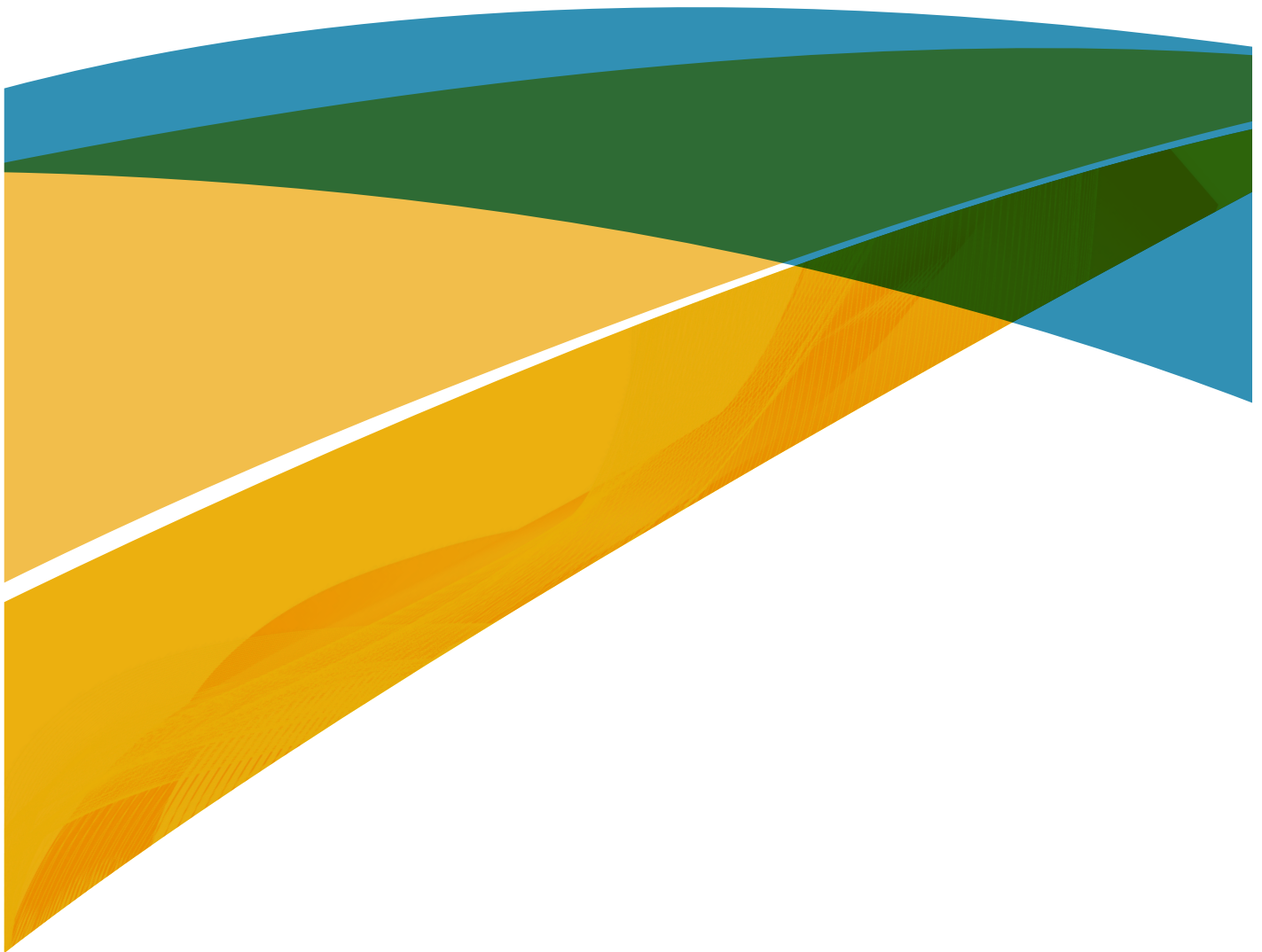




Intellectual  
Property  
Office

# UK Government response to EU public consultation on the evaluation of the legal framework for the enforcement of intellectual property rights



This document was prepared and submitted to the European Commission in April 2016 and therefore pre-dates the UK referendum on membership of the EU.

## About this document

This document comprises the UK government's response to the European Commission consultation on the functioning of the IP Enforcement Directive (the Directive). This response follows the general progression of questions as presented in the Commission questionnaire. However where questions ask for data that the government does not hold, no answer has been attempted.

## A: Identification

*Please enter your name/organisation and contact details (address, e-mail, websites, phone)*

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*Is your organisation registered in the Transparency Register of the European Commission and the European Parliament?*

n/a

*In the interests of transparency, your contribution will be published on the Commission's website. How do you want it to appear?*

Under the name of organisation as supplied.

*Please identify the national authority you are responding for.*

National Ministry or authority responsible for IPR enforcement policy

*Please indicate the country of establishment of the authority:*

United Kingdom

*Your authority is responsible for the following IPR:*

All IPR

## Summary of UK Response


- 1.1 The UK government is committed to ensuring that IP rights holders have access to effective and proportionate means to enforce their rights, both at home and abroad. With the rise in popularity of the internet as a means to consume copyright content, and as a platform for commerce as well as a source of infringement, it is important that enforcement mechanisms and the broader legal framework are continually scrutinised to ensure their effectiveness.
- 1.2 The UK calls on the Commission to;
- Protect the ability of Member States including the UK system to grant flexible and effective injunctions covering a wide range of infringing activity.
  - Preserve the principle that injunctions should be available when required against intermediaries who are not themselves directly responsible for the infringing activity.
  - Work to deliver better implementation of the existing provisions of the IP Enforcement Directive 2004/48 in other Member States.
  - Recognise the importance of accessibility and transparency in justice systems within the EU.
  - Support judicial knowledge sharing and best practice promotion to address some of the problems experienced by rights holders in gaining injunctions in other territories.
  - Recognise that the effective collection of damages/enforcement of financial awards is a key element to the functioning of the system as a whole.
- 1.3 In addition, the UK believes that these initiatives should be considered in conjunction with areas of related legislation, and accordingly also calls for the Commission to:
- To enforce and support existing administrative measures to allow the proprietors of websites to be identified
- To work towards an improved system of notice and takedown for copyright infringing content online
- Clarify the rules regarding exceptions to liability for online intermediaries, to make it clear which sort of hosts and platforms should benefit from the protections

## The Current Environment for IP Enforcement

- 2.1 The UK government's work on IP enforcement is intended in part to deliver commitments made in the Conservative Manifesto (2015). Specifically, the Manifesto pledged to:
- *make Britain the best place in Europe to innovate and patent new ideas*
  - *protect IP rights by continuing to require internet service providers to block sites that carry large amounts of illegal content*
  - *build on voluntary anti-piracy projects to warn internet users when they are breaching copyright*
  - *work to ensure that search engines do not link to the worst-offending sites.*
- 2.2 We are seeking to progress these within the existing framework of EU or domestic law although some changes may be needed, e.g. to tighten domestic penalties for online infringement. But as part of the Digital Single Market there needs to be more focus across the EU on ensuring the enforcement framework is fully implemented and properly administered. Some of our proposals are outside the scope of the Enforcement Directive itself, but need to be part of the discussion and the subject of EU wide action/attention.

### Areas of focus

- 2.3 This response calls for important shifts of emphasis rather than a fundamental revision of the Directive.
- 2.4 Feedback from most UK stakeholders is that the legal framework in the UK already provides the tools necessary for them to enforce their rights. The main concerns raised are that Member State implementation can be inconsistent, and that costs can be high, especially in the digital sphere where the volume of activity can make traditional remedies less effective.
- 2.5 For example, the UK system of injunctions for web site blocking is well developed and considered effective. The courts have also recently granted blocking injunctions in trade mark infringement cases, giving a valuable tool to rights holders. UK rights holders however find the implementation of injunctive relief in other Member States difficult to access, and allege that sometimes the injunctions granted are so narrowly drawn as to severely limit their effectiveness. The uncertainty as to the level of evidence required can also lead to high legal costs, both in the UK and abroad.
- 2.6 The UK has also received praise at home and abroad for the development of its specialised IP courts to include the creation of small claims track, and costs/damages caps for the Intellectual Property Enterprise Court (IPEC). There is however little consistency in this sort of provision across the EU, and it can be expensive for UK businesses to access proceedings in other Member States. This will be an important area to address given the push for more content and services to be made available cross border in support of the digital single market.

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- 2.7. An area of concern central to effective IP enforcement, but actually derived from the Electronic Commerce Directive, is the burdensome nature of the current notice and takedown regime for copyright owners. Given the volume of infringing websites, and the ease with which infringing content is reposted, rights holders face an enormous burden firstly in identifying the infringement and then notifying hosts and platforms of every infringement they identify (Google alone have received over 85 million take down requests in the last month<sup>1</sup>).
- 2.8. Additionally, and related to notice and takedown, is the role of exemptions to liability. The key issue here is whether the current rules around mere conduits and hosts are effective for the entire range of platforms and business models that have developed since the original legislation was enacted.
- 2.9. In both of these areas the UK has called, in its response to the EU Consultation on Digital Platforms<sup>2</sup>, for further work to be done.
- 2.10. In the case of notice and takedown, it is clear that some improvements should be possible, perhaps with a move towards a notice and stay down system, and with enhanced sanctions against repeat infringers.
- 2.11. In the case of exceptions to liability for copyright infringement, the UK has called for greater clarity as to what sort of platforms and hosts should benefit from the exemptions, and more understanding about what constitutes hosting, as opposed to mere conduit activities. In both of these areas, the UK has suggested that work could be done to better define ‘actual knowledge’, taking into account of course all relevant ECJ rulings in this area. More detail on both of these points can be found in the UK’s response to the Digital Platforms consultation.

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1 <https://www.google.com/transparencyreport/removals/copyright/?hl=en> Accessed on 12<sup>th</sup> April 2016

2 <https://www.gov.uk/government/publications/digital-platforms-eu-consultation-response>

## B: Impact of IP infringing goods and services

- 3.1 The consultation document first asks about developments in the occurrence of IP infringements over the last 10 years, and the impact of IP infringements on government and society.

### Evidence base

- 3.2 As stated by Professor Ian Hargreaves in his review “Digital Opportunity” in 2010;

“IPR cannot succeed in their core economic function of incentivising innovation if rights are disregarded. Widespread disregard for the law erodes the certainty that underpins consumer and investor confidence. In the most serious cases, it destroys the social solidarity which enables the law abiding majority to unite against a criminal minority.”

- 3.3 The difficulties that have always existed in accurately measuring levels of IP infringement persist, with the volume of activity online now presenting new challenges both to measuring the impact of the problem, and developing solutions. While some measures show stabilisation or improvement in some areas (see for example the recent study published the UK communication’s regulator OFCOM<sup>3</sup>), copyright owners in particular remain very concerned that the scale of online infringement presents a continuing threat to their businesses.

- 3.4 Data on levels of IP infringement are incomplete, but in order to support policy making, the IPO undertakes a range of research and evidence gathering projects, two of which are highlighted below.

### IP Crime Report

- 3.5 The first source of documentation is the yearly production of the IP Crime Report. The preparation of this document, by a coalition of industry and government representatives, is facilitated by the IPO. The report aims to illustrate the emerging trends in the scale and scope of counterfeiting and piracy in the UK, provide some evidence as to the extent of enforcement activity over the previous 12 months, and act as a mechanism for sharing best practice within the enforcement community.

- 3.6 Previous IP Crime Reports (2012-13, 2013-14) suggest that the level of intellectual property crime and infringement has been growing over time. However, the most recent report (2014-15) concludes “in many areas the growth of IP Crime is stabilising”. Other trends identified by the IP Crime Report include the emergence of the internet as a facilitator for commerce, providing new routes to market for both legitimate businesses and counterfeiters. In particular the use of social media has increased as a means to facilitate the sale and distribution of counterfeit goods.

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3 <http://stakeholders.ofcom.org.uk/market-data-research/other/internet/online-content-mar2016/>

- 3.7 It is also apparent that there have been changes in the types of goods that are most commonly counterfeited. In previous years, the most common types of counterfeited goods included tobacco, clothing, alcohol, footwear and DVDs. More recently high value counterfeit items, such as handbags, watches, electrical items and jewellery have seen a growth in sales.

## Online Copyright Infringement Tracker

- 3.8 A second, and valuable, source of data in the UK is the Online Copyright Infringement Tracker study. This is a large-scale consumer tracking study which reviews the extent of online copyright infringement, as well as wider digital behaviours and attitudes among people aged 12+ in the UK. The study has revealed increasing trends in online consumption between 2012 and 2015, although infringement has remained relatively stable over this time. Online consumption has increased from approximately 56% among the 12+ UK population who consumed at least one item online in the three months from May to July 2012, to 62% consuming at least one item online from March to May 2015. The proportion of UK internet users age 12+ infringing at least one item has remained around 16-18% across all survey periods.
- 3.9 A key trend from the study is that streaming activity has grown significantly over time, with 57% of the UK internet users aged 12+ streaming at least one item of online content (legally or illegally) over the three-month period March-May 2015. Streaming is now the most popular means of accessing content online and has driven the rise in online consumption. Conversely the reasons given by infringers for their activity have not changed much over the past three years and the most commonly cited reasons for infringing were because it is free, convenient and quick.
- 3.10 With regard to the specific impact of IP infringements on government and society, we are not aware of any UK studies that have tried to measure this.



## C: Functioning of key provisions of Directive 2004/48/EC on the enforcement of intellectual property rights

### C1 - Overall functioning of the enforcement framework

- 4.1 The Directive is a minimum harmonisation instrument and forms just one part of the legal landscape for IP enforcement in the UK. As UK practice was already well developed (with respect to procedures regarding evidence, the availability of injunctions and procedures as to costs/damages), it is sometimes argued that the introduction of the Directive did not fundamentally change the enforcement framework in the UK.
- 4.2 With the Directive acting as a baseline, the UK has nevertheless taken considerable steps to further enhance the enforcement of IP rights domestically. Examples of these further measures include reforms to the IPEC, the creation of the Police Intellectual Property Crime Unit and various voluntary initiatives involving online advertising, social media platforms and search engines. The UK has also developed the existing powers available to Trading Standards officers, to allow them to enforce the newly introduced criminal offence for intentional copying of a UK or EU registered design right.
- 4.3 A key consideration when developing this range of measures has been that there should be enforcement options for all types of infringing activity that are accessible, proportionate, and effective. It is also important that remedies for IP infringement do not restrict genuine competition between businesses or act as an unfair barrier to entry for new business.
- 4.4 This work, taken together, has led to the UK receiving favourable reviews in a number of recent appraisals of its IP enforcement regime. For example, the UK was ranked number 1 globally for IP enforcement by successive studies of the US Chamber of Commerce's Global Intellectual Property Center<sup>4</sup>. The UK has also been ranked number 1 by the Taylor Wessing Global IP Index<sup>5</sup>.
- 4.5 While the picture for rights holders enforcing their rights in the UK is a relatively good one there are always areas which may be improved and there is still important work to be done. Most criticisms from rights holders in the UK relate either to the scope and function of the underlying rights (this includes the so called value gap, and the effect of large digital platforms on the market), or the difficulty they perceive in taking enforcement action in other jurisdictions. There are however calls for the cost of legal remedies to be reduced (in the UK as well as abroad), especially as excessive cost presents a barrier to small enterprises and individual creators taking action to protect their rights.

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4 <http://www.theglobalipcenter.com/>

5 <http://united-kingdom.taylorwessing.com/ipindex/>

## C2 - Measures, procedures and remedies provided for by IP Enforcement Directive - Evidence (Articles 6 and 7)

- 4.6 The measures provided for in the Directive in relation to presenting, obtaining and preserving evidence already existed in UK common law before the IP Enforcement Directive was passed. As such, these provisions of the Directive arguably had little impact on the ability of rights holders to enforce their rights in the UK.
- 4.7 In *Anton Piller v Manufacturing Processes* [1976] RPC 719 the Court of Appeal approved a procedure whereby a claimant may apply to the High Court or Patents County Court (now IPEC), for an order to allow them to inspect the defendant's premises and to seize or document material relevant to the alleged infringement. This is why search orders in the UK that follow this form are also known as Anton Piller orders.
- 4.8 As these 'search orders' constitute a powerful remedy, there has been some criticism over the years, mostly around the interaction of the orders with fundamental rights. However, with diligent consideration and oversight by the courts these search orders continue to allow effective investigation and resolution of infringement cases.
- 4.9 Some stakeholders in the UK have highlighted that it is increasingly necessary to seize 'digital evidence', for example copies of databases or websites. This is already possible in England and Wales using measures such as the Anton Piller orders detailed above. There are however calls from some in the audiovisual sector to make such provisions explicit in the Directive, so that they become more widely available across the EU.
- 4.10 During a number of stakeholder conversations to inform this response, we have also heard that other (non-UK) jurisdictions can be overly bureaucratic in their requirements for evidence. The example commonly given is that some jurisdictions require screenshots of infringing websites to be notarised before being accepted by the courts. While we support the need for flexibility in approach for Member States who have differing legal systems, this is an area where it seems some voluntary work, perhaps through enhanced judicial practice sharing, may be beneficial.

### C2.2 - Right of information (Article 8)

- 4.11 We do not have data on the number of requests for information filed in UK jurisdictions, or the usual length of the procedures.
- 4.12 When considering the burden of proof and evidence required to demonstrate the existence of an infringement, in the jurisdictions of the UK the normal civil test of 'balance of probability' would be applied.

- 4.13 The provisions set out in Article 8 of the Directive already existed in England, Wales and Northern Ireland by reason of the House of Lords decision in *Norwich Pharmacal v Customs and Excise Commissioners* [1974] AC 133 – namely the availability of disclosure orders against the suppliers of infringing goods.
- 4.14 If an applicant requests a Norwich Pharmacal disclosure order the court will consider the following points before granting the request:
- whether there is a good arguable case that the infringement alleged by the applicant has or is taking place;
  - if the respondent is likely to have the relevant documents/information that would be subject to the Norwich Pharmacal disclosure order;
  - whether there is a provision in the Civil Procedure Rules that would provide the appropriate remedy to the applicant instead of a Norwich Pharmacal disclosure order;
  - if the respondent is involved in the alleged infringement;
  - if the Norwich Pharmacal disclosure order is necessary in the interests of justice;
  - that the ‘mere witness’ rule is not infringed; and
  - that the applicant will be able to provide a cross-undertaking in damages to the respondent.
- 4.15 Regarding the merits of a request for information under the terms of a Norwich Pharmacal disclosure order, the Court will not grant the order if it would be unduly oppressive (*Sega Enterprises v Alca Electronics* [1982] F.S.R. 516).
- 4.16 Although we recognise that it falls under a different strand of the legal framework, we are aware of severe difficulties encountered by rights holders when seeking information regarding ownership of websites based outside the UK. Domain names are easily obtainable for a small fee, and with limited requirements for verifying information about those purchasing the domain name.
- 4.17 It has been suggested that the requirements of Article 5 of the E-Commerce Directive could be better enforced (although it is acknowledged that in many instances the identifying information will be held by organisations outside of the EU). It has been suggested for example, that a host website which does not provide verified ownership information should be assumed to be acting in bad faith, and hence should not benefit from exceptions to liability for copyright infringement. There may be considerations around the need for anonymity or pseudo-anonymity in certain cases, for example that of whistleblowers or others acting in the public interest needing to publish information without undue threat of retaliation. These cases are likely to be rare however, and there are other avenues available for publication (including third party websites run for the purpose) which may mitigate this concern.

- 4.18 Rights holders in the UK generally agree that Nominet (the UK top level domain registrar) is an example of good practice in this area. While many websites are registered outside of the EU, action to bring all EU registrars up to Nominet's standard would be of considerable benefit to all European rights holders.
- 4.19 In conclusion, UK practice in this area is well developed, with close judicial scrutiny of information requests broadly accepted as giving the right balance between IP rights and fundamental rights. Access to information is however a valuable enforcement tool, and we would encourage the Commission to ensure that the measures required by the Directive and the E-Commerce Directive are fully available in all Member States.

### C2.3 - Procedures and courts, damages and legal costs (Articles 3, 13 and 14)

- 4.20 We have limited information on the number of legal actions filed in England and Wales in cases of alleged infringement of IPR. The 2014 Review of IPEC contains details on cases 2007-2013: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/447710/Evaluation\\_of\\_the\\_Reforms\\_of\\_the\\_Intellectual\\_Property\\_Enterprise\\_Court\\_2010-2013.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/447710/Evaluation_of_the_Reforms_of_the_Intellectual_Property_Enterprise_Court_2010-2013.pdf)
- 4.21 We do not currently receive such data from the courts as a matter of course.

#### Damages

- 4.22 There is a general principle in UK law that the damages awarded to the claimant shall be appropriate to the actual prejudice he suffered as a result of the infringement. There are two options which a court may choose from when determining the damages it believes to be appropriate:

The court may provide damages for 'negative economic consequences' and 'elements other than economic factors'. This includes consideration of lost profits to the right holder, unfair profits of the infringer and moral prejudice to the rights holder.

The court may provide damages 'on the basis of the royalties or fees which should have been due had the defendant obtained a licence'. As such, if the court decides that the appropriate damages due to the right holder are the royalties or fees they would have received then the rights holder will receive a lump sum.

- 4.23 Rights holders may claim damages against a third party who is held to have authorised an infringement. The UK recognises secondary infringement for copyright – where copyright is infringed by a third party performing a particular act such as importing or providing an infringing copy if that third party 'knows or has reason to believe' that the work they are selling is an infringing copy.

## Costs

- 4.24 As a general rule in the jurisdictions of the UK, a successful party in litigation recovers a proportion of their costs from the losing party subject to the court's discretion.
- 4.25 'Costs' are defined in rule 44 of the Civil Procedure Rules (CPR)<sup>6</sup> as:
- "costs' includes fees, charges, disbursements, expenses, remuneration, reimbursement allowed to a litigant in person under rule 46.5 and any fee or reward charged by a lay representative for acting on behalf of a party in proceedings allocated to the small claims track'.*
- 4.26 All of the categories of costs listed in the consultation questionnaire can be claimed (court fees for instituting proceedings, in-house costs, other court fees, attorney's charge, external expert(s) cost, additional attorney's fees). Regarding the consultation's category of 'other', litigants can recover a proportion of sundries, for example photocopying costs, from the losing side.
- 4.27 In-house legal costs can be claimed subject to certain conditions which include, inter alia, that the in-house lawyers are charging for 'legal' work such as research and drafting rather than providing instructions to a law firm (*Henderson v Merthyr Tydfil Urban District Council* [1900] 1 QB 434 and *Re Eastwood (deceased)* [1975] Ch 112) and they do not duplicate the work of the law firm's lawyers (*Ultraframe (UK) Ltd v Eurocell Building Plastics Ltd and another* [2006] EWHC 90069 (Costs)).
- 4.28 There are limits on the recoverability of legal costs. The court can award costs on one of two bases (standard or indemnity) and the amount recoverable is dependent upon this. The court also has the power to limit the amount that a party may recover with regard to the fees and expenses of an expert.

## Costs ordered on a standard basis

- 4.29 The default position is that the court will order costs to the successful party on the standard basis. For cases commenced on or after 1 April 2013, the court will only permit costs that are both reasonably incurred and reasonable in amount. Regarding proportionality, the costs claimed must be proportionate to the matter(s) in issue. Disproportionate costs may be either disallowed or reduced, even if they were reasonably or necessarily incurred.
- 4.30 Costs incurred are proportionate if they bear a reasonable relationship to:
- the sums in issue in the proceedings;
  - the value of any non-monetary relief in issue in the proceedings;
  - the complexity of the litigation;
  - any additional work generated by the conduct of the paying party; and
  - any wider factors involved in the proceedings, such as reputation or public importance.

6 <https://www.justice.gov.uk/courts/procedure-rules/civil/rules>

### Costs ordered on an indemnity basis

- 4.31 There is no express provision that defines when a court will order indemnity costs; such a decision is within the court's discretion. An example of when indemnity costs might be ordered are if the court decides that a party has used litigation for 'ulterior commercial purposes...and the making of an unjustified personal attack on one party by the other' (*Fitzpatrick Contactors v Tyco Fire* [2008] EWHC 1391 (TCC)). If costs are awarded on the indemnity basis, on assessment, the costs judge will only allow costs to be recovered which are either:
- reasonably incurred; and
  - reasonable in amount.
- 4.32 Unlike when a court assesses costs on the standard basis, consideration of proportionality does not arise if costs are granted on the indemnity basis as there is a presumption of proportionality in favour of the receiving party. Accordingly, the losing party must show that the indemnity costs claimed by the successful party are unreasonable if they are to persuade the court to reduce them.
- 4.33 We consider that the existing rules have helped to effectively protect IP and prevent IPR infringements to some extent. The general practice before the courts is that reasonable and proportionate legal costs and other expenses incurred by the successful party shall be borne by the unsuccessful party. However this was in place before the Directive. The recent reforms to the IPEC – see below- and the introduction of a small claims track within the specialised IP court has, in our view, made more of an impact in effectively protecting IP by introducing certainty about the legal costs that a party, should it lose, may end up having to bear.
- 4.34 We would strongly encourage the Commission to ensure that reasonable cost (and damages) caps remain an option to member states for the administration of courts such as the IPEC (especially in light of the pending CJEU reference for *C-576/15 United Video Properties*).
- 4.35 We are aware of comments from UK stakeholders who, when they have been successful in having costs awarded to them through courts in other jurisdictions within the EU, have then experienced difficulty in collecting these costs. Whilst outside the scope of Directive 2004/48/EC there may be merit in the Commission seeking to ensure that such sums are able to be collected by those awarded them.

### C2.3 - Provisional and precautionary measures and injunctions (Articles 9 and 11)

- 4.36 The system of injunctive relief available within UK jurisdictions is well developed, and as with other elements covered here, existed largely before the Directive was implemented. Within the jurisdictions of the UK, an injunction can be granted to prevent both actual and further infringements. Notably, a court may grant 'interim' or 'final' injunctions, and where appropriate injunctions are available against parties who themselves are not directly

infringing. *It is important that this well developed and heavily used system is preserved, and that changes at EU level, either through revision to the Directive, or through CJEU rulings, do not weaken the provisions available.*

- 4.37 An interim injunction allows a rights holder (for example) to preserve the status quo until a trial can take place. An alleged infringer's activities can therefore be stopped before a judgment has been given. As the name suggests, a final injunction is granted following a trial once infringement has been established.
- 4.38 The court also has discretion to order 'delivery up' following the grant of an injunction. This ensures the effectiveness of an injunction and may require a defendant to provide infringing articles or documents or, for example, to erase a trade mark. For copyright and unregistered designs, delivery up can be ordered for both infringing copies and apparatus which is specifically designed to make infringing articles.
- 4.39 A court may grant an order allowing a defendant to continue its activities (which the claimant may allege constitutes an infringement of an IP right) subject to lodging appropriate guarantees which can compensate the claimant if the defendant is found to have infringed the claimant's IP at trial. Such an order would be in lieu of an interim injunction.
- 4.40 In the UK it is common practice to utilise Cease and Desist letters without involvement of the courts (although they are usually phrased so as to offer a pre-cursor to legal action if required).
- 4.41 On a related matter which, although not covered by the Directive, is relevant to this area, the IPO launched a discussion document on 22 October 2015, following the publication of the Law Commission's final report on reforming the law of unjustified threats on intellectual property infringement. The UK government has accepted the Law Commission's recommendations for reform, including those made in the final Law Commission report, and intends to introduce primary legislation to implement these reforms.
- 4.42 In summary, the proposed changes will:
- Bring the law for trademarks and designs into line with that for patents by allowing a rights holder to challenge someone who is a primary actor without fear of facing a groundless threats action.
  - Provide a clearer framework within which disputing parties and their professional advisers can operate to resolve disputes with a view to avoiding litigation.
  - Protect retailers, suppliers and customers against unjustified threats.
  - Protect professional advisers from facing personal legal action for making threats when they act for their clients.
  - Make necessary changes to threats law so that the protection against unjustified threats can apply to European patents that will come within the jurisdiction of the Unified Patent Court.

## Obtaining an injunction against an intermediary

- 4.43 To take copyright as an example, in the UK jurisdictions, a copyright owner may take action for infringement of copyright by either a primary or secondary infringer (as defined within the Copyright Designs and Patents Act 1988 - CDPA) pursuant to s. 96 CDPA. ***The availability of injunctions against secondary infringers should not be undermined by changes to the Directive.*** Such actions include interim injunctions, interim declarations, freezing injunctions, search orders and disclosure orders. Each of these remedies have different criteria which will determine, on a case by case basis, whether they will be granted by the court. Prohibitory injunctions can be obtained to prevent both actual and future infringements.
- 4.44 The system of injunctions in the UK is well developed and the rights holders we consulted were generally satisfied that the range of injunctions available, and the procedures which support them, are accessible and effective. The only concerns raised about the UK system were that it can be expensive (this is due to the cost of legal advice, and so outside the scope of the Directive), and that the levels of evidence required are not always well understood. We believe this latter point could be easily remedied through increased judicial knowledge sharing which could well be facilitated at a European level.
- 4.45 A related concern raised with us is that, in some Member States, the injunctions available must be drawn extremely narrowly so that they may be enforced by a bailiff with little subject specific knowledge. It was argued that such a level of specificity (with regards to seizure of evidence for example) reduces the value of the injunction as a means to efficiently progress proceedings.
- 4.46 The same criticism has also been raised about the scope of blocking injunctions for copyright, with some Member States apparently only granting injunctions on a title by title basis (for specific instances of a work), rather than a repertoire wide or catalogue wide injunction which is clearly more likely to be effective.
- 4.47 ***Given the variation in practice across Member States, it appears that some formalised knowledge or best practice sharing could be an effective first step to tackle some of these criticisms. The same process could also be used to build a shared consensus of evidence requirements, allowing some level of cross border recognition, or at least minimising duplication of work.*** The ambition in time should be for a degree of harmonisation of practice and requirements, such that a rights holder seeking relief in multiple jurisdictions is met with consistent evidence requirements and consistent scope of injunctions. This would greatly simplify cross border enforcement, and may be possible without changes to the Directive.

## Interim injunctions

- 4.48 As a remedy for IP infringement, an interim injunction will normally provide that the defendant is restrained from infringing the claimant's rights as they have been asserted.



- 4.49 These interim injunctions are discretionary, and rely on a number of factors. The claimant must act quickly once they become aware of a potential infringement, and the claimant will usually be expected to provide a cross-undertaking in damages to the defendant. If these factors are satisfied, the court will apply the American Cyanamid tests (the name is from the leading case in this area). In brief:
- The court must be satisfied that there is a ‘serious question to be tried’ and if so, determine the ‘balance of convenience’. This means that if, at trial, the damages that may be awarded would adequately compensate the claimant and that the defendant is likely to be able to pay these damages then the interim injunction should not be granted.
  - If however damages will not adequately compensate the claimant following success at trial, the court needs to consider whether the defendant will be adequately compensated by damages from the claimant’s cross-undertaking if the claimant is unsuccessful at trial. If the damages from the cross-undertaking would likely be adequate then the interim injunction will be granted.

### Final Injunctions

- 4.50 As with interim injunctions, final injunctions are granted at the court’s discretion.
- 4.51 This discretion notwithstanding, if it is proven at trial that an IP infringement has occurred be that of a patent, design, copyright or trade mark, an injunction will be granted absent something special in the case. Such a special factor could include:
- Imminent expiry of the right;
  - No likelihood that the defendant will repeat their infringement; and/or
  - Poor conduct on the part of the claimant in the case such as, for example, representing that that they would not seek an injunction and then applied for one.
- 4.52 Injunctions are more likely to be granted in cases involving confidential information. Conversely, if the loss suffered by the claimant is irrecoverable then an injunction is unlikely to be granted.
- 4.53 Given the split in the UK between civil and criminal law, an individual cannot be granted an injunction against a violation of criminal law unless they have a special interest in its enforcement beyond that of an ordinary citizen.
- 4.54 It is possible to obtain an injunction against any intermediary even if they have no responsibility or liability (for example, acting as a mere conduit or caching under ss. 17 and 18 of the Electronic Commerce (EC Directive) Regulations 2002) and Section 97A CDPA (injunctions against service providers) are examples of this. We note that under Section 97A CDPA the intermediary must have ‘actual knowledge’ of ‘another person using their service to infringe copyright’. Regarding the consultation’s question on this point, we do not consider ‘actual knowledge’ to constitute ‘active involvement.’ This means

that under Section 97A CDPA, an intermediary put on notice by receipt of a notification can then be subject to injunction, despite them having no active personal role in the posting or transmission of the content in question.

- 4.55 Injunctions against intermediaries can be issued to prevent further infringements in the future, as well as stopping an actual infringement (*Twentieth Century Fox Film Corp v British Telecommunications plc* (2011) RPC 28).
- 4.56 Concerns have been raised with the IPO that recent cases in other Member States have shown that without a uniform approach to secondary liability, injunctions against intermediaries may not be available on an equal basis in all jurisdictions (the pending referral to the CJEU in C-610/15 - *Stichting Brein* is relevant here). We would encourage the Commission to look at how more uniformity in this matter might be achieved.
- 4.57 It is possible in the UK jurisdictions to obtain an injunction against an internet intermediary forbidding the continued access to the material that is allegedly infringing IPR when that injunction does not specify the measures which that access provider must take. Section 97A CDPA orders work in this way, the detail of implementation is left to the ISP.
- 4.58 In consultation with us, one concern raised domestically is that the level of evidence required to secure a Section 97A injunction is not fully clear, leading to a risk of unnecessary costs and uncertainty as to outcome. While this is something we will attempt to address within the UK, it is also something that could be improved by increased judicial knowledge/best practice sharing as suggested above.
- 4.59 We recommend that the Commission explore how judicial knowledge sharing could be improved, and to what extent requirements for evidence in practice could be harmonised across Member States.

### Monitoring obligation

- 4.60 There is no general monitoring obligation in this jurisdiction. The legislation which implemented the E-commerce Directive, The Electronic Commerce (EC Directive) Regulations 2002 does not include the Directive's prohibition on a monitoring obligation on 'information society service' providers as specified in Article 15 of the E-commerce Directive. However, UK guidance regarding the E-commerce Directive published on 31 July 2002 states that;

*'this does not affect the imposition of monitoring obligations in specific cases (e.g. in compliance with a warrant issued under Section 5(1)(a) of the Regulation of Investigatory Powers Act 2000 to secure the interception of a communication in the course of its transmission by means of a telecommunication system).'*<sup>7</sup>

<sup>7</sup> A Guide For Business To The Electronic Commerce (EC Directive) Regulations 2002 (SI 2002/2013), DTI, 31 July 2002

## C2.4 Publication of judicial decisions (Article 15)

- 4.61 In the UK there are a range of commercial and not for profit case law reporting services. The most commonly used open access service Baillii.org has an extensive collection of English and Irish law reports, and is run as a registered charity. Alternatively WestLaw and LexisNexis are perhaps the most commonly used commercial providers.
- 4.62 In the UK court decisions are generally public, but they are not necessarily published. While the more important cases at senior courts are invariably reported in multiple places, the findings of more junior courts may not be published anywhere. There are good reasons for this, both based on the volume of decisions and the desire to ensure that only cases of precedential value arise during research.
- 4.63 During consultation we have heard some requests for more comprehensive publication of trial outcomes. These most commonly come from users of the lower/small claims track court, who believe that a public judgment against one infringer may be useful as ammunition against other current or potential adversaries.
- 4.64 The option to require that a court decision be publicised through more mainstream media, either through an advert in the press or perhaps on the losing party's website, is not something that is often utilised. It should however remain available as an option for those cases where its use is advantageous.
- 4.65 It has also been suggested that it is useful on occasion for the courts to be able to order publication of the finding that an intellectual property right has *not* been infringed. In the UK courts have been able to do this using their general powers, but we would support clarification of this point in the Directive.

## D: Issues outside the scope of the current legal framework

### Intermediaries

5.1 We are not aware of any legal obligation upon intermediaries to prevent IPR infringements unless they are ordered to by a court. For example, if an ISP is subject to a blocking injunction, it is in breach of a High Court Order if it fails to take the required action and would therefore be liable to be in contempt of court.

We do however recognise that intermediaries are well placed to help in the fight against IP infringement, and there are a number of initiatives in the UK where they are playing a key role.

5.2 Over the last year and half, the Minister for IP, Baroness Neville-Rolfe, has chaired a series of roundtable meetings with representatives from the main UK search engines (Google, Yahoo! and Bing) and creative industry representatives (Motion Picture Association, BPI – the British Phonographic Industry and the Alliance for Intellectual Property), aimed at identifying voluntary solutions to the problem of copyright infringing websites appearing in search results.

5.3 One of the key developments early in the discussions was a change in Google's search algorithm to actively demote websites that have received large numbers of DMCA takedown notices.<sup>8</sup>

5.4 Prior to discussions, OFCOM (the UK communications regulator) undertook initial baseline research to establish the prevalence of infringing websites in search results and during the course of the meetings, they have undertaken further studies to assess the impact of the changes made by Google. OFCOM's latest research shows that Google has made progress in reducing the prominence of search results for the worst infringing websites. The research also shows that it is now the case that a well-meaning consumer, searching using neutral search terms (for example 'film name' or 'song name') on Google, is likely to receive predominantly legal websites in the first page of search results. There are of course a very large number of pirate sites, and to a degree the removal of the most prominent sites does lead to less well known sites rising up the ranks to replace them. In most cases however these lesser sites will still be ranked below legitimate services in search results.

5.5 Bing (also responsible for the underlying technology for Yahoo!) has made similar changes to its algorithm and has demonstrated similar improvements.


5.6 Work is continuing on these issues, including the role of autocomplete suggestions and the accessibility of search optimisation strategies for legitimate websites. Overall however some progress has been made but there is still more that could be done.

<sup>8</sup> A takedown notice is a notification to a company, usually a web host or a search engine, that they are either hosting or linking to copyright-infringing material. It provides them notice to remove the copyrighted works. Takedown notices are issued pursuant to the Digital Millennium Copyright Act (DMCA). This is a piece of US legislation used by US rights holders, but is acted upon by UK intermediaries in the interests of protecting copyright and preventing protracted legal disputes.

- 5.7 In addition to work with search engines, the IPO and the Police Intellectual Property Crime Unit (PIPCU) have been working with advertisers and payment service providers to ensure that illegal sites are starved of opportunities to make money. Recent research has shown that these efforts are paying off. The volume of advertising on infringing websites paid for by the UK's biggest spending companies has reduced by 73% (since the commencement of the project).
- 5.8 Work on advertising, and the work described above with search engines, would benefit greatly from a coherent pan-European approach. We would welcome the Commission's engagement with developing this. We will continue our domestic work with advertisers and payment providers, and PIPCU are also working closely with Nominet to ensure the .uk domain is free of infringing sites.
- 5.9 Details of these various projects have been shared with the Commission on previous occasions, but we would be very happy to offer any further information if it is considered useful.

## D2 - Specialised courts

- 5.10 In the UK the court utilised for IP disputes depends on the nature, complexity and value of the claim.
- 5.11 For Claims below £10,000 the IPEC small claims track will handle claims for infringement of:
- copyright
  - passing off
  - trade marks
  - breach of confidence
  - unregistered design rights
- 5.12 The IPEC small claims track accepts litigants in person, and is managed to provide an accessible and low cost route to justice especially for small enterprises or lone creators.
- 5.13 For claims up to £500,000 the IPEC provides a multi-track service which allows for claims up to:
- £50,000 for legal costs
  - £500,000 for damages
- 5.14 For claims of more than £500,000 in damages litigants must use the Chancery Division of the High Court of England and Wales - there are no limits to legal costs or damages that can be claimed at this level.

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- 5.15 A recent review of the functioning of the IPEC found there has been a substantial increase in workload for the court, with more IP rights holders feeling they have the option to defend their rights. In particular the reforms to introduce a small claims track, cost cap and enhanced case handling procedures are credited with leading to a significant increase in case filings by small business claimants. Active case management in particular has been argued to clarify and limit claims, greatly speeding up the process of litigation. Overall, the study found that reforms may have encouraged parties to enter into disputes with, and to seek redress from, potential IP infringers, where previously they would have not done so.
- 5.16 The pending referral in Case C-57/15 *United Video Properties* is a concern if it has the potential to limit the option for the sort of costs cap relied upon by the IPEC. It should be noted that rights holders may elect to bring their cases to other courts where the limits do not apply, and the court may itself transfer cases into or out of IPEC if necessary. In light of these safeguards, we believe the option to provide a cost capped track is a valuable one and should be preserved.

## E: Other issues

- 6.1 As noted above, for the most part the UK system is working well, as borne out by the various appraisals over recent years. Accordingly we believe the focus of this review should be on ensuring that the remedies and procedures currently available under UK law are preserved, and that all other Member States are encouraged to develop their systems in a way which similarly delivers the original intention behind the Directive. Effective and accessible enforcement mechanisms across all 28 Member States will provide benefits to rights holders from all territories of the EU.
- 6.2 Another area of focus should be on achieving greater consistency in practice across Member States. We have suggested that this could, in part, be achieved through building a common understanding of evidence thresholds and streamlining of procedures for all rights holders. Consideration of the role of other law, such as the E-Commerce Directive, should also be included. Sharing of best practice, clarification of concepts and exchanges of judicial knowledge could all play a key part in this work, and we stand ready to assist the Commission in such work.
- 6.3 A final area of focus must be education of businesses and individuals to understand the value of IPR, and to respect the IPR of others. In today's connected environment, even very young people are IP consumers, accessing online digital content independently and regularly. They are also creators of IP and many will leave school or university to take up careers in industries that depend upon inventiveness and creativity. A basic understanding of IP and a respect for others' IP rights is becoming a key life skill.
- 6.4 Unfortunately, IP is too often ignored in our education system. For the UK government, ensuring that the next generation is equipped with the knowledge it needs to succeed in a competitive world is a key priority. Likewise the government aims to ensure that students are motivated to respect the effort others have invested in developing new products, images or music.
- 6.5 To address this need and provide resources for educators in one convenient location, the UK IPO recently launched a new online hub ([www.crackingideas.com](http://www.crackingideas.com)).
- 6.6 Part funded by European Intellectual Property Office, the Cracking Ideas portal gives teachers of Business Studies, Media Studies, PHSE and Music access to brand new online resources, and toolkits for all ages. The materials provided through the website are designed to inspire innovation and improve the next generation's understanding of IP.

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