rights of Europeans.

Already the Enforcement proposal has been criticized by [civil liberties groups](#) and [scientists](#) for being overbroad in its prohibitions and for limiting traditional consumer rights, in both substance and procedure. The proposal claims that it does not effect the substance of intellectual property rights in the EU. But it forbids the circumvention of technical devices that restrict a consumer's ability to exercise her rights to use intellectual property, so in practice, she will experience a substantial loss to her rights if this proposal is enacted.

The [EUROPARL Committee on Legal Affairs and Internal Market](#) will begin discussion on the merits of the proposed IP Enforcement Directive in Brussels on September 11, 2003. The Directive is to be implemented eight-teen months after its adoption by the Commission.

I. General Dangers of Proposed European Union IP Enforcement Directive

A. Extra Wide Scope Encompassing All Intellectual Property Rights

The proposed IP Enforcement Directive applies to any infringement of an intellectual property right in the European Union that is carried out for commercial purposes or causes significant harm to the right holder.

The text of the proposed Directive defines its scope “*as widely as possible* in order to encompass all the intellectual property rights covered by Community provisions in this field.” It also invites Member States to “*extend this Directive to include acts involving unfair competition or similar activities,*” further broadening its scope to include types of general business torts and licensing disputes. Large foreign companies who own

trademarks (such as Nike, Levi's, or Microsoft), in particular, are empowered by the new rights in this proposal. While the proposal detracts the of consumers, it states that its provisions should not detract from national legislation that is more favorable to right holders than proposed by this instrument.

Thus, the proposed Directive applies to the enforcement of all rights relating to industrial property including copyright, patent, trademark, satellite broadcasting and cable transmission, databases, biotechnological inventions, computer programs, semiconductors, artwork, medicinal products, plant products, designs, spirit drinks, wine, agricultural products and foodstuffs. The proposal's Annex contains a list of all types of intellectual property that this to which Directive applies. Oddly, this list includes European Community patents granted under a never ratified and now defunct Community Patent Convention.

B. Restricts Personal Liberties of European Citizens

One of the biggest problems with the proposed Enforcement Directive is its endangering of traditional civil liberties, such as privacy, fair use (fair dealing) and other limitations on intellectual property rights, due process, and freedom of speech guarantees. Unless major changes to the current text of the proposal are made, Europeans' individual rights will be curtailed and media giants will gain more control over and intrusion into the lives of ordinary consumers.

1. Consumer Privacy Rights Threatened by Broad Subpoena Powers

The privacy rights of all European citizens are threatened by the text's provision for broad subpoena powers to give rights holders the names and addresses of anyone connected to an alleged infringement (Right of Information). The proposal would require universities, Internet Service Providers (ISPs), phone and cable companies, and any other third-party intermediaries to turn over personal information on their customers, even before there has been any finding of infringement or an opportunity for the defendant to be heard on the matter.

The US recording industry is already using the [US Digital Millennium Copyright Act's \(DMCA's\)](#) broad subpoena powers to collect personally identifying information on thousands of users of file-sharing software for its litigation purposes. The proposed Enforcement Directive's "Right of Information" is similarly ripe for abuse by intellectual property owners to obtain information on European citizens.

2. Fair Use (Fair Dealing) Rights Restricted by Legal Protection for Technical Devices

The proposed Directive's outlawing of "illegal technical devices" will likewise have a widespread negative effect on civil liberties in Europe. It would forbid any technology that could defeat technical restrictions that protect any intellectual property right. Despite

the fact that copyright, trademark, patent and other types of intellectual property laws contain explicit limitations on rightsholders' ability to control the use and distribution of their works, these technical devices permit no unlicensed uses at all. Europeans are left with no practical means of engaging in fair use (fair dealing) or parody of intellectual property goods, even though the law permits such unauthorized uses. Under the legal regime proposed by the Commission in this Directive, individual liberty is to be replaced by a license; this license can be revoked by an intellectual property holder or its terms unilaterally changed at any time and for any reason.

3. Privacy Rights Threatened by RFID Tags' Ability to Track Consumers

The proposal further endangers the privacy rights of consumers because Europeans would be forbidden from deactivating technical devices such as Radio Frequency ID (RFID) tags that are embedded in clothing, and other ordinary household products in an effort to prevent counterfeiting. Technical devices such as RFID tags have been criticized by [privacy rights advocates](#) because they are also used to track the physical movements of individuals without their knowledge or consent. This proposal would make it illegal to neutralize, deactivate, remove, or manipulate these tags in any way, opening the door to massive public surveillance and intrusion into the private lives of individuals.

4. Consumer's Own Use of Private Property Controlled by IP Holder

Since it would be illegal to remove the RFID tags or other technical devices embedded into products and designed to protect against infringement, people would be forbidden from using their own property as they choose. For example, if a person bought a pair of jeans with a RFID embedded into a company logo patch that was sewn onto the jeans, it would be illegal to remove that logo patch; and that person would have no choice but to serve as a "billboard" and provide free advertisement for this jean company by displaying the company logo when she wears the jeans.

5. Freedom of Speech and Information Chilled for Scientists and Programmers

Another troubling aspect to the proposed Enforcement Directive is its treatment of freedom of speech and information. The proposal's ban on "illegal technical devices" is wide in scope and includes any technology or component capable of bypassing technical restrictions such as computer software. Because it bans certain types of computer code, the proposal restricts the ability of computer programmers to discuss certain ideas, in violation of the programmers' freedom of speech rights. This provision violates Article 10 of the [European Convention on Human Rights](#), which guarantees, "Everyone has the right to freedom of expression. This right shall include freedom to ... receive and impart information and ideas ... regardless of frontiers."

Free and open source software development is threatened by the proposed Directive since it would outlaw large amounts of existing computer code. Computer security research is threatened by this proposal since European scientists would be forbidden from using

computer programs that circumvent technical devices. Scientists and researchers would also be forbidden from discussing in technical terms the vulnerabilities of intellectual property protection schemes if this proposal passes.

6. Elimination of Public Domain Due to Ban on “Illegal Technical Devices”

The proposed Enforcement Directive would have a devastating effect on the public domain for all types of intellectual property. All works under copyright and patent law are intended to pass into the public domain after the term of exclusive expropriation expires. The public domain is a vast store of human knowledge that anyone may draw upon and learn from, without any fees or restrictions. The flat ban on circumvention devices prevents people from using public domain works that are controlled or marked by technical devices. Libraries, in particular, will suffer if this proposal is passed, since they cannot use circumvention tools to deactivate the controls on works after they pass into the public domain. Libraries depend upon having the ability to preserve works through time and this proposal would severely undermine the ability of libraries to serve the public. European libraries will be forced to serve at the whim of large (mainly US) publishers companies who can forever control all terms of access to a book.

C. Impedes Innovation and Business Competition in Favor of Incumbents

The proposed Directive creates a legal regime throughout Europe that strongly favors large entertainment and software companies (mostly from the US) at the expense of small to medium-sized local firms. Its significantly undermines the Single Market and competition policy by giving the entrenched industry players a competitive advantage to innovative start-ups in the market.

1. Creates Monopoly Power in New Markets for Devices

The proposed Directive’s ban on “illegal technical devices” is so broad, it creates a monopoly for an intellectual property holder on who can build interoperable devices. The IP right holder is able to extend its monopoly power in the IP to a separate market for devices by requiring technical mechanisms such as authentication chips that recognize a ‘genuine’ part. This is already happening in the realm of copyright law, where the US Digital Millennium Copyright Act has been used by Lexmark to [prevent](#) a competitor (Static Control Components) from selling compatible printer toner cartridges; and Chamberlain Group has [invoked](#) the DMCA to prevent its competitor (Skylink) from selling lower-priced ‘universal’ garage door openers. The proposed Enforcement Directive would give the same broad and easily abused monopoly powers to the holders of any intellectual property right in Europe, not just copyright.

Historically, antitrust law prevented intellectual property holders from trying to extend their intellectual property rights to obtain a monopoly in other areas, such as related devices. And the legal doctrine of copyright misuse also forbids IP holders from trying to use their intellectual property to take greater rights than are granted under the law. These legal doctrines recognize the broad and easily abused powers created by intellectual

property grants and guards against them. But this proposed Directive ignores the public policy objectives behind antitrust and copyright misuse that have historically ensured rightsholders do not have total control over the device manufacturers or the consumer's use of a work.

2. Restricts Parallel Imports and Free Flow of Market Goods

If enacted as drafted, the proposal would curtail parallel imports, which provide for greater consumer choice and lower market costs by permitting goods to move more freely through borders. Parallel imports are products imported into a country for sale through legal, albeit unlicensed, distribution channels.

Within the EU, parallel imports are legal and intellectual property rights cannot be invoked to control the post-sale distribution channels for a work (First Sale Doctrine). The proposed Directive would severely undermine this competition policy objective, and grant an intellectual property owner the means to control every link in the distribution chain. As a result, large intellectual property owners will be able to restrict the choices of and impose price discrimination on European consumers. It also permits US media giants to control distribution channels for movies, music and art to the detriment of local culture and European artists.

3. Burdens Resources of ISPs, Businesses, Universities, and Innocent Others

Since it places greater responsibilities on businesses, universities, Internet Service Providers (ISPs) and other third-party intermediaries for the infringing activities of others, the proposed Directive also places greater burdens onto businesses and ISPs to monitor and police their networks and services for infringing activity. The industry-wide resource cost devoted to the protection and benefit of another industry would be crippling. Through this proposed Directive, intellectual property holders would shift the burden of protecting their interests onto innocent others.

D. Imposes Isolated 'Maximalist' Provisions on Entire European Union

While the proposed Directive claims to harmonize enforcement mechanisms for the entire European Union, the proposal actually selects the most extreme national IP enforcement provisions and imposes them onto all countries in the EU (i.e., stiffer penalties including imprisonment, easily obtained injunctions, allowances for seizures and destruction of property, a right of information to obtain personal identities, the recall of infringing goods at the infringer's expense, banning circumvention devices, etc.)

E. Expands Criminal IP Provisions Including Imprisonment

Historically, infringement of intellectual property was mostly considered a civil, not criminal, matter. Only in recent cases of large-scale commercial piracy were criminal charges against infringers possible. But the proposed Directive provides for the criminal prosecution, including imprisonment, of anyone who intentionally infringes any

intellectual property right and receives any kind of profit, *no matter how small of a profit or violation.*

In order to justify the increased criminal penalties, the proposed Directive attempts to connect infringement of intellectual property to organized crime, explicitly linking it to illicit trafficking in arms, drugs, and even claiming that infringement promotes terrorism. (Unfortunately these sensational claims are not accompanied by any evidence in the text of the proposed Directive.)

F. Tips the Scales of Justice in Favor of Intellectual Property Claimants

Ignoring traditional rules of justice, legal procedure and due process, the proposed Enforcement Directive accords special privileges to rights holders in the course of legal proceedings related to infringement actions. For example, the proposed Directive provides for the issuance of preliminary injunctions and the seizure of property, bank accounts, financial documents and other assets, *all before a case has been filed, and before the defendant has an opportunity to be heard on the matter.*

Simple fairness does not grant one class of litigants, intellectual property claimants, special privileges and greater access to the legal system than the ‘victims’ of other illegal activities. Guarantees of social justice and due process should apply to defendants in intellectual property prosecutions no less than to those accused of corporate fraud or product liability.

II. Analysis of Key Provisions in Proposed EU IP Enforcement Directive that Threaten Civil Liberties, Innovation, and Competition

A. Article 9: Right of Information – *Broad Subpoena Powers to Obtain Personal Information on Consumers*

One of the most troubling provisions for civil liberties in the Enforcement proposal is Article 9. Article 9 creates a new “Right of Information” that would permit intellectual property holders to easily obtain the names and addresses of individuals they consider to be infringers. Judges and other public officials would be required to issue search warrants, ordering the production of personally identifying information, *based on a mere allegation of infringement, and without the accused having an opportunity to be heard or defend against the charge.*

A “Right of Information” can be targeted against any person involved in an alleged infringement including ISPs, phone and cable companies, universities, or other third-party intermediaries. The right requires third-parties to identify the origin of the allegedly infringing goods, networks and distribution channels used, and the personal identity of any other third-party alleged to be involved in the infringement.

This proposal paves the way for the same kind of abuse of the legal system that the Recording Industry Association of America (RIAA) engages in under the broad subpoena powers it obtained in the US Digital Millennium Copyright Act (DMCA). In the US, RIAA has [boasted](#) of issuing thousands of subpoenas at a time to universities, ISPs, phone companies, parents, and employers, all to obtain the names and addresses of people who use file-sharing software. Having to process and respond to the sheer number of subpoenas is crippling courts, universities, and other ISPs in the US. Boston College and Massachusetts Institute for Technology are [challenging](#) the RIAA's subpoenas based on the privacy rights of their students.

Previously, a "Right of Information" had only existed in Europe in two instances (Art. 13 of the Benelux law on trademarks and paragraph 19 of Germany's trademark law), and only in limited circumstances. If this Enforcement Directive is passed as currently drafted, every Member State will be required to enforce a "Right of Information" and grant broad and abusive subpoena powers to intellectual property holders with little protection for the civil rights of those accused of intellectual property infringements.

Article 9 also requires public authorities to proactively hand over personal information to rights holders about suspected infringements so that legal proceedings may be filed.

B. Article 21: Legal Protection of Technical Devices – *Forbids Circumvention Tools*

Arguably the most dangerous provision in the proposed EU IP Enforcement Directive, Article 21 requires Member States to enact "legal protection against" making, importing, distributing, and using illegal technical devices. Forbidden "illegal technical devices" are those that are designed to circumvent a technology that aids in the protection of any industrial property right. So it would be illegal to tamper with or to build or provide others with tools or technologies capable of defeating or interoperating with such technical devices.

The proposal also defines "technical devices" as any technology, device or component which is designed for the manufacture of authentic goods and which makes it easier for consumers to recognize the goods as being authentic. Many security and authentication devices would fall into this category of "protected" technology and could take the form of security holograms, optical devices, smart cards, magnetic systems, special inks, microscopic labels and more.

"Protected" technical devices is an extremely broad category of technologies that would include RFID (Radio Frequency ID) tags, which are tiny computer chips embedded into all kinds of commercial products that send and receive radio signals to track inventory and prevent theft. An increasing number of consumer products (including clothing, cars, razors, etc.) are embedded with RFID tags and some predict nearly all will incorporate them within a few years. Since RFID tags are used to deter counterfeiting, it would be illegal for anyone (including the owner of the clothing, car, or razor, etc.) to tamper with the tags under Article 21 of the proposed Directive.

The proposed EU IP Enforcement Directive is similar to the [EU Copyright Directive](#) (2001/29/EC), which outlawed circumvention devices and which is currently being implemented throughout Europe; it is also similar to the US DMCA's ban on circumvention, except the Enforcement proposal is much broader in its prohibitions than either, *since it applies to any industrial property right*, not just copyright related rights as in the EUCD and the DMCA. Nor are there any exceptions permitted in the proposed Enforcement Directive's ban on circumvention, unlike in the EUCD and DMCA, which *theoretically* permit circumvention in narrow circumstances. One can think of the EU IP Enforcement Directive as the "DMCA on steroids" since any industrial property right that can be licensed will be enforced through technical devices that it will be illegal to circumvent throughout Europe.

Both the DMCA and the EUCD ban the act of circumvention and the provision of tools or components capable of circumvention. On its surface, however, the Enforcement Directive appears to only ban circumvention tools (and not also the act of circumvention). But since it also forbids the *use* of circumvention tools, and it is impossible to engage in the act of circumvention without using a tool, the Enforcement proposal effectively bans the act of circumvention as well as the tools also.

C. Other Troubling Provisions in EU's Proposed IP Enforcement Directive:

Article 7: Evidence

This article allows for a "responsible authority" (not necessarily a judge) to order the communication or seizure of banking, financial or commercial documents of anyone connected to an alleged infringement. These measures are sometimes called *Doorstep Piller Orders* in the United Kingdom.

Article 8: Measures for Protecting Evidence

This article sets for circumstances where judges may order the physical seizure of allegedly infringing goods before a case has been filed and without the other party having been heard on the matter. This article does not require a judicial authority to ensure fair play. Known as a "freezing injunctions" this provision marks a loss in the legal and due process rights of those accused of intellectual property infringement. The proposed Directive would extend freezing injunctions and search orders or *saisie provisoire* available in France, and the UK's *Doorstop Pillers* to the rest of Europe.

Article 10: Provisional Measures

This article provides for preliminary injunctions against alleged infringers, Internet Service Providers (ISPs) or other third-party intermediaries. It also establishes judicial authority to forbid the continuation of the alleged infringements. These measures may be taken without the defendant having been heard on the matter if it would prejudice the right holder to inform the defendant of the allegations. Judicial authorities may require (but will not be bound to require) applicants to produce "any reasonably available

evidence" to satisfy themselves of the applicant's rights and that they are being or are about to be infringed. Previously, the issuance of search warrants without the other party being heard was not available in Member States of Austria, Denmark, and Sweden. This "special interest" litigation provision curtails the legal and due process rights of a certain class of litigant, intellectual property defendants.

Article 11: Precautionary Measures

This article authorizes the blocking and the seizure of an alleged infringer's property, bank accounts, commercial documents and other assets without the defendant having been heard on the matter. This provision allowing "freezing injunctions" exemplifies another reduction in due process rights.

Article 12: Recall of Goods

This article provides for a recall at the expense of an infringer of infringing goods placed on the market. Although the proposal would make it law for the entire EU, only one country, the Netherlands, had previously enacted legislation that creates a recall of goods at an infringer's expense.

Article 14: Destruction of Goods

This article allows for the destruction of goods that infringe any intellectual property right (also known as "the book burning clause").

Article 18: Legal Costs

This article instructs Member States to require the loser of an infringement action to pay for all the winner's legal costs, including, not only the lawyers' fees and costs, but also any investigation costs, and fees for expert opinions or consultants.

Article 20: Criminal Law Provisions

This important article broadly expands the criminal law provisions of intellectual property infringement in the EU. Article 20 requires all Member States to treat "serious infringements" of intellectual property as criminal offences with penalties to include imprisonment. Under the proposal, a "serious infringement" worthy of imprisonment is defined as "intentional and committed for commercial purposes".

Some rights holders have [complained](#) that this expansion does not go far enough because downloading and peer-to-peer file-sharing is not criminalized under this definition (since it generally is not "committed for commercial purposes").

Article 20 also provides for the confiscation and destruction of infringing goods and the equipment used to make or distribute the goods. It also provides for ordering the closure of a business, a ban on business activities, recurrent fines, placement under judicial

supervision, and a ban on access to public assistance or subsidies, among other criminal penalties for infringement.