UNIVERSITÀ EUROPEA DI ROMA

Facoltà di Economia - 2019/2020

EU INNOVATION POLICY

Prof. Valeria Falce (UER - Jean Monnet Chair)

OBJECTIVES OF THE JEAN MONNET CHAIR

THE **JEAN MONNET CHAIR** IN EU INNOVATION POLICY AIMS TO :

- **foster** the **dialogue** between the **academic world** and **policy-makers**, in particular to enhance governance of EU policies on innovation
- **promote innovation** in **teaching** and **research** through cross-sectorial and multi-disciplinary studies, open education, networking with other institutions

The Chair focuses on **European innovation policy** with a particular attention to the **single innovation market** and **intellectual property rights strategy**.

AIMS OF THE EU INNOVATION POLICY COURSE

- THE **TEACHING COURSE** AIMS TO :
  - **build** a **solid knowledge-base** on **Innovation Policy**, which is essential to the construction of a community of innovation for economic and social growth, sustainable development and competitiveness
  - **allow students** to **develop** a **critical approach** on substantive issues in innovation policy and competition law, with particular focus on EU integration and a Single Innovation Market for the EU

PROGRAMME OF THE COURSE

LECTURES

Module I: *Innovation Union and EU Innovation Policy*

- Innovation in Europe: scoreboard, performance and indicators
- The Lisbon Strategy
- The Europe 2020 growth strategy and the Innovation Union

PROGRAMME OF THE COURSE

LECTURES

Module II: *Single Market for Intellectual Property Rights*

- The modernization of copyright and related rights
- Trademarks and related rights package
- European patent with unitary effect
- The trade secrets Directive

PROGRAMME OF THE COURSE

LECTURES

Module III: *EU Integration and a Single Innovation Market*

- The principle of territoriality
- The principle of exhaustion and parallel imports
- European knowledge market for patents and licensing

PROGRAMME OF THE COURSE

SEMINARS

Advanced Studies on the Intersection between Intellectual Property & Competition

► Innovation Union and circular economy: innovation principles, new forms of networked innovation, innovation deals

► building the innovation ecosystem through licensing: standardisation based on patent-protected technologies; evaluating standard essential patents; negotiating SEPs

MODULE I

INNOVATION UNION & EU INNOVATION POLICY

(*Lecture I*)

Innovation in Europe
Scoreboard Performance and Indicators

ROLE AND MEANING OF INNOVATION

Innovation is a **key driver** for economic and sustainable **growth,** as well as for empowering communities and responding to societal challenges. As stated in the *Communication on Innovation Union*, **innovation policy** plays a **fundamental role** in order to inspire future visions and insights on **policy-making** and R&D funding in the knowledge-based economy. Innovation is the engine of economic growth, creating **new markets**, reaching new **productivity** levels and improving long-term **welfare**.

Innovation in Europe
Scoreboard Performance and Indicators

ROLE AND MEANING OF INNOVATION

However, **innovation** is a pervasive and elusive subject. It is **pervasive** since it entails both public and private investments, it **permeates** all areas of **public policy** (tax, labour, telecom, energy, competition, IP and industrial policy, education, immigration, health, agriculture etc), and **requires action** at local, regional, national, global levels. At the same time, it is a very **elusive** subject since it is **hard to define** and there is no 'one size fits all solution' to maximize the potential of innovation in a given country.

Innovation in Europe
Scoreboard Performance and Indicators

ROLE AND MEANING OF INNOVATION

All **governments** are willing to **promote innovation**, but none of them can be sure of how to fully boost its potential. It might be **difficult** to **strike** a **balance** between different **forces**: on the one hand, **innovation** is accelerating, becoming more **global** and **open**; on the other, it requires sophisticated **skills**, global **cooperation** between private and public players, and monitoring of **societal needs**. It might also be **difficult** to **craft** innovation **policies** that will not be obsolete when they come into force.

Innovation in Europe
Scoreboard Performance and Indicators

ROLE AND MEANING OF INNOVATION

As to its **definition**, different suggestions have been proposed. It could be defined as:

- process by which individuals & organizations generate and put in practice new ideas
- process by which value is created for customers, by transforming new knowledge and technology into profitable goods and services for national and global markets
- adoption of new products, processes, approaches that create a valuable outcome

Innovation in Europe
Scoreboard Performance and Indicators

ROLE AND MEANING OF INNOVATION

► introduction of new goods, methods of production, new markets (Schumpeter)

► creation of new (or efficient reallocation of existing) resources which contribute to progress - *i.e.* allocative efficiency and social welfare (Granieri & Renda)

Given this broad range of definitions, it is clear that **there is no 'one size fits all' recipe for defining innovation** which can be applied to all sectors of economy and countries.

Innovation in Europe
Scoreboard Performance and Indicators

INNOVATION AND THE EUROPEAN UNION - A BRIEF OVERVIEW

Europe has not an Internal Market for innovation yet. **Investing** more in **research**, **innovation** and Innovation Policy entrepreneurship is the sole **answer** within **Europe 2020** to neutralize the weaknesses in public education & innovation systems, **enhance** capacity to deliver smart, sustainable and inclusive **growth**, favor smart specialization & circular innovation, **create** a **balanced IP system**. As a result of the *Innovation Union flagship initiative* (2010), a strategic and integrated approach to innovation - boosting European national regional research and innovation potential - is essential.

Innovation in Europe
Scoreboard Performance and Indicators

- OBJECTIVE OF THE EUROPEAN INNOVATION SCOREBOARD

- The **European Innovation Scoreboard,** launched in 2000 & published yearly by the Commission**,** offers a comparative **analysis** of **research** and **innovation performance** in **EU countries**, other European countries, and regional neighbours. It examines **strengths** and **weaknesses** of national **research** and **innovation systems**, and helps countries to **track progress** & **spot priority areas** to boost innovation performance.

Innovation in Europe
Scoreboard Performance and Indicators

WHICH INDICATORS ARE USED FOR THE SCOREBOARD ?

4 main categories – 10 innovation dimensions - 27 performance indicators

- ► Framework Conditions (capture main drivers of innovation performance)
- ► Investments (include public and private investments in R&D)
- ► Innovation activities (capture innovation efforts at company level)
- ► Impacts (show how innovation translates into benefits for the whole economy)

ANNEX 1

Table 1 – European Innovation Scoreboard: dimensions and indicators

FRAMEWORK CONDITIONS

Human resources

1.1.1 New doctorate graduates

1.1.2 Population aged 25-34 with tertiary education

1.1.3 Lifelong learning

Attractive research systems

1.2.1 International scientific co-publications

1.2.2 Top 10% most cited publications

1.2.3 Foreign doctorate students

Innovation-friendly environment

1.3.1 Broadband penetration

1.3.2 Opportunity-driven entrepreneurship

INVESTMENTS

Finance and support

2.1.1 R&D expenditure in the public sector

2.1.2 Venture capital expenditures

Firm investments

2.2.1 R&D expenditure in the business sector

2.2.2 Non-R&D innovation expenditures

2.2.3 Enterprises providing training to develop or upgrade ICT skills of their personnel

INNOVATION ACTIVITIES

Innovators

3.1.1 SMEs with product or process innovations

3.1.2 SMEs with marketing or organisational innovations

3.1.3 SMEs innovating in-house

Linkages

3.2.1 Innovative SMEs collaborating with others

3.2.2 Public-private co-publications

3.2.3 Private co-funding of public R&D expenditures

Intellectual assets

3.3.1 PCT patent applications

3.2.2 Trademark applications

3.2.3 Design applications

IMPACTS

Employment impacts

4.1.1 Employment in knowledge-intensive activities

4.1.2 Employment fast-growing enterprises of innovative sectors

Sales impacts

4.2.1 Medium and high tech product exports

4.2.2 Knowledge-intensive services exports

4.2.3 Sales of new-to-market and new-to-firm product innovations

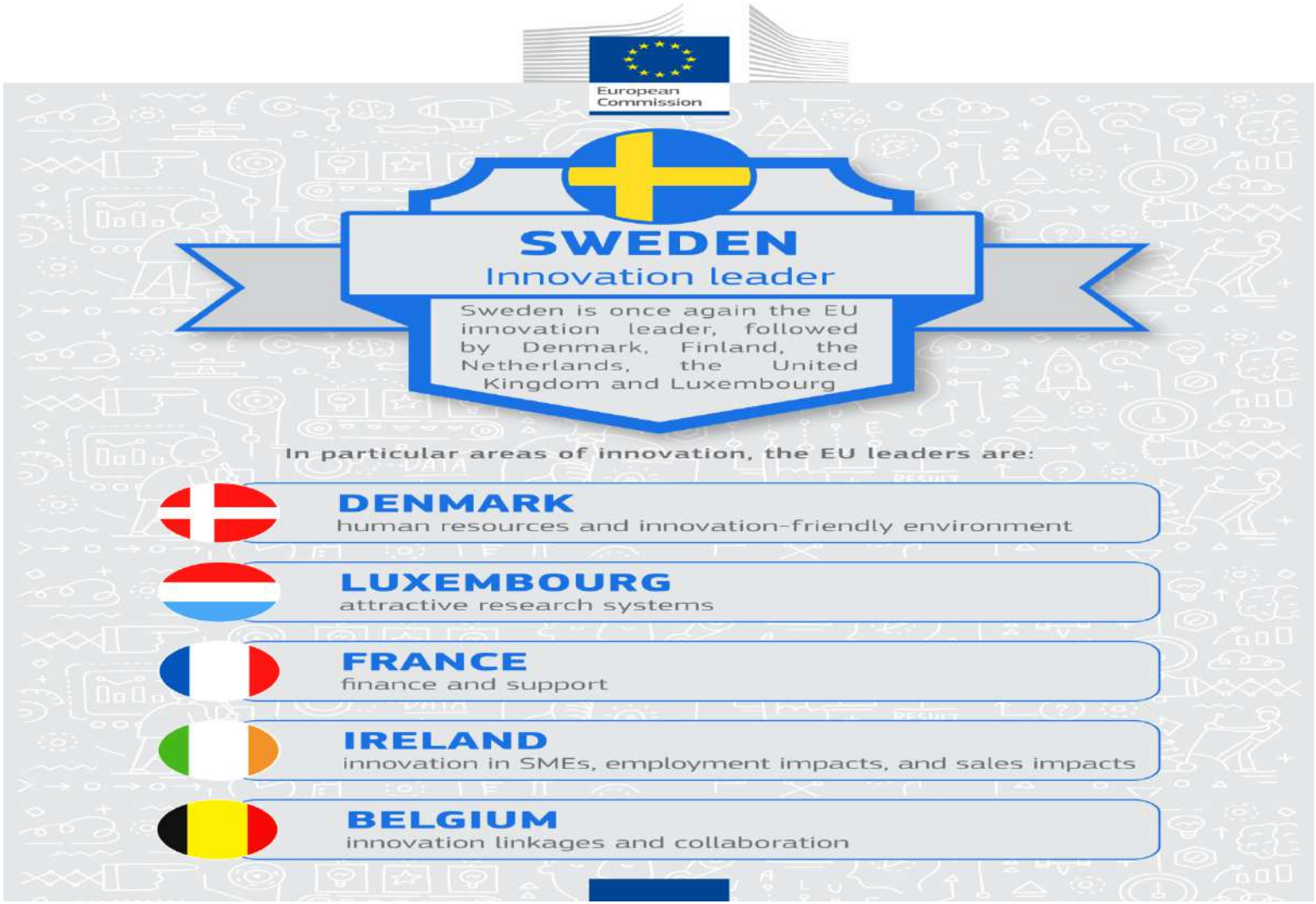
Innovation in Europe
Scoreboard Performance and Indicators

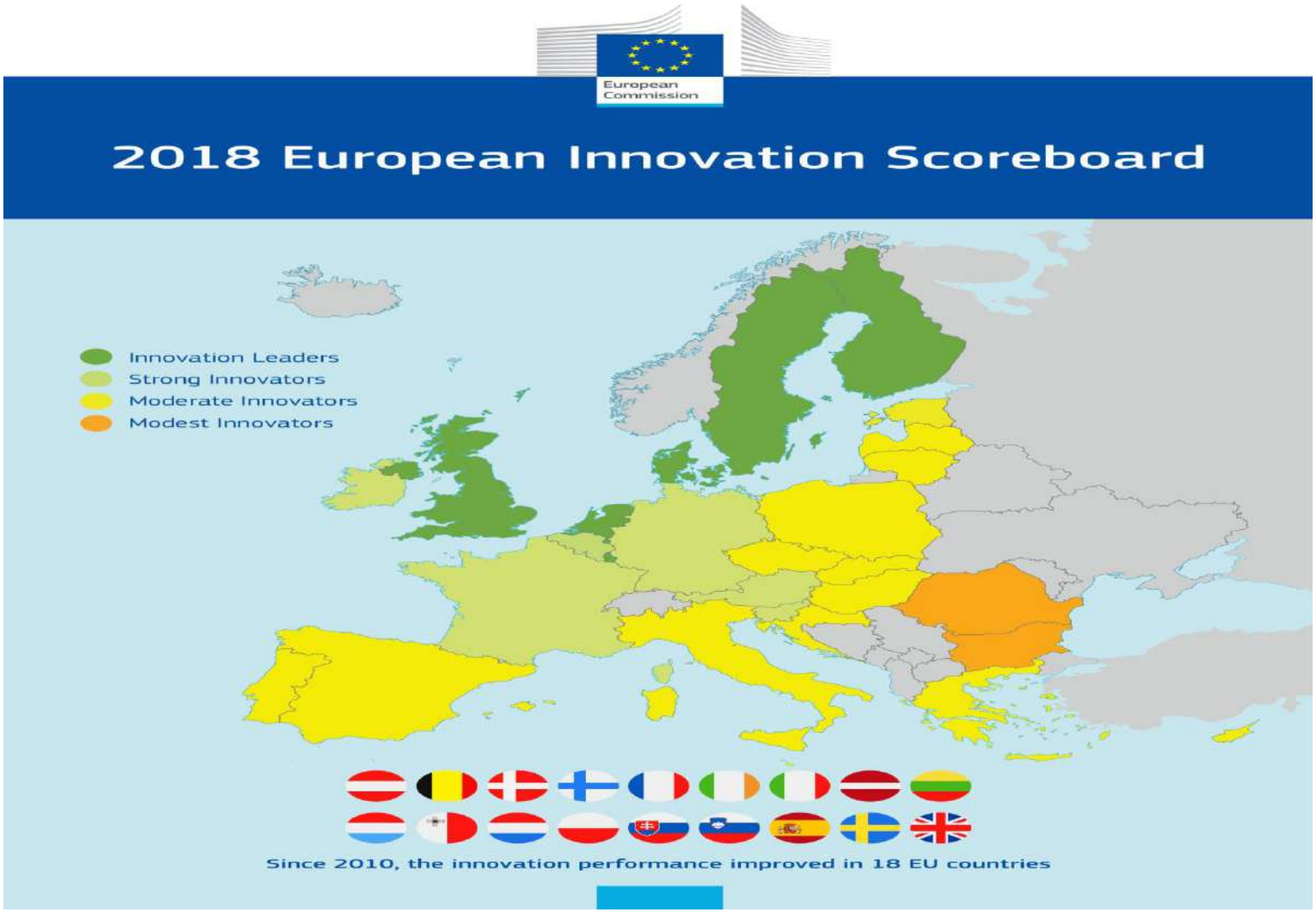
EUROPEAN INNOVATION SCOREBOARD (2018)

According to the last edition of the Scoreboard, the **EU innovation performance** continues to **improve**, **progress** is **accelerating** and the outlook is positive. Progress has been strongest in the dimensions of i) **innovation-friendly environments**, ii) **human resources**, and iii) **attractive research systems**.

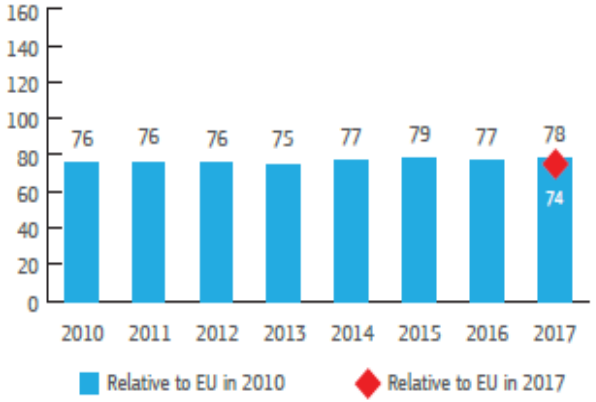
► **EU innovation leaders**: Sweden, Denmark, Finland, UK, Luxembourg

► **Fastest growing innovators**: Lithuania, Netherlands, Malta, UK, France


European Commission
SWEDEN
Innovation leader
Sweden is once again the EU innovation leader, followed by Denmark, Finland, the Netherlands, the United Kingdom and Luxembourg
In particular areas of innovation, the EU leaders are:
DENMARK
human resources and innovation-friendly environment
LUXEMBOURG
attractive research systems
FRANCE
finance and support
IRELAND
innovation in SMEs, employment impacts, and sales impacts
BELGIUM
innovation linkages and collaboration


European Commission
2018 European Innovation Scoreboard
Innovation Leaders
Strong Innovators
Moderate Innovators
Modest Innovators
Since 2010, the innovation performance improved in 18 EU countries

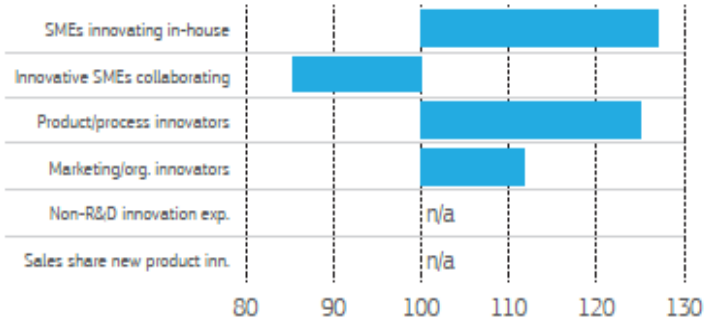
Italy is a **Moderate Innovator**. Over time, performance has increased relative to that of the EU in 2010.



Innovators and Intellectual assets are the strongest innovation dimensions. Human resources and Finance and support are the weakest innovation dimensions.

Provisional CIS 2016 data show improved performance for three indicators and reduced performance for one indicator. There are no fast-track data for the other two indicators.

Provisional CIS 2016 vs CIS 2014 (=100)



Structural differences with the EU are shown in the table below. The turnover share of large enterprises and the value added share of foreign-controlled enterprises are well below the EU average.

Innovation in Europe
Scoreboard Performance and Indicators

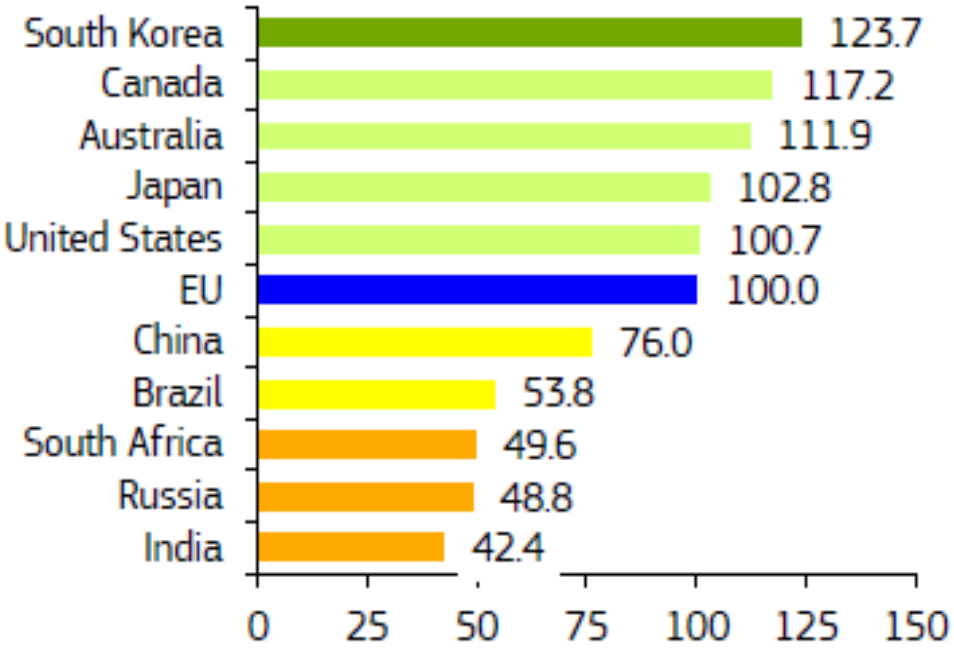
EUROPEAN *v* GLOBAL INNOVATION PERFORMANCE (2018)

The **EU** continues to **improve** its **position** (+ 5.8% between 2010-2017); it maintains a performance lead over China, Brazil, South Africa, Russia and India. China however has a much higher innovation performance growth rate, and is catching up very fast.

► **South Korea** is the most innovative country (+ 24% above EU performance)

► **Canada**, **Australia**, **Japan** and the **U.S.** are performing better than the EU

Figure 4: Global performance



Bars show countries' performance in 2017 relative to that of the EU in 2017.

Innovation in Europe
Scoreboard Performance and Indicators

EUROPEAN *v* GLOBAL INNOVATION PERFORMANCE (2018)

To achieve a high level of innovation performances, countries need a **balanced innovation system**, with an appropriate level of **investments** in **education**, **research** & **development**, innovation friendly **business environment**, strong **digital infrastructure**, **competitive markets**, and efficient **allocation of resources**.

► **EU** needs to **reinforce** its **efforts** to **innovate,** and move towards cleaner and smarter industry to **boost** its **competitiveness** and increase societal **welfare**.

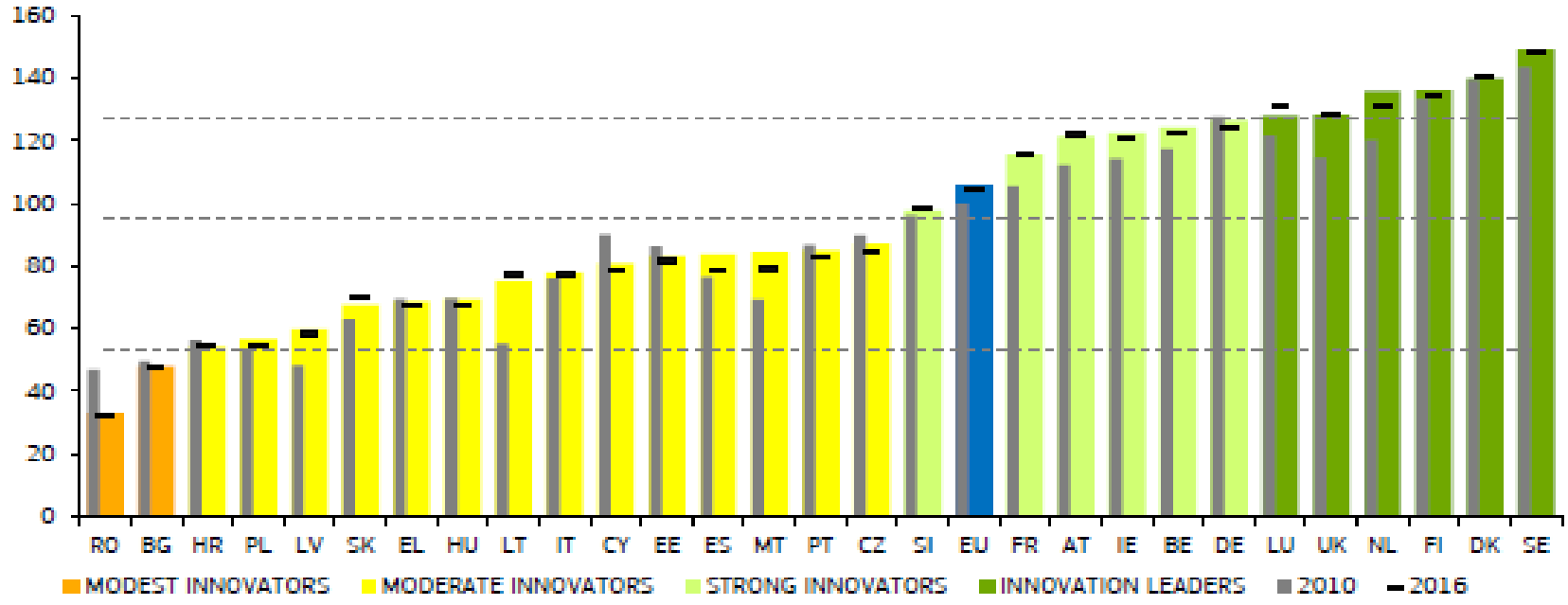
Innovation in Europe
Scoreboard Performance and Indicators

EUROPEAN *v* GLOBAL INNOVATION PERFORMANCE (2018)

In particular, the **European Union** has to work on a variety of **weaknesses**:

- ► EU **companies spend less** on **innovation** than their competitors
- ► **public investment** across the EU **falls short** of 3% GDP target
- ► 40% of **workforce** in Europe **lacks** the necessary **digital skills**
- ► **R&D intensity** is not homogenous (investments concentrated in west EU regions)

Figure 2: Performance of EU Member States' innovation systems



Coloured columns show Member States' performance in 2017, using the most recent data for 27 indicators, relative to that of the EU in 2010. The horizontal hyphens show performance in 2016, using the next most recent data for 27 indicators, relative to that of the EU in 2010. Grey columns show Member States' performance in 2010 relative to that of the EU in 2010. For all years, the same measurement methodology has been used. The dashed lines show the threshold values between the performance groups in 2017, comparing Member States' performance in 2017 relative to that of the EU in 2017.

- how can we define innovation ?
- why is innovation so important for the society ?
- which key indicators does the Innovation Scoreboard look at ?

Innovation in Europe

Scoreboard Performance and Indicators

SUGGESTED READINGS

- EU Commission, 'European Innovation Scoreboard' (2018)
- EU Commission, 'European Innovation Scoreboard 2018: Europe Must Deepen its Innovation Edge' , (2018) Press Release IP/18/4223
- EU Commission, '2018 European Innovation Scoreboard – Frequently asked questions', (2018) Fact Sheet Memo/18/4224
- M. Granieri & A. Renda, *Innovation Law and Policy in the European Union* (Springer 2012)

MODULE I

INNOVATION UNION & EU INNOVATION POLICY

(*Lecture II*)

The Lisbon Strategy

- <u>INNOVATION AND THE EARLY DAYS OF THE EC</u>
- The Commission first identified **innovation as a process** which needs to be supported at Community level only during the **1960s,** when the first measures about research and innovation were adopted. A **Working Group** on Scientific and Technical Research Policy was established to promote the advancement of research and innovation.
- It noted that **innovation** was becoming **increasingly important** but that the situation in **Europe** was **problematic**. It identified a number of issues to be addressed both at Member States and Community levels: low dynamism in universities, a lack of suitable human resources, and lack of an environment conducive to research and innovation.

The Lisbon Strategy

- INNOVATION AND THE EARLY DAYS OF THE EC

- In the **1970**s, innovation was mainly considered as a **policy topic** related to the development of a broader policy on **research.** The goal of a policy for research was to strengthen Europe's position in international competition through innovation, and to create conditions favourable to innovation. Later, however, the concept of innovation was progressively linked to industrial and economic policies. This phase marked a widening of the scope of innovation well beyond its technological component.
- **Innovation** was generally interpreted as a **linear process** which translates **knowledge into products**. The '**European paradox**' meant that Europe had failed in turning knowledge into products, due to a lack of favourable climate for SMEs, a tax & cultural environment hostile to risk taking, and resistance of employees to innovation.

The Lisbon Strategy

- EVOLUTION OF INNOVATION POLICY

- A **Commission Communication** on '*industrial development and innovation'* (1980) set a new dynamic, highlighting the **need** for a **successful innovation**, which should act as a bridge between industrial strategies and scientific & technological policies.
- A 1981 Communication established a **first Community policy for innovation**, strongly linked to industrial policies. It also remarked the **failure** of the Community in **enhancing innovation,** due to many factors (R&D, taxation, funding, skilled workforce). It suggested that **solutions** should be focused on various aspects of the EC **internal market** (*e.g*, standards, IPRs, norms, public markets), and that the Community **lending instruments** should give priority to innovation.

The Lisbon Strategy

EVOLUTION OF INNOVATION POLICY

Various programs supporting innovation were implemented in the **1980s**:

- SPRINT (strategic programme for innovation and technology transfer)
- EUREKA (supporting stronger links between public and private partners)
- Framework Programme for Research and Development (R&D)
- Programme for SMEs (promotion of small and medium sized enterprises)

The Lisbon Strategy

- TOWARDS THE LISBON STRATEGY
- The Commission **White Paper** on '*growth competitiveness and employment'* (**1993**) marked a further evolution of the concept of **innovation**, by recognising that the linear model had been replaced by **more complex mechanisms**. According to the document, innovation requires an organized **interdependence** between the **upstream phases** (linked to technology) and the **downstream phases** (linked to the market).
- **Other initiatives** (1994-95) included: i) *Fourth Framework Programme for Research*, with specific innovation program (promotes an environment encouraging innovation); ii) *Regional Innovation Strategy* (supports definition & implementation of innovation policy at regional level); iii) *Institute for Prospective Technological Studies* (contributes to understand the industrial innovation & growth); iv) *Green Paper on Innovation* (EU innovation policy as distinct from research & industrial policies).

The Lisbon Strategy

TOWARDS THE LISBON STRATEGY

Only in **1996**, the Commission implemented the **first action plan** in support of **innovation**, trying to address the limited capacity in Europe to convert scientific inventions in commercial successes (*European Paradox*). It argued that action at EC level was necessary, to draw up and enforce *inter alia* rules on competition, IPRs and internal market. The action plan suggested **three areas for action**:

- **foster innovation culture** (improve education & training, facilitate researcher mobility, stimulate innovation in the public sector etc)
- **establish a framework conducive to innovation** (simplify legal & regulatory environment, and ease innovation financing in Europe)
- **better articulate research & innovation** (both at national and at Community level)

The Lisbon Strategy

- WHAT WAS THE STRATEGY ABOUT ?

- The Lisbon Strategy was an **action** formulated in 2000, for **addressing** the **EU economy** in the period **2000-2010**. Its objective was to make the Union 'the **most competitive and dynamic knowledge-based economy** in the world, capable of **sustainable economic growth** with more and **better jobs** and **greater social cohesion**', by 2010.

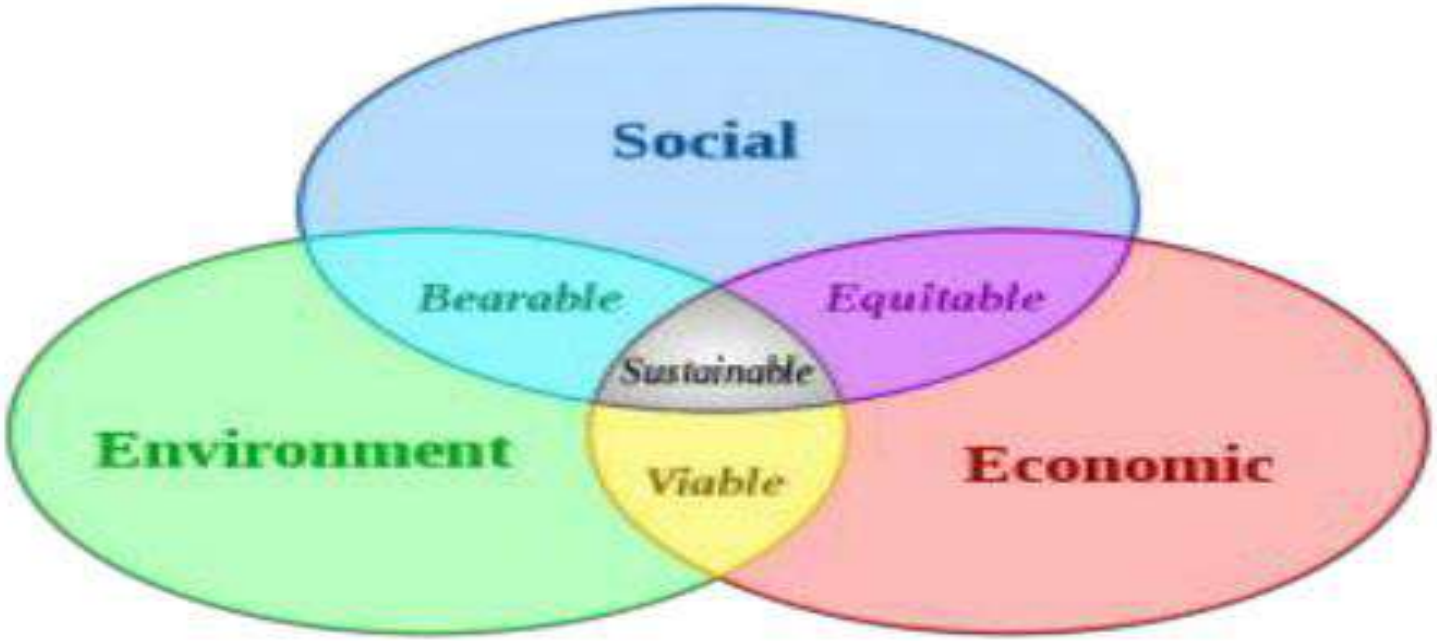
- [VIDEO 1 - VIDEO 2]

The Lisbon Strategy

- SCOPE AND GOALS OF THE STRATEGY

- Set out by the European Council, it aimed at **addressing** the **low productivity levels** and the **stagnation** of the **EU economic growth.** To this end, it formulated various **policy initiatives** to be implemented by the EU Member States. The main goals identified by the Strategy were to be **achieved by 2010**.
- At the core of the Strategy, heavily based on the concept of **innovation** (seen more as a process to achieve other aims, rather than a goal in itself), there were the following areas: **economic, social, environmental renewal and sustainability**.

- ***The Lisbon Strategy***



The Lisbon Strategy

SCOPE AND GOALS OF THE STRATEGY

► under the Lisbon Strategy, a **more robust economy** would **improve employment** in the Union; **inclusive social and environmental policies** would contribute themselves to **boost economic growth.**

► key concepts of the Strategy referred to the **knowledge economy**, **innovation**, and **technology governance**. **Innovation** was identified as one of the **pillar** of the EU resurgence, and **research** as a means towards the achievement of **higher levels** of **prosperity** and **growth** (*Communication Towards a European Research Area* – 2000)**.**

The Lisbon Strategy

- THE KEY ROLE OF RESEARCH

- In particular, the importance of the **role of research** had previously led to the creation of a **European Research Area (ERA – January 2000).** This project was endorsed by the Lisbon European Council in March 2000, with the aim of **strengthening Europe's leadership** in **research**. The general impression was that Europe was not investing enough in progress and in knowledge.

- Thus, the **Commission** proposed a broad action plan to **raise R&D expenditure** in the EU, and **Member States** set national **R&D** investment **targets** at 3% of the GDP.

The Lisbon Strategy

- <u>VARIOUS POLICY INITIATIVES (2000)</u>

- More in general, during the decade of the Lisbon Strategy, **several initiatives** were implemented to **increase investments** in **research** and **innovation** capacities. Below, a brief review of the main acts and documents adopted by the EU institutions.

- According to a **Commission Communication** on '*innovation in a knowledge driven society*' (**2000**), i**nnovation policy** should be seen as a new horizontal policy **connecting different areas** (economic, industrial and research policies). It was also recognised that the **fragmentation** of the European innovation system needed **to be addressed**, in order to limit the risks connected to an 'innovation divide'.

The Lisbon Strategy

VARIOUS POLICY INITIATIVES (2000)

The Commission Communication (2000) identified **5 goals**, in order to **support Member States** and go beyond the unsuitable linear model that had led to unsuccessful measures: i) **ensuring** the **coherence** of **innovation** policies (through the coordination & assessment of national policies); ii) **establishing** a **regulatory framework** conducive to innovation (*i.e.*, effectively regulate, without over-regulating); iii) **encouraging** the creation and growth of **innovative enterprises** (build a favourable legal, fiscal and financial environment); iv) **improving key interfaces** in the innovation system (promote interactions between the actors of the innovation process); v) **creating** a **society open** to **innovation** (*i.e.*, a well-informed European society). Other initiatives also followed the 2000 Communication.

The Lisbon Strategy

VARIOUS POLICY INITIATIVES (2001-2003)

► the **2001 European Innovation Scoreboard** noted that all Member States had improved their innovation performance, and underlined that innovation has a strong regional dimension. However, it also identified two major weaknesses at EC level: patenting and business R&D.

► the **Commission Communication on '*Industrial Policy*' (2002)** highlighted the characters of innovation, which is the result of complex and interactive processes.

► the **Commission Communication on '*Choosing to Grow*' (2003)** held that creating the right environment for innovation is the new competitiveness challenge.

► the **European Technology Platform** was introduced in 2003, as an industry-led stakeholders forum, which aimed at improving innovation and knowledge transfer.

The Lisbon Strategy

- VARIOUS POLICY INITIATIVES (2001-2003)

- In another **Communication** (**2003**), the Commission published an update of its policy for innovation in the context of the Lisbon Strategy. **Innovation** was identified as a **cornerstone** of the **Strategy**, and the innovation process was seen as a **complex interaction** between individuals organizations & their operating environment. Further, the Commission noted that innovation policies must extend their focus **beyond** the **link** with **research**. Innovation policy indeed has an ubiquitous nature & covers many **different policy areas**: Single Market & competition, regional policy, taxation policy, labour market, education, standards, IPRs, and sectoral policies. It concluded that **coordination** between **Member States** & **EC** was necessary to balance conflicting interests and priorities, and that it was urgent to **define** a **common framework** – and a set of priorities and goals - for both European and national innovation policy.

The Lisbon Strategy

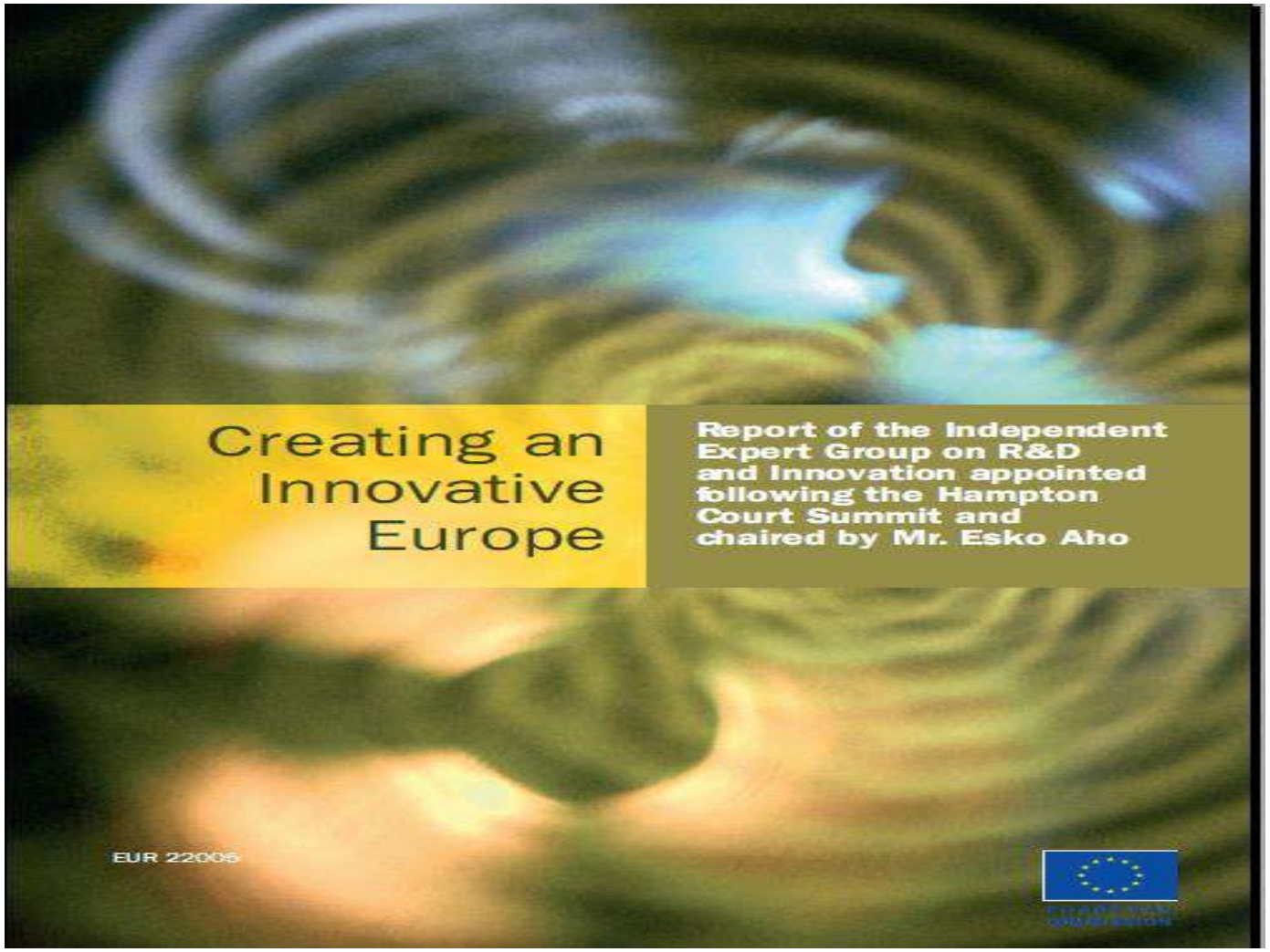
VARIOUS POLICY INITIATIVES (2005-2006)

► in **2005**, the Commission presented '***a new start for the Lisbon strategy***', with the intent to ensure that knowledge and innovation are the beating heart of European growth; it proposed the creation of a European Institute of Technology, of innovation poles at regional level, and of European technology initiatives.

► Commission issued a **proposal** for a '*competitiveness and innovation framework programme*' (to bring together EC programs in fields critical to innovation & growth).

► in the same year, the **European Council** published economic policy **guidelines**, stressing the importance of innovation capacity for the EC economy and inviting Member States to introduce innovation as a topic in their national reform programmes.

► in a different **communication** (2005), the Commission also stressed the key role of Member States to reform & strengthen their public research and innovation systems.


Creating an Innovative Europe
Report of the Independent Expert Group on R&D and Innovation appointed following the Hampton Court Summit and chaired by Mr. Esko Aho
EUR 22005

The Lisbon Strategy

- VARIOUS POLICY INITIATIVES (2005-2006)

- ► the **Aho Report** on '*creating an innovative Europe*' (2006) had to find ways to **accelerate** the **implementation** of initiatives reinforcing Europe **research** and **innovation performance**. Its key recommendation was that 'a **pact** for research and innovation is **needed** to drive the agenda for an innovative Europe', which also required will and commitment from political business and social leaders. The expert group of the report suggested acting on **regulation**, **standards, public procurement** and **IPRs**, fostering a culture conducive to innovation.

- The **Parliament** (Resolution, 2006) endorsed the suggestions of the Aho Report, and supported the adoption of an 'open innovation approach' to boost R&D capacity.

The Lisbon Strategy

VARIOUS POLICY INITIATIVES (2005-2006)

► in a new **Communication** (**2006**), on '*a broad based innovation strategy for the EU*', the Commission highlighted the **EU innovation potential**. In order to create a true European innovation space, it proposed a **roadmap of 10 actions** regarding *inter alia* education, internal market, regulatory environment, IPRs, cooperation between stakeholders, financial instruments, and the role of government in supporting innovation. The Commission concluded that there was a need for an **improved governance structure for innovation**; the priority was to establish strong innovation systems in all Member States.

► in different circumstances (**2006**), the **European Council** concluded that **innovation** policy should be best understood as a set of instruments, validating the **wide policy mix approach**. It invited both Commission and Member States to **push forward** the **implementation** of the innovation policy **strategy**.

The Lisbon Strategy

- VARIOUS POLICY INITIATIVES (2007-2009)

- ► a **European Parliament Resolution** (2007) stressed the importance of promoting favourable market conditions, in order to create a regulatory environment encouraging innovation; according to the Parliament, **innovation** is a **means** to enhance **welfare**.

- ► in a **2007 Communication** on knowledge transfer, the **Commission** noted that many companies were developing **open innovation approaches** to R&D, aiming to maximise economic value from their intellectual property.

- ► the **European Council (2007)** also observed that **faster progress** was **necessary** to respond to the need of business to operate in an environment of open innovation.

The Lisbon Strategy

- VARIOUS POLICY INITIATIVES (2007-2009)
- What is more, a community framework for **state aid** for research & innovation was adopted in **2007**, together with the other actions addressing the full spectrum of the innovation policy mix.
- Further efforts were also made by the Commission and the Member States to **re-launch** the **European Research Area**, and to end the fragmentation of the research landscape (2007-2008). Member States then launched **partnership initiatives** to increase **cooperation** in the areas of: i) careers & **mobility** of **researchers**; ii) design & operations of **research programs**; iii) creation of quality **research infrastructures**; iv) **cooperation** between public **research** & **industry**; v) international **cooperation** in **science** & **technology**. Unfortunately, all these initiatives did **not** prove to be fully **effective** to **overcome** the European **weaknesses** in the field.

The Lisbon Strategy

- VARIOUS POLICY INITIATIVES (2007-2009)
- In **2008**, the **European Council** had called for the launch of a **European plan** for Innovation. The **Commission**, in response to this step, noted (Communication 2009) that there was still a **need** to **foster** a policy and regulatory **framework** promoting globally competitive EU industries and rewarding investments in research & innovation. **Better coordination** was also needed in relation to innovation policies at EU, regional and national levels, despite the relevant number of innovation programs.
- The **Commission** launched an **open consultation** on Community Innovation Policy (2009). The results showed the need to simplify and streamline EU funding programs, improve coordination between different governance levels (EU, national, regional), better align research/education/innovation policies, and focus more strongly on SMEs.

The Lisbon Strategy

- ASSESSMENT OF THE STRATEGY
- As noted, in the decade 2000-2010, several **reports** were issued on the **advancement** and **progress** of the Lisbon **Strategy**. Most of these reports (*Kok Report* 2004; *Aho Report* 2006) highlighted that the innovation potential of the EU was not being fully exploited, that the business climate should be made more innovation friendly, and that the **European Union** was **not** generally **on track** to achieve the Lisbon targets.
- A **new action plan** (2009), at both national and European level, identified certain **priorities**: improvements in the **education systems**; the creation of a **EU Institute** of **Innovation** and **Technology**; the promotion of **employment** for **researchers**; the facilitation of **knowledge transfer** between universities and the industry; the need to reshape **legislation** on the governments support to research and investments.

The Lisbon Strategy

- ASSESSMENT OF THE STRATEGY

- **By 2010**, even if some progress had been made, most of the **goals** had **not** been **achieved**. Possible causes of the failure of the Strategy were identified in a **lack of coordination** among the Member States, **conflicting priorities**, an **overloaded agenda**, **lack of efficient governance &** of **determined political action**, investments spread over **too many programmes**, and the **non-binding character** of the Strategy.

- The official review of the Lisbon Strategy took place in a European Summit in 2010; in that context, the **new Europe 2020 Strategy** was also launched.

The Lisbon Strategy

- END OF THE STRATEGY

- In brief, after the decade 2000-2010, the EU Commission started to work on many of the Lisbon **targets** for the **following decade** (**2010-2020**). To this end, countless **policy actions** have been formulated and **massive investments** have been made in the field of innovation to **achieve smart, sustainable and inclusive growth.**

The Lisbon Strategy

- NEW CONCEPT OF INNOVATION

- **Innovation** has thus evolved to be understood as a
- **highly complex process**, which involves various
- actors (*i.e*. universities, private firms, governmental
- agencies, research centres) exchanging funds, skills
- and knowledge.

The Lisbon Strategy

- NEW CONCEPT OF INNOVATION

- Such a model is known as **'Open Innovation'**. Innovation policy is nowadays considered as an **umbrella policy**, rather than a single policy, which seeks to identify and address any bottleneck or limitation in the innovation process. It is **connected** to R&D / industrial / education policies, and with **other policies & instruments** providing the framework conditions for the innovation process (*e.g.*, taxation, financial support, state aid, regulation, standards, IPRs).

- At the EU level, moreover, regional & cohesion policy and the single market & competition policy are also related to the **innovation policy mix**. Thus, it can be said that innovation policy is a concept overarching & permeating a large range of policies.

The Lisbon Strategy

- EU INNOVATION POLICY MIX

- ► some elements of this innovation policy mix mainly **support the process of innovation** (*e.g*, by fostering the creation of knowledge, or stimulating the production of goods), and are referred to as **supply-side policies.**

- ► other policies & instruments instead will mainly **create demand for innovation** (*eg*, IPRs favouring the commercialization of knowledge, or new regulations implying the improvement of existing goods), and are referred to as **demand-side policies.**

- Supply-side policies have been widely used since the 1960s, to boost the innovation process. In the last 20 years, the set of instruments and policies on the demand-side has been broadened. Sector policies often create a demand for innovation.

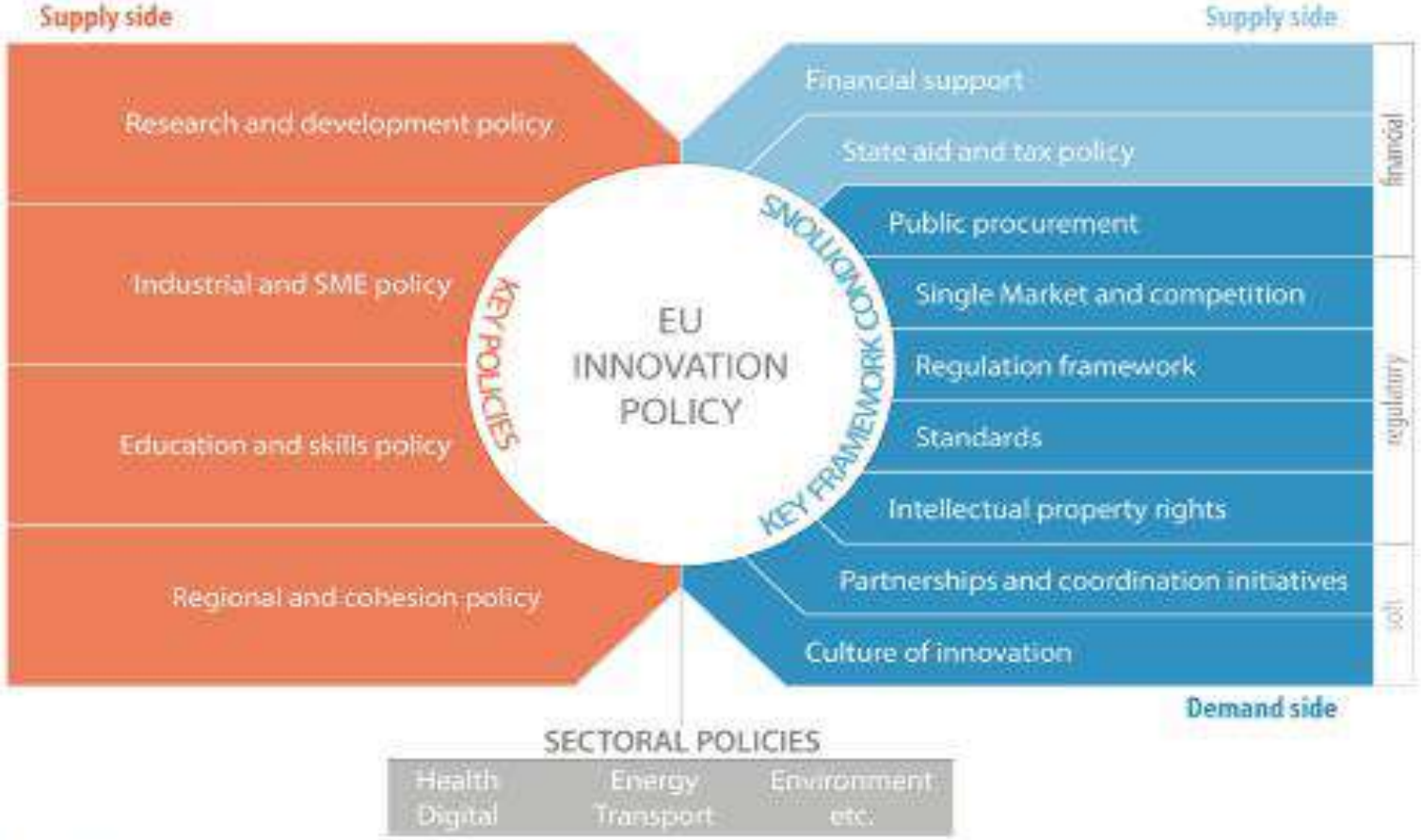
Table 1 – Key components and aspects of an innovation policy mix

	Policy or instrument	Regulatory	Financial	Soft
Supply-side	R&D policy	✓✓✓	✓✓	✓
	Industrial policy	✓✓✓	✓	✓
	Education policy	✓✓✓	✓	✓
	Direct financial support		✓✓✓	
	State aid and tax policy		✓✓✓	
Demand-side	Public procurement		✓✓✓	
	Regulation framework	✓✓✓		
	Standards	✓✓✓		✓
	IPR	✓✓✓		
	Partnerships and initiatives			✓✓✓
	Culture of innovation			✓✓✓
	Sectoral policies	✓✓✓	✓	✓

Source: EPRS ✓: Potential feature ✓✓: Important feature ✓✓✓: Main feature

- **Regulatory** tools setting rules for social and market interactions;
- **Financial** tools providing specific pecuniary incentives (or disincentives); and
- **Soft** tools characterised as voluntary and non-coercive (recommendations, voluntary agreements, etc.).

Figure 1 – The EU innovation policy mix



Source: EPRS.

The Lisbon Strategy

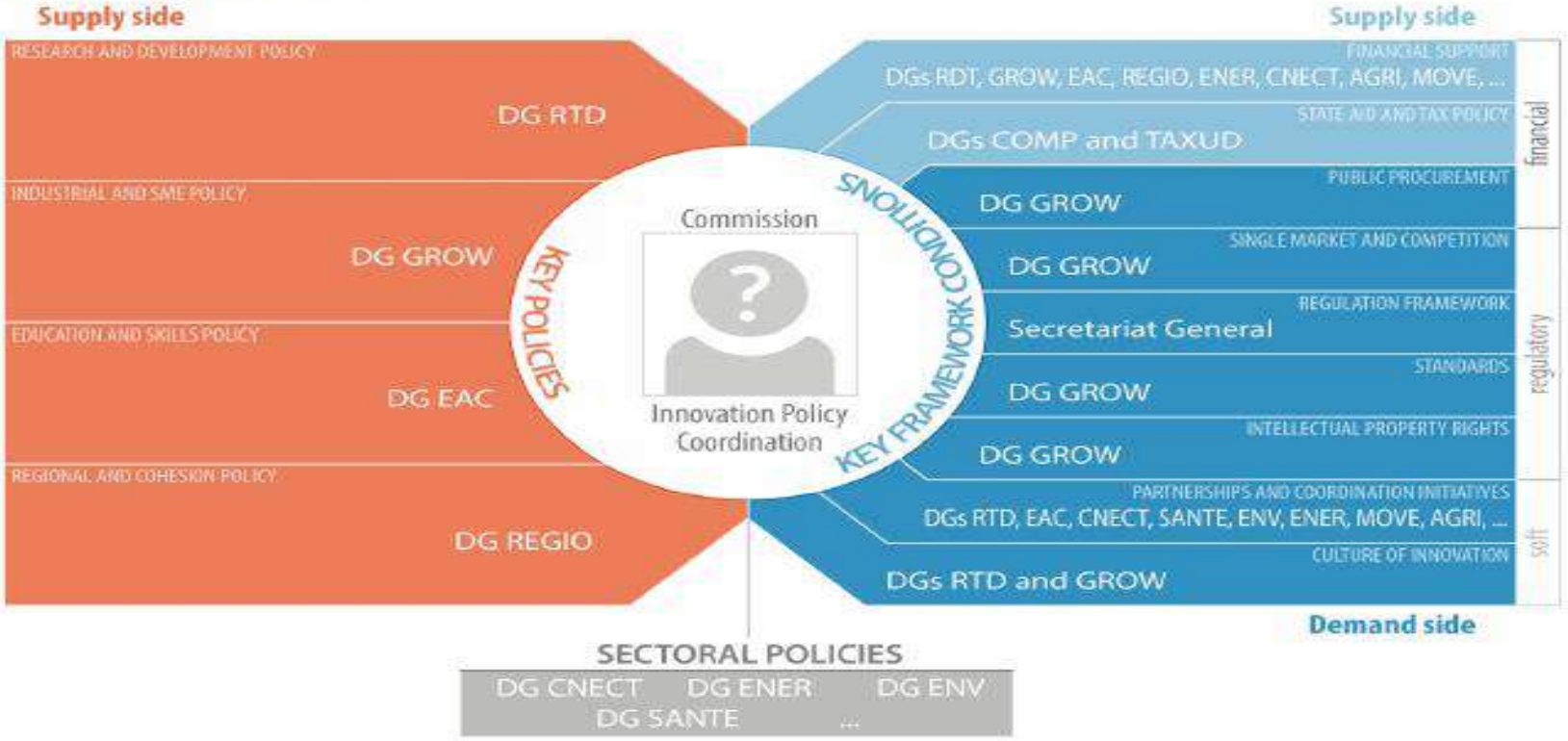
EU INNOVATION POLICY MIX

► the **efficiency** of each instrument of the **innovation policy mix** mainly depends on the **socio-economic, cultural and geographical context** in which it is introduced. Each instrument has to be carefully designed for the context in which it will be used.

► the crucial **goal** of innovation policy is to **shape** the **best policy mix** to support innovation, in light of the given time & governance level (local, regional, national, European) and considering the interactions between all elements and factors.

► designing an efficient innovation policy mix is a **continuous** and **dynamic process** which entails trade-offs between instruments and policies.

Figure 2 – The Commission Directorates-General involved in the development of the EU innovation policy mix



Directorates General

RTD (Research and Innovation), **GROW** (Internal Market, Industry, Entrepreneurship and SMEs), **EAC** (Education and Culture), **REGIO** (Regional and urban policy), **COMP** (Competition), **TAXUD** (Taxation), **CNECT** (Communications Networks, Content and Technology), **ENV** (Environment), **SANTE** (Health and food safety), **MOVE** (Mobility and transport), **ENER** (Energy), **AGRI** (Agriculture and rural development)

Source: EPRS.

The Lisbon Strategy

EU INNOVATION POLICY MIX

The **EU innovation policy mix** includes all cited policies and instruments, and **complements** the **measures** adopted at **national** & **regional** levels. Yet, two aspects are specific to the EU level:

● **Regional** and **cohesion policies**, which support the actors of the innovation process at regional level and influence the design of regional innovation policy mixes

● **Single Market** and **competition policies**, which strongly influence the shaping of the innovation ecosystem at EU level (think about the unified regulatory environment, and the free movement of goods, skills & knowledge, both beneficial for innovation)

The Lisbon Strategy

- EU INNOVATION POLICY MIX
- Depending on the components of the mix, the **EU competence** may be highly significant or of simple support to national or regional measures. In brief, the EU has a **different level of responsibility** for each element of the policy mix.
- For instance, the EU enjoys **full competence** on competition policy, the adoption of some regulations, and the implementation of standards. Then, the EU **shares responsibility** with the Member States on issues regarding R&D policy, regional policy, tax policy and IPRs. Finally, the EU **influence** is **limited** with regard to industrial policy and education policy. For many aspects of the mix, the EU adopts a **soft approach** (making recommendations to the Member States, setting monitoring activities, promoting exchanges of best practices & coordination activities).

- **how has innovation policy evolved in the EU ?**
- **which were the aims, pillars and key areas of the Lisbon Strategy ?**
- **how do we balance actions on innovation policy at EU and state level ?**

The Lisbon Strategy

SUGGESTED READINGS

- European Council, 'Presidency Conclusions', Lisbon 23-24 March 2000
- Report (Aho) of the Independent Expert Group, 'Creating an Innovative Europe' (2006)
- European Parliament (Research Service), 'EU Innovation Policy - Part I' (2016)
- M. Granieri & A. Renda, *Innovation Law and Policy in the European Union* (Springer 2012)

MODULE I

INNOVATION UNION & EU INNOVATION POLICY

(*Lecture III*)

Europe 2020 Growth Strategy & the Innovation Union

SCOPE AND GOALS OF EUROPE 2020

In 2010, at the end of the decade characterised by the partially unsuccessful Lisbon Strategy, the Commission presented the **Europe 2020 Strategy**. It defined **three main objectives** (covering five areas)**, seven flagship initiatives, and various ambitious targets** to be met during the decade and ultimately by 2020. The three main goals are:

i) **smart growth -** aimed at developing an economy based on knowledge & innovation

ii) **sustainable growth -** promoting a greener, more efficient & competitive economy

iii) **inclusive growth** – aimed at fostering a high employment economy [VIDEO]

Europe 2020 Growth Strategy & the Innovation Union

SCOPE AND GOALS OF EUROPE 2020

The **5** target **areas** of Europe 2020 comprise:

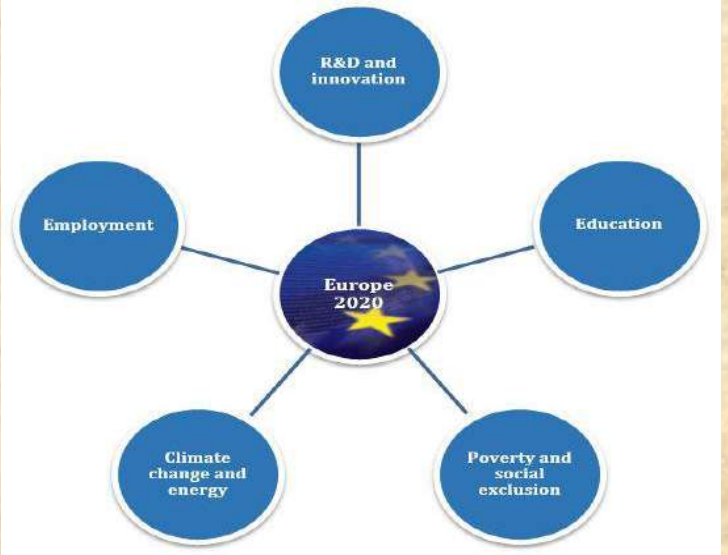
1) **employment**

2) **education**

3) **R&D** and **innovation**

4) **climate change & energy**

5) **poverty** & **social exclusion**



Europe 2020 Growth Strategy & the Innovation Union

SCOPE AND GOALS OF EUROPE 2020

The **seven flagship initiatives** of the Europe 2020 Strategy include:

- ***Innovation Union*** (improve framework conditions and access to finance for R&D)
- ***Youth on the move*** (enhance education and facilitate job market for young people)
- ***Digital agenda for EU*** (improve high speed internet & create digital single market)
- ***Resource-efficient EU*** (promote energy efficiency & the use of renewable energy)
- ***Industrial policy for globalisation era*** (improve the business environment)
- ***Agenda for new skills & jobs*** (modernize job markets, better match supply/demand)
- ***Platform against poverty & social exclusion*** (ensure social / territorial cohesion)

Europe 2020: Seven flagship initiatives

Education and Training

Smart Growth	Sustainable Growth	Inclusive Growth
Innovation *« Innovation Union »*	**Climate, energy and mobility** *« Resource efficient Europe »*	**Employment and skills** *« An agenda for new skills and jobs »*
Education *« Youth on the move »*	**Competitiveness** *« An industrial policy for the globalisation era »*	**Fighting poverty** *« European platform against poverty »*
Digital society *« A digital agenda for Europe »*		

	Targets	Flagship initiatives
Smart Growth	— 3 % of GDP to be invested in the research and development (R&D) sector. — Reduce the rates of early school leaving to below 10 %, and at least 40 % of 30 to 34 year olds to have completed tertiary or equivalent education.	— Innovation Union — Youth on the move — A digital agenda for Europe
Sustainable Growth	— Reduce greenhouse gas emissions by 20 % compared to 1990 levels. — Increase the share of renewables in final energy consumption to 20 %. — 20 % increase in energy efficiency.	— Resource efficient Europe — An industrial policy for the globalisation era
Inclusive Growth	— 75 % of 20 to 64 year old men and women to be employed. — Reduce poverty by lifting at least 20 million people out of the risk of poverty and social exclusion.	— An agenda for new skills and jobs — European platform against poverty and social exclusion

Europe 2020 Growth Strategy & the Innovation Union

INNOVATION UNION INITIATIVE - MEANING

The smart aspect of the **Europe 2020 Strategy** has its roots on the development of an **economy** based on **knowledge & innovation**. As one of the seven flagship initiatives, the **Innovation Union** aims '*to improve framework conditions and access to finance for research and innovation, so as to ensure that innovative ideas can be turned into products and services that create growth and jobs*'.

The Commission was still looking for a solution of the 'European paradox', and to this end was promoting the **strengthening** and further development of the role of EU **instruments** to **support research and innovation.**

Europe 2020 Growth Strategy & the Innovation Union

INNOVATION UNION INITIATIVE - MEANING

In the Communication (2010) presenting the Innovation Union initiative, the **Commission** recognised that '**innovation** is the **overarching policy objective**', and that the EU and Member States have to adopt a more strategic approach to innovation.

The **EU Parliament**, in two resolutions (2010), welcomed the Europe 2020 Strategy & the Innovation Union initiative. It suggested the EU Commission:

► to work towards a **more coherent innovation strategy**

► to **increase** the total **budget** allocated to **research** & **innovation**

► to work with MSs and further **converge policies** on **innovation**

[VIDEO]

Europe 2020 Growth Strategy & the Innovation Union

INNOVATION UNION INITIATIVE - MEANING

Two **Commission's Communications (2010)** completed the vision set under the Innovation Union. A **communication on '*regional policy*'** defined regional innovation policy as 'a key mean of turning the priorities of the Innovation Union into practical action on the ground'. Another **communication on '*integrated industrial policy*'** stated that 'a new industrial innovation policy is needed to encourage the much faster development and commercialization of goods and services, and to ensure that EU firms are first onto the market'. Both Council and Parliament supported the initiative:

► **Council**: EU & MS should adopt a strategic, **integrated approach** to innovation

► **EU Parliament**: the policy success of the initiative depends on strategic orientation, design & implementation of all the policies and measures, coordination among the different policy areas actions and instruments, and **prevention of fragmentation**

Europe 2020 Growth Strategy & the Innovation Union

INNOVATION UNION INITIATIVE - PRIORITY AREAS

The Innovation Union tries to address six priority areas: **i) strengthening the knowledge base and reduce fragmentation** (create an excellent education system in all MSs; complete the European Research Area; streamline EU research and innovation funding instruments); **ii) getting good ideas to the market** (create a Single Innovation Market regarding IPRs and standards; promote openness, knowledge and ideas); **iii) maximising social and territorial cohesion** (spread the benefits of innovation across EU & promote social innovation); **iv) European Innovation Partnerships** (promote a new approach to innovation through partnerships & ensure efficient governance-implementation); **v) leveraging EU policies externally** (attract leading talent and deepen scientific/technological cooperation with non-EU countries); **vi) making it happen** (measure and monitor progress; reform both research and innovation systems).

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INNOVATION UNION INITIATIVE - PRIORITY AREAS

For instance, among the cited priorities, the **European Research Area (ERA)** continues to constitute a crucial pillar of the Innovation Union. The intent is to provide researchers with a unique and comprehensive research space, and allow them to share ideas and generate new *momentum* for European innovation. Therefore, the ERA chapter of the Innovation Union initiative promote:

- **mobility** of researchers across countries and sectors
- **cooperation** and dissemination of research results
- **interaction** between researchers and businesses (SMEs)
- **cross-border operation** of research performing bodies

Europe 2020 Growth Strategy & the Innovation Union

Europe 2020 Growth Strategy & the Innovation Union

INNOVATION UNION INITIATIVE - RELEVANT PROJECTS

Several projects have been launched or strengthened in the context of the initiative:

► '**European Institute of Innovation and Technology (EIT)**', launched in 2008, has been strengthened under the Innovation Union. Its aim is to increase European sustainable growth and competitiveness by reinforcing the innovation capacity of the Member States and the EU. The Institute has created integrated structures (Knowledge Innovation Communities - KICs) connecting higher education, research and business sectors to one another, thereby boosting innovation and entrepreneurship. The KICs generally focus on priority topics with significant societal impact (*e.g.*, climate change, sustainable energy, information and communication technology).

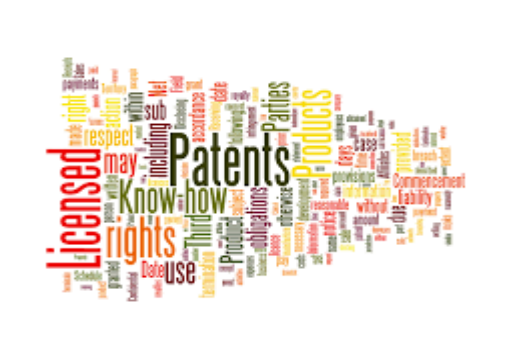
Europe 2020 Growth Strategy & the Innovation Union

INNOVATION UNION INITIATIVE - RELEVANT PROJECTS

► **'European Innovation Partnerships'** have been launched in order to accelerate the development and use of the technologies needed to tackle societal challenges. They bring together existing resources & competences from all over Europe, and are active across the whole research and innovation chain. Hence, such partnerships represent a new approach to coordinate and streamline new or existing actions of actors of the innovation process in a specific area (*e.g.*, energy, transport, climate change, health).

► **'Contractual Public Private Partnerships'** consist in contractual arrangements between the Commission and associations representing the interests of the private sector in specific areas. Both parties commit to a long term investment in research and innovation. They emerged at the end of the Lisbon Strategy decade, in order to increase the level of investments in research and innovation from the private sector.

Europe 2020 Growth Strategy & the Innovation Union



Europe 2020 Growth Strategy & the Innovation Union

INNOVATION UNION INITIATIVE - RELEVANT PROJECTS

► **'Smart Specialization Strategies' (S3)** extend the concept of Regional Innovation Strategy, launched in 1994. The S3 identify a number of priority areas at the regional level in order to concentrate resources and efforts, and avoid distributing investments across a broad range of topics. Such specialization strategies are developed and agreed by the local actors of the innovation ecosystem.

► **'Innovation Output Indicator'** was developed by the Commission in 2013 as a single integrated indicator for innovation, reflecting the outputs of the innovation process. It combines four indicators of the European Innovation Scoreboard with a new measure of employment in fast growing firms of innovative sectors.

Europe 2020 Growth Strategy & the Innovation Union

INNOVATION UNION INITIATIVE - RELEVANT PROJECTS

► '**European Knowledge Market for Patents and Licensing**', proposed by the Commission and based on the use of trading platforms, facilitating the match between supply & demand of IPRs and enabling financial investments in intangible assets.

► **Review of the role of competition policy**, proposed with specific reference to the antitrust rules on horizontal agreements (R&D agreements, technology transfer agreements), in order to safeguard against the use of IPRs for anticompetitive aims.

► **Achievement of the EU Single Market,** through the creation of an EU patent & by strengthening standardization policy to make it consistent with innovation patterns (Communication 2017 on '*investing in a smart innovative and sustainable industry*').

Europe 2020 Growth Strategy & the Innovation Union

INNOVATION UNION INITIATIVE - RELEVANT PROJECTS

► '**Horizon 2020 (8th Framework Programme for Research and Innovation)'**, which is a funding programme launched by the EU Commission and represents the financial instrument for implementing the Innovation Union. It supports & fosters research in the European Research Area, and aims at its completion also by coordinating national research policies. The specific focus is on innovation, and its main pillars are: *Excellent Science* (focused on basic science), *Industrial Leadership* (focused on streamlining EU industries), *Societal challenges* (focused on implementing solutions to social & economic problems). The program covers the period 2014-2020.

Europe 2020 Growth Strategy & the Innovation Union

INNOVATION UNION INITIATIVE - MONITORING & DEVELOPMENT

After the launch of the Innovation Union flagship, the **progress** in the implementation of the strategy has been constantly **monitored**. In a first **report** of the Commission (**2011**), the authority reviewed the several commitments deriving from the flagship. It highlighted that most of the **commitments** were **on track**. It further noted that it was necessary that 'all actors take **collective responsibility** for Innovation Union delivery', and that the success of the Innovation Union was strictly related to the successful implementation of **actions** at both **national** and **regional levels**.

In the following **report** (**2012**), the Commission confirmed that progress had been made in strengthening the policy framework for an Innovation Union. On the other side, however, it pointed to a substantial **delay** in designing the **European Research Area**, and to the existence of relevant **divergences** in innovation at **regional levels**.

Europe 2020 Growth Strategy & the Innovation Union

INNOVATION UNION INITIATIVE - MONITORING & DEVELOPMENT

In a **communication** on '*research and innovation as sources of renewed growth'* (**2014**), the EU Commission clarified that some important **gaps remain** and need to be filled in order to turn Europe into a more innovative society'. As stated in the communication, 'research and innovation affect many policy areas and involve a large number of actors and should therefore be driven by an **overarching strategy**'. It was also specified that further efforts were needed to address the **fragmentation** and the **inefficiencies** in the **Single Market**, and that a **human resource base** with the necessary skills was crucial to achieve the goals identified.

Europe 2020 Growth Strategy & the Innovation Union

INNOVATION UNION INITIATIVE - MONITORING & DEVELOPMENT

The **Commission** also presented (**2014**) '***an investment plan for Europe***', based on three different routes:

1) **mobilising finance for investments**: the *European Fund for Strategic Investments* (2015) represented the main action. It was suggested that funds should be used mainly for the areas of research and innovation.

2) **making finance reach the real economy**: the goal was to channel extra public and private money to projects with a solid added value for the EU social market economy.

3) **improve the investment environment**: the objective was to remove barriers to investment across Europe, reinforce the Single Market, and create the optimal framework conditions for investment in Europe (*e.g.*, lower barriers to knowledge transfer, open access to scientific research, and greater mobility of researchers).

Europe 2020 Growth Strategy & the Innovation Union

INNOVATION UNION INITIATIVE - MONITORING & DEVELOPMENT

In the **2015 communication** on '*better regulation for better results*', the Commission elaborated a new **framework** to **assess** and **design regulation**. It launched the Regulatory Fitness Programme (REFIT) platform in order to collect suggestions on 'regulatory and administrative burden reductions'. The Guidelines on Better Regulation, adopted together with the Communication, include a research and innovation tool to examine the impact of new or existing regulations on innovation.

► the aim was to **address regulatory uncertainties** identified by innovators (which can hinder innovation within the existing legal framework), and **promote** an **innovation-friendly regulatory environment.**

Europe 2020 Growth Strategy & the Innovation Union

INNOVATION UNION INITIATIVE - MONITORING & DEVELOPMENT

In the following **report** on the progress of the Innovation Union and its outcomes (**2015**), mixed conclusions were drawn. It recognised that the Innovation Union has introduced a **more strategic approach to innovation**, by promoting decisive actions that addressed both the supply and demand-side elements of the innovation ecosystem.

However, it was also noted that the outcome of such processes has been uneven across the various Member States. As previously emerged in other reports, the main issues concern: the need to address **skills shortage**; the need for **closer investments** by society to develop an innovation culture; and **inconsistencies** of rules and practices regarding the Single Market.

Europe 2020 Growth Strategy & the Innovation Union

INNOVATION UNION INITIATIVE - MONITORING & DEVELOPMENT

In a **2016 Communication**, on '*science, research and innovation performance of the EU*', the Commission stressed the importance of the concept of '**Open Innovation**', and remarked the need to create the **right ecosystem**, **increase investments**, and bring more companies and regions into the **knowledge economy**. A main problem is still represented by the persistence of an **innovation divide** (fragmentation) across the European Union. Further issues also concern the essential framework conditions :

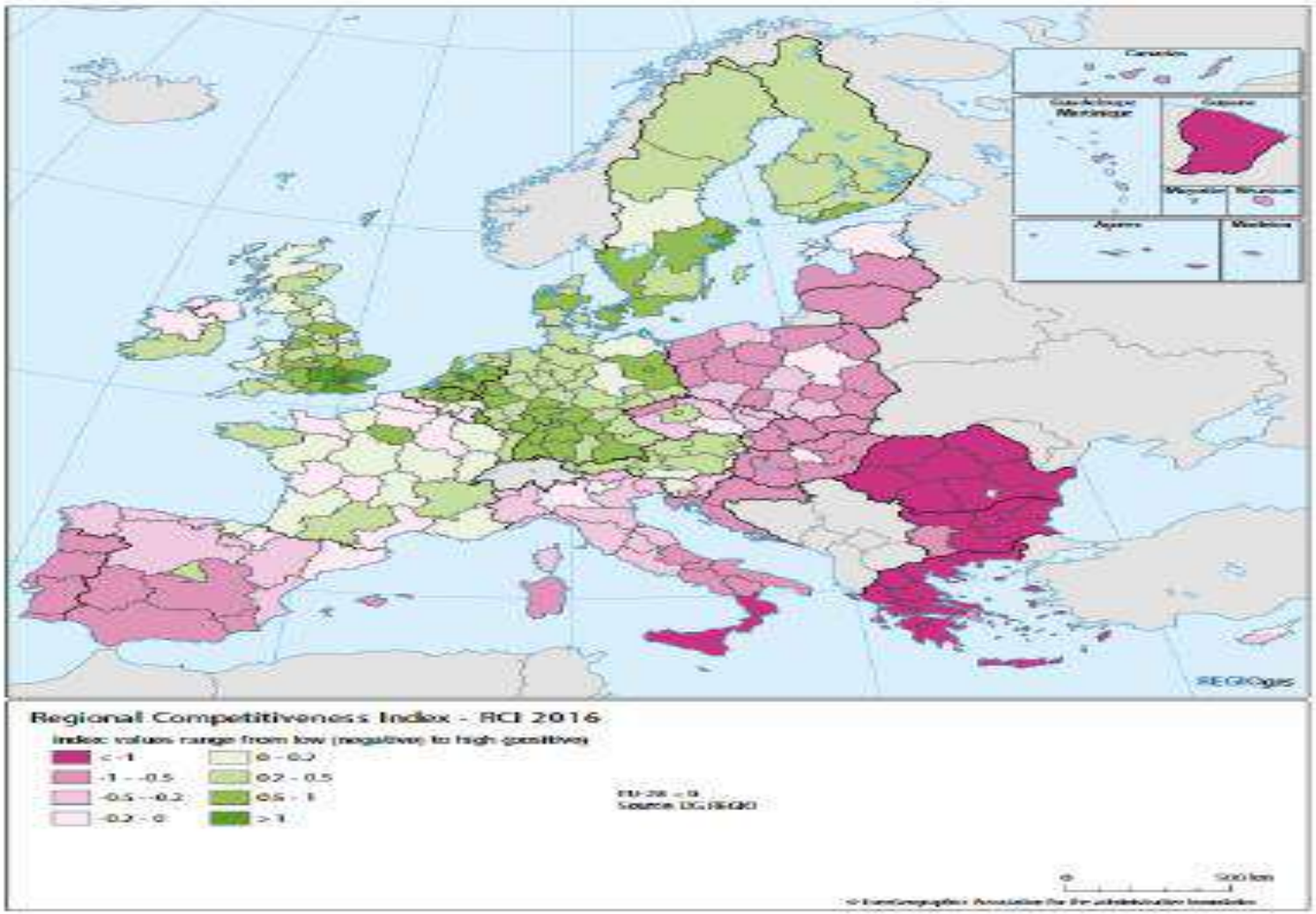
- ► product market regulations
- ► barriers to entrepreneurship
- ► intellectual property rights protection

Europe 2020 Growth Strategy & the Innovation Union

INNOVATION UNION INITIATIVE - MONITORING & DEVELOPMENT

In the context of regional innovation policies, the Commission adopted a specific **communication** (**2017**) on '*strengthening innovation in Europe's regions*'. Here, it remarked the importance of enabling EU **regions** to build on **smart specialization** and fully **unlock** their **potential** for technological change, digitization and industrial modernization. The Commission also identified some **challenges** which need to be addressed: i) further reform of research and innovation systems within regions; ii) increasing cooperation in innovation investment across regions; iii) leveraging research and innovation in less developed regions; iv) exploit synergies and complementarities between EU policies and instruments.

Performance of EU regions in terms of innovation[44]



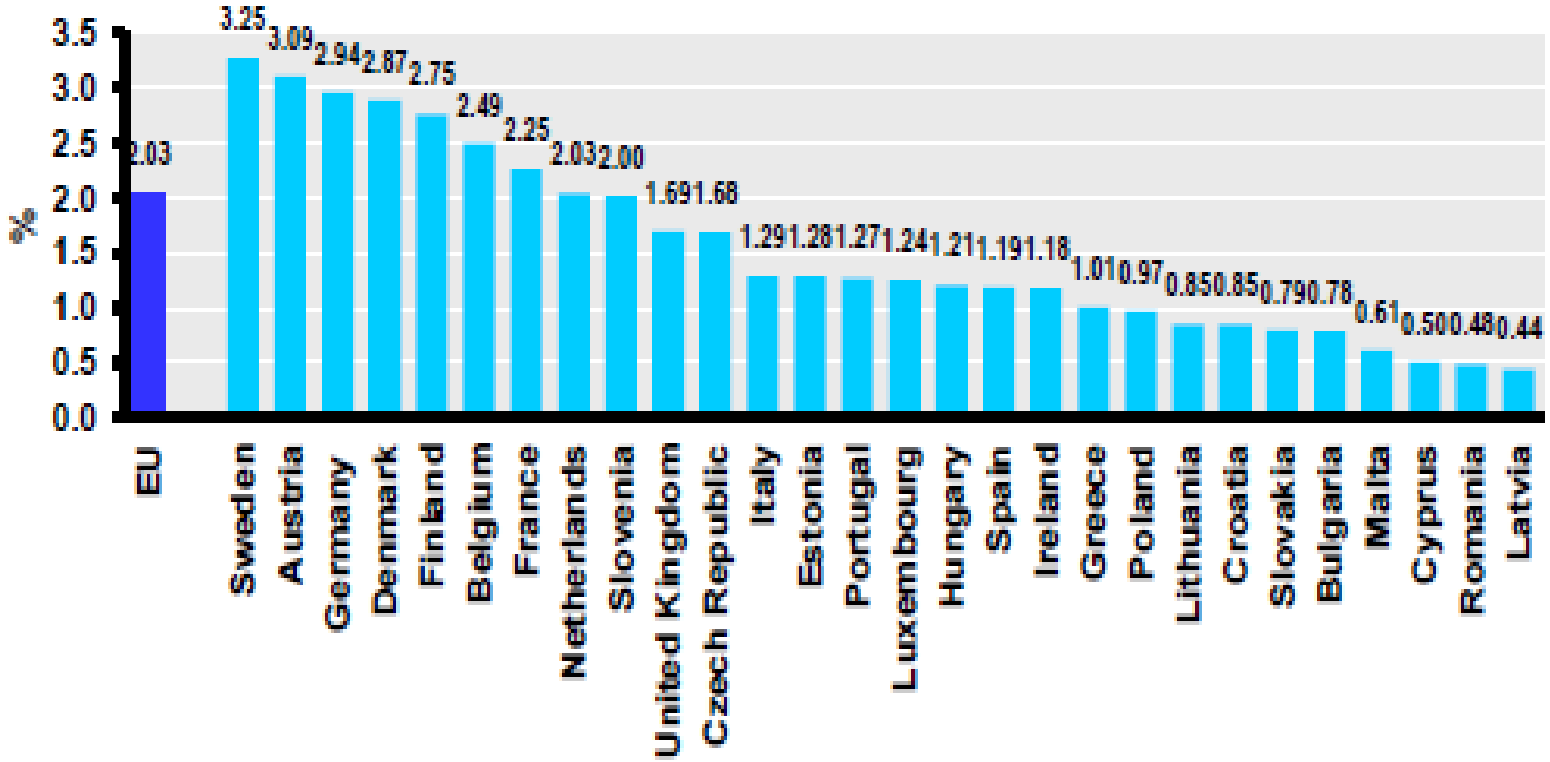
Europe 2020 Growth Strategy & the Innovation Union

INNOVATION UNION INITIATIVE - MONITORING & DEVELOPMENT

► in the interim **evaluation** of the **Horizon 2020** programme (**2018**), the Commission recognised that 'it has been an EU **success story** with undeniable EU added value'. In this regard, Horizon 2020 seems on track to contribute significantly to the creation of jobs and growth; it is increasing EU attractiveness as a place for research & innovation.

► in the **2018 Communication** on '*a renewed European agenda for research and innovation',* the Commission remembered the importance of **connecting** the different local & regional research and innovation **ecosystems** to foster innovation across EU value chains. It further highlighted the need to stimulate **investment** in R&I, and to make **regulatory** frameworks fit for innovation.

Research and Development intensity 2016[13]



Europe 2020 Growth Strategy & the Innovation Union

INNOVATION UNION AND THE OTHER INITIATIVES

As clarified by the many reports and communications, the **Innovation Union initiative** is clearly at the core of innovation policy for the new decade. Yet, some of the **other initiatives** are also **connected** to innovation, with key innovation-related components.

► **Digital Agenda** (which aims at strengthening a key infrastructure for modern innovation patterns)

► **Agenda for new Skills &Jobs** (investments in education may eventually boost research and innovation potentials)

Europe 2020 Growth Strategy & the Innovation Union

INNOVATION UNION AND THE OTHER INITIATIVES

► **Industrial Policy for a Globalization Era** (*eg*, in relation to the action of assessing the sector-specific innovation performance for some economic fields, such as construction / bio-fuels / road and rail transport etc)

► **Resource-efficient Europe** (*eg*, for issues related to the sustainability of transports or smart grids, and to the concept of eco-innovation)

- **what did the Commission plan in order to connect research and industry?**
- **what are the main bottlenecks faced in shaping the Innovation Union?**
- **how does the Innovation Union relate to the other initiatives?**

Europe 2020 Growth Strategy & the Innovation Union

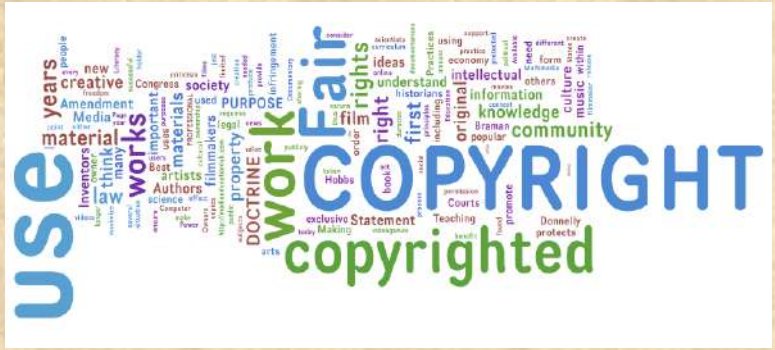
SUGGESTED READINGS

- EU Commission, 'Europe 2020 – A Strategy for Smart, Sustainable and Inclusive Growth', COM(2010) 2020
- EU Commission, 'Europe 2020 – Flagship Initiative Innovation Union', COM(2010) 546
- EU Commission, 'A Renewed European Agenda for Research and Innovation – Europe's Chance to Shape its Future', COM(2018) 306
- EU Commission, 'Proposal for a Regulation Establishing Horizon Europe', COM(2018) 435
- European Parliament (Research Service), 'EU Innovation Policy - Part I' (2016)
- M. Granieri & A. Renda, *Innovation Law and Policy in the European Union* (Springer 2012)

MODULE II

SINGLE MARKET FOR INTELLECTUAL PROPERTY RIGHTS

(*Lecture IV*)



The Modernization of Copyright and Related Rights

IPR AS PART OF THE FRAMEWORK CONDITIONS

As noted earlier, the EU **innovation policy mix** comprises on the one hand **key policies** targeting those actors involved in the innovation process (R&D, education, regional, industrial policies); on the other, it also includes **key framework conditions**. The latter cover policies and instruments organizing the flows of knowledge skills and funds between the actors of the innovation process, and shaping their interactions.

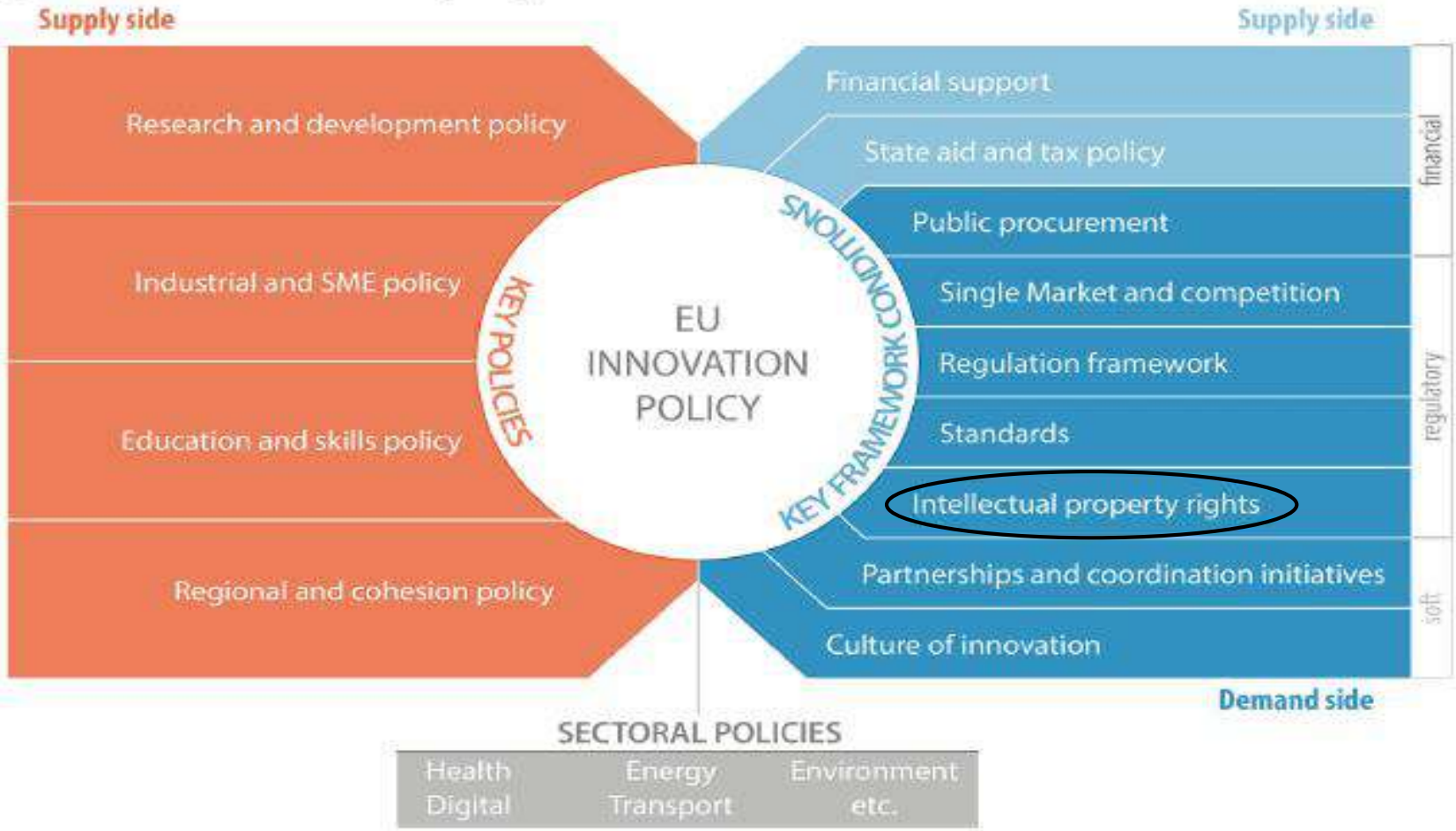
Intellectual property rights are part of these key framework conditions, together with other elements (*i.e.*, regulation, standards, single market and competition, taxation).

The Modernization of Copyright and Related Rights

IPR AS PART OF THE FRAMEWORK CONDITIONS

The **key framework conditions** (which can be classified in financial, regulatory and soft tools) are directly linked to the creation of a Single Market. Several measures have been adopted at EU level to create an EU framework for **IPRs,** to align **regulations** facilitating the innovation process, to harmonize **standards,** to promote **funding** of innovation-related activities. Most of these measures aim at **tackling** the **fragmentation** of the EU landscape for innovation, and at **addressing** those **barriers** hindering the innovation process in the various Member States.

Figure 1 – The EU innovation policy mix



Source: EPRS.

Table 1 – Competences of the EU for each of the components of the EU innovation policy mix

Key policies	Fund	Regulate	Promote
R&D policy	✓✓	✓	✓✓
Industrial and SME policy	✓	✓	✓
Education and skills policy			✓✓
Regional and cohesion policy	✓✓		✓✓
Key framework conditions	**Fund**	**Regulate**	**Promote**
Financial support	✓✓	✓	✓
State aid and tax policy		✓	✓✓
Public procurement	✓	✓	✓✓
Single Market and Competition		✓✓✓	✓
Regulation framework		✓	✓✓
Standards		✓	✓✓
IPR		✓✓✓	✓
Partnerships and initiatives	✓✓	✓	✓✓
Culture of innovation			✓

Source: EPRS ✓: Potential action or low competence ✓✓: Important feature ✓✓✓: Strong competence

The Modernization of Copyright and Related Rights

- IPR AND THE SINGLE MARKET
- **IPRs**, as the other framework conditions, are closely **related** to the **development** of a **Single Market**. The creation of a **common market** was a key goal of the European Economic Community established by the Treaty of Rome in **1957**. Efforts focused on ensuring the **free movement** of **persons**, **goods**, **services** and **capital**. Yet, the establishment of a fully functioning single market in Europe is still a work in progress.
- It can be argued that the establishment of a Single Market is the **driver** for many of the **framework conditions** concerning the enhancement of the innovation process. The Single Market policy itself includes measures related *inter alia* to IPRs (beyond to the areas of taxation, regulation, standardization). Achieving the goals set under the single market policy is a key aspect of EU innovation policy.

The Modernization of Copyright and Related Rights

GENERAL FRAMEWORK FOR IPR

Intellectual property rights comprise **copyright**, **patents**, **trademarks**, **design rights**, and **related issues** such as trade secrets and geographical indications. In the context of the creation of the single market, the EU institutions launched in the 1990s a **process** aimed at **harmonizing** the **legislation** on **IPRs.**

► in the **1996 action plan** for innovation in Europe, the Commission noted that 'action at Community level ... is necessary to draw up and enforce the rules of the game, particularly those on competition, IPRs and the internal market'.

The Modernization of Copyright and Related Rights

GENERAL FRAMEWORK FOR IPR

► the **Treaty of Amsterdam** (1997) introduced the possibility for the Council of the EU acting unanimously to adopt measures on IPRs after consulting the Parliament.

► in 2007, the **Treaty of Lisbon** included provisions dealing with IPR in the Treaty on the Functioning of the EU. Article 118 TFEU states that the ordinary legislative procedure - involving EU Commission, Parliament and Council - is to be used (rather than an unanimous vote in the Council & mere consultation of the Parliament) for the EU to establish measures for the creation of intellectual property rights aimed at providing uniform protection of intellectual property rights throughout the EU.

The Modernization of Copyright and Related Rights

GENERAL FRAMEWORK FOR IPR

► in 2011, in the context of the **Europe 2020 Strategy** and the Innovation Union flagship initiative, the Commission started to work on the project of a **single market for IPRs in Europe**. Despite all measures taken, it recognised that the IPRs framework is still **fragmented** in the Union. Further, the acceleration of technological progress seems to put the legal framework under pressure for a change. As the EU Commission held, the 'EU IPR legislation must provide the appropriate enabling framework that incentivises investment by rewarding creation, stimulates innovation in an environment of undistorted competition and facilitates the distribution of knowledge'.

The Modernization of Copyright and Related Rights

GENERAL FRAMEWORK FOR IPR

► the **EU Commission** planned to **revise** the whole **IPR framework** and to review the 2004 **Directive** on **IPR enforcement**. In this regard, in 2014, it published an **action plan**, and in 2016 conducted a **public consultation** on the evaluation and modernization of the legal framework for the enforcement of IPR.

► the **EU Parliament** supported this action plan and underlined that Member States are responsible for IPR enforcement. It also highlighted that 'the key objective of the action plan should be to ensure the effective, evidenced-based enforcement of IPR, which plays a key role in stimulating innovation, creativity, competitiveness, growth and cultural diversity'.

The Modernization of Copyright and Related Rights

- THE DIGITAL SINGLE MARKET

- **IPRs**, and in particular **copyright**, are at the core of some policy actions promoted by the **Digital Single Market Strategy for Europe**, which was presented by the Commission in **2015**. The strategy is based on **three pillars**: i) **boosting** consumers' and businesses' access to digital goods and services; ii) **developing** the conditions for digital networks and services to expand; iii) **making** the best of the growth potential of the digital economy. The Digital Single Market can be considered as one of the sectoral policies included in the **innovation policy mix**.

The Modernization of Copyright and Related Rights

THE DIGITAL SINGLE MARKET

The cited three pillars are related to three main **policy areas**:

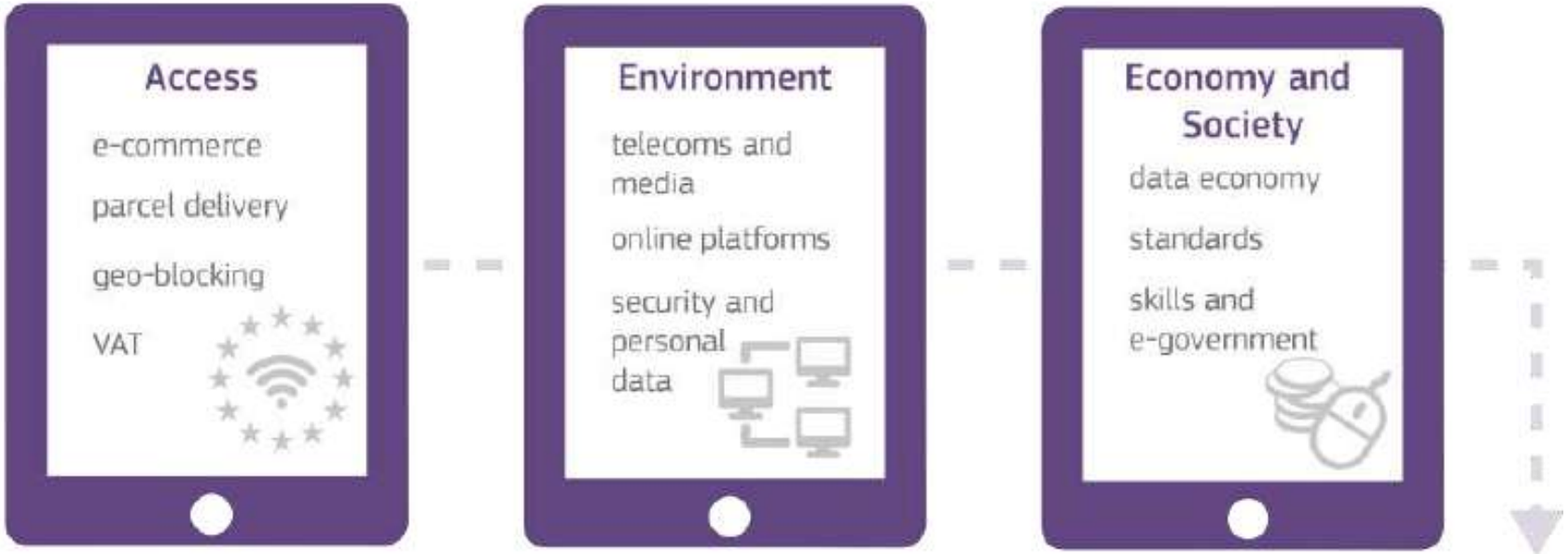
► **better access** for consumers and businesses to online goods: making the EU digital world a level market to buy and sell

► **optimal environment** for **digital** networks & services: implementing rules which support the development of infrastructures and match the pace of technology progress

► **economy and society:** ensuring that industry, economy and employment take full benefit of the advantages offered by the digital world

A DIGITAL SINGLE MARKET FOR EUROPE

MORE INTEGRATED NETWORKS, PRODUCTS AND SERVICES



Creating a #DigitalSingleMarket

Annex: Roadmap for completing the Digital Single Market

Actions[22]	Timetable
Better access for consumers and businesses to digital goods and services across Europe	
Legislative proposals for simple and effective cross-border contract rules for consumers and businesses	2015
Review the Regulation on Consumer Protection Cooperation	2016
Measures in the area of parcel delivery	2016
A wide ranging review to prepare legislative proposals to tackle unjustified Geo-blocking	2015
Competition sector inquiry into e-commerce, relating to the online trade of goods and the online provision of services	2015
Legislative proposals for a reform of the copyright regime	2015
Review of the Satellite and Cable Directive	2015/2016
Legislative proposals to reduce the administrative burden on businesses arising from different VAT regimes	2016
Creating the right conditions for digital networks and services to flourish	
Legislative proposals to reform the current telecoms rules	2016
Review the Audiovisual Media Services Directive	2016
Comprehensive analysis of the role of platforms in the market including illegal content on the Internet	2015
Review the e-Privacy Directive	2016
Establishment of a Cybersecurity contractual Public-Private Partnership	2016
Maximising the growth potential of the Digital Economy	
Initiatives on data ownership, free flow of data (e.g. between cloud providers) and on a European Cloud	2016
Adoption of a Priority ICT Standards Plan and extending the European Interoperability Framework for public services	2015
New e-Government Action Plan including an initiative on the 'Once-Only' principle and an initiative on building up the interconnection of business registers	2016

The Modernization of Copyright and Related Rights

THE DIGITAL SINGLE MARKET

As the EU Commission noted, our **world** has been drastically **transformed** by the **internet** and **digital** technologies. Yet, the existence of **barriers online** does not allow businesses and governments to fully benefit from digital tools; further, consumers are not able to take advantage of the newest goods and services.

Offline barriers to the **single market** often **spread** to the **online digital environment**. For example, online markets are still mainly domestic in terms of online services. A small percentage (7%) of SMEs in the EU sells cross border. Such a situation can change by **putting** the **single market online**, letting people - firms to trade and innovate freely and safely.

The Modernization of Copyright and Related Rights

- <u>THE DIGITAL SINGLE MARKET</u>
- In other words, it is necessary to **make** the EU **single market fit** for the **digital age**, by eliminating regulatory barriers and by guaranteeing the free movement of persons, goods, services, capital and data – thus creating a market where citizens and firms can securely and fairly access online products whatever their nationality and residence is.
- A digital single market could have a **big impact** by contributing € 415 billion per year to our economy, by boosting jobs investments competition growth and innovation. It could further offer better products, expand markets, and create opportunities for new start-ups. Ultimately, the digital single market can help the European Union to hold its position as a world leader in the digital economy.


"I want to see pan-continental telecoms networks,
digital services that cross borders
and a wave of innovative European start-ups.
I want to see every consumer getting the best
deals and every business accessing the widest
market – wherever they are in Europe."
Jean-Claude Juncker, 6 May 2015
European
Commission


"Our rules now need updating for the digital age. They have to become more conducive for investors and promote more competition. No more barriers to access, splintered markets or national distortions."
Andrus Ansip, 13 October 2015
"The vision of a Digital Union can only become a reality if we have unconstrained connectivity. To improving opportunities for businesses and citizens everywhere, we must make connectivity available for all SMEs, research centres and the wider economy in general."
Günther H. Oettinger, 13 October 2015
#DigitalSingleM
European Commission

The Modernization of Copyright and Related Rights

THE DIGITAL SINGLE MARKET

To sum up, the main **actions** of the Digital Single Market strategy are about :

- **boosting e-commerce** in the EU (*e.g.*, tackle geo-blocking)
- **strengthening cyber-security** and **adapting e-privacy rules**
- **updating** the audiovisual-media rules
- **promoting** the development of **digital skills & ** of better **internet connectivity**
- **unlocking** the potential of a European **data economy**
- **modernising** the **EU copyright** rules to fit the digital age

The Modernization of Copyright and Related Rights

- WHAT IS COPYRIGHT ABOUT ?
- Before looking at the modernization process of copyright in details, it is appropriate to understand what copyright is about. The term '**copyright**' describes the rights that creators have over their literary, scientific, artistic works. Copyright does not protect ideas; it rather **protects** the **expression** of **ideas**. In the EU, copyright protection is obtained from the moment of **creation** of the **work**; this means that **no registration** (or other formality) is required. Nevertheless, in some countries, it is possible to voluntarily register or deposit works protected by copyright – this may be useful, for instance, to solve disputes over ownership, or to facilitate financial transactions.

The Modernization of Copyright and Related Rights

COPYRIGHT AND RELATED RIGHTS

As to the **requirements** to obtain copyright protection, it must be said that copyright is **regulated** at **national level**. Therefore, the requirements may in theory vary from one country to another. In general, the **work should**:

► **be original** - there is no complete harmonization, at EU and international levels, on the meaning of the word 'original'; however, based on EU jurisprudence, the originality requirement is satisfied when the author expresses his creativity by making free and creative choices, resulting in a work that reflects his personality.

► **exist in some form** - there is no harmonization at EU level on whether the work has to be fixed in a material form in order to benefit from copyright protection.

The Modernization of Copyright and Related Rights

- <u>COPYRIGHT AND RELATED RIGHTS</u>
- As to the type of protection conferred, **copyright** is **territorial** and **national** in scope. Consequently, the law of the country in which the author seeks protection applies.
- However, a number of **conventions** and **international treaties** allow authors to benefit from copyright protection in several countries (EU nations included).

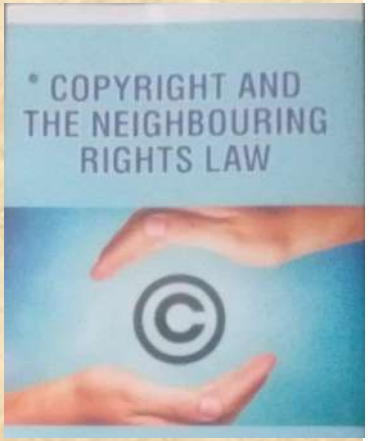
The Modernization of Copyright and Related Rights

- COPYRIGHT AND RELATED RIGHTS
- For instance, the **Berne Convention** 'on the protection of literary and artistic works' (1886) **grants authors** the following categories of rights:
- ► **economic rights -** enable authors to control the use (*e.g.*, making and distributing copies) of their works and be remunerated by selling or licensing them to others. They last at least 50 years from author's death. Economic rights are harmonised at EU level.
- ► **moral rights -** usually non transferable, include the right to claim authorship, the right to object to a distortion or mutilation of the work which would affect their honour. They usually have no time limit. Moral rights are not harmonised in the EU.

The Modernization of Copyright and Related Rights

COPYRIGHT AND RELATED RIGHTS

Despite being related to copyright, **neighbouring or related rights** differ as they have a specific subject matter and protect the interest of right-holders different from the work's author. Indeed, neighbouring rights usually **confer protection** to the **performers**, **producers**, **publishers**, **broadcasting organizations**.



The Modernization of Copyright and Related Rights

- <u>COPYRIGHT AND RELATED RIGHTS</u>
- The **Rome Convention** (1961) regulates such rights at international level, and establishes a term of **protection of 20 years** from the end of the year in which :
- i) the performance took place
- ii) the broadcast took place

- iii) the fixation was made (for phonograms & performances incorporated in them)
- However a **longer term** of protection may in theory be provided for by national laws.

The Modernization of Copyright and Related Rights

- COPYRIGHT AND RELATED RIGHTS

- It is not possible to outline an exhaustive list of works that can be protected by copyright. Nevertheless, the following **works** are usually **covered** by **copyright**:

- ○ literary works (poems, novels, plays, newspapers articles etc)
- ○ musical compositions, films, choreographies
- ○ artistic works (photographs, sculptures, drawings, paintings)
- ○ databases, computer programs
- ○ architecture, technical drawings, maps

The Modernization of Copyright and Related Rights

HOW DID COPYRIGHT DEVELOP IN THE EU ?

In the EU, copyright rules have been subject to scrutiny in different circumstances:

► in **1988**, the Commission published a **Green Paper** which represented the first step in creating a Community framework for copyright and neighbouring rights. It was followed by a **Working Program** (**1991**) defining a possible roadmap to harmonise copyright legislation. Such a programme also addressed issues concerning piracy, computer programs and databases, copying at home. A new Green Paper on copyright was adopted in 1995, in the context of the emerging information society.

► the digitalization of information, goods and services brought a new **challenge for copyright**. This later led to the adoption of **Directive 2001/29**, on the harmonization of certain aspects of copyright & related rights in the information society.

The Modernization of Copyright and Related Rights

HOW DID COPYRIGHT DEVELOP IN THE EU ?

► a review of the framework of copyright in Europe was further promoted by the **Commission's Communication** (**2011**) on the Single Market for IPR. The copyright framework was seen as no longer fit for purpose in the digital age. After a public **consultation** launched in **2014** on the review of EU copyright rules, the Commission announced (**Communication 2015**) that it would revise Directive n. 2001/29 and would consider amending the legal framework for IPR enforcement. It would also propose solutions concerning the remuneration of authors and performers in the EU.

► in the last years, many stakeholders have invoked a reform of copyright that would support creativity and innovation (***Copyright Manifesto***). EU stakeholders in research also stressed the need to provide a text and data mining exception for research activities in the review of the copyright reform.

The Modernization of Copyright and Related Rights

- HOW DID COPYRIGHT DEVELOP IN THE EU ?

- ► in **2016**, the EU Commission adopted a **Proposal for a Directive on Copyright in the Digital Market** (EU Copyright Directive). Aim of the Directive is to **harmonize** the **Union law** applicable to copyright and related rights in the framework of the internal market, taking into account digital and cross-border uses of protected content. In particular, it intends to **ensure** a **well-functioning marketplace** for the exploitation of works and other subject matter.

The Modernization of Copyright and Related Rights

HOW DID COPYRIGHT DEVELOP IN THE EU ?

► in **2019**, following the EU Commission proposal, the Council of the European Union and the European Parliament adopted a **Directive 2019/790/EU** on copyright and related rights in the Digital Single Market (EU Copyright Directive).

- in which way are IPRs related to innovation and the Single Market ?
- what are the main pillars of the Digital Single Market Strategy ?
- what is the scope of copyright protection ?

The Modernization of Copyright and Related Rights

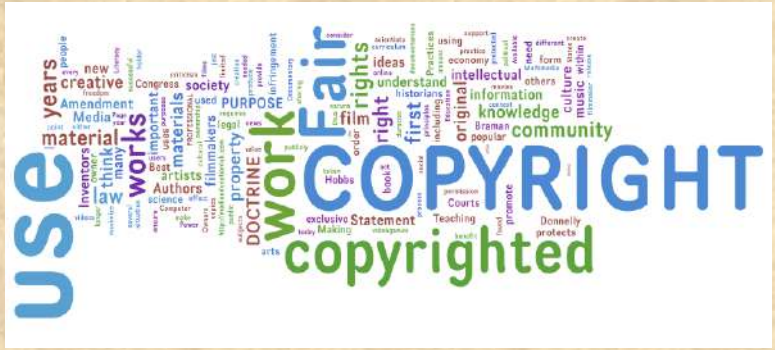
SUGGESTED READINGS

- EU Commission, 'A Digital Single Market Strategy for Europe', COM(2015) 192
- EU Commission, 'A Digital Single Market for Europe: Commission sets out 16 initiatives to make it happen', (2015) Press Release IP/15/4919
- EU Commission (IPR Helpdesk), *Your Guide to IP in Europe* (2017)
- European Parliament (Research Service), 'EU Innovation Policy - Part II' (2016)

MODULE II

SINGLE MARKET FOR INTELLECTUAL PROPERTY RIGHTS

(*Lecture V*)



The Modernization of Copyright and Related Rights

- COPYRIGHT IN THE DIGITAL SINGLE MARKET
- In the mentioned **2015 Communication**, on a *Digital Single Market Strategy for Europe*, the EU Commission explicitly promoted the modernization of the **copyright framework,** which is essential to overcome fragmentation within the single market**.** The authority noted that copyright underpins creativity and the cultural industry, and that the Union strongly relies on creativity to compete globally.

The Modernization of Copyright and Related Rights

- COPYRIGHT IN THE DIGITAL SINGLE MARKET

- More in details, the 2015 Communication highlighted that :

- ► **copyright** is a **key element** of the EU cultural social and technological environment, and of the digital economy too

- ► **copyright** and related rights **stimulate** the creation of and investments in **new works**, as well as their exploitation, thereby contributing to boost competitiveness employment and innovation

- ► **copyright-intensive industries** (*e.g.*, audiovisual, music, books) are one of EU most dynamic economic sectors, and generate several millions jobs

The Modernization of Copyright and Related Rights

COPYRIGHT IN THE DIGITAL SINGLE MARKET

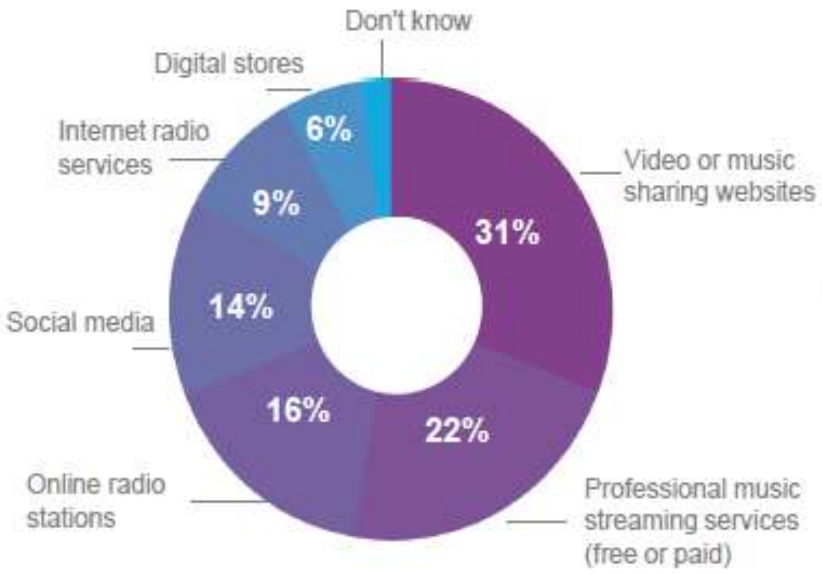
► the **modernization of copyright** is needed in order to achieve a wider availability of creative content across the Union, ensure that EU copyright rules adequately protect right-holders, and maintain a proper balance with other public policy goals – all these objectives are fundamental for the EU economic and societal progress

► in particular, **copyright rules** need to be **adapted** so that all market players and citizens can benefit from the opportunities of the new digital environment

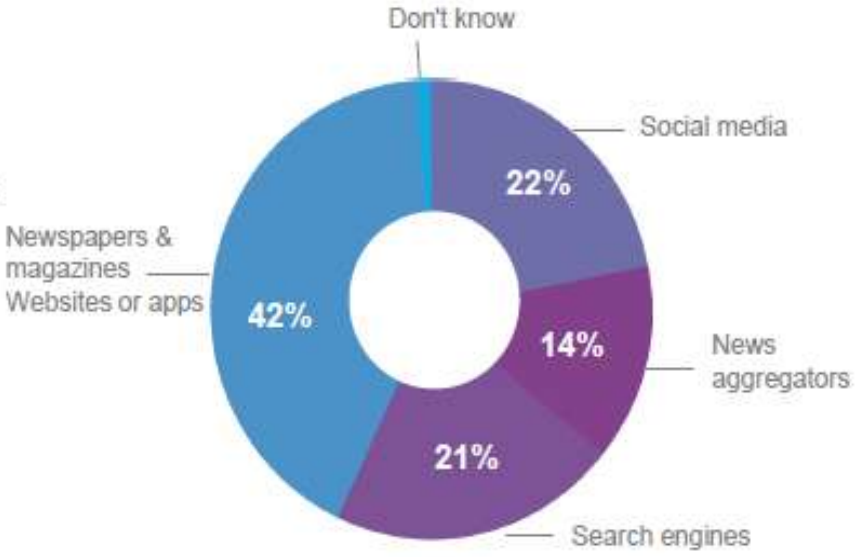
► the **digitization process** has had indeed a strong impact on the way copyrighted works and services are created and consumed, with the internet functioning as a key distribution channel (*eg*, social media, news aggregators, video/music sharing web …)

HOW THE DIGITAL REVOLUTION CHANGES OUR BEHAVIOUR

What type of service do you use most often to access music online?



What are the services you mainly use to access news online?



Flash Eurobarometer 437, March 2016

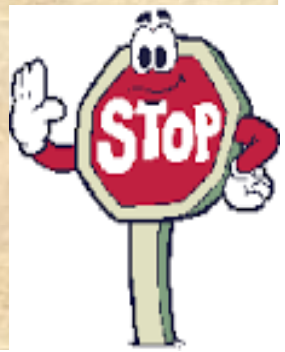
The Modernization of Copyright and Related Rights

- <u>COPYRIGHT IN THE DIGITAL SINGLE MARKET</u>
- The Commission further stressed that **digital content** is one of the main **drivers** of the **growth** of the **digital economy**. This is because consumers increasingly view content (music, videos, games) on mobile devices, and expect to get access to such content wherever they are. However, several problems may arise; **barriers** to cross-border **access** to copyright protected content services and their portability are still common.

The Modernization of Copyright and Related Rights

COPYRIGHT IN THE DIGITAL SINGLE MARKET

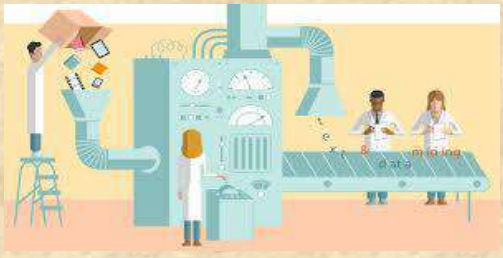
In relation to **portability**, when **consumers** move from one Member State to another, they are often **prevented** – on grounds of copyright – from using the content services purchased in their home country. On a further ground, when trying to access or buying online copyright protected content from another Member State, consumers sometimes find it unavailable or not accessible from their own country. The reasons behind this are related to the **territoriality** of **copyright,** and/or to the difficulties regarding the **clearing** of **rights**. In other cases, **contractual restraints** between right holders and distributors (or simply distributors' decisions) may also eventually result in the lack of availability and/or access.



The Modernization of Copyright and Related Rights

- COPYRIGHT IN THE DIGITAL SINGLE MARKET

- The Commission then underlined the need for **greater legal certainty** and for a **clearer legal framework** to enable certain categories of **users** to make wider use of copyright protected **materials**, included across borders; this means access without the need to ask the authorization from right-holders (**exceptions & limitations**).



The Modernization of Copyright and Related Rights

- COPYRIGHT IN THE DIGITAL SINGLE MARKET

- In the EU, indeed, certain uses of copyright-protected works take place under **exceptions and limitations to copyright**, which have been provided in light of the inability of the markets to deliver contractual solutions or in light of the need to achieve public policy goals. In such cases, as mentioned above, certain categories of users do **not need** to **be authorised** for the use of the protected works.
- Yet, most **exceptions** in the copyright field foreseen by EU law remain **optional** for the Member States to implement. This eventually results in a **fragmented framework** across the European Union, as optional exceptions may or may not have been transposed in the national laws (and may also vary in scope).

The Modernization of Copyright and Related Rights

- COPYRIGHT IN THE DIGITAL SINGLE MARKET

- **Exceptions** may play a **key rol**e in certain areas which are particularly relevant to the Digital Single Market, such as **education research** and **cultural heritage**. In these areas, characterised by the growing relevance of the cross-border aspects, differences in the way Member States deal with the exceptions may be problematic; hence, the importance to promote a **clearer legal framework** and adequate / balanced changes.
- One example concerns the use of innovative technologies by researchers exploited in the context of **text and data mining** (copying of text and datasets in search of significant correlations). Another example relates then to the work of **cultural heritage institutions**, in charge of promoting access to knowledge.

The Modernization of Copyright and Related Rights

COPYRIGHT IN THE DIGITAL SINGLE MARKET

Other key points of the 2015 Communication also referred to the need of :

► developing an **effective** and **balanced IP enforcement system** against commercial scale copyright infringements, while protecting fundamental rights - effective copyright enforcement can indeed promote an efficient marketplace for copyright works, reduce the costs of fighting infringements, and may eventually have a relevant impact on the functioning of the digital single market (recent available data confirm the existence of a correlation between the growth of cultural and creative industries and effective IP protection legislation)

The Modernization of Copyright and Related Rights

COPYRIGHT IN THE DIGITAL SINGLE MARKET

► further clarifying on the **rules** applicable to the activities of **online intermediaries** in relation to copyright protected works, given the substantial involvement of these intermediaries in content distribution (*e.g.*, removal of illegal content from the web)

► developing measures to safeguard the **fair remuneration of creators**, in order to stimulate the future generation of contents - content creators are indeed concerned about the fairness of remuneration conditions, in a context of lack of legal certainty and of differences in bargaining power when licensing or transferring their rights

The Modernization of Copyright and Related Rights

COPYRIGHT IN THE DIGITAL SINGLE MARKET

► striking a better balance in the **relation between right-holders**, on the one hand, **and news aggregators & online platforms**, on the other - specifically, a sense of unfairness is perceived by right-holders, in relation to the transfer of value generated by some of the new forms of online content distribution; further, right-holders point to a lack of level playing field in the online content market

The Modernization of Copyright and Related Rights

- COPYRIGHT IN THE DIGITAL SINGLE MARKET

- In this context, the Commission will thus examine whether the **benefits** of the online use of copyright-protected works are **fairly shared**. It will look at specific **questions**:

  - are **authors** and **performers** fairly remunerated ?
  - are **current rights** clear enough and fit for the digital age ?
  - what is the role of **online platforms** ?
  - is action related to **news aggregators** needed at the EU level ?

EU COPYRIGHT RULES FIT FOR THE DIGITAL AGE

Commission européenne
Europese Commissie

Better choice and access to content online and across borders

A fairer online environment for creators and the press

Improved copyright rules to make more material available from education, research and cultural heritage organisations and to promote inclusion of disabled people

The Commission will make legislative proposals before the end of 2015 to reduce the differences between national copyright regimes and allow for wider online access to works by users across the EU, including through further harmonisation measures. The proposals will include: (i) portability of legally acquired content, (ii) ensuring cross-border access to legally purchased online services while respecting the value of rights in the audiovisual sector, (iii) greater legal certainty for the cross-border use of content for specific purposes (e.g. research, education, text and data mining, etc.) through harmonised exceptions,(iv) clarifying the rules on the activities of intermediaries in relation to copyright-protected content and, in 2016, (v) modernising enforcement of intellectual property rights, focusing on commercial-scale infringements (the 'follow the money' approach) as well as its cross-border applicability.

The Modernization of Copyright and Related Rights

- COPYRIGHT IN THE DIGITAL SINGLE MARKET

- In brief, the Commission highlighted the importance of **developing** a more **harmonised copyright regime** in the EU, which can provide 'incentives to create and invest while allowing transmission and consumption of content across borders'.

- To this end, the Commission 'will propose solutions which **maximise** the **offers** available to **users** and open up new opportunities for content creators, while **preserving** the **financing** of EU **media** and **innovative content**'.

The Modernization of Copyright and Related Rights

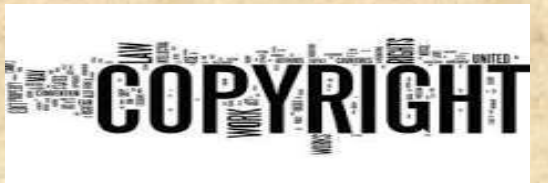
- COPYRIGHT IN THE DIGITAL SINGLE MARKET

- Furthermore, and in order to ensure an effective and uniform application of copyright legislation, it remarked that close **collaboration** with **Member States** is essential.

- In the long term, the objective is the **full harmonization** of copyright in the Union, possibly in the form of a single copyright code and a single copyright title.

The Modernization of Copyright and Related Rights

- <u>COPYRIGHT IN THE DIGITAL SINGLE MARKET</u>
- In a different communication (*Towards a modern, more European copyright framework*, 2015), the Commission further explained how it intends to achieve the goal of a **more modern and European copyright regime**.
- It identified **targeted actions** with related proposals for the short term, and remarked the importance of the 'Creative Europe' programme and of other policy instruments to financially support the growth of the copyright industry.



The Modernization of Copyright and Related Rights

- <u>COPYRIGHT IN THE DIGITAL SINGLE MARKET</u>

- The European Commission, in particular, remembered the need to:

- ○ inject more **single market** and a higher level of **harmonization** into the EU copyright framework (*eg*, addressing aspects concerning the territoriality of copyright)

- ○ adapt copyright rules to the **new technological realities,** and promote wider access to creative content online (including access to 'out of commerce works')

- ○ make sure that **EU copyright rules** are properly **transposed** and **enforced**

The Modernization of Copyright and Related Rights

- COPYRIGHT IN THE DIGITAL SINGLE MARKET
- *Inter alia*, and in relation to the **exceptions to copyright**, it was clarified that the Commission was assessing options in order to:
- ○ allow public interest research organizations to carry out **text and data mining** of content they have lawful access to, for scientific research purposes
- ○ provide clarity on the scope of the EU exception for '**illustration for teaching**', and its application to digital uses and to online learning
- ○ provide a clear space for (digital) preservation by **cultural heritage institutions**
- ○ support **remote consultation**, in closed electronic networks, of works held in research and academic libraries (and other institutes), for research and private study

The Modernization of Copyright and Related Rights

COPYRIGHT IN THE DIGITAL SINGLE MARKET

Moreover, as to the **transfer of value**, the Communication made clear that :

- the Commission would reflect on the different factors around the **sharing of the value** created by new forms of online distribution of copyright-protected works among the various market players. The goal is to ensure that players that contribute to generating such value have the ability to fully ascertain their rights, thus contributing to a fair allocation of this value and to the adequate remuneration of copyright-protected content for online users
- the Commission would further consider whether solutions at EU level are required to increase legal certainty, transparency and balance in the system that governs the **remuneration of authors and performers** in the EU

The Modernization of Copyright and Related Rights

- <u>COPYRIGHT IN THE DIGITAL SINGLE MARKET</u>
- Finally, the Commission reaffirmed the relevance of an **efficient IP enforcement system,** including copyright. In this context, it would assess options to amend the legal framework focussing on commercial scale infringements, in order to clarify the rules for identifying infringers, the application of provisional and precautionary measures and injunctions (and their cross-border effect), and the calculation and allocation of damages and legal costs.
- The Commission would further assess, in the context of the **activities of online platforms**, the effectiveness of 'notice and action' mechanisms and of the 'take down and stay down' principle in order to tackle illegitimate uploads of protected contents.

The Modernization of Copyright and Related Rights

COPYRIGHT IN THE DIGITAL SINGLE MARKET

In the end, the **Communication '*Towards a modern, more European copyright framework'*** upheld the approach defined by the Digital Single Market Strategy on copyright issues, and shared its conclusions about the **need to promote**:

► the further **convergence** of the Member States' copyright systems

► **dialogues** between Member States to ensure a shared vision of EU copyright law

► **appropriate measures** against potential barriers to the single market for IPRs

► a **long term vision** for copyright in the EU, where authors performers creative industries and users are subject to the very same rules irrespective of where they are

- **why is the modernization of copyright linked to EU growth / progress ?**
- **what are the exceptions to copyright about ? what risk do they raise ?**
- **why is it essential to have an effective copyright enforcement system ?**

The Modernization of Copyright and Related Rights

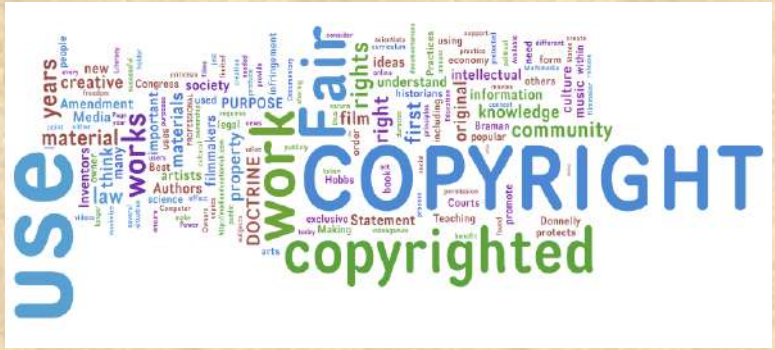
SUGGESTED READINGS

- EU Commission, 'Towards a modern, more European copyright framework', COM (2015) 626
- EU Commission, 'A Digital Single Market Strategy for Europe', COM(2015) 192
- EU Commission, 'A Digital Single Market Strategy for Europe – Analysis and Evidence', SWD(2015) 100

MODULE II

SINGLE MARKET FOR INTELLECTUAL PROPERTY RIGHTS

(*Lectures VI and VII*)



The Modernization of Copyright and Related Rights

- PROPOSAL FOR AN EU COPYRIGHT DIRECTIVE - BACKGROUND
- In the context of the various initiatives supporting the modernization process of copyright and related rights, the EU Commission adopted a ***Proposal for a Directive on Copyright in the Digital Single Market*** (2016).
- As part of the Digital Single Market project, the Proposal intended to ensure a **well functioning marketplace** for the **exploitation** of **works** and other subject matter, taking into account in particular **digital** and **cross-border uses** of protected contents.

The Modernization of Copyright and Related Rights

- PROPOSAL FOR AN EU COPYRIGHT DIRECTIVE - BACKGROUND

- Specifically, the Directive Proposal has been adopted in the context of the **review process** of the existing copyright rules, which took place between 2013 and 2016 with the aim 'to **ensure that copyright and copyright-related practices stay fit for purpose in the new digital context**'. Such a review process had found **problems** with the implementation of certain **exceptions** and their **lack** of **cross-border effect**. It had also highlighted the difficulties affecting the **use** of **copyright-protected content** in nowadays digital and cross-border context.

The Modernization of Copyright and Related Rights

- PROPOSAL FOR AN EU COPYRIGHT DIRECTIVE - BACKGROUND
- Several **consultations** moreover were held in the same period, providing the Commission with an overview of **stakeholders' perspective** on the review process (including on exceptions and limitations, on the remuneration of authors and performers, on the role of intermediaries in the online distribution of works, and on the role of publishers in the copyright value chain).
- In addition, an **impact assessment** was carried out for the proposal, having as object the topics of: i) ensuring **wider access** to content; ii) adapting **exceptions** to the digital and cross-border environment; iii) achieving a well-functioning **market** for copyright.

What is the problem and why is it a problem at EU level?

This IA examines a number of issues linked to the functioning of EU copyright rules in the Digital Single Market. It considers adjusting existing rules or introducing new rules in three distinct areas: (i) access to content online; (ii) the functioning of key exceptions in the digital and cross-border environment; and (iii) the functioning of the copyright marketplace.

In the first area, the problems addressed in the IA are directly related to difficulties encountered with the clearance of online rights, by broadcasters, retransmission services, Video-on-Demand (VoD) platforms or cultural heritage institutions (CHIs). Broadcasters face difficulties in particular when clearing rights for making TV and radio programmes available online across borders; similarly, the clearance of rights can be complex for retransmission services other than cable operators when they offer channels from other Member States (MS). The main findings of the evaluation of the functioning of the Satellite and Cable Directive (Directive 93/83/EEC) have been taken into account when assessing the extent of these problems and the possible solutions. Also, difficulties in acquiring online rights contribute to the limited availability of European audiovisual works on VoD platforms. Finally, CHIs face important difficulties when clearing rights for digitising out-of-commerce (OOC) works of their collections and disseminating them to the public.

In the second area, the legal uncertainty as to the acts allowed under the existing copyright exceptions, in particular the digital environment, has been identified as a major issue for the functioning of the Digital Single Market. Teachers and students are affected by legal uncertainty when using content in digitally-supported and cross-border teaching activities. Researchers face legal uncertainty with regard to the possibility to carry out text and data mining (TDM) on content they have lawful access to. Preservation of works by CHIs, in particular in digital forms, may also be hampered by legal uncertainty and disproportionate transaction costs.

In the third area, the IA concentrates on issues related to the distribution of value in the online environment, with a distinction between the problems faced 'upstream' by right holders when trying to license their content to certain types of online services and those faced 'downstream' by creators when negotiating contracts for the exploitation of their works. Right holders face difficulties when seeking to control and monetize the use of their content by online services storing and giving access to content uploaded by end-users. It has also become difficult for press publishers to license their publications and prevent unauthorized uses by online services. Also, all publishers face legal uncertainty as regards the possibility for them to receive a share in the compensation for uses of works under an exception. Finally, authors and performers (creators) may not always have sufficient information on the exploitation of their works allowing them to negotiate an appropriate remuneration in exchange for the exploitation of their rights.

What should be achieved?
Three general objectives have been identified: (i) allow for wider online access to protected content across the EU, focusing on TV and radio programmes, European audiovisual works and cultural heritage; (ii) facilitate digital uses of protected content for education, research and preservation in the single market; and (iii) ensure that the online copyright marketplace works efficiently for all players and gives the right incentives for investment in and dissemination of creative content.
What is the value added of action at the EU level (subsidiarity)?
By concentrating on the functioning of EU copyright rules in the digital and online environment, this IA addresses problems which have an important cross-border dimension. As regards the first area, national solutions for the above mentioned problems related to online access to content, including cross-border, may generate further fragmentation in the Digital Single Market. Therefore, in order to produce clear benefits, a common approach and action should be provided at EU level. As regards the second area, the existing level of harmonisation limits the possibility for MS to act in the area of copyright, as they cannot unilaterally alter the scope of the harmonised rights and exceptions. Moreover, EU intervention is indispensable to guarantee legal certainty in cross border situations. As regards the third area, the rationale for EU action stems both from the harmonisation already in place (notably in terms of rights) and the cross-border nature of the distribution of content online. Intervention at national level would not be sufficiently efficient to address the identified problems (notably because it would lack scale) and could create new obstacles and market fragmentation. Action at EU level is necessary in order to ensure legal certainty for creators and those investing in content, for distributors and for users. It will also allow right holders to better exercise their rights in the online environment and guarantee a level playing field in the Digital Single Market.

The Modernization of Copyright and Related Rights

- PROPOSAL FOR AN EU COPYRIGHT DIRECTIVE - DEBATE
- Overall, the Proposal has raised **substantial debate** about its text, scope and goals.
- The two most controversial provisions were undeniably those in **Article 11** (new right for publishers) and **Article 13** (liability of online content sharing service providers) of the Proposal.

The Modernization of Copyright and Related Rights

- PROPOSAL FOR AN EU COPYRIGHT DIRECTIVE & OPPOSITION
- In particular, **Articles 11 and 13** have attracted harsh **criticism** from **U.S. technology companies**, **civil liberties groups** and **academics**. Opponents also include **law scholars**, **internet experts** and **law makers**. Within the EU Parliament, the Proposal has then been opposed by **populist parties** (*e.g* the *Five Star Movement* coalition).
- A German MEP, **Julia Reda**, has described the efforts behind the Directive as large media companies trying 'to force platforms and search engines to use their snippets and to pay for them'. A *UKIP* member of the Parliament then argued that 'the proposal may destroy the capacity for free speech on the internet and social media'.


Reform des EU-Urheberrechts: "Völlig jenseits von Gut und Böse" - S...
Die EU bekommt ein neues Urheberrecht. Was langweilig klingt, könnte das Internet stark verändern. Die Piratin Julia Reda erklärt, welche Einschrän...
spiegel.de
European Commission copyright plans would make Twitter and others pay news publishers when they show link previews like this one.
They claim they are "eroding [news sites'] ad revenue":
In 2016, social media (22 %), news aggregators (14 %) and search engines (21 %) are, taken together, the main way to read news online for 57 % of users in the EU.[453]
On the other hand, 47 % of consumers browse and read news extracts on these websites without clicking on links to access the whole article in the newspaper page, which erodes advertising revenues from the newspaper webpages.[456]
They say "individuals won't be affected" – but if Twitter doesn't pay up, say hi to
"This tweet is not available in your country"
Sources:
• "The target would be services like Twitter", unnamed Commission representative to DPA, Sept 1 (in German)
• Commission's draft Impact Assessment, pg. 143
• Commission's draft Directive on Copyright in the Digital Single Market
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The Modernization of Copyright and Related Rights

PROPOSAL FOR AN EU COPYRIGHT DIRECTIVE & OPPOSITION

► **GOOGLE** (owner of YouTube): opposed the Directive since 2016, saying that it would 'turn the internet into a place where everything uploaded to the web must be cleared by lawyers'.

► **YOUTUBE:** its CEO urged content creators on the platform to take action to oppose the Proposal, as 'it poses a threat to both their livelihood and their ability to share their voice with the world'.

► **FACEBOOK:** argued that the Proposal could have 'serious unintended consequences for an open and creative internet'.

The Modernization of Copyright and Related Rights

- PROPOSAL FOR AN EU COPYRIGHT DIRECTIVE & OPPOSITION
- Campaigners generally oppose **Article 11** as it would amount to a **'link tax'** requiring web publishers to obtain a license before linking to news stories. Many refer to the negative effects of the recent introduction in Germany and Spain of an ancillary right.

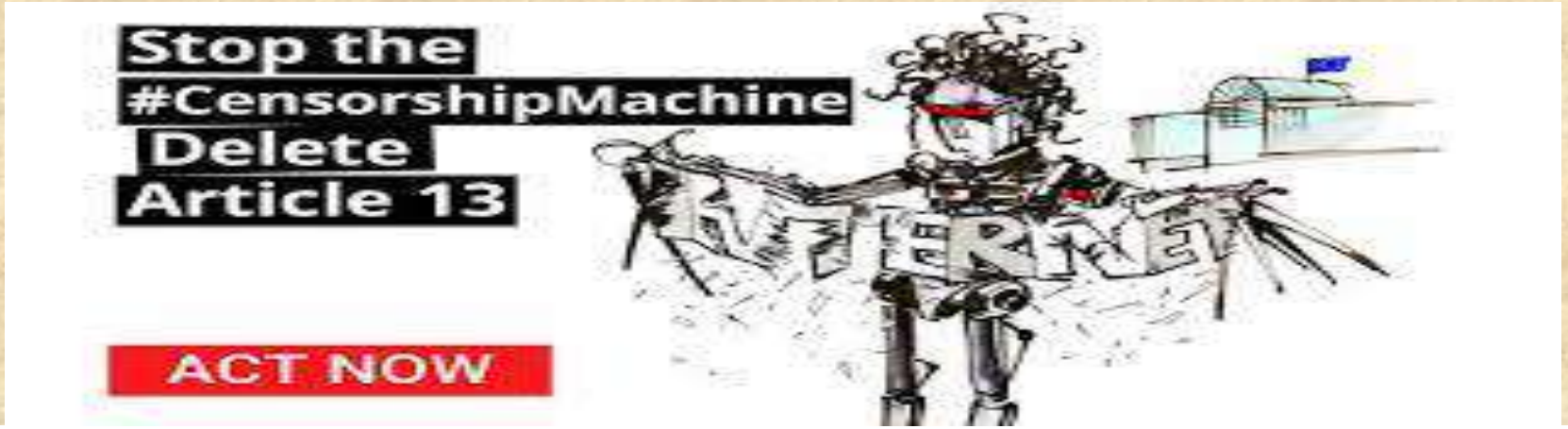
Article 11 - A Link/Google Tax Revamp

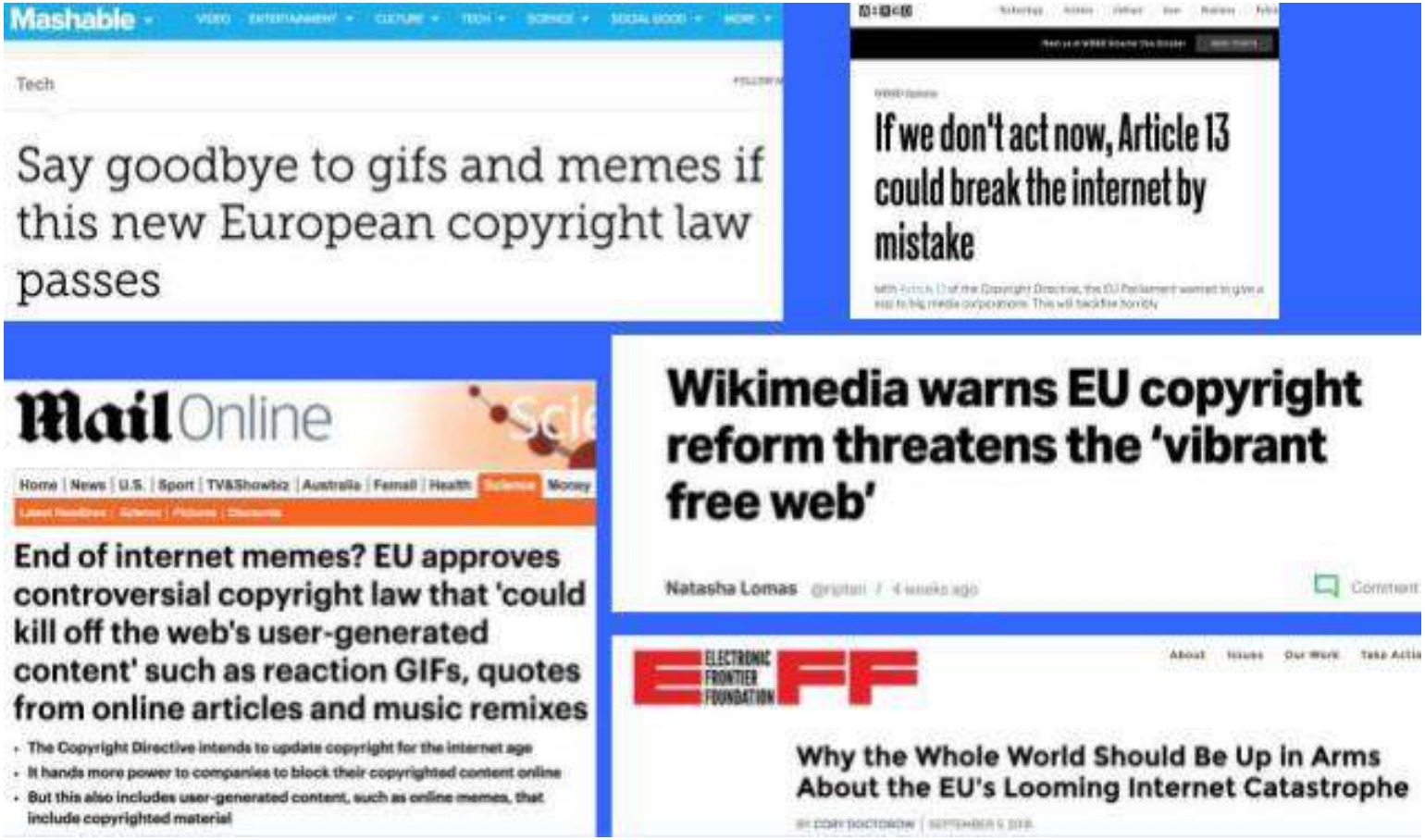
News publishers have lobbied intensively in the past

Why?	News publishers wanted to charge news aggregators such as Google News to benefit from the advertising revenue generated by the traffic.
How?	Through intense lobbying, the governments **gave publishers the right to charge online news aggregators.**
What happened?	As soon as they tried to enforce this right, Google stopped indexing Axel Springer links which led to a **drop of 80% traffic.**
	Google removed Google News altogether from Spain leading to a cumulated **drop of 20% of traffic overnight for publishers.**

The Modernization of Copyright and Related Rights

- PROPOSAL FOR AN EU COPYRIGHT DIRECTIVE & OPPOSITION
- **Article 13** has been viewed as a **'meme ban'**, as the content matching technologies which could be used to meet its requirements cannot identify 'fair dealing' (parody).




Mashable
Tech
Say goodbye to gifs and memes if this new European copyright law passes
If we don't act now, Article 13 could break the internet by mistake
Mail Online
Home | News | U.S. | Sport | TV&Showbiz | Australia | Femail | Health | Science | Money
End of internet memes? EU approves controversial copyright law that 'could kill off the web's user-generated content' such as reaction GIFs, quotes from online articles and music remixes
The Copyright Directive intends to update copyright for the internet age
It hands more power to companies to block their copyrighted content online
But this also includes user-generated content, such as online memes, that include copyrighted material
Wikimedia warns EU copyright reform threatens the 'vibrant free web'
Natasha Lomas
Comment
ELECTRONIC FRONTIER FOUNDATION
About
Issues
Our Work
Take Action
Why the Whole World Should Be Up in Arms About the EU's Looming Internet Catastrophe

The Modernization of Copyright and Related Rights

- PROPOSAL FOR AN EU COPYRIGHT DIRECTIVE & OPPOSITION
- It has also been noted that the **duration** of the new ancillary right is too long and that the proposal creates **no harmonization** within the EU. Other issues regard the **costs** and effectiveness of **upload filters** and the negative effects on free speech online.
- On a last note, **academic criticism** has raised several concern about the impact of Article 11 on the readership of online scientific publications, and about the obligations on service providers under Article 13 which would heavily affect small players.


The content you are trying to view has been banned by the EU copyright law

The Modernization of Copyright and Related Rights

- PROPOSAL FOR AN EU COPYRIGHT DIRECTIVE & SUPPORT
- On the other side of the spectrum, most **media groups**, **major music labels**, **mainstream newspapers**, many **artists** (Ennio Morricone, James Blunt, Paul McCartney etc) and **publishers** were in **support** of the Directive.
- A group of major **European press publishers** issued a **letter** in strong support of the proposal, defining it as 'key for the media industry, the consumers' future access to news, and ultimately for a healthy democracy'. They argued that **financial support** to struggling news media should not be provided by Member States, but should rather come **from the internet giants**.

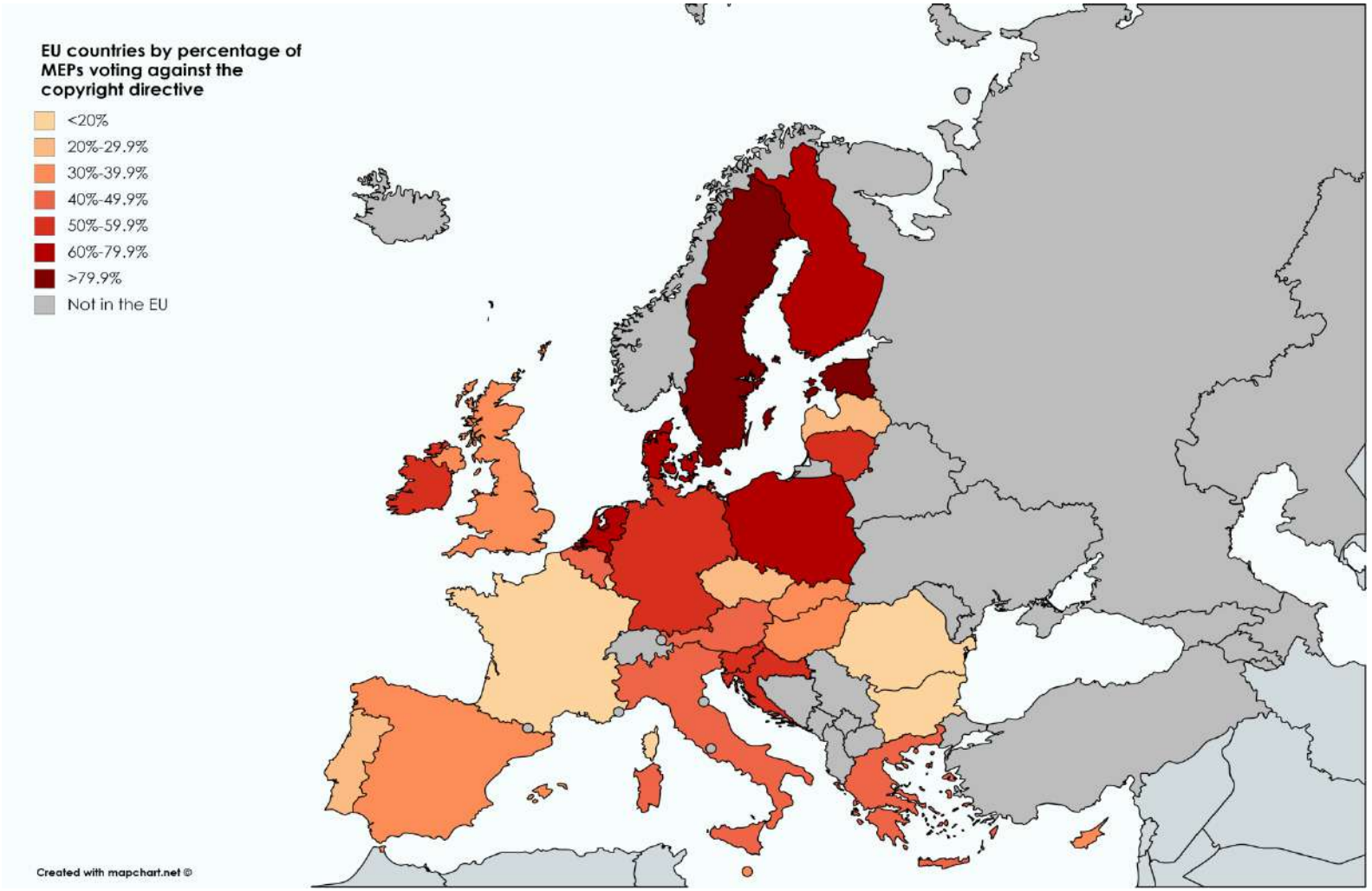
The Modernization of Copyright and Related Rights

- PROPOSAL FOR AN EU COPYRIGHT DIRECTIVE & SUPPORT
- It has even been said that the Directive Proposal has a positive effect on **fundamental rights**. In this regard, it may strengthen copyright as a **property right**, as long as the bargaining position of authors and performers improve and as long as right-holders have a better control of the use of their copyright protected contents. Such impact would be reinforced by the measures implemented to improve licensing mechanisms. The exceptions to copyright, furthermore, have been interpreted as having a positive impact on the **right to education** and on **cultural diversity**.

The Modernization of Copyright and Related Rights

- PROPOSAL FOR AN EU COPYRIGHT DIRECTIVE & SUPPORT
- Furthermore, **Axel Voss**, German MEP and ***rapporteur*** of the Directive, **rejected** the arguments of critics according to which the Proposal would promote **censorship**. He criticised such perspective as 'excessive, unjustified and objectively wrong', pointing out that content filtering technologies (Art. 13) have been in use on Youtube for more than a decade and that big internet platforms have mounted **fake news campaigns**.
- **Publishing trade bodies** have similarly noted that companies such as Google and Wikipedia have conducted bad-faith, misleading campaigns to influence members of the Parliament. As to Article 11, some newspapers have also argued that the reform is a **battle** between EU media **pluralism** and monopolistic foreign **internet giants.**


We are not ending internet, we are not ending memes at all. What we want is to make sure that the same copyright rules apply in the real world and online.
AXEL VOSS
RAPPORTEUR ON COPYRIGHT RULES


EU countries by percentage of MEPs voting against the copyright directive
<20%
20%-29.9%
30%-39.9%
40%-49.9%
50%-59.9%
60%-79.9%
>79.9%
Not in the EU
Created with mapchart.net ©

The Modernization of Copyright and Related Rights

PROPOSAL FOR AN EU COPYRIGHT DIRECTIVE - BACKGROUND

As a premise, in the explanatory memorandum, the Proposal recalled the key role of the Digital Single Market Strategy and of the Communication *Towards a more modern, European copyright framework* in identifying the steps for the modernization of copyright. It pointed again to the **main changes**, concerning :

► the role played by **digitization** in the way goods / services are created or exploited

► the emergence of **new players**, **new business models**, **new uses** of products

► the increase of **cross-border uses** of copyright-protected content

Hence, it referred to the need to **adapt** the **copyright framework** to the **new realities.**

The Modernization of Copyright and Related Rights

PROPOSAL FOR AN EU COPYRIGHT DIRECTIVE - GOALS

Given this background, the **key goals** pursued by the Directive Proposal included:

- creating **copyright exceptions** and ensuring **wider access** to online content
- protecting **press publications** through a new neighbouring right
- reducing the **value gap** between the profits of online platforms & content creators
- preventing **unauthorised posting** of copyrighted content on the internet
- encouraging **collaboration** between platforms and content creators

The Modernization of Copyright and Related Rights

- <u>EU COPYRIGHT DIRECTIVE - ADOPTION</u>

- In **2019** the Council of the European Union and the European Parliament finally adopted the **Directive 2019/790/EU** on copyright and related rights in the Digital Single Market and amending Directives 96/9/EC and 2001/29/EC.

Article 1

Subject matter and scope

1. This Directive lays down rules which aim to harmonise further Union law applicable to copyright and related rights in the framework of the internal market, taking into account, in particular, digital and cross-border uses of protected content. It also lays down rules on exceptions and limitations to copyright and related rights, on the facilitation of licences, as well as rules which aim to ensure a well-functioning marketplace for the exploitation of works and other subject matter.

The Modernization of Copyright and Related Rights

- <u>EU COPYRIGHT DIRECTIVE - EXCEPTIONS</u>
- The EU Copyright Directive explicitly addresses the field of **exceptions and limitations to copyright**, in order to adapt them to the new digital environment and ensure the achievement of a fair balance between the authors' and the users' rights.
- The three scrutinised **areas** by the EU intervention concern, specifically: i) text and data mining in the field of scientific **research**; ii) digital and cross-border uses in the field of **education**; iii) preservation of **cultural heritage.**

The Modernization of Copyright and Related Rights

EU COPYRIGHT DIRECTIVE - EXCEPTIONS

The objective is to **guarantee** the **legality** of certain uses in these fields, including across borders. As a result of a modernised framework of exceptions and limitations:

- **researchers** will take advantage from a clearer legal space to exploit innovative text and data mining research tools (Article 3);
- **teachers** and users will benefit from digital uses of protected works and other subject matter for the purpose of illustration for teaching (Article 5);
- **cultural heritage institutes** (libraries, museums etc) will be allowed to make copies of protected works in their collection for their preservation (Article 6).

Article 3

Text and data mining for the purposes of scientific research

1. Member States shall provide for an exception to the rights provided for in Article 5(a) and Article 7(1) of Directive 96/9/EC, Article 2 of Directive 2001/29/EC, and Article 15(1) of this Directive for reproductions and extractions made by research organisations and cultural heritage institutions in order to carry out, for the purposes of scientific research, text and data mining of works or other subject matter to which they have lawful access.

2. Copies of works or other subject matter made in compliance with paragraph 1 shall be stored with an appropriate level of security and may be retained for the purposes of scientific research, including for the verification of research results.

3. Rightholders shall be allowed to apply measures to ensure the security and integrity of the networks and databases where the works or other subject matter are hosted. Such measures shall not go beyond what is necessary to achieve that objective.

4. Member States shall encourage rightholders, research organisations and cultural heritage institutions to define commonly agreed best practices concerning the application of the obligation and of the measures referred to in paragraphs 2 and 3 respectively.

Article 4

Exception or limitation for text and data mining

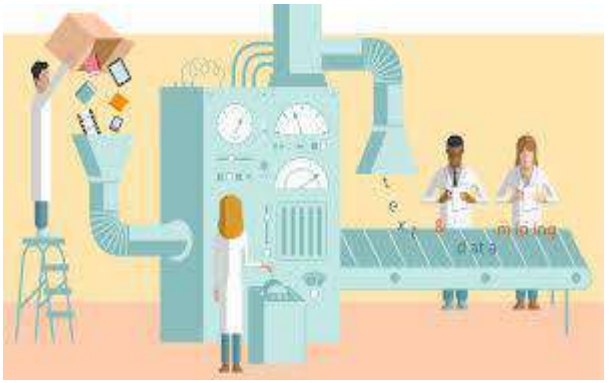
1. Member States shall provide for an exception or limitation to the rights provided for in Article 5(a) and Article 7(1) of Directive 96/9/EC, Article 2 of Directive 2001/29/EC, Article 4(1)(a) and (b) of Directive 2009/24/EC and Article 15(1) of this Directive for reproductions and extractions of lawfully accessible works and other subject matter for the purposes of text and data mining.

2. Reproductions and extractions made pursuant to paragraph 1 may be retained for as long as is necessary for the purposes of text and data mining.

3. The exception or limitation provided for in paragraph 1 shall apply on condition that the use of works and other subject matter referred to in that paragraph has not been expressly reserved by their rightholders in an appropriate manner, such as machine-readable means in the case of content made publicly available online.

4. This Article shall not affect the application of Article 3 of this Directive.


PATTERNS
DATA
MINING
LEARNING
ANALYSIS
CUSTOMER
CUSTOMERS
PROCESS
PEOPLE
IDENTIFY
LEARNED



Article 5

Use of works and other subject matter in digital and cross-border teaching activities

1. Member States shall provide for an exception or limitation to the rights provided for in Article 5(a), (b), (d) and (e) and Article 7(1) of Directive 96/9/EC, Articles 2 and 3 of Directive 2001/29/EC, Article 4(1) of Directive 2009/24/EC and Article 15(1) of this Directive in order to allow the digital use of works and other subject matter for the sole purpose of illustration for teaching, to the extent justified by the non-commercial purpose to be achieved, on condition that such use:

(a) takes place under the responsibility of an educational establishment, on its premises or at other venues, or through a secure electronic environment accessible only by the educational establishment's pupils or students and teaching staff; and

(b) is accompanied by the indication of the source, including the author's name, unless this turns out to be impossible.

2. Notwithstanding Article 7(1), Member States may provide that the exception or limitation adopted pursuant to paragraph 1 does not apply or does not apply as regards specific uses or types of works or other subject matter, such as material that is primarily intended for the educational market or sheet music, to the extent that suitable licences authorising the acts referred to in paragraph 1 of this Article and covering the needs and specificities of educational establishments are easily available on the market.

Member States that decide to avail of the first subparagraph of this paragraph shall take the necessary measures to ensure that the licences authorising the acts referred to in paragraph 1 of this Article are available and visible in an appropriate manner for educational establishments.

3. The use of works and other subject matter for the sole purpose of illustration for teaching through secure electronic environments undertaken in compliance with the provisions of national law adopted pursuant to this Article shall be deemed to occur solely in the Member State where the educational establishment is established.

4. Member States may provide for fair compensation for rightholders for the use of their works or other subject matter pursuant to paragraph 1.

Article 6

Preservation of cultural heritage

Member States shall provide for an exception to the rights provided for in Article 5(a) and Article 7(1) of Directive 96/9/EC, Article 2 of Directive 2001/29/EC, Article 4(1)(a) of Directive 2009/24/EC and Article 15(1) of this Directive, in order to allow cultural heritage institutions to make copies of any works or other subject matter that are permanently in their collections, in any format or medium, for purposes of preservation of such works or other subject matter and to the extent necessary for such preservation.

Article 7

Common provisions

1. Any contractual provision contrary to the exceptions provided for in Articles 3, 5 and 6 shall be unenforceable.

2. Article 5(5) of Directive 2001/29/EC shall apply to the exceptions and limitations provided for under this Title. The first, third and fifth subparagraphs of Article 6(4) of Directive 2001/29/EC shall apply to Articles 3 to 6 of this Directive.

The Modernization of Copyright and Related Rights

- EU COPYRIGHT DIRECTIVE - LICENSING

- The EU Copyright Directive furthermore aims at **removing obstacles** to cross-border **access** to **works** and other subject matter. Such obstacles may arise from the difficulty to clear rights, *e.g* in the context of out-of-commerce works stored by cultural heritage institutions or in the context of the online exploitation of audiovisual works (art 8-11).
- The EU Copyright Directive addresses these problems by requiring Member States to introduce **mechanisms** that should **facilitate** the **licensing** and clearing of rights processes, and should thus allow all EU citizens to access cultural heritage and audiovisual works online.

Article 8

Use of out-of-commerce works and other subject matter by cultural heritage institutions

1. Member States shall provide that a collective management organisation, in accordance with its mandates from rightholders, may conclude a non-exclusive licence for non-commercial purposes with a cultural heritage institution for the reproduction, distribution, communication to the public or making available to the public of out-of-commerce works or other subject matter that are permanently in the collection of the institution, irrespective of whether all rightholders covered by the licence have mandated the collective management organisation, on condition that:

(a) the collective management organisation is, on the basis of its mandates, sufficiently representative of rightholders in the relevant type of works or other subject matter and of the rights that are the subject of the licence; and

(b) all rightholders are guaranteed equal treatment in relation to the terms of the licence.

2. Member States shall provide for an exception or limitation to the rights provided for in Article 5(a), (b), (d) and (e) and Article 7(1) of Directive 96/9/EC, Articles 2 and 3 of Directive 2001/29/EC, Article 4(1) of Directive 2009/24/EC, and Article 15(1) of this Directive, in order to allow cultural heritage institutions to make available, for non-commercial purposes, out-of-commerce works or other subject matter that are permanently in their collections, on condition that:

(a) the name of the author or any other identifiable rightholder is indicated, unless this turns out to be impossible; and

(b) such works or other subject matter are made available on non-commercial websites.

3. Member States shall provide that the exception or limitation provided for in paragraph 2 only applies to types of works or other subject matter for which no collective management organisation that fulfils the condition set out in point (a) of paragraph 1 exists.

4. Member States shall provide that all rightholders may, at any time, easily and effectively, exclude their works or other subject matter from the licensing mechanism set out in paragraph 1 or from the application of the exception or limitation provided for in paragraph 2, either in general or in specific cases, including after the conclusion of a licence or after the beginning of the use concerned.

5. A work or other subject matter shall be deemed to be out of commerce when it can be presumed in good faith that the whole work or other subject matter is not available to the public through customary channels of commerce, after a reasonable effort has been made to determine whether it is available to the public.

Member States may provide for specific requirements, such as a cut-off date, to determine whether works and other subject matter can be licensed in accordance with paragraph 1 or used under the exception or limitation provided for in paragraph 2. Such requirements shall not extend beyond what is necessary and reasonable, and shall not preclude being able to determine that a set of works or other subject matter as a whole is out of commerce, when it is reasonable to presume that all works or other subject matter are out of commerce.

[...]


7-8-9
Oocw
Out-of-commerce
works


cultural
Heritage
Information
Cartography
Digital
digital
Science
Knowledge
Data
Society
Open
innovative
Sciences
databases
aspects
Web
spatial
analysis
Fusion
heritage
Multimedia
massive
content
Archives
Analysis
Scenarios
new

Article 9

Cross-border uses

1. Member States shall ensure that licences granted in accordance with Article 8 may allow the use of out-of-commerce works or other subject matter by cultural heritage institutions in any Member State.

2. The uses of works and other subject matter under the exception or limitation provided for in Article 8(2) shall be deemed to occur solely in the Member State where the cultural heritage institution undertaking that use is established.

Article 10

Publicity measures

1. Member States shall ensure that information from cultural heritage institutions, collective management organisations or relevant public authorities, for the purposes of the identification of the out-of-commerce works or other subject matter, covered by a licence granted in accordance with Article 8(1), or used under the exception or limitation provided for in Article 8(2), as well as information about the options available to rightholders as referred to in Article 8(4), and, as soon as it is available and where relevant, information on the parties to the licence, the territories covered and the uses, is made permanently, easily and effectively accessible on a public single online portal from at least six months before the works or other subject matter are distributed, communicated to the public or made available to the public in accordance with the licence or under the exception or limitation.

The portal shall be established and managed by the European Union Intellectual Property Office in accordance with Regulation (EU) No 386/2012.

2. Member States shall provide that, if necessary for the general awareness of rightholders, additional appropriate publicity measures are taken regarding the ability of collective management organisations to license works or other subject matter in accordance with Article 8, the licences granted, the uses under the exception or limitation provided for in Article 8(2) and the options available to rightholders as referred to in Article 8(4).

The appropriate publicity measures referred to in the first subparagraph of this paragraph shall be taken in the Member State where the licence is sought in accordance with Article 8(1) or, for uses under the exception or limitation provided for in Article 8(2), in the Member State where the cultural heritage institution is established. If there is evidence, such as the origin of the works or other subject matter, to suggest that the awareness of rightholders could be more efficiently raised in other Member States or third countries, such publicity measures shall also cover those Member States and third countries.

Article 11

Stakeholder dialogue

Member States shall consult rightholders, collective management organisations and cultural heritage institutions in each sector before establishing specific requirements pursuant to Article 8(5), and shall encourage regular dialogue between representative users' and rightholders' organisations, including collective management organisations, and any other relevant stakeholder organisations, on a sector-specific basis, to foster the relevance and usability of the licensing mechanisms set out in Article 8(1) and to ensure that the safeguards for rightholders referred to in this Chapter are effective.

The Modernization of Copyright and Related Rights

- EU COPYRIGHT DIRECTIVE - COLLECTIVE LICENSING WITH EXTENDED EFFECT

- The EU Copyright Directive contains provisions on collective licensing with extended effect that the Member States may adopt.

- In the event an extended effect or legal presumption applies, the EU Copyright Directive also provides for certain additional safeguards need to be in place (e.g. rightholders whose rights are covered by the extended effect may at any time easily and effectively exclude their works or other subject matter from the licensing mechanism “opt out”).

Article 12

Collective licensing with an extended effect

1. Member States may provide, as far as the use on their territory is concerned and subject to the safeguards provided for in this Article, that where a collective management organisation that is subject to the national rules implementing Directive 2014/26/EU, in accordance with its mandates from rightholders, enters into a licensing agreement for the exploitation of works or other subject matter:

(a) such an agreement can be extended to apply to the rights of rightholders who have not authorised that collective management organisation to represent them by way of assignment, licence or any other contractual arrangement; or

(b) with respect to such an agreement, the organisation has a legal mandate or is presumed to represent rightholders who have not authorised the organisation accordingly.

2. Member States shall ensure that the licensing mechanism referred to in paragraph 1 is only applied within well-defined areas of use, where obtaining authorisations from rightholders on an individual basis is typically onerous and impractical to a degree that makes the required licensing transaction unlikely, due to the nature of the use or of the types of works or other subject matter concerned, and shall ensure that such licensing mechanism safeguards the legitimate interests of rightholders.

3. For the purposes of paragraph 1, Member States shall provide for the following safeguards:

(a) the collective management organisation is, on the basis of its mandates, sufficiently representative of rightholders in the relevant type of works or other subject matter and of the rights which are the subject of the licence, for the relevant Member State;

(b) all rightholders are guaranteed equal treatment, including in relation to the terms of the licence;

(c) rightholders who have not authorised the organisation granting the licence may at any time easily and effectively exclude their works or other subject matter from the licensing mechanism established in accordance with this Article; and

(d) appropriate publicity measures are taken, starting from a reasonable period before the works or other subject matter are used under the licence, to inform rightholders about the ability of the collective management organisation to license works or other subject matter, about the licensing taking place in accordance with this Article and about the options available to rightholders as referred to in point (c). Publicity measures shall be effective without the need to inform each rightholder individually.

4. This Article does not affect the application of collective licensing mechanisms with an extended effect in accordance with other provisions of Union law, including provisions that allow exceptions or limitations.

This Article shall not apply to mandatory collective management of rights.

Article 7 of Directive 2014/26/EU shall apply to the licensing mechanism provided for in this Article.

[...]

Article 13

Negotiation mechanism

Member States shall ensure that parties facing difficulties related to the licensing of rights when seeking to conclude an agreement for the purpose of making available audiovisual works on video-on-demand services may rely on the assistance of an impartial body or of mediators. The impartial body established or designated by a Member State for the purpose of this Article and mediators shall provide assistance to the parties with their negotiations and help the parties reach agreements, including, where appropriate, by submitting proposals to them.

Member States shall notify the Commission of the body or mediators referred to in the first paragraph no later than 7 June 2021. Where Member States have chosen to rely on mediation, the notification to the Commission shall at least include, when available, the source where relevant information on the mediators entrusted can be found.

The Modernization of Copyright and Related Rights

- EU COPYRIGHT DIRECTIVE - FAIR SHARE

- In line with the Proposal, the EU Copyright Directive also aims at tackling the **difficulties** faced by **right-holders** when seeking to license their rights and be **remunerated** for the online distribution of their works. Such a situation, already identified by the EU Digital Single Market Strategy, may lower the incentive to produce new creative contents.

- It is therefore necessary to ensure that right-holders receive a **fair share of the value** generated by the online use of their works and other subject matter, and to set (at EU level) **suitable measures** improving their position in the context of licensing negotiations.


COPYRIGHT
DIRECTIVE


copyright
publishers
internet
reform
eu
directive
article
parliament
filter
council
european
hungary
governments
germany
appears
users
laws


Therefore entertainment individual negotiate
ensure success co-authors talent economic guilds professional finally
paper role more EU
arts MEI authors UNI
freelance media reform strengthen addresses over enabling
Council take Position live volatile namely rules
States improve practice
investment stop represent
creators order unions bigger unfairness better
covering Commission's
sustain essential securing Exhibition pillars participation
distribution technicians holders proposal legal play
creation revenue call
measures meaningful empower remuneration rights
represents
fair copyright Union

The Modernization of Copyright and Related Rights

EU COPYRIGHT DIRECTIVE - FAIR SHARE

A fair share of the value is then specifically necessary to **sustain** the **press publication** sector. The category of press publishers, according to the Proposal for an EU Copyright Directive, is directly affected by the **difficulties** to **license** their publications online and to obtain adequate remuneration. The ultimate risk is to affect citizens' access to information.

For this reason, the EU Copyright Directive has provided for a **new right for press publishers** (Article 15), with the aim of facilitating: i) online licensing of their publications; ii) the recoupment of their investments; and iii) the enforcement of their rights.

The Modernization of Copyright and Related Rights

- EU COPYRIGHT DIRECTIVE - FAIR SHARE

- **Article 15** of the EU Copyright Directive conferred remuneration rights to the press publishers for **snippets** used by online platforms. The same provision equally grants a new right to press publishers for the digital reproduction and distribution of press content.

- Nevertheless, the EU Copyright Directive **exempts** '**hyperlinks** accompanied by individual words' and legitimates **private and non-commercial use** by individual users. Despite the EU Commission's draft proposed a 20 year term for the press publishers' right, the EU Copyright Directive limits the term to **2 years.**

Article 15

Protection of press publications concerning online uses

1. Member States shall provide publishers of press publications established in a Member State with the rights provided for in Article 2 and Article 3(2) of Directive 2001/29/EC for the online use of their press publications by information society service providers.

The rights provided for in the first subparagraph shall not apply to private or non-commercial uses of press publications by individual users.

The protection granted under the first subparagraph shall not apply to acts of hyperlinking.

The rights provided for in the first subparagraph shall not apply in respect of the use of individual words or very short extracts of a press publication.

2. The rights provided for in paragraph 1 shall leave intact and shall in no way affect any rights provided for in Union law to authors and other rightholders, in respect of the works and other subject matter incorporated in a press publication. The rights provided for in paragraph 1 shall not be invoked against those authors and other rightholders and, in particular, shall not deprive them of their right to exploit their works and other subject matter independently from the press publication in which they are incorporated.

When a work or other subject matter is incorporated in a press publication on the basis of a non-exclusive licence, the rights provided for in paragraph 1 shall not be invoked to prohibit the use by other authorised users. The rights provided for in paragraph 1 shall not be invoked to prohibit the use of works or other subject matter for which protection has expired.

3. Articles 5 to 8 of Directive 2001/29/EC, Directive 2012/28/EU and Directive (EU) 2017/1564 of the European Parliament of the Council ([19]) shall apply mutatis mutandis in respect of the rights provided for in paragraph 1 of this Article.

4. The rights provided for in paragraph 1 shall expire two years after the press publication is published. That term shall be calculated from 1 January of the year following the date on which that press publication is published.

Paragraph 1 shall not apply to press publications first published before 6 June 2019.

5. Member States shall provide that authors of works incorporated in a press publication receive an appropriate share of the revenues that press publishers receive for the use of their press publications by information society service providers.

The Modernization of Copyright and Related Rights

EU COPYRIGHT DIRECTIVE - FAIR SHARE

The EU Copyright Directive also addresses the uncertainty concerning the possibility for all publishers to receive **compensation** for **uses** of works under an **exception** (article 16).

Article 16

Claims to fair compensation

Member States may provide that where an author has transferred or licensed a right to a publisher, such a transfer or licence constitutes a sufficient legal basis for the publisher to be entitled to a share of the compensation for the use of the work made under an exception or limitation to the transferred or licensed right.

The first paragraph shall be without prejudice to existing and future arrangements in Member States concerning public lending rights.

The Modernization of Copyright and Related Rights

EU COPYRIGHT DIRECTIVE - LIABILITY

It further regulates the position of **online content sharing service providers,** which perform an act of communication to the public and therefore have to obtain an authorisation from the rightholders (**Article 17**), for instance by concluding a licence agreement, that covers the liability for works uploaded by users.

The Modernization of Copyright and Related Rights

- EU COPYRIGHT DIRECTIVE - LIABILITY

- In brief, Article 17 makes **qualifying platforms** directly liable for copyright infringements caused by user-generated content (UGC) published on their platforms. The EU Commission's draft defined qualifying platforms to include service providers 'providing access to **large amount** of works'. The Parliament's draft focuses instead on the term '**significant amount**', and seems to pay higher attention to the requirement that service providers '**optimize**' (promote, display, tag, curate etc) **UGC**.
- Moreover, according to the EU Copyright Directive, micro-sized, small-sized, and non-commercial enterprises are **exempted** from **liability** for UGC. Under EU law, a small-sized company has fewer than 50 people and less than €10 million in annual turnover.

The Modernization of Copyright and Related Rights

- <u>EU COPYRIGHT DIRECTIVE - LIABILITY</u>
- On a further note, the **European Union Parliament's draft** seems to consider all online content sharing service providers to be directly '**communicating to the public**' (which means acting in a copyright-relevant way). In order to avoid liability for copyright infringements, platforms should ideally introduce content-recognition technologies and should also enter into comprehensive licensing agreements.
- Finally, the EU Parliament's draft states that its provisions
- shall not prevent the **availability of non-infringing content**
- and shall implement 'redress mechanisms'.

Article 17

Use of protected content by online content-sharing service providers

1. Member States shall provide that an online content-sharing service provider performs an act of communication to the public or an act of making available to the public for the purposes of this Directive when it gives the public access to copyright-protected works or other protected subject matter uploaded by its users.

An online content-sharing service provider shall therefore obtain an authorisation from the rightholders referred to in Article 3(1) and (2) of Directive 2001/29/EC, for instance by concluding a licensing agreement, in order to communicate to the public or make available to the public works or other subject matter.

2. Member States shall provide that, where an online content-sharing service provider obtains an authorisation, for instance by concluding a licensing agreement, that authorisation shall also cover acts carried out by users of the services falling within the scope of Article 3 of Directive 2001/29/EC when they are not acting on a commercial basis or where their activity does not generate significant revenues.

3. When an online content-sharing service provider performs an act of communication to the public or an act of making available to the public under the conditions laid down in this Directive, the limitation of liability established in Article 14(1) of Directive 2000/31/EC shall not apply to the situations covered by this Article.

The first subparagraph of this paragraph shall not affect the possible application of Article 14(1) of Directive 2000/31/EC to those service providers for purposes falling outside the scope of this Directive.

4. If no authorisation is granted, online content-sharing service providers shall be liable for unauthorised acts of communication to the public, including making available to the public, of copyright-protected works and other subject matter, unless the service providers demonstrate that they have:

(a) made best efforts to obtain an authorisation, and

(b) made, in accordance with high industry standards of professional diligence, best efforts to ensure the unavailability of specific works and other subject matter for which the rightholders have provided the service providers with the relevant and necessary information; and in any event

(c) acted expeditiously, upon receiving a sufficiently substantiated notice from the rightholders, to disable access to, or to remove from their websites, the notified works or other subject matter, and made best efforts to prevent their future uploads in accordance with point (b).

5. In determining whether the service provider has complied with its obligations under paragraph 4, and in light of the principle of proportionality, the following elements, among others, shall be taken into account:

(a) the type, the audience and the size of the service and the type of works or other subject matter uploaded by the users of the service; and

(b) the availability of suitable and effective means and their cost for service providers.

6. Member States shall provide that, in respect of new online content-sharing service providers the services of which have been available to the public in the Union for less than three years and which have an annual turnover below EUR 10 million, calculated in accordance with Commission Recommendation 2003/361/EC ([20]), the conditions under the liability regime set out in paragraph 4 are limited to compliance with point (a) of paragraph 4 and to acting expeditiously, upon receiving a sufficiently substantiated notice, to disable access to the notified works or other subject matter or to remove those works or other subject matter from their websites.

Where the average number of monthly unique visitors of such service providers exceeds 5 million, calculated on the basis of the previous calendar year, they shall also demonstrate that they have made best efforts to prevent further uploads of the notified works and other subject matter for which the rightholders have provided relevant and necessary information.

7. The cooperation between online content-sharing service providers and rightholders shall not result in the prevention of the availability of works or other subject matter uploaded by users, which do not infringe copyright and related rights, including where such works or other subject matter are covered by an exception or limitation.

Member States shall ensure that users in each Member State are able to rely on any of the following existing exceptions or limitations when uploading and making available content generated by users on online content-sharing services:

(a) quotation, criticism, review;

(b) use for the purpose of caricature, parody or pastiche.

8. The application of this Article shall not lead to any general monitoring obligation.

Member States shall provide that online content-sharing service providers provide rightholders, at their request, with adequate information on the functioning of their practices with regard to the cooperation referred to in paragraph 4 and, where licensing agreements are concluded between service providers and rightholders, information on the use of content covered by the agreements.

[...]

The Modernization of Copyright and Related Rights

- <u>EU COPYRIGHT DIRECTIVE - APPROPRIATE AND PROPORTIONATE REMUNERATION AND TRANSPARENCY</u>
- The EU Copyright Directive also includes (Articles 18-20) measures to increase **transparency** and **better balanced contractual relationships** between authors and performers, on the one hand, and those to whom they assign their rights, on the other.
- In other words, the EU Copyright Directive explicitly addresses the weak bargaining position of the categories of **authors and performers** when negotiating their rights. The ultimate goal of such broad approach is to achieve a **well functioning marketplace for copyright**, to the benefit of all players involved.

The Modernization of Copyright and Related Rights

- EU COPYRIGHT DIRECTIVE - APPROPRIATE AND PROPORTIONATE REMUNERATION AND TRANSPARENCY

- Authors and performers are entitled to receive appropriate and proportionate remuneration in the cases in which they license or transfer their exclusive rights for the exploitation of their works or other subject matter (art. 18).

- In order to achieve the above, the EU Copyright Directive provides that the Member States are free to use different mechanisms, but have to take into account the principle of contractual freedom and a fair balance of rights and interests (art. 18).

Article 18

Principle of appropriate and proportionate remuneration

1. Member States shall ensure that where authors and performers license or transfer their exclusive rights for the exploitation of their works or other subject matter, they are entitled to receive appropriate and proportionate remuneration.

2. In the implementation in national law of the principle set out in paragraph 1, Member States shall be free to use different mechanisms and take into account the principle of contractual freedom and a fair balance of rights and interests.

Article 19

Transparency obligation

1. Member States shall ensure that authors and performers receive on a regular basis, at least once a year, and taking into account the specificities of each sector, up to date, relevant and comprehensive information on the exploitation of their works and performances from the parties to whom they have licensed or transferred their rights, or their successors in title, in particular as regards modes of exploitation, all revenues generated and remuneration due.

2. Member States shall ensure that, where the rights referred to in paragraph 1 have subsequently been licensed, authors and performers or their representatives shall, at their request, receive from sub-licensees additional information, in the event that their first contractual counterpart does not hold all the information that would be necessary for the purposes of paragraph 1.

Where that additional information is requested, the first contractual counterpart of authors and performers shall provide information on the identity of those sub-licensees.

Member States may provide that any request to sub-licensees pursuant to the first subparagraph is made directly or indirectly through the contractual counterpart of the author or the performer.

[...]

Article 20

Contract adjustment mechanism

1. Member States shall ensure that, in the absence of an applicable collective bargaining agreement providing for a mechanism comparable to that set out in this Article, authors and performers or their representatives are entitled to claim additional, appropriate and fair remuneration from the party with whom they entered into a contract for the exploitation of their rights, or from the successors in title of such party, when the remuneration originally agreed turns out to be disproportionately low compared to all the subsequent relevant revenues derived from the exploitation of the works or performances.

2. Paragraph 1 of this Article shall not apply to agreements concluded by entities defined in Article 3(a) and (b) of Directive 2014/26/EU or by other entities that are already subject to the national rules implementing that Directive.

Article 21

Alternative dispute resolution procedure

Member States shall provide that disputes concerning the transparency obligation under Article 19 and the contract adjustment mechanism under Article 20 may be submitted to a voluntary, alternative dispute resolution procedure. Member States shall ensure that representative organisations of authors and performers may initiate such procedures at the specific request of one or more authors or performers.

The Modernization of Copyright and Related Rights

EU COPYRIGHT DIRECTIVE - RIGHT OF REVOCATION

Finally the EU Copyright Directive provides the authors and performers that have licensed or transferred their rights in work or other subject matter on an exclusive basis with a **right of revocation** in whole or in part of the license or the transfer of rights where there is a **lack of exploitation** of that work or other protected subject matter (art. 22).

Article 22

Right of revocation

1. Member States shall ensure that where an author or a performer has licensed or transferred his or her rights in a work or other protected subject matter on an exclusive basis, the author or performer may revoke in whole or in part the licence or the transfer of rights where there is a lack of exploitation of that work or other protected subject matter.

2. Specific provisions for the revocation mechanism provided for in paragraph 1 may be provided for in national law, taking into account the following:

(a) the specificities of the different sectors and the different types of works and performances; and

(b) where a work or other subject matter contains the contribution of more than one author or performer, the relative importance of the individual contributions, and the legitimate interests of all authors and performers affected by the application of the revocation mechanism by an individual author or performer.

[...]

3. Member States shall provide that the revocation provided for in paragraph 1 may only be exercised after a reasonable time following the conclusion of the licence or the transfer of the rights. The author or performer shall notify the person to whom the rights have been licensed or transferred and set an appropriate deadline by which the exploitation of the licensed or transferred rights is to take place. After the expiry of that deadline, the author or performer may choose to terminate the exclusivity of the contract instead of revoking the licence or the transfer of the rights.

[...]

The Modernization of Copyright and Related Rights

- EU COPYRIGHT DIRECTIVE - KEY RULES

- The EU Copyright Directive seems to favour content creators over internet giants, by creating **monitoring obligations** for platforms and **ancillary copyright** for press publishers.

- To sum up, the most significant innovation are that:

- ► **online platforms** would be required to pay a **license fee** to press publishers for publishing snippets beyond mere hyperlinks and a few individual words (**Article 15**);

- ► commercial **online content-sharing platforms** could be **liable** for copyright **infringements** arising from user-uploaded content (**Article 17**).

- which were the goals of the 2016 Proposal for a Copyright Directive ?
- what are the main reasons for supporting & opposing the Directive ?
- What do article 15 and 17 provide for in the EU Copyright Directive?

The Modernization of Copyright and Related Rights

SUGGESTED READINGS

- EU Commission, 'Proposal for a Directive on Copyright in the Digital Single Market', COM(2016) 593 final
- EU Commission, 'Executive Summary of the Impact Assessment on the Modernization of EU Copyright Rules ', SWD(2016) 302 final
- EU Commission, 'Promoting a Fair Efficient and Competitive European Copyright-Based Economy in the Digital Single Market', COM(2016) 592 final
- Directive (EU) 2019/790 of the European Parliament and of the Council of 17 April 2019 on copyright and related rights in the Digital Single Market and amending Directives 96/9/EC and 2001/29/EC

MODULE II

SINGLE MARKET FOR INTELLECTUAL PROPERTY RIGHTS

(*Lecture VIII*)

Trademarks and Related Rights Package

- TRADEMARKS AND INNOVATION

- Besides copyright, the category of IPRs also include **trademarks**. The latter are equally important in the context of the **innovation policy mix** and of the **key framework conditions** previously mentioned. The legal protection and economic advantages granted by trademarks may indeed stimulate firms to generate new ideas and products, and eventually be active players of the **innovation process**.

Trademarks and Related Rights Package

TRADEMARKS AND INNOVATION

A trademark, more in details, works as an **engine of innovation**. The necessity to keep it relevant stimulates investments in research and development. This consequently leads to a continuous process of **product improvement** and **development**. Among the many effects of this dynamic process, there also is a positive impact on **employment**.

According to a **study** led by the **EU Intellectual Property Office** (2013), almost 21% of all jobs in the EU during the period 2008-2010 were created by trademark-intensive industries. In the same period of time, those industries were shown to have generated almost 34% of the total economic activity (GDP) in the European Union.

Trademarks and Related Rights Package

WHAT IS A TRADEMARK ABOUT ?

But what is a trademark about ? In other words, how do we define a trademark ?

► **sign distinguishing goods and services of one company from those of another**

As indicators of business origin, trademarks may consist of **words**, **logos**, **letters, numbers, colours, sounds, shapes** / **packaging** of goods, **other distinctive features**, or a combination of them. They should be represented in a **clear** and **precise** manner.

Trademarks and Related Rights Package

WHAT IS A TRADEMARK ABOUT ?

A trademark can become one of the **most important assets** for an enterprise, since it is the mark used by the business to **attract** and **retain customer loyalty**, and **generate value** and **growth**. Specifically, besides identifying the commercial origin of a product, trademarks also **convey** a **message** about the **quality** of a product; in this way, they are able to facilitate the choice of consumers. Moreover, they play a pivotal role in the context of **advertisement**, and can even be interpreted as **investment instruments** (due to the fact that trademarks can be assigned, licensed, etc).


Castrol
chili's
CNN
NBC
Colgate
Uprona
DELL
DHL
ESPN
Esso
FedEx
FINLANDIA
Firestone
FLOWMASTER
GOODYEAR
EXPRESS
IKEA
JVC
Kool-Aid
LAND ROVER
LEGO
Mobil
VISA
NBC
NOS
OLD NAVY
Oral-B
PowerBar
Red Lobster
SAFEWAY
STP
SUBWAY
swissair
TACO BELL
TEXACO
Tropicana
UNITED STATES POSTAL SERVICE
WAL*MART
zippo
Zantac

Trademarks and Related Rights Package

REQUIREMENTS FOR TRADEMARK REGISTRATION

The following **requirements** are usually needed in order to register a trademark :

► **clear and precise representation** - the sign, whose registration as a trademark is sought, must be capable of being represented in a manner that enables the subject matter of protection to be determined with clarity and precision

✓ a word, a logo, a music sheet...

✗ smell of clouds.

European IPR Helpdesk

Trademarks and Related Rights Package

REQUIREMENTS FOR TRADEMARK REGISTRATION

► **distinctiveness** – the sign, whose registration as a trademark is sought, must be capable of distinguishing the goods and services bearing the trademark from those of other traders

✓ "BANANA" in relation to clothing.

✗ "BANANA" in relation to bananas.

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Trademarks and Related Rights Package

REQUIREMENTS FOR TRADEMARK REGISTRATION

► **non-deceptiveness** – the sign, whose registration as a trademark is sought, must not deceive the public (*e.g.*, in relation to the nature, quality or geographical origin of the goods or services)

✘ "GLUTENFREE" for a product that contains gluten.

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Trademarks and Related Rights Package

REQUIREMENTS FOR TRADEMARK REGISTRATION

► **non-descriptiveness** – the sign, whose registration as a trademark is sought, must not serve to designate the characteristics of the goods or services bearing the mark (*e.g.*, type, quantity, quality, value, intended use etc)

✘ "BANK" for financial services.

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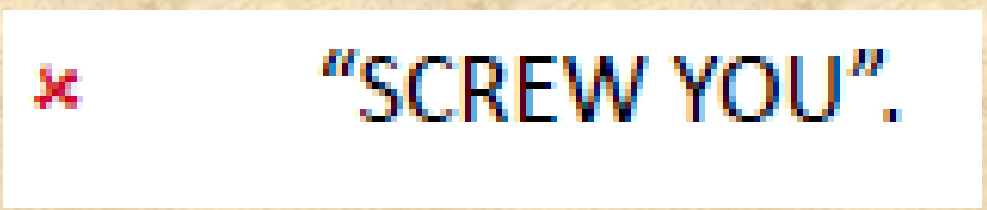
Trademarks and Related Rights Package

REQUIREMENTS FOR TRADEMARK REGISTRATION

► **non-contrary to public order and morality** – the sign, whose registration as a trademark is sought, must not be contrary to public policy or morality



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Trademarks and Related Rights Package

REQUIREMENTS FOR TRADEMARK REGISTRATION

► **non-customary in the language** – the sign, whose registration as a trademark is sought, must not be a sign or indication which has become customary in the current language or in the good faith and established practices of the trade

✘ "STIMULATION" for energy drinks.

Trademarks and Related Rights Package

- SCOPE OF PROTECTION

- ® a trademark confers an **exclusive right**, which allows the owner to **prevent others** from using the same or similar signs for identical or related goods & services as those protected by the trademark in the course of trade, without owner's prior permission.
- ® the owner, moreover, may either **sell** the **trademark** to someone else or give permission to others to use the trademark on mutually agreed terms (via a **license**).
- ® further, trademarks are **territorial** in **nature**, which means that they are granted and enforceable within the geographical boundaries of the region - country of registration.

Trademarks and Related Rights Package

- TERM OF PROTECTION
- In most countries, **protection** lasts for **10 years** from the date of filing of the trademark application, and it can be **renewed** *ad infinitum* for periods of 10 years.
- After the **expiration** of a trademark, protection ends and anyone can use it in relation to the products covered by the expired trademark without the risk of infringing it.

Trademarks and Related Rights Package

- <u>OBLIGATION OF USE</u>

- On a further note, and in order to maintain registration, a **trademark** has to be put to **genuine use** in relation to the products for which it was registered within a specific period of time following registration (**5 years** for the '**EU trademark**'). In other words, trademarks need to be used in the consumer society. Otherwise, the owner may face the risk of losing it, as third parties may use and register the unused trademark for the same products. Such **obligation** has been adopted in **most countries**.

Trademarks and Related Rights Package

- REGISTRATION PROCESS
- Overall**, trademark registration** is one of the most efficient ways to build and defend a brand, and to make sure that no one else will use it. Registration is performed in one or more **classes** of **specific goods** and **services**, corresponding to the products traded by its owner. A trademark can be usually registered as long as it is **not identical** or **similar** to any earlier trademark for the same or related goods or services (classes).
- Generally, the **'first-to-file principle'** applies; this means that the first natural person or legal entity to file a valid application for a given trademark will become its owner.

TRADEMARK REGISTRATION PROCESS

Trademarks and Related Rights Package

- REGISTRATION PROCESS

- Generally, after an application has been filed, the intellectual property office will check whether any **absolute or relative grounds** exist for refusing registration. Absolute grounds are typically reasons which are inherent in the mark itself. Relative grounds usually relate to the existence of a conflict with prior rights of third parties.

Trademarks and Related Rights Package

REGISTRATION PROCESS

► **absolute grounds of refusal** may occur for instance in case of: non-distinctive marks; deceptive marks; descriptive marks; marks against public order or accepted principles of morality; marks which have become customary in the current language

► **relative grounds of refusal** may *inter alia* arise in those situations where the mark that someone applies for is already in use or is similar to one already in use

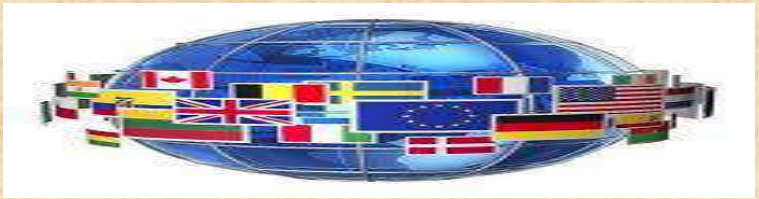
Trademarks and Related Rights Package

REGISTRATION PROCESS

A first possible route concerns registration at the International level. Indeed, the **World Intellectual Property Organization** – **WIPO international Trademark registration** system (known as the '*Madrid system'*) allows applicants to obtain trademark protection in **more than 100 countries** by filing **one application**. Before filing an international application, the applicant needs to have an existing national trademark or application (basic mark) in the IP office of one of the territories of the *Madrid system.*

Trademarks and Related Rights Package

- REGISTRATION PROCESS
- Another **condition** is that the applicant must either have a business in, or be domiciled in, or be a national of any territory that is a party to the *Madrid system*. Although the application has an **international character**, national laws govern the registration in each territory. This means that a granted international trademark is a **bundle** of **national trademarks** that need validation from the IP offices of the countries selected by the applicant for it to be effective in those countries. In the end, an international application may be successful in some designated territories and be rejected in others.



Trademarks and Related Rights Package

ADVANTAGES OF THE MADRID SYSTEM

- Different **advantages** of the **international trademark system** have been identified :

A single application in one language and paying a single set of fees to obtain trade mark protection in more than 100 territories

Time saving and cost effective filing since there is no need to pay for translations into multiple languages or to spend extra time working through the administrative procedures of multiples offices

Easy management of filing and post-application processes (e.g. recordal of change in owner's name, address etc.), instead of dealing with different jurisdictions

Trademarks and Related Rights Package

REGISTRATION PROCESS

On a further ground, a trademark can be registered both at national level as a **national trademark** at the industrial property offices of the Union countries, and at EU level as a '**European Union trademark**' at the EU Intellectual Property Office (EUIPO). National and EU trademarks coexist and are complementary to each other; thus the **same trademark can be registered at EU and/or national level**.

Trademarks and Related Rights Package

- REGISTRATION PROCESS

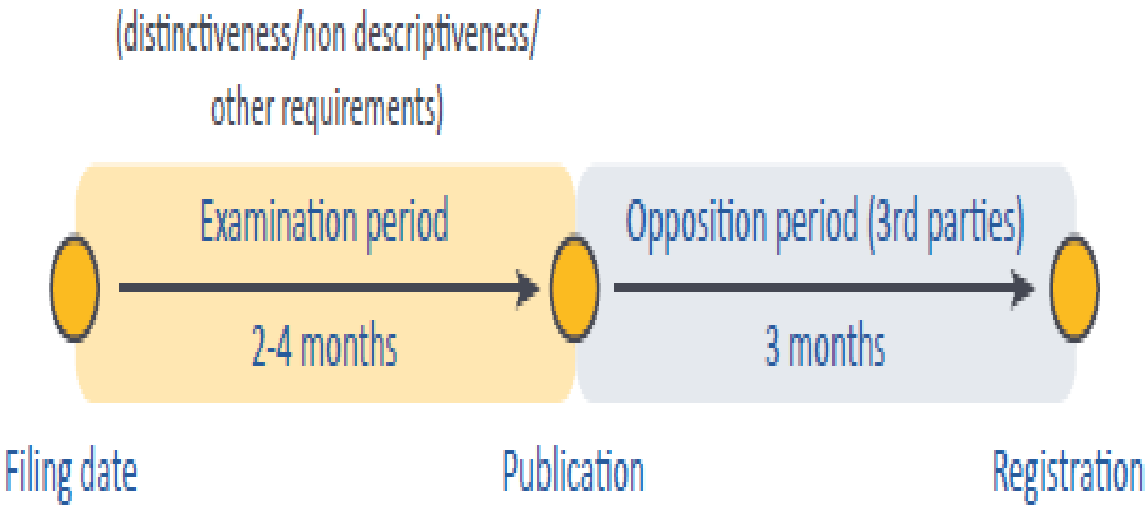
- The **EU registration,** in particular, consists of **one single registration procedure** that grants the owner an **exclusive right** to use its trademark in all **28 countries** of the Union. Such a system is able to meet the requirements of enterprises of different sizes, markets and financial capabilities. For instance, **small and medium sized enterprises (SMEs)** or local firms who do not need EU-wide protection may perhaps have a preference for registration at **national level** only.

- The EU Commission constantly monitors the **EU trademark system** to identify ways to improve its effectiveness and accessibility for businesses.

Trademarks and Related Rights Package

- ‘ALL OR NOTHING‘ PRINCIPLE
- Notably**, EU trademarks** are subject to the ‘**all or nothing principle**’. This means that an application for an EU trademark will be refused by the EUIPO if there is a cause of refusal even for one country only – *e.g*, due to a similar or identical earlier trademark. In other words, EU trademarks necessarily have to cover all EU countries.
- Nevertheless, if an **EU trademark** application is eventually **rejected** or if the trademark is declared **invalid** or **revoked**, the application may be converted into **national trademark applications** in those EU Member States in which the ground of refusal, invalidity or revocation does not apply.

What happens after filing an EU trade mark application at the EUIPO?



Trademarks and Related Rights Package

- ADVANTAGES OF EU TRADEMARKS

- The EU Commission has identified the following **advantages** of the **EU trademark** :

Trademarks and Related Rights Package

TRADEMARKS AND TRADE NAMES

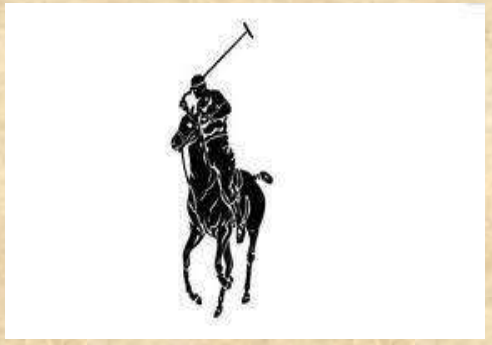
On a last note, trademarks must be distinguished and must not be confused with trade names. A **trade name** is simply the name of a company or business, and its function is to **identify** that **company** or **business** (for instance, the '*Coca Cola Company*').

Trade names are usually **words**, and **not logos**. They can match with trademarks and *vice versa*, but they are not automatically interchangeable. It is the way in which they are used that will determine whether they are trade names or trademarks.

Trademarks and Related Rights Package

- TRADEMARKS AND TRADE NAMES

- ***The Coca Cola Company*** ***Nike Incorporated Company*** ***Ralph Lauren Corporation***



- in which way do trademarks contribute to innovation ?
- what are the main functions of a trademark ?
- which options are available for registration ?

Trademarks and Related Rights Package

SUGGESTED READINGS

- EU Commission (IPR Helpdesk), *Your Guide to IP in Europe* (2017)
- EU Commission (IPR Helpdesk), *IPR Chart - EU Trademark* (2017)
- European Parliament (Research Service), 'EU Innovation Policy - Part II' (2016)

MODULE II

SINGLE MARKET FOR INTELLECTUAL PROPERTY RIGHTS

(*Lectures IX and X*)

Trademarks and Related Rights Package

INTRODUCTION TO THE EU TRADEMARK REFORM

The **first Directive** on trademarks was adopted in **1988** (89/104/EEC) to harmonize the registration of trademarks at national level. It was complemented by a **Regulation** in **1993** (40/94/EC), which introduced a Community trademark.

Trademarks and Related Rights Package

INTRODUCTION TO THE EU TRADEMARK REFORM

In 2009, the EU Commission launched a **review** of the overall functioning of the **European trademark system**. According to a *Max Planck Institute* study (2011), while the foundations of the system were still valid, there was the chance to make it more effective, efficient and accessible in terms of lower costs and complexity, increased speed, greater predictability, enhanced cooperation with national TM offices.

Trademarks and Related Rights Package

- INTRODUCTION TO THE EU TRADEMARK REFORM
- Following the study, in 2013 the Commission proposed to **modernize** the **framework** for trademarks, in order to upgrade & streamline the legislation. The **reform package** included a **Directive** (2015/2436) and a **Regulation** (2015/2424), with the aim to:
- i) simplify, accelerate and harmonise **trademark application procedures**
- ii) ensure better **coordination** between national offices and the EU trademark agency
- iii) update the **governance rules** of the EU trademark agency

Trademarks and Related Rights Package

INTRODUCTION TO THE EU TRADEMARK REFORM

In particular, the **2015 reform** consists of several **elements** :

■ a **recast** of the **1989 Directive** approximating the laws of the Member States relating to their national trademarks

■ a **revision** of the **1994 Regulation** on the Community trademark, establishing the first EU-wide unitary IPR granted by the office now called 'EUIPO' (earlier, 'OHIM')

■ the **introduction** of **implementing** and **delegated acts** (*i.e.*, regulations) concerning the more technical aspects of the EU trademark reform

Trademarks and Related Rights Package

- <u>INTRODUCTION TO THE EU TRADEMARK REFORM</u>

- The ultimate **effects** of the 2015 EU trademark reform (in terms of harmonization, modernization, efficiency and effectiveness) should mainly benefit both:

- ► **Consumers**

- ► **Trademark owners**

Trademarks and Related Rights Package

- MEANING OF THE REFORM FOR USERS
- The reform **package** is a significant step towards a **more harmonised**, **modern** and **efficient trademark system**. Among other things, the package intends to :
- ○ introduce a **more flexible fee-structure** and substantially reduce the (application & renewal) fees for European Union trademarks
- ○ **eliminate** the requirement for a trademark to be capable of **graphic representation** (thus, allowing registration of more types of non-traditional trademarks)
- ○ **allow international registrations** designating the EU to proceed much faster

Trademarks and Related Rights Package

- MEANING OF THE REFORM FOR USERS
- ○ **allow** trademark **owners** to **seize counterfeit goods** in customs situations in the European Union under defined circumstances
- ○ further **harmonize** substantive and procedural **law** relating to **national trademarks**, included requiring Member States to make available office-based cancellation actions
- ○ **provide** owners of EU trademarks with the **possibility** to **clarify specifications** of trademarks filed for the *Nice Classification* headings prior to 2012 (due to the CJEU's decision that class headings do not automatically cover all products in relevant class)

Trademarks and Related Rights Package

- MEANING OF THE REFORM FOR USERS

- ○ **facilitate searching** of **new trademarks** in view of new provisions for intervening rights, namely creating defenses where later trademarks are adopted at a time when earlier conflicting trademarks were dormant (vulnerable to revocation for non-use)
- ○ **establish** a formal **framework** for **cooperation** between EUIPO and national marks
- ○ **give rise** to new **governance rules** for the EU Intellectual Property Office (EUIPO)
- ○ **eliminate** the possibility to make a **declaration** disclaiming exclusive rights to non-distinctive elements of trademarks so as to avoid doubts as to the scope of protection

Trademarks and Related Rights Package

- <u>THE NEW FACE OF EUIPO</u>
- In relation to the **new EUIPO**, the Regulation explicitly identifies its **tasks** in :
- ® the **management** of the EU trademark and design **systems** (to provide for effective, efficient and expeditious examination and registration of EU trademarks and designs)
- ® the **promotion** of **convergence** of practices and tools in the fields of trademarks and designs in cooperation with national IP offices of the EU Member States
- ® the **management** of the online EU-wide **database** for orphan works
- ® the **management** of the European **Observatory** on infringements of IPRs, which raises awareness on the value of IP and provides relevant data to EU IP policymakers

Trademarks and Related Rights Package

- THE NEW FACE OF EUIPO

- According to the Regulation, the **EUIPO** (formerly, Office for the Harmonization in the Internal Market) shall continue to **cooperate** with institutions, authorities, bodies, industrial property offices and international organizations in relation to these tasks.

Trademarks and Related Rights Package

THE NEW FACE OF EUIPO

In order to promote convergence of practices and tools in the fields of trademarks and designs, the EUIPO shall cooperate with the EU Member States' national IP offices in:

- ► the **development** of common examination **standards**
- ► the **creation** of connected or common **databases** and portals
- ► the **sharing** of data and **information** and the **exchange** of technical **expertise**
- ► the **establishment** of common **practices** and the **fight** against **counterfeiting**

Trademarks and Related Rights Package

- THE NEW FACE OF EUIPO

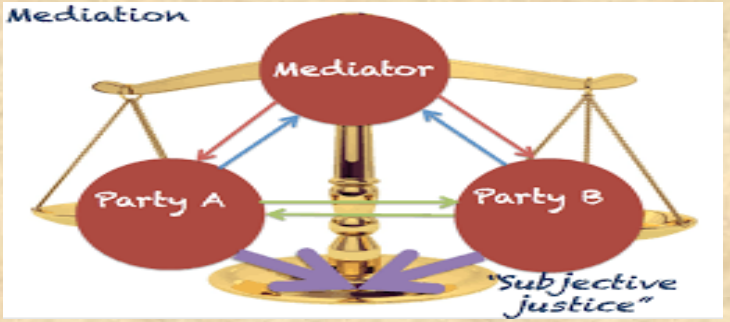
Further, in the context of cooperation, the EUIPO shall propose **common projects** with the aim of **benefiting undertakings** using the trademark systems in Europe. To this end, the EUIPO shall **consult** with the **user representatives**, both in the phase of defining projects and in their ultimate evaluation. It shall also fund such projects.

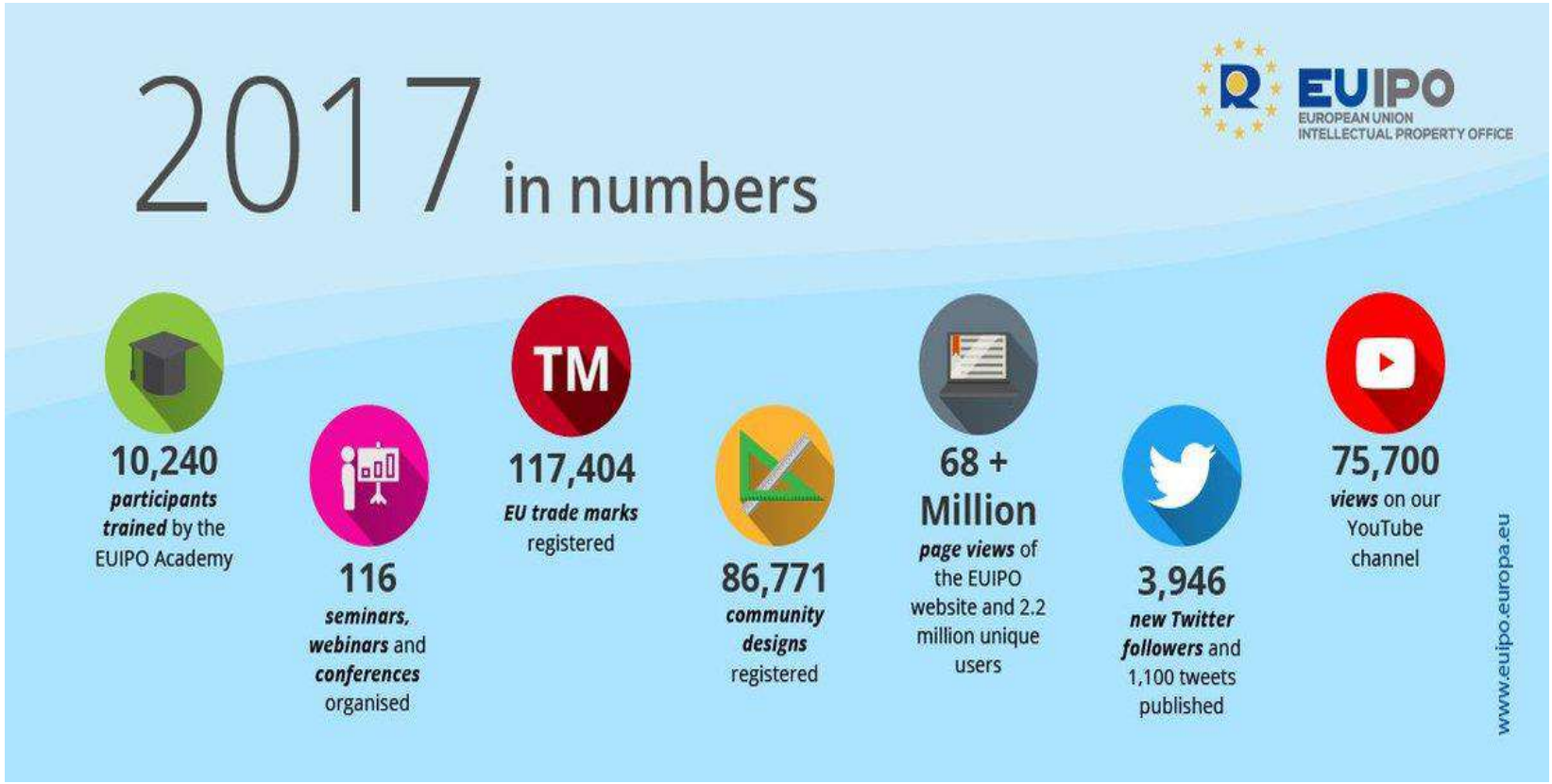
On a different ground, the EUIPO shall **offset** the **costs** faced by the **national IP offices** of the Member States and other relevant authorities in carrying out tasks stemming from the implementation of the EU trademark system (such as opposition and invalidation procedures involving EU trademarks, enforcement activities etc).

Trademarks and Related Rights Package

- THE NEW FACE OF EUIPO

The Regulation, what is more, establishes a **mediation centre** at the EUIPO and includes provisions supporting such dispute resolution method. Its function is to allow parties to look for amicable resolutions via mediation to overcome trademark disputes.




2017 in numbers
EUIPO
EUROPEAN UNION INTELLECTUAL PROPERTY OFFICE
10,240 participants trained by the EUIPO Academy
116 seminars, webinars and conferences organised
TM
117,404 EU trade marks registered
86,771 community designs registered
68 + Million page views of the EUIPO website and 2.2 million unique users
3,946 new Twitter followers and 1,100 tweets published
75,700 views on our YouTube channel
www.euipo.europa.eu

Trademarks and Related Rights Package

- IMPACT ON CLASSIFICATION OF GOODS AND SERVICES

- The EU legislator has expressly recognised the **importance** of the **specification** of trademark registrations for the functioning of the EU and national trademark systems. The new legislation codifies the **CJEU's requirements** (*IP Translator* – C 307/10) according to which: i) all **terms** used in specifications of products have to be **clear** & **precise,** to allow trademark offices courts and traders to be able to determine what is covered; ii) **general indications** from class headings are permissible but include only products covered by their literal meaning. Before, the practice was to consider that full class headings in any given *Nice Classification* covered all products in that class.

Trademarks and Related Rights Package

- IMPACT ON CLASSIFICATION OF GOODS AND SERVICES
- The **reform** basically **requires** EU trademark applicants to **classify** their **products** in accordance with the ***Nice Classification***. As noted earlier, it provides for the chance to **amend** existing EU **trademarks** filed before June 2012, indicating class headings, so as to include those products not covered by the literal meaning of the class heading.

List of Trademark Classes

Class 1 Chemical Products

Class 2 Paints & Varnishes

Class 3 Cosmetics & Cleaning Substances

Class 4 Industrial Oils and Lubricants

Class 5 Medicines

Class 6 Common Metals & Alloys

Class 7 Machine Tools

Class 8 Hand Tools

Class 9 Electric and Scientific Devices

Class 10 Medical Apparatus

Class 11 Environmental Control Apparatus

Class 12 Vehicles

Class 13 Firearms

Class 14 Jewellery

Class 15 Musical Instruments

Class 16 Stationery and Paper Goods

Class 17 Rubber Goods

Class 18 Leather Goods

Class 19 Building Materials

Class 20 Furniture and Materials not otherwise specified

Class 21 Houseware and Glass

Class 22 Ropes and Fibres

Class 23 Yarns and Threads

Class 24 Fabrics

Class 25 Clothing and Footwear

Class 26 Fancy goods such as Lace and Embroidery

Class 27 Carpets and Floor Coverings

Class 28 Toys and Sporting Goods

Class 29 Meats and Processed Foods

Class 30 Staple foods inlcuding Flour, cereals, bread etc

Class 31 Natural Agricultural Products

Class 32 Light Beverages including Beer

Class 33 Wines and Spirits

Class 34 Tobacco Products

Class 35 Advertising and Business Services

Class 36 Insurance and Financial Services

Class 37 Building Construction & Repair Services

Class 38 Telecommunication Services

Class 39 Transportation and Storage Services

Class 40 Material Treatment Services

Class 41 Education and Entertainment services

Class 42 Computer, Scientific and Legal

Class 43 Restaurants and Food Services

Class 44 Medical and Veterinary Services

Class 45 Personal and Social Services

Trademarks and Related Rights Package

- IMPACT ON CLASSIFICATION OF GOODS AND SERVICES
- The Directive and Regulation then establish that **trademark offices** have to carefully **examine specifications**, and that if the terms indicated are found to be too vague they have to object and (in the absence of appropriate amendments) reject those terms.
- **Classification** has **no impact** on the assessment of the **similarity** of **goods** and **services**. This means that the fact that products are in the same class does not make them similar, and being in different classes does not make them dissimilar.

Trademarks and Related Rights Package

- NEW ADMINISTRATIVE PROCEDURES IN MEMBER STATES

- Administrative procedures for revocation or declaration of invalidity (**cancellation proceedings**) and **opposition proceedings** have been examined in the reform, in light of their key role in the protection of trademarks. They represent the most accessible tools for trademark owners to tackle violations of their exclusive rights.

Trademarks and Related Rights Package

- NEW ADMINISTRATIVE PROCEDURES IN MEMBER STATES

- **Before** the **reform**, and according to the results of the *Max Planck Institute* study (2011), **opposition proceedings** were generally **available** in the EU Member States. Yet, substantial **differences** had been identified in the various **national systems**, in relation to the possible (absolute and relative) grounds of opposition and to the average timing of the proceedings.
- On the other side, in relation to **administrative cancellation proceedings** (for revocation or invalidity), the study highlighted that such proceedings were available in some EU nations but not in others; in the latter, trademark users had to resort to legal actions before national courts in order to have an infringing trademark cancelled.

Trademarks and Related Rights Package

- NEW ADMINISTRATIVE PROCEDURES IN MEMBER STATES

- In the **reform**, the EU legislator has introduced a **mandatory administrative procedure** in all Member States. The Trademark Directive refers to the issue of opposition and cancellation proceedings under **Recital 38** :

> For the purpose of ensuring effective trade mark protection, Member States should make available an efficient administrative opposition procedure, allowing at least the proprietor of earlier trade mark rights and any person authorised under the relevant law to exercise the rights arising from a protected designation of origin or a geographical indication to oppose the registration of a trade mark application. Furthermore, in order to offer efficient means of revoking trademarks or declaring them invalid, Member States should provide for an administrative procedure for revocation or declaration of invalidity within the longer transposition period of seven years, after the entry into force of this Directive.

Trademarks and Related Rights Package

- NEW ADMINISTRATIVE PROCEDURES IN MEMBER STATES

- **Articles 43 and 45** specifically address **opposition** and **cancellation proceedings** :

Article 43

Opposition procedure

1. Member States shall provide for an efficient and expeditious administrative procedure before their offices for opposing the registration of a trade mark application on the grounds provided for in Article 5.

2. The administrative procedure referred to in paragraph 1 of this Article shall at least provide that the proprietor of an earlier trade mark as referred to in Article 5(2) and Article 5(3)(a), and the person authorised under the relevant law to exercise the rights arising from a protected designation of origin or geographical indication as referred to in Article 5(3)(c) shall be entitled to file a notice of opposition. A notice of opposition may be filed on the basis of one or more earlier rights, provided that they all belong to the same proprietor, and on the basis of part or the totality of the goods or services in respect of which the earlier right is protected or applied for, and may be directed against part or the totality of the goods or services in respect of which the contested mark is applied for.

3. The parties shall be granted, at their joint request, a minimum of two months in the opposition proceedings in order to allow for the possibility of a friendly settlement between the opposing party and the applicant.

Article 45

Procedure for revocation or declaration of invalidity

1. Without prejudice to the right of the parties to appeal to the courts, Member States shall provide for an efficient and expeditious administrative procedure before their offices for the revocation or declaration of invalidity of a trade mark.

2. The administrative procedure for revocation shall provide that the trade mark is to be revoked on the grounds provided for in Articles 19 and 20.

3. The administrative procedure for invalidity shall provide that the trade mark is to be declared invalid at least on the following grounds:

(a) the trade mark should not have been registered because it does not comply with the requirements provided for in Article 4;

(b) the trade mark should not have been registered because of the existence of an earlier right within the meaning of Article 5(1) to (3).

4. The administrative procedure shall provide that at least the following are to be entitled to file an application for revocation or for a declaration of invalidity:

(a) in the case of paragraph 2 and paragraph 3(a), any natural or legal person and any group or body set up for the purpose of representing the interests of manufacturers, producers, suppliers of services, traders or consumers, and which, under the terms of the law governing it, has the capacity to sue in its own name and to be sued;

(b) in the case of paragraph 3(b) of this Article, the proprietor of an earlier trade mark as referred to in Article 5(2) and Article 5(3)(a), and the person authorised under the relevant law to exercise the rights arising from a protected designation of origin or geographical indication as referred to in Article 5(3)(c).

5. An application for revocation or for a declaration of invalidity may be directed against a part or the totality of the goods or services in respect of which the contested mark is registered.

6. An application for a declaration of invalidity may be filed on the basis of one or more earlier rights, provided they all belong to the same proprietor.

Trademarks and Related Rights Package

NEW ADMINISTRATIVE PROCEDURES IN MEMBER STATES

Basically, **Article 45** expressly specifies the possible grounds for **cancellation** :

- **lack** of **use** for a period of at least 5 years
- acquired **generic** or **misleading character**
- absolute grounds for **refusal** or **invalidity**
- **conflicts** with earlier **identical** or **similar trademarks**, including trademarks covering goods or services which are not similar to those covered by the earlier trademark, if the earlier sign enjoys a reputation (relative grounds for refusal)

Trademarks and Related Rights Package

- NEW FAIR USE PROVISIONS

- The new **Regulation** (article 12) and the new **Directive** (article 14) both provide then for **new limitations** of the **rights** conferred by a **trademark**. In particular, they deal with the following situations:

- ► the '**own name defense**'
- ► the **use** of **descriptive terms**
- ► **referential use**

'Article 12

Limitation of the effects of an EU trade mark

1. An EU trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade:

(a) the name or address of the third party, where that third party is a natural person;

(b) signs or indications which are not distinctive or which concern the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of the service, or other characteristics of the goods or services;

(c) the EU trade mark for the purpose of identifying or referring to goods or services as those of the proprietor of that trade mark, in particular, where the use of that trade mark is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts.

2. Paragraph 1 shall only apply where the use made by the third party is in accordance with honest practices in industrial or commercial matters.'.

Trademarks and Related Rights Package

NEW FAIR USE PROVISIONS

► in relation to the '**own name defense**', as included in the previous version of Article 12 (former Regulation), reference was not only to personal names but also to trade names and company names. This meant that Member States in the past have applied the 'fair use' provision also to company names regardless of whether the rights concerning the company name had been established prior to the trademark owner's right. The new Regulation (and the corresponding provision in the new Directive) establishes that the 'own name defense' will be **limited only to personal names or addresses of a natural person**. Such amendment should lead to more legal certainty and harmonization among the Member States.

Trademarks and Related Rights Package

NEW FAIR USE PROVISIONS

► in relation to the second fair use situation, the new **text** is **no longer limited** to the use of **descriptive terms**; it also covers **non-distinctive signs**. This amendment mirrors the principle included in Article 7 of the new Regulation, which establishes that not only will descriptive terms be denied registration, but also trademarks which do not have any distinctive character (grounds for refusal of an application).

► in the new amended version, the Regulation finally refers to the allowed **use** of a **trademark** for the purpose of **identification** of or **reference** to the trademark owner's own goods and services (so-called **referential use**).

Trademarks and Related Rights Package

NEW FAIR USE PROVISIONS

► interestingly, the final version of Article 12 of the new Regulation did not eventually include the proposal of the EU Parliament to also justify the '**fair use defense**' in case of use for the purpose of **parody**. This means that such uses continue to constitute a trademark **infringement**, even if the defendant claims this to be a joke (in Recital 21, it is noted that use of a trademark by third parties for the purpose of **artistic expression** is seen as fair as long as it is under honest practices in commercial & industrial matters).

Trademarks and Related Rights Package

- IMPLICATIONS FOR NON-TRADITIONAL MARKS
- For what concerns the **registration of non-traditional marks** (*e.g.*, shapes, colours, sounds, scents), the relevant provisions of the trademark reform are those included in **Articles 4** & **7(1)(e)** of the Regulation, and **Articles 3** & **4(1)(e)** of the Directive.
- Some of the amended articles may raise **obstacles** to the registration of applications and may become a ground for **invalidation** of registrations for other types of marks.

Non-traditional Trademark Matrix

Sound Marks	Taste Marks	Touch Marks	Smell Marks	Holograms	Motion Marks	3D Marks	Single Colors	Color Combinations	Trade Dress

IPIC


TASTE
HEARING
SMELL
TOUCH
VISION

Trademarks and Related Rights Package

- IMPLICATIONS FOR NON-TRADITIONAL MARKS
- First, the reform has removed the **requirement** for **graphic representation** when registering a trademark – signs can now be represented in any appropriate form, using generally available technology. Under the new Regulation (art. 4) & Directive (art. 3):

Signs of which a trade mark may consist

A trade mark may consist of any signs, in particular words, including personal names, or designs, letters, numerals, colours, the shape of goods or of the packaging of goods, or sounds, provided that such signs are capable of:

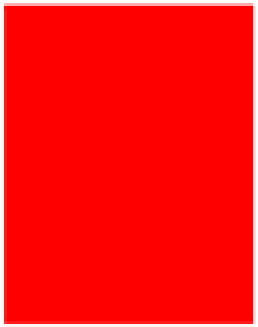
(a) distinguishing the goods or services of one undertaking from those of other undertakings; and

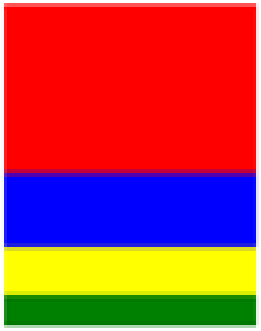
(b) being represented on the register in a manner which enables the competent authorities and the public to determine the clear and precise subject matter of the protection afforded to its proprietor.

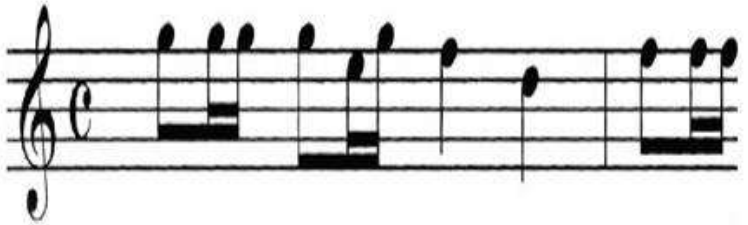
Trademarks and Related Rights Package

- IMPLICATIONS FOR NON-TRADITIONAL MARKS
- Such a **change** could be **positive** for **non-traditional marks holders**, as it allows the registration of marks that could not be previously registered. From this standpoint, the new legislation should boost the number of applications for non-traditional marks.
- The new legislation (Recital 13 of the Directive and Recital 9 of the Regulation) also provides that the **representation** has to be **'clear, precise, self-contained, easily accessible, intelligible, durable and objective'.** This definition may in theory give rise to **uncertainty** and **litigation** about whether a mark meets such conditions. Consequently, trademark searches and examination by trademark offices could possibly last longer and be more complex.

(Sole Color) (Combination of Colors)







Trademarks and Related Rights Package

IMPLICATIONS FOR NON-TRADITIONAL MARKS

In relation to the **absolute grounds for refusal**, the **previous version** of Article 7(1)(e) of the **Regulation** established that:

'*The following shall not be registered :*

…….

(e) signs which consist exclusively of :

i. the shape which results from the nature of the goods themselves

ii. the shape of goods which is necessary to obtain a technical result

iii. the shape which gives substantial value to the goods'

Trademarks and Related Rights Package

- IMPLICATIONS FOR NON-TRADITIONAL MARKS
- The **rational** of such provision (and of the corresponding Article 3(1)(e) of the former Directive) was to **prevent** trademark **protection** from granting its proprietor a monopoly on **technical solutions** or **functional characteristics** of a product which a user is likely to seek in the products of competitors.
- In other words, the aim was to prevent the protection conferred by trademark right from being extended beyond signs which serve to distinguish a product from those offered by competitors, so as to form an **obstacle preventing competitors** from freely offering products incorporating such technical solutions or functional characteristics in competition with the trademark owner (CJEU - Case C 299/99 *Philips v Remington*).

Trademarks and Related Rights Package

IMPLICATIONS FOR NON-TRADITIONAL MARKS

In the **new version**, **Article 7(1)(e)** of the **Regulation** reads as follows :

'*The following shall not be registered :*

……

(e) signs which consist exclusively of :

i. the shape, or another characteristic, which results from the nature of the goods themselves

ii. the shape, or another characteristic, of goods which is necessary to obtain a technical result

iii. the shape, or another characteristic, which gives substantial value to the goods'

Trademarks and Related Rights Package

IMPLICATIONS FOR NON-TRADITIONAL MARKS

Basically, the lawmaker decided to **extend** the permanent **exclusion clauses** in Article 7(1)(e) from the signs consisting exclusively of the shape of the goods **to other types of signs**. In order to do so, the words ‘or **another characteristic**’ were added.

The **amendment** was considered necessary to **counterbalance** the **removal** of the **graphical representation requirement** from the definition of a trademark in Article 4 of the Regulation. Put differently, as the removal of the graphic representation requirement permitted the expansion of types of marks that could be registered, the grounds for refusal should also be extended.

Trademarks and Related Rights Package

CERTIFICATION MARKS

The EU trademark reform, what is more, covers **certification marks**, which are a new type of trademark at EU level (though they already exist in some national IP system).

Certification marks allow a certifying institution or organization to permit adherents to the certification system to use the mark as a sign for goods or services **complying** with the **certification requirements**.

Trademarks and Related Rights Package

CERTIFICATION MARKS

► an **EU certification mark** usually concerns the **guarantee of specific characteristics** of certain products (material, mode of manufacture of goods or performance of services, quality, accuracy or other characteristics).

► in brief, such a mark indicates that the products bearing the certification mark **comply** with a **given standard set** out in the regulations of use and controlled under the responsibility of the certification mark owner.

Certification Marks

Trademarks and Related Rights Package

- COUNTERFEIT GOODS IN TRANSIT
- Another relevant aspect concerns the **transit of counterfeit goods** through multiple jurisdictions, which is a **growing phenomenon** requiring a **proper balance** between: on the one hand, allowing right holders to **enforce** their **rights**; on the other, enforcing the applicable law in a manner that does **not disrupt** legitimate **transit trade**.

Trademarks and Related Rights Package

- COUNTERFEIT GOODS IN TRANSIT

- **Before** the **reform**, the rule was that **goods** in transit could be **detained** (or the related release suspended) whenever custom offices had **suspicions** that such goods might in fact be **destined** for the European Union **market**. Suspicions could, for instance, be grounded on the fact that the consignor could not be identified or that the shipper was disguising commercial intentions (Court of Justice of the EU, Case C-495/09 *Nokia*).

- In brief, **counterfeit goods** could be **detained** by customs only if there was a **risk** that they could **enter** the European Union **market**. Otherwise, they had to be released.


Top Counterfeit Brands
The top 10 brands counterfeited
LACOSTE
Reebok
VIAGRA
adidas
BURBERRY
Microsoft
SONY
BENSON & HEDGES

Trademarks and Related Rights Package

COUNTERFEIT GOODS IN TRANSIT

In the context of the launch of the 2015 EU trademark reform (new regulation and new directive), the **EU institutions announced** that :

'……the reform will improve conditions for businesses to innovate and to benefit from more effective trademark protection against counterfeits, including non-authentic goods in transit through the EU ' s territory '.

Trademarks and Related Rights Package

- <u>COUNTERFEIT GOODS IN TRANSIT</u>

- Notably, the (2015) **substantive trademark legislation** – in combination with the new **EU Customs Regulation** adopted in 2013 – has **expanded** the EU national **customs'** power to **stop counterfeit goods** in **transit** in the **Union territory**.

Trademarks and Related Rights Package

- COUNTERFEIT GOODS IN TRANSIT
- The reform extends the **rights** of the **proprietor** of a **EU trademark** registered at EU level or of a **national trademark** registered at Member State level to **prevent** third parties from **bringing** – in the course of trade, **into the Union** without being released for free circulation, **goods** coming from **third countries** and bearing without authorization a **trademark** which is **identical** with the trademark registered with respect to such goods or which cannot be distinguished in its essential aspects from that trademark, even if the goods are not intended to be placed on the EU market.
- (SEE RECITAL 15 OF THE REGULATION 2015/2424 & RECITAL 21 OF THE DIRECTIVE 2015/2436)

Trademarks and Related Rights Package

- COUNTERFEIT GOODS IN TRANSIT

- In order to ensure the **free flow of legitimate trade**, the mentioned **rights** of the owner of the EU or national registered trademark **shall lapse** if, during the proceedings initiated to determine whether the registered trademark has been infringed, **evidence** is provided by the declarant or the holder of the goods that the **proprietor** of the registered trademark is **not entitled** to **prohibit** the placing of the goods on the market in the country of final destination.

- ► see also the **EU Commission Guidelines (2016)** to EU national customs on the implementation of the relevant provisions in the new trademark legislation


Main producers
and transit points
for fake goods.
Ukraine
Albania
Armenia
Azerbaijan
Tunisa
Turkey
Kuwait
Iran
Morocco
Egypt
Saudi
Arabia
United
Arab
Emirates
Pakistan
Mongolia
China
Hong Kong (China)
Macau (China)
Philipines
Bangladesh
India
Thailand
Cambodia
Malaysia
Singapore
Indonesia
Yemen
Nigeria
Ethiopia
Kenya
Mexico
Belize
Panama
Paraguay
Producers
Transits
OECD
EUIPO

- what is the ‘fair use’ provision about ?
- can non-traditional marks be registered as trademarks ?
- what does the EU reform say about counterfeit goods ?

Trademarks and Related Rights Package

SUGGESTED READINGS

- EU Parliament and Council of the EU, Directive n. 2015/2436 to approximate the laws of the Member States relating to trademarks, [2015] O.J. L 336
- EU Parliament and Council of the EU, Regulation n. 2015/2424 on the Community trademark, [2015] O.J. L 341
- EU Commission, 'Modernization of the EU trademark system', (2013) MEMO/13/291

MODULE II

SINGLE MARKET FOR INTELLECTUAL PROPERTY RIGHTS

(*Lecture XI*)

European Patent with Unitary Effect

- PATENTS AND INNOVATION

- **Patents** are an **essential** instrument to encourage investments in **innovation** and boost its dissemination. They represent an incentive for undertakings to devote substantial resources in **research and development** (R&D).

- In order to promote innovation in the Union, the EU Commission is constantly monitoring the **need** for **patent-related laws** and is working to introduce an efficient **uniform patent protection system**, where patent exploitation is also enhanced.

European Patent with Unitary Effect

PATENTS AND INNOVATION

The **Innovation Union Communication** (2010) promoted *inter alia* the economic exploitation of IPRs. In one Staff Working Document, the Commission examined the main **obstacles** that (SMEs) companies in the Union face in the **exploitation** of the so-called '**dormant patents**' – patents unutilised by the owners, thus not valuable to them. In this scenario, it identified options for making better use of dormant patents & ultimately enhance patent valorisation.

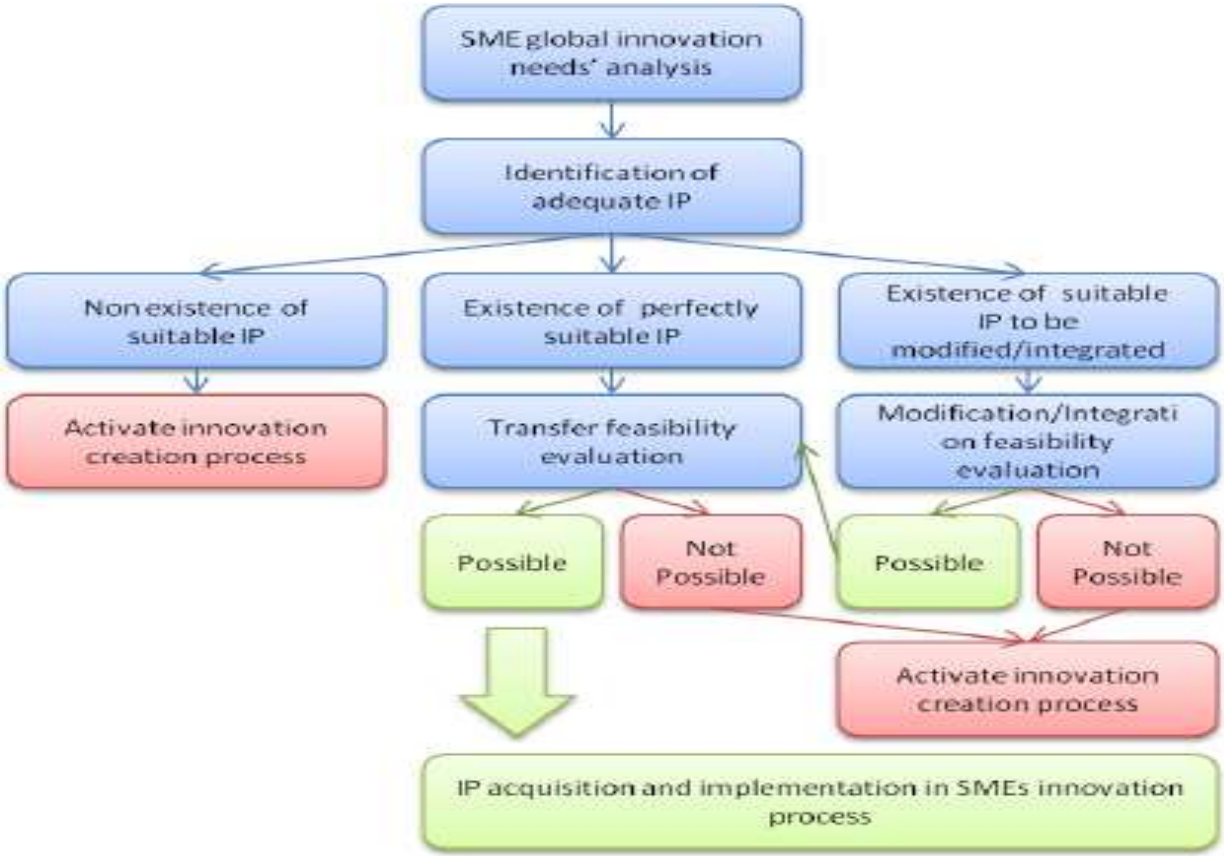
European Patent with Unitary Effect

- PATENTS AND INNOVATION
- On a further ground, in a project titled '*Exploitation of IP for industrial innovation'* (2015), the EU Commission tested the **design** of a **policy instrument promoting** the **development** of new **business** based upon **external IPRs acquisition**, including unused (*i.e.*, dormant) patented inventions. The outcome of the project showed that a policy instrument can be effectively developed to increase the acquisition and use of external (third parties') IPRs by SMEs, focusing on awareness and transaction costs.

IPI

Exploitation of IP for Industrial Innovation

Exploitation of IP for industrial innovation



European Patent with Unitary Effect

- WHAT IS A PATENT ?

- A patent can be defined as a legal title or **exclusive right** granted for the **protection** of **inventions** (products or processes) offering a **new technical solution** or facilitating a **new way** of doing something – a patent can cover how things work, what they do, what they are made of and how they are made; anyone can apply for a patent.

- ► the owner of the patent benefits from the exclusive right to **prevent** third parties from commercially **exploiting** his **invention** for an established period of time; in return, the owner must **disclose** the **invention** to the **public** in the patent application.

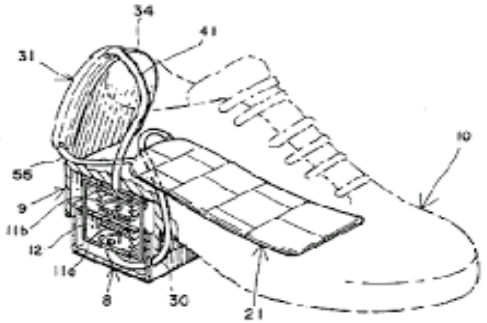

34
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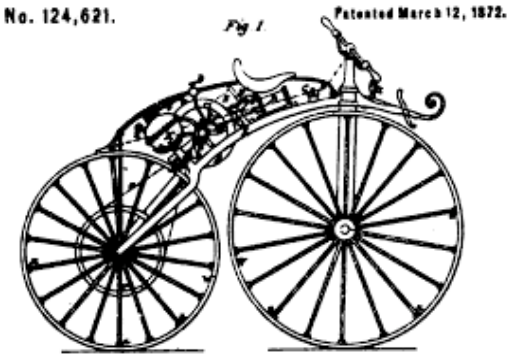
FIG.2


No. 124,621.
Fig 1
Patented March 12, 1872.

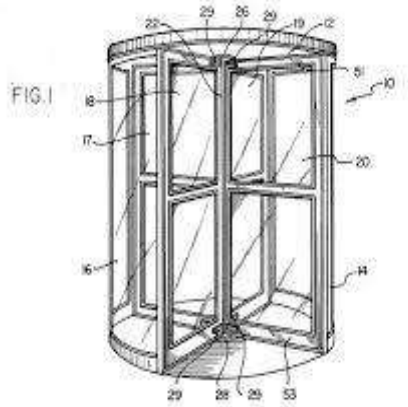


FIG.1
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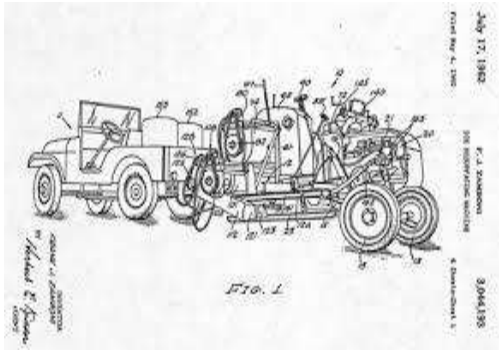
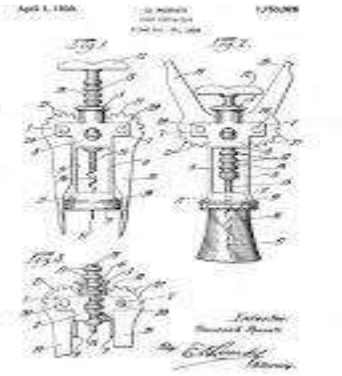
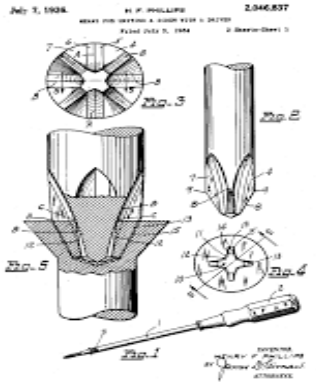

July 17, 1962
3,044,196
FIG. 1




July 7, 1936.
2,046,837
Fig. 3
Fig. 2
Fig. 5
Fig. 4
Fig. 1

European Patent with Unitary Effect

- <u>REQUIREMENTS TO REGISTER A PATENT</u>

- In order to **register** a **patent**, the following **requirements** are usually **necessary**:

  - ***NOVELTY***
  - ***INVENTIVE STEP***
  - ***INDUSTRIAL APPLICATION***

European Patent with Unitary Effect

REQUIREMENTS TO REGISTER A PATENT

► under the **novelty** requirement, the invention must be new in comparison to the existing knowledge in the relevant technical field - in other words, it must not be part of the state of the art.

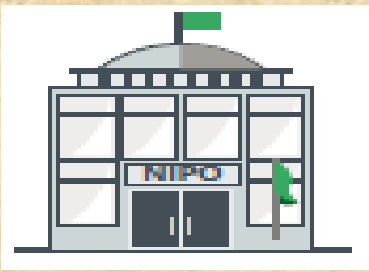
► as to the **inventive step**, the invention must be non-obvious; *i.e.*, it cannot be deduced easily by a person with average knowledge in the relevant technical field.

► finally, the invention must be capable of **industrial application** - this simply means that it can be made or used in any kind of industry.


PATENTED

European Patent with Unitary Effect

- AVAILABLE ROUTES FOR PATENT PROTECTION
- The **registration** of a **patent** can be sought at **three different levels**: national, regional (*e.g.*, EU), and international. Depending on the territories where a firm intends to exploit a patent, the choice of registration may consequently vary.



European Patent with Unitary Effect

- AVAILABLE ROUTES FOR PATENT PROTECTION

- ■ First, a patent may be registered at **national level**, at a national IP office. Legal **protection** is obtained only in the **national territory** where the patent is **registered**. Any issue about ownership validity infringement will be tackled by the national court.

European Patent with Unitary Effect

AVAILABLE ROUTES FOR PATENT PROTECTION

■ Secondly, a (regional) **European patent** can be obtained by filing a single application with the **European Patent Office (EPO)** in one of its official languages (English, French, German) or with a **national patent office** of a contracting state**.** Such a registration can be obtained for all the **European Patent Convention - EPC** contracting states (*i.e.*, 38 countries). However, the **registration** is **governed** by the **national laws** in each respective territory. Therefore, a European patent eventually amounts to a **bundle of national patents**, and to be effective it has to be **validated** at the **national offices** of the countries which the applicant has selected.

European Patent with Unitary Effect

- AVAILABLE ROUTES FOR PATENT PROTECTION
- […] In other words, a **European patent is not a unitary right** and differs from the so-called 'European patent with unitary effects'; it remains a **national patent subject to national rules,** and it is **enforced** at **national level.** Only some **procedures** are **centralised** under the European Patent Convention, such as the **opposition procedure** which allows third parties to challenge the validity of a patent.
- Further, decisions of the **EPO Board of Appeals** do not bind the national courts; the latter usually have exclusive jurisdictions on validity and infringement issues after a European patent has been granted (except during the 9 months opposition period).

Getting patents – the European Patent Convention

EN / FR / DE

European Patent Office – The EPC 1973 (revised 2000)

EPO Search

EPO Publication

Examination

Grant Publication

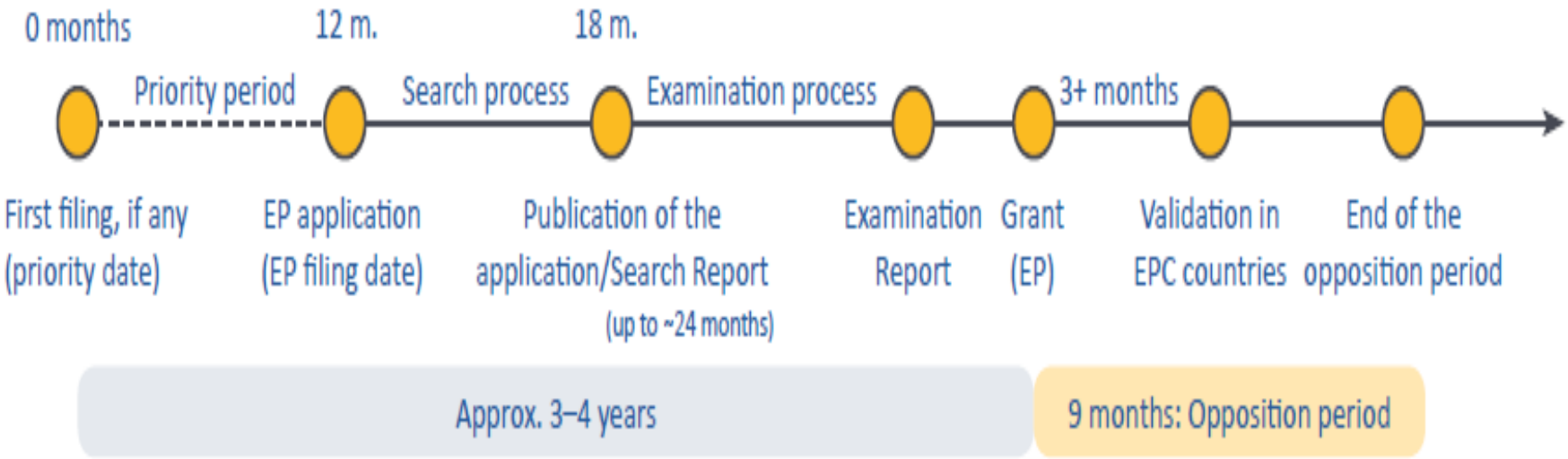
A "bundle" of national rights to be licensed or litigated separately in each member state. Applicant pays for as many states as needed.

Opposition (9 months)

Validated nationally

File translations

What happens after filing of an EP application?



European Patent with Unitary Effect

AVAILABLE ROUTES FOR PATENT PROTECTION

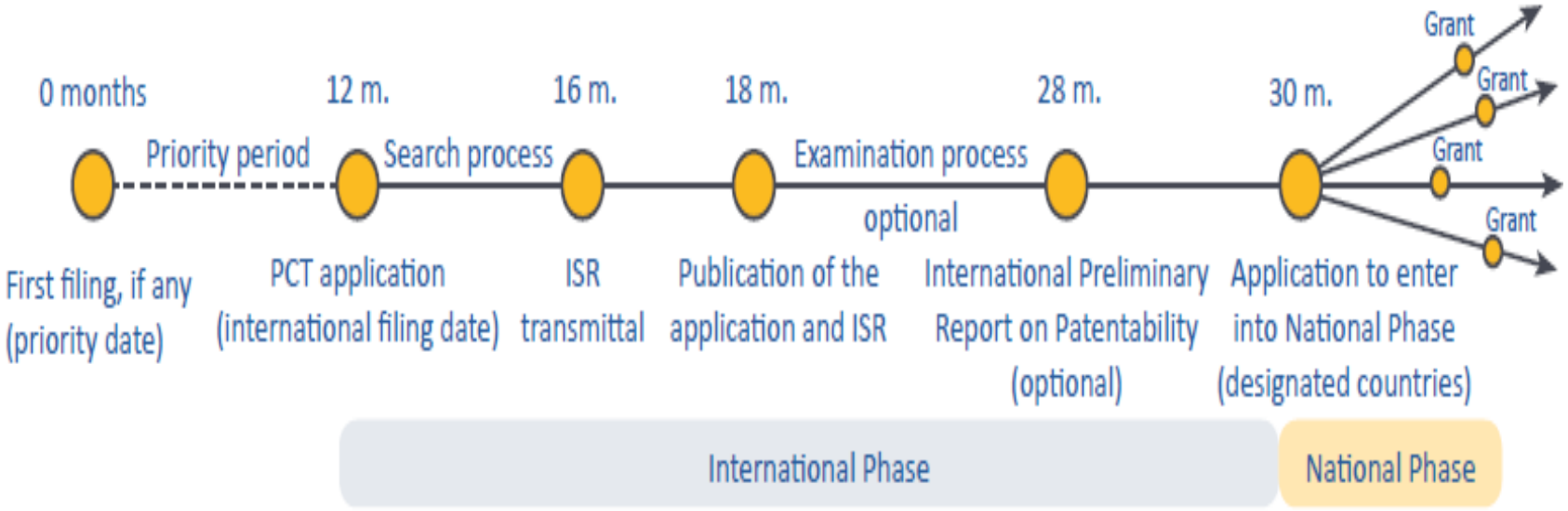
■ Third, a patent can be registered at the **international level**, according to the **Patent Cooperation Treaty** (**PCT**) system. This is administered by the World Intellectual Property Organization, and allows users to obtain patent **protection** in **more than 150 countries** by filing a single application in one language & paying a single set of fees.

Applications can be **filed** either through national IP offices, or directly with the WIPO. As a **condition**, the applicant must be a national or resident of a PCT contracting country. A PCT application, what is more, can be filed directly or within the 12 months period from the filing date of a prior application for the same invention.

European Patent with Unitary Effect

- AVAILABLE ROUTES FOR PATENT PROTECTION
- […] On a different additional note, nationals or residents of a country which is party to the **European Patent Convention** may also file their **PCT application** through the European Patent Office (EPO), if permitted by their national laws.
- Although the application has an international character, national laws govern the registration in each territory. Also in this case, hence, the applicant will get a **bundle of national patents** to be **validated** at the national or regional IP offices. This means that PCT applications involve two distinct phases, the international and national ones.

What happens in the international phase of a PCT application?



European Patent with Unitary Effect

- SCOPE OF PATENT PROTECTION

- The exclusive right conferred by a patent allows the patent holder to **prevent others** from making, using, offering for sale, selling or importing a **product** or a **process based** on the patented **invention**, without the prior authorization of the holder.

- On a further ground, the patent holder may allow others to **use** the **invention** on mutually agreed terms, on the basis of a **patent licensing agreement**. The holder may also **sell** the **patent** to someone else, who will then become the new patent owner.

European Patent with Unitary Effect

- SCOPE OF PATENT PROTECTION
- Patents are **territorial in nature**. Thus, patent rights are granted and enforceable within the geographical boundaries of the country or region where they are registered.

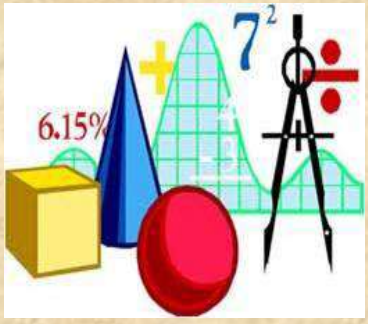
European Patent with Unitary Effect

- SCOPE OF PATENT PROTECTION
- As to the **duration**, patent protection is usually limited in time. In most countries, it lasts for **20 years** from the date of filing of the patent application. After the **expiration** of the patent, the **protection ends;** this basically means that anyone can commercially exploit the invention without any risk of infringement.

European Patent with Unitary Effect

(GENERALLY) NON-PATENTABLE ITEMS :

- *scientific theories*
- *aesthetic creations*
- *mathematical methods*
- *discoveries of natural substances*
- *commercial methods*
- *methods for medical treatment*
- *plant or animal varieties*
- *inventions contrary to morality/public order*



European Patent with Unitary Effect

PATENTS AND COMPUTER PROGRAMS

Generally, the **patentability** of **software** must be **excluded**, though there is still debate on the matter. A computer program as such cannot usually be considered as a patentable invention. A patent could be granted, under specific circumstances, for a **computer-implemented invention**, where a technical problem is solved in a novel & non-obvious manner. Computer programs may in theory receive **copyright protection**, if they comply with the requirements needed to receive such protection.

European Patent with Unitary Effect

- PATENTS AND UTILITY MODELS

- A **utility model**, also known as 'petty patent', is an **exclusive right** granted for an invention, which allows its holder to prevent others from commercially using the protected invention without their permission, for a limited period of time.

- ► utility models can be granted at **national levels only**; they are territorial in nature, so protection (in the EU, between 7 and 10 years) is limited to the country of registration - there is no European or international utility model.

- ► usually, for an utility model to be granted, **novelty** and **inventive steps** are necessary; however, **conditions may vary** according to the national legislation.

Utility model
Handle shape
Sunblock cover
Design of the car frame (low air resistance)
etc.

Patent
Engine structure
Features of the breaks
Manufacture method of the reinforced glass

Trademarks
Car's brand name
Emblem, etc.

Design
Design of the body (esthetics)
Design of the wheels groove, etc.

European Patent with Unitary Effect

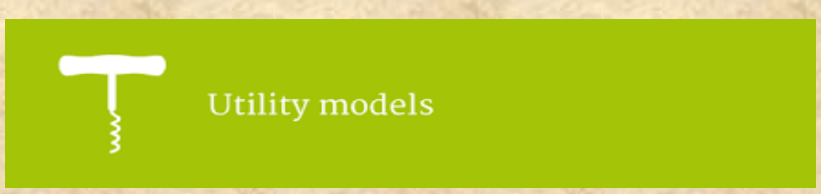
PATENTS AND UTILITY MODELS

The main **differences** between **patents** and **utility models** are the following:

- **requirements** for **utility models** are **less stringent** than those for patents; novelty is always to be met, but the requirement of inventive step is much lower – therefore, protection for utility models is often sought for inventions with a limited inventive step, which may fail under the patentability criteria.
- **term of protection** is **lower** for **utility models** than for patents, and varies from country to country (usually 7-10 years, without possibility to extend or renew).
- **fees** are generally lower for obtaining and maintaining a **utility model.**

European Patent with Unitary Effect

- PATENTS AND UTILITY MODELS
- Depending on the legislation of the countries, it may be possible to **convert** a **patent application into a utility model application**, and vice versa.
- Usually, conversion is requested when the patent application is refused by the relevant IP office for failure to meet the necessary requirements, and the applicant decides to convert the patent application into a utility model application.



- in which way do patents have an impact on innovation ?
- what are the possible routes of registration ?
- how do we distinguish patents from utility models ?

European Patent with Unitary Effect

SUGGESTED READINGS

- EU Commission (IPR Helpdesk), *Your Guide to IP in Europe* (2017)
- EU Commission (IPR Helpdesk), *IPR Chart - European Patent* (2018)
- EU Commission (IPR Helpdesk), *IPR Chart - International Patent Application* (2018)
- European Parliament (Research Service), 'EU Innovation Policy - Part II' (2016)

MODULE II

SINGLE MARKET FOR INTELLECTUAL PROPERTY RIGHTS

(*Lectures XII and XIII*)

European Patent with Unitary Effect

EARLY PROJECTS FOR A EUROPEAN PATENT

The **first projects** for a **European patent** date back to the **'60s**, when both the Commission and the Parliament suggested that the creation of a European patent should be pursued as soon as possible. However, it was also thought that such an **initiative** could not be implemented at Community level as the Community did not have specific competence over the matter, and that it should consequently be pursued **outside** of the **EC legal framework**.

European Patent with Unitary Effect

- EARLY PROJECTS FOR A EUROPEAN PATENT
- This eventually led to the signature of the **European Patent Convention - EPC (1973)**. Such convention has established a single procedure for the granting of patents, either by applying at the European Patent Office or directly at a national patent office of a contracting state. Yet, as mentioned before, a **European patent is not a unitary right**; it remains a **national patent subject to national rules**.

European Patent with Unitary Effect

- EARLY PROJECTS FOR A EUROPEAN PATENT

- The many **steps** made in the **development** of a unitary **European patent** included:

- ► the signature of a **Convention on the Community Patent** in **1975**; however, not all Member States ratified it, so it never entered into force (due to issues related to the costs of translating patents in all EC languages, and to the uncertainties related to the judicial system for litigation)

- ► a **Green Paper on the Community Patent** and the patent system in Europe published by the Commission in **1997**; the document suggested the adoption of a Community regulation to develop an effective European patent system

European Patent with Unitary Effect

EARLY PROJECTS FOR A EUROPEAN PATENT

► a **Proposal** for a **Regulation on the Community Patent** adopted in **2000** by the Commission; despite the support of the Parliament, it was rejected at Council level

► a **Public Consultation on the future of patent policy in Europe**, launched by the Commission in **2006**, interpreting the Community patent as a symbol of the Union's commitment to a knowledge and innovation-driven economy

► a **Communication on the patent system in Europe** (**2007**), published by the Commission in order to revitalize the debate on the patent system in a way which encourages Member States to work towards consensus and progress on the issue

European Patent with Unitary Effect

- <u>EARLY PROJECTS FOR A EUROPEAN PATENT</u>

- ► a **new Proposal** for a **Regulation on the Community Patent**, and a **Draft Agreement on the EU Patent Court**, adopted in **2008** by the Council of the EU

- ► an **Impact Assessment** accompanying the reform proposal and prepared by the Commission (2011), which looked into the **problems** related to the **post-grant stage** of patent protection (*e.g*, high costs of translating and publishing patents, costs of renewal of patents, administrative complexity of registering transfers and licenses). *Inter alia*, the impact assessment highlighted the **key role of patents**, which are essential to **innovate** and consequently **boost economic growth**

European Patent with Unitary Effect

EARLY PROJECTS FOR A EUROPEAN PATENT

► a **Regulation of the Parliament and of the Council (2012)** implementing **enhanced cooperation** in the area of the creation of unitary patent protection

(enhanced cooperation is a path granted by EU Treaty to permit the achievement of certain objectives in those circumstances where it would be difficult to involve all the Union states; it requires at least 9 Member States to participate in it - cooperation in the field of unitary patent protection has been supported by 26 countries, excepted Spain and Croatia)

► the **Agreement on a Unified Patent Court (2013)**, introducing a single and specialised patent jurisdiction (the process of ratification is still ongoing)

European Patent with Unitary Effect

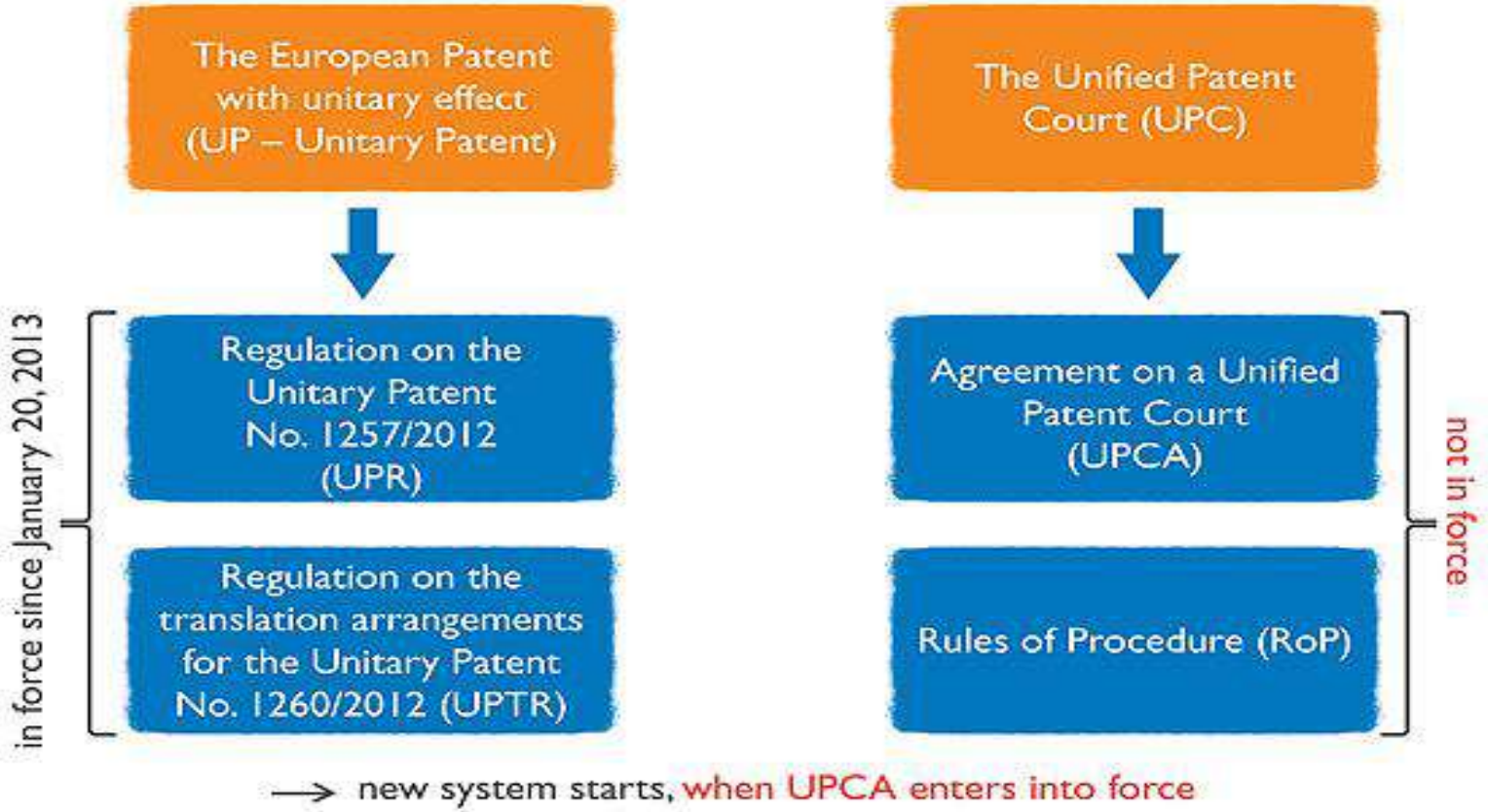
UNITARY PATENT REGIME AND INNOVATION

"The purpose of unitary patent protection is to make innovation cheaper and easier for businesses and inventors everywhere in Europe. It will mean a big reduction in terms of costs and red tape, and provide a stimulus for European innovation. It will be accessible for all companies in the EU, no matter where they are based. It is my deeply held conviction that there is no sustainable economic growth without ***innovation****. And no innovation without efficient intellectual property protection". (Bruxelles, 2011)*

INTERNAL MARKET & SERVICES COMMISSIONER - MICHEL BARNIER

European Patent with Unitary Effect

- UNITARY PATENT REGIME - THE PACKAGE
- In brief, the crucial steps in the development of a **unitary patent protection** in the Union were made in **2012-2013**, when almost all EU countries and EU Parliament agreed on the '**patent package**'. Such legislative initiative included the cited:
  - **Regulation** n. 1257/2012 creating a **European patent with unitary effect**
  - **Regulation** n. 1260/2012 establishing a **language regime** for the unitary patents
  - **Agreement** between EU countries to set up a **Unified Patent Court**


The European Patent with unitary effect (UP – Unitary Patent)
The Unified Patent Court (UPC)
Regulation on the Unitary Patent No. 1257/2012 (UPR)
Agreement on a Unified Patent Court (UPCA)
Regulation on the translation arrangements for the Unitary Patent No. 1260/2012 (UPTR)
Rules of Procedure (RoP)
in force since January 20, 2013
not in force
new system starts, when UPCA enters into force

European Patent with Unitary Effect

UNITARY PATENT REGIME - EFFECTS

Under the **unitary patent regime**, it will be possible to obtain a **patent** with **unitary effect** (Reg. 1257/2012), *i.e.* a legal title that will provide **uniform protection** in up to **26 EU countries** on a one-stop-shop basis. Benefits of such a system will include **substantial cost advantages** and reduced administrative burdens. Under the new system, a **Unified Patent Court** will be set, offering a single specialised patent jurisdiction.


lower costs
simplified procedures
Unitary Patent
26 EU member states
Unified Patent Court

Article 1

Subject matter

1. This Regulation implements enhanced cooperation in the area of the creation of unitary patent protection, authorised by Decision 2011/167/EU.

2. This Regulation constitutes a special agreement within the meaning of Article 142 of the Convention on the Grant of European Patents of 5 October 1973, as revised on 17 December 1991 and on 29 November 2000 (hereinafter 'EPC').

Article 2

Definitions

For the purposes of this Regulation, the following definitions shall apply:

(a) 'Participating Member State' means a Member State which participates in enhanced cooperation in the area of the creation of unitary patent protection by virtue of Decision 2011/167/EU, or by virtue of a decision adopted in accordance with the second or third subparagraph of Article 331(1) of the TFEU, at the time the request for unitary effect as referred to in Article 9 is made;

(b) 'European patent' means a patent granted by the European Patent Office (hereinafter 'EPO') under the rules and procedures laid down in the EPC;

(c) 'European patent with unitary effect' means a European patent which benefits from unitary effect in the participating Member States by virtue of this Regulation;

(d) 'European Patent Register' means the register kept by the EPO under Article 127 of the EPC;

(e) 'Register for unitary patent protection' means the register constituting part of the European Patent Register in which the unitary effect and any limitation, licence, transfer, revocation or lapse of a European patent with unitary effect are registered;

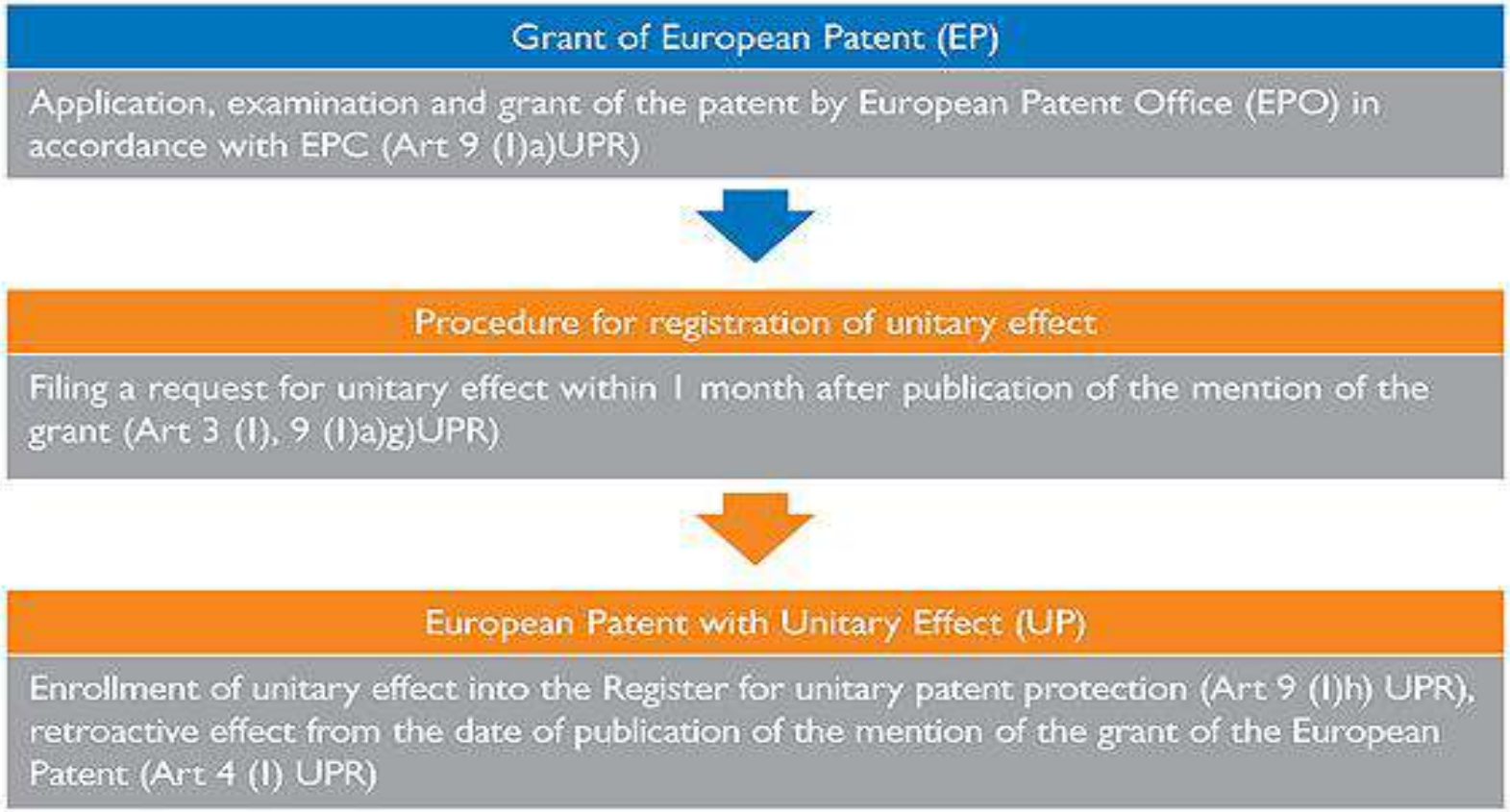
(f) 'European Patent Bulletin' means the periodical publication provided for in Article 129 of the EPC.

European Patent with Unitary Effect

- UNITARY PATENT REGIME - EFFECTS

- In details, the **Unitary Patent protection** will present the following features :

- ► inventors (individuals, companies and institutions) will be able to protect their inventions in up to **26 EU countries** by submitting a **single patent application**; after a patent is granted, there will be no need to validate it in each country. Basically, applicants will have to file an application with the EPO the same way as they do today. Once the EPC - European patent is granted, and the mention of the grant is published in the European Patent Bulletin, the patentee can request the EPO to register the unitary effect in the European Patent Register, so that the patent will take effect in 26 EU countries without any additional validation requirement.


Grant of European Patent (EP)
Application, examination and grant of the patent by European Patent Office (EPO) in accordance with EPC (Art 9 (I)a)UPR)
Procedure for registration of unitary effect
Filing a request for unitary effect within 1 month after publication of the mention of the grant (Art 3 (I), 9 (I)a)g)UPR)
European Patent with Unitary Effect (UP)
Enrollment of unitary effect into the Register for unitary patent protection (Art 9 (I)h) UPR), retroactive effect from the date of publication of the mention of the grant of the European Patent (Art 4 (I) UPR)

Article 3

European patent with unitary effect

1. A European patent granted with the same set of claims in respect of all the participating Member States shall benefit from unitary effect in the participating Member States provided that its unitary effect has been registered in the Register for unitary patent protection.

A European patent granted with different sets of claims for different participating Member States shall not benefit from unitary effect.

2. A European patent with unitary effect shall have a unitary character. It shall provide uniform protection and shall have equal effect in all the participating Member States.

It may only be limited, transferred or revoked, or lapse, in respect of all the participating Member States.

It may be licensed in respect of the whole or part of the territories of the participating Member States.

3. The unitary effect of a European patent shall be deemed not to have arisen to the extent that the European patent has been revoked or limited.

Article 4

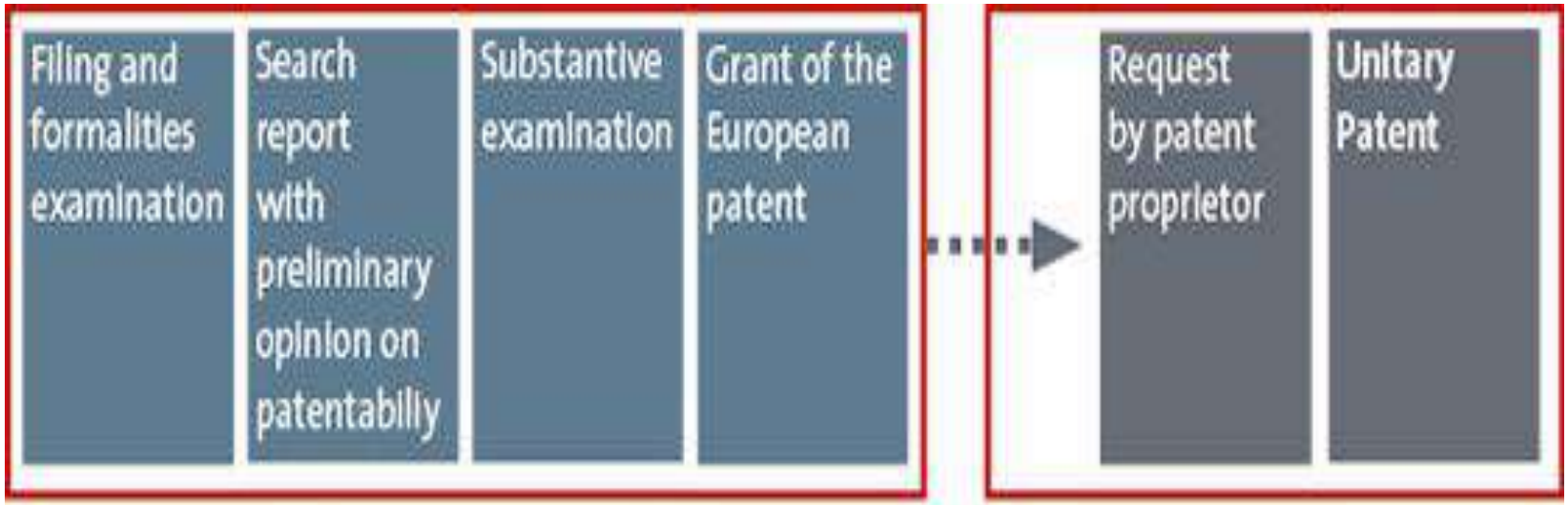
Date of effect

1. A European patent with unitary effect shall take effect in the participating Member States on the date of publication by the EPO of the mention of the grant of the European patent in the European Patent Bulletin.

2. The participating Member States shall take the necessary measures to ensure that, where the unitary effect of a European patent has been registered and extends to their territory, that European patent is deemed not to have taken effect as a national patent in their territory on the date of publication of the mention of the grant in the European Patent Bulletin.

European Patent with Unitary Effect

- UNITARY PATENT REGIME - EFFECTS
- ► the unitary patent system will not affect the EPO's daily search – examination – granting procedures. It will not replace the existing routes for protecting patents in Europe either. It will instead be an **additional option**, together with the existing national patent system and the classic European patent system
- ► to implement the new system, therefore, the EPO will take on a number of new tasks. For instance, the EPO will provide a new **Register for Unitary Patent Protection** that will include legal status information concerning unitary patents, with reference to licensing, transfer, limitation, lapse or revocation. Transfers and licences will hence be registered centrally at the EPO; there will be no need to prepare multiple parallel registrations for national patent registers



Same grant procedure as for the classical European patent

Separate post-grant procedure for the Unitary Patent

The Unitary patent - basic concepts

- A supranational patent
- A post-grant option for EPO patents with many benefits
- The Unitary patent does not need national validation in participating EU countries
- Automatic translations will be used for information.

Europäisches Patentamt
European Patent Office
Office européen des brevets

European patent

Unitary effect

European Patent with Unitary Effect

UNITARY PATENT REGIME - EFFECTS

► the new European patent **system** will become **simpler** and **less expensive** for inventors – for instance, costly translation requirements (needed only during the transitional period) will be reduced; renewal patent fees and other administrative costs will be lower in comparison to those under the European Patent Convention - EPC system (up to 80% lower), thus making the new European patent system more competitive *versus* other IPRs-intensive systems such as the U.S. and Japan

European Patent with Unitary Effect

- UNITARY PATENT REGIME - EFFECTS
- ► specifically, there will be **no fees** for the **filing** and **examination** of the request for unitary effect or registration of a Unitary Patent; for EU-based SMEs, natural persons, universities and public research organizations, a **new compensation scheme** (managed by EPO) will cover **costs related** to the **translation** of the patent application if it was filed in an official EU language other than English, French or German; unitary patents will also not be subject to the currently fragmented renewal fees systems, but there will only be one annual renewal fee – procedure – currency – deadline, paid to EPO; all post-grant **administration** will be **managed centrally** by EPO, further reducing costs & administrative workloads

	Now	When Unitary Patents comes in force
Application/Extension to all member states	36 000 EUR	5000 – 6000 EUR
Patent renewal for first 10 years	29 500 EUR	4685 EUR
Patent renewal for 20 years	159 000 EUR	35 555 EUR

Source: www.epo.org

Article 11

Renewal fees

1. Renewal fees for European patents with unitary effect and additional fees for their late payment shall be paid to the European Patent Organisation by the patent proprietor. Those fees shall be due in respect of the years following the year in which the mention of the grant of the European patent which benefits from unitary effect is published in the European Patent Bulletin.

2. A European patent with unitary effect shall lapse if a renewal fee and, where applicable, any additional fee have not been paid in due time.

3. Renewal fees which fall due after receipt of the statement referred to in Article 8(1) shall be reduced.

Article 12

Level of renewal fees

1. Renewal fees for European patents with unitary effect shall be:

(a) progressive throughout the term of the unitary patent protection;

(b) sufficient to cover all costs associated with the grant of the European patent and the administration of the unitary patent protection; and

(c) sufficient, together with the fees to be paid to the European Patent Organisation during the pre-grant stage, to ensure a balanced budget of the European Patent Organisation.

2. The level of the renewal fees shall be set, taking into account, among others, the situation of specific entities such as small and medium-sized enterprises, with the aim of:

(a) facilitating innovation and fostering the competitiveness of European businesses;

(b) reflecting the size of the market covered by the patent; and

(c) being similar to the level of the national renewal fees for an average European patent taking effect in the participating Member States at the time the level of the renewal fees is first set.

3. In order to attain the objectives set out in this Chapter, the level of renewal fees shall be set at a level that:

(a) is equivalent to the level of the renewal fee to be paid for the average geographical coverage of current European patents;

(b) reflects the renewal rate of current European patents; and

(c) reflects the number of requests for unitary effect.

European Patent with Unitary Effect

- UNITARY PATENT REGIME - EFFECTS

- ► the **broader and less expensive protection** given by a unitary patent also means that **inventions** will be **more valuable**; in the past, many inventors used to patent their inventions only in a few countries, due to the prohibitive costs of the system – this situation made inventions less valuable as the lack of protection in other countries increased the risk for those inventions to be copied more easily

- ► research, development and investment in **innovation** will thus be **encouraged,** with the ultimate consequence of an **increased growth** in the European Union

Article 5

Uniform protection

1. The European patent with unitary effect shall confer on its proprietor the right to prevent any third party from committing acts against which that patent provides protection throughout the territories of the participating Member States in which it has unitary effect, subject to applicable limitations.

2. The scope of that right and its limitations shall be uniform in all participating Member States in which the patent has unitary effect.

3. The acts against which the patent provides protection referred to in paragraph 1 and the applicable limitations shall be those defined by the law applied to European patents with unitary effect in the participating Member State whose national law is applicable to the European patent with unitary effect as an object of property in accordance with Article 7.

4. In its report referred to in Article 16(1), the Commission shall evaluate the functioning of the applicable limitations and shall, where necessary, make appropriate proposals.

European Patent with Unitary Effect

UNITARY PATENT REGIME - EFFECTS

► once the unitary regime enters into force, **patent applicants** may also **choose** between various **combinations** of **classic European patents** and **unitary patents** :

i) for instance, a **unitary patent** providing protection in the 26 EU Member States taking part in the unitary patent scheme, together with

ii) a **classic European patent** with effect in one or more EPC contracting states which do not participate in the unitary scheme (Spain, Croatia, Norway, Iceland, Switzerland etc) or which have not yet ratified the Unified Patent Court Agreement

European Patent with Unitary Effect

UNIFIED PATENT COURT

The **Unified Patent Court (UPC)** will be **competent** to handle disputes (on infringement and validity) concerning both **unitary patents** and current **classical European patents**. As a single specialised patent court, the UPC will benefit from local and regional presence around the European Union. Parties will be able to get a **high quality decision** for all countries where the patent is valid

European Patent with Unitary Effect

- UNIFIED PATENT COURT

- In other words, the reform will bring a **unified litigation system**. This is a big advantage in comparison to the previous system, based on multi-forum litigation where firms may have to litigate in parallel in all countries where the European patent is validated. The previous system finally resulted in higher costs, substantial complexity and legal insecurity. A Unified Patent Court will consequently facilitate the development of a **consistent jurisprudence**, and will increase **legal certainty**

PART I

GENERAL AND INSTITUTIONAL PROVISIONS

CHAPTER I

General provisions

Article 1

Unified Patent Court

A Unified Patent Court for the settlement of disputes relating to European patents and European patents with unitary effect is hereby established.

The Unified Patent Court shall be a court common to the Contracting Member States and thus subject to the same obligations under Union law as any national court of the Contracting Member States.

Article 3

Scope of application

This Agreement shall apply to any:

(a) European patent with unitary effect;

(b) supplementary protection certificate issued for a product protected by a patent;

(c) European patent which has not yet lapsed at the date of entry into force of this Agreement or was granted after that date, without prejudice to Article 83; and

(d) European patent application which is pending at the date of entry into force of this Agreement or which is filed after that date, without prejudice to Article 83.

European Patent with Unitary Effect

- UNIFIED PATENT COURT

- To sum up, the **Unified Patent Court** (an international court) will :
- ▫ represent an **effective forum** for enforcing and challenging patents in Europe
- ▫ stop the need for **litigation** in different countries
- ▫ boost **legal certainty** through harmonised case law on validity & infringement
- ▫ offer simpler and more efficient **judicial procedures**
- ▫ harmonise substantive **patent law** on scope of patents and infringement remedies

European Patent with Unitary Effect

- UNIFIED PATENT COURT

- ▫ represent - for patent owners - a better option for **enforcement** of **valid patents**, with Europe-wide effects of decisions, injunctions and damages (but the Unitary Patent Court will not have jurisdiction over national patents – litigation over the latter will continue before national courts; moreover, owners of European patents may decide to opt out from the UPC's competence during a transitional period)

- ▫ provide – for third parties and the public – a **central revocation action**, separate from the EPO's opposition procedure, at any time during the life of the patent

European Patent with Unitary Effect

- UNIFIED PATENT COURT

- In relation to the **UPC's specific and exclusive competences**, these include :

- ► actions for actual or threatened infringements and related defences
- ► actions for declaration of non-infringement
- ► actions for provisional and protective measures and injunctions
- ► actions for revocation
- ► counterclaims for revocation

European Patent with Unitary Effect

- UNIFIED PATENT COURT

- The **Unified Patent Court** will comprise legally & technically qualified judges :

  - a *Court of First Instance* (with a central division, and local & regional divisions)

  - a *Court of Appeal* (located in Luxembourg)

  - a *Registry* (based in Luxembourg)

UPC Structure

European Patent with Unitary Effect

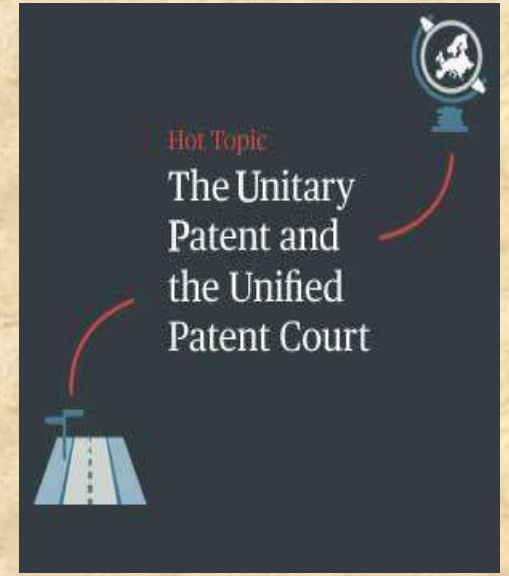
- UNITARY PATENT REGIME - START DATE

- The **start** of the new system is currently expected for the **first half** of **2019;** the EU regulations establishing the unitary patent system entered into force in 2013, but they will only apply from the date of entry into force of the UPC Agreement (it must be ratified by at least 13 states, including France Germany and the UK)

European Patent with Unitary Effect

UNITARY PATENT REGIME - COVERAGE

Unitary patent may be **requested** for any European patent granted on or after the date of entry into force of the **Unified Patent Court Agreement**. Unitary patents may not cover all participating Member States as long as some of them may still have to ratify the Agreement when it enters into force. Thus, there may be **different generations** of **patents** with different territorial scope



European Patent with Unitary Effect

UNITARY PATENT REGIME - COVERAGE

Interestingly, the **coverage** of a given generation of **unitary patents** will **remain** the **same** for their entire duration, regardless of any subsequent ratifications of the Union Patent Court Agreement after the date of registration of the unitary effect – this simply means that there will be no extension of the territorial scope of unitary patents caused by later ratifications

European Patent with Unitary Effect

UNITARY PATENT REGIME & BREXIT

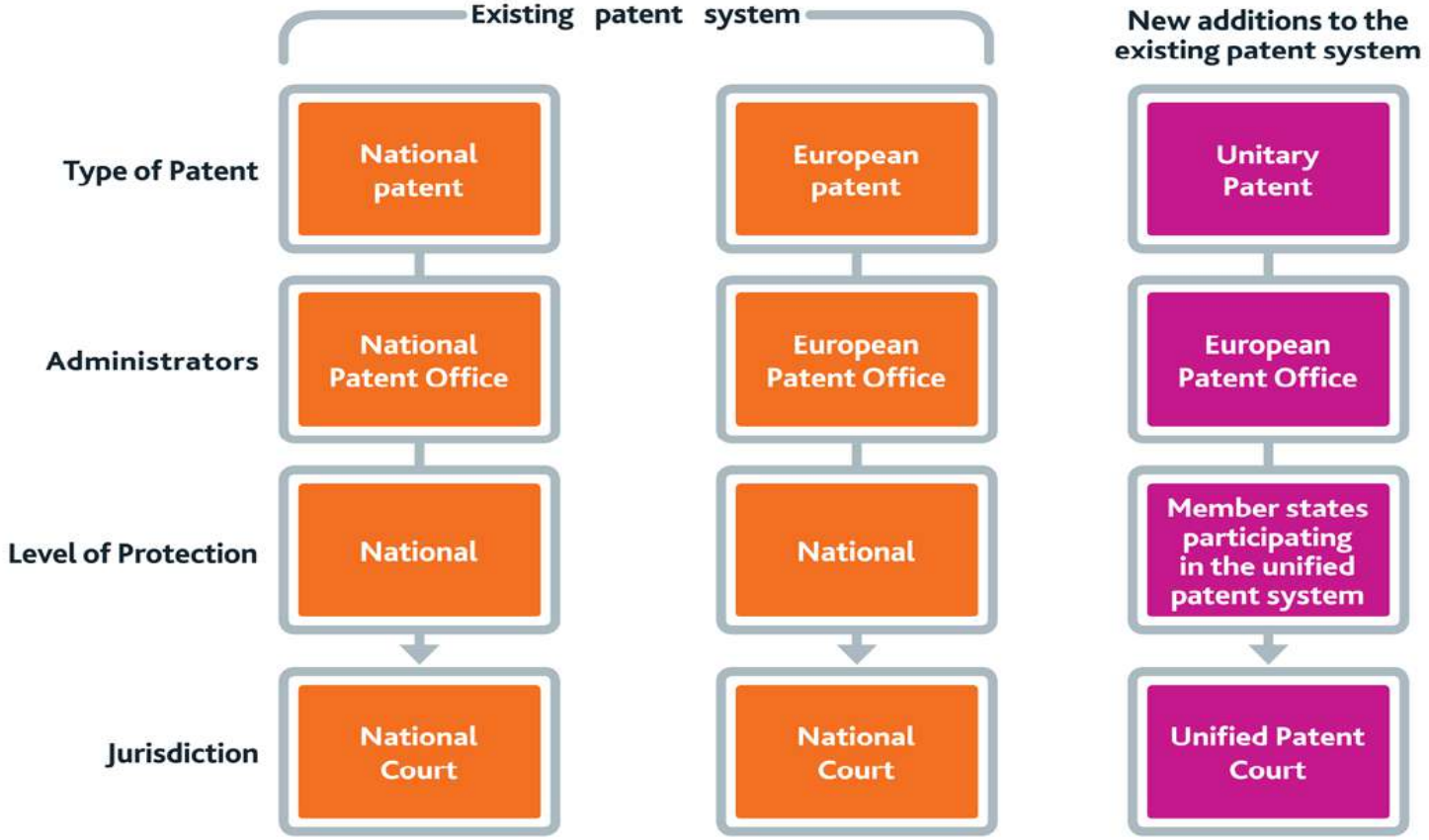
As the EPO has also noted, the forthcoming **BREXIT** may have an **impact** on the **Unitary Patent system**. In case the United Kingdom withdraws from the EU, the **regulations** introducing the unitary patent reform will consequently **cease to produce any effect** there.

European Patent with Unitary Effect

UNITARY PATENT REGIME & BREXIT

Nevertheless, **appropriate solutions** may be found in order to ensure patent protection in the UK for unitary patent proprietors. A possibility, based on a political decision of the EU institutes member states and UK, would be to make UK participation in the unitary patent system legally possible on a long term basis on the ground of specific *ad hoc* agreements.

Patent system in Europe



- how does the registration of a unitary patent work ?
- which are the main advantages of a unitary patent regime ?
- what will the benefits be of having a unified patent court ?

European Patent with Unitary Effect

SUGGESTED READINGS

- EU Parliament and Council of the EU, Regulation n. 1257/2012 implementing enhanced cooperation in the area of the creation of unitary patent protection [2012] O.J. L 361
- Council of the EU, Regulation n. 1260/2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangement [2012] O.J. L 361
- Agreement on a Unified Patent Court, introducing a single and specialised patent jurisdiction [2013] O.J. C 175

MODULE II

SINGLE MARKET FOR INTELLECTUAL PROPERTY RIGHTS

(*Lecture XIV*)

The Trade Secrets Directive

- TRADE SECRETS - RELEVANCE

- Firms, inventors and researchers constantly **develop information and knowledge** which are **commercially valuable**, and which can help them to **perform faster** and **better** in the **marketplace**. This may be achieved for instance through decades of experience, costly and lengthy research processes, or rapid bursts of creativity. The outcome of such dynamics may *inter alia* consist of new manufacturing processes, improved recipes, information on potential clients etc.

The Trade Secrets Directive

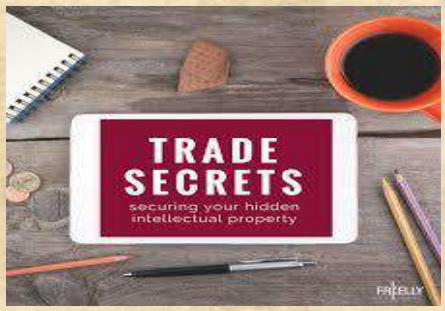
- TRADE SECRETS - RELEVANCE

- Large and small players in all economic fields may strategically **protect** such **information and knowledge** by relying on **trade secrets,** and thus turn their innovative ideas into growth competitiveness and jobs. Above all, **SMEs** and **start-ups** rely on trade secrets on a more intensive basis than larger firms, in light of the fact that they do not have sufficient resources to seek, obtain and manage a portfolio of IPRs (*eg*, patents), and enter into costly litigation over IP infringement.

The Trade Secrets Directive

TRADE SECRETS AND IPRS

Trade secrets are **not IPRs**, but they are complementary to IPRs. They are used in the **creative process** leading to **innovation** and to the **creation** of **IPRs**. Therefore, trade secrets are at the basis of patents (a new invention), trade marks (a new branded product), copyright (a new work). Trade secrets are also **used** in relation to **commercially valuable information** for which there is no IP protection, but for which investments and research are required, and which are important for innovation performance (*e.g*, a new business idea, a new recipe, a new marketing study).



The Trade Secrets Directive

- TRADE SECRETS - MEANING AND SCOPE

- Basically, a **trade secret** consists of any **confidential business information** providing a **competitive advantage** to an **enterprise**. A wide variety of information could be protected as trade secrets :

- ► know-how
- ► technical knowledge (which could be patentable – *e.g.*, manufacturing process)
- ► business & commercial information (*e.g.*, list of customers, business plans)

The Trade Secrets Directive

- TRADE SECRETS - MEANING AND SCOPE

- The **information**, what is more, may have :

- ∞ a **strategic and long-term relevance**
- (*e.g.*, a recipe or chemical compound)

- ∞ or a **more short-lived relevance** (for instance, the outcome of a marketing study, or the name price and launch date of a new product or a new service offered)

The Trade Secrets Directive

TRADE SECRETS - MEANING AND SCOPE

There are **no specific administrative and procedural requirements** for a trade secret to be protected. Yet, certain **conditions** concerning the characteristics of the information must be met. In particular, the **information** must :

- be **secret** (*i.e.*, not generally known)
- has **commercial value** due to its secrecy
- and has been further **subject** to reasonable **measures** to maintain its secrecy

The Trade Secrets Directive

- TRADE SECRETS - MEANING AND SCOPE

- Such **reasonable measures**, which should be implemented by the person in control of the information, may include :

- ○ **storing** confidential information safely

- ○ **signing** non-disclosure or confidentiality agreements (where trade secrets must be discussed with the commercial counterparty)

- ○ **including** non-disclosure or confidentiality clauses within agreements, where the exchange of confidential information is very likely and/or necessary

The Trade Secrets Directive

TRADE SECRETS - PROTECTION

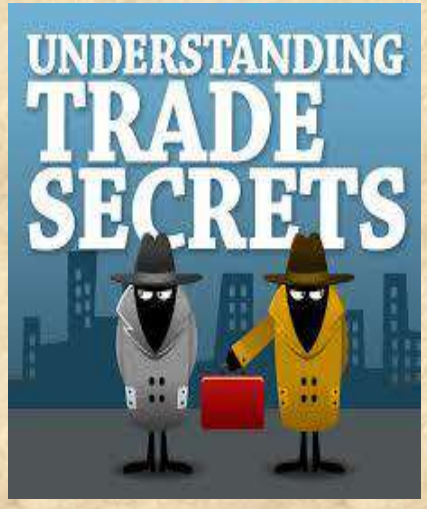
No proprietary or **exclusive rights** over the information are conferred by trade secrets. Nevertheless, if the information is disclosed by someone who was under a confidentiality obligation, such a disclosure would amount to a **breach of contract** and the trade secret owner may benefit from the related contractual remedies.

On a further ground, protection under **unfair competition laws –** available in the EU and in different European states - may apply in case a person obtains the information by dishonest means (*e.g.*, through espionage).

The Trade Secrets Directive

TRADE SECRETS - PROTECTION

In brief, trade secrets **protection** seeks to ensure that such information remains secret (and firms' competitiveness protected), and also identifies remedies against those who disclose it without authorization. Trade secrets do not have a precise limited term of protection. They are protected for an **unlimited period of time**, as long as the conditions for the information to be considered as a trade secret are met.



The Trade Secrets Directive

- TRADE SECRETS - PROTECTION

- **Protection against dishonest conduct** is all the more important for European undertakings which are increasingly exposed to misappropriation of trade secrets. According to surveys, 20% of European companies have been victims of trade secret misappropriation at least once in the last ten years; and 40% of European firms find that the risk of trade secret **misappropriation** has raised during the same period of time. This may be caused by **several factors**, such as intense global competition, increased used of ICT technologies, recourse to external consultants. The **fragmentation** of the **national laws** on the protection of trade secrets may impair firms' ability to build cross-border networks of collaborative research. In the EU, for instance, protection was not harmonised, giving rise to uncertainty.

The Trade Secrets Directive

- <u>EU DIRECTIVE ON TRADE SECRETS</u>
- In 2016, following a proposal from the EU Commission, the Parliament and the Council adopted a **Directive** (2016/943) which standardizes the existing diverging national laws in EU countries on the **protection** against the unlawful acquisition, use and disclosure of **trade secrets**. Such Directive in brief addresses the risk of losses faced by EU companies due to the misappropriation of trade secrets.

The Trade Secrets Directive

- EU DIRECTIVE ON TRADE SECRETS
- Above all, the EU Trade Secrets Directive :
- ► **harmonizes** the **definition** of trade secrets according to the existing internationally binding standards (to avoid obstacles in the EU single market)
- ► **defines** the **unlawful acquisition** (theft, hacking, espionage etc), **use or disclosure** (breach of a contractual duty, breach of a confidentiality agreement etc)
- ► **specifies** that **reverse engineering** & **parallel innovation** must be guaranteed, due to the fact that trade secrets cannot be considered as a form of exclusive IPRs

Article 2

Definitions

For the purposes of this Directive, the following definitions apply:

(1) 'trade secret' means information which meets all of the following requirements:

(a) it is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;

(b) it has commercial value because it is secret;

(c) it has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret;

(2) 'trade secret holder' means any natural or legal person lawfully controlling a trade secret;

(3) 'infringer' means any natural or legal person who has unlawfully acquired, used or disclosed a trade secret;

(4) 'infringing goods' means goods, the design, characteristics, functioning, production process or marketing of which significantly benefits from trade secrets unlawfully acquired, used or disclosed.

Article 3

Lawful acquisition, use and disclosure of trade secrets

1. The acquisition of a trade secret shall be considered lawful when the trade secret is obtained by any of the following means:

(a) independent discovery or creation;

(b) observation, study, disassembly or testing of a product or object that has been made available to the public or that is lawfully in the possession of the acquirer of the information who is free from any legally valid duty to limit the acquisition of the trade secret;

(c) exercise of the right of workers or workers' representatives to information and consultation in accordance with Union law and national laws and practices;

(d) any other practice which, under the circumstances, is in conformity with honest commercial practices.

2. The acquisition, use or disclosure of a trade secret shall be considered lawful to the extent that such acquisition, use or disclosure is required or allowed by Union or national law.

The Trade Secrets Directive

- EU DIRECTIVE ON TRADE SECRETS

- On further notes, the **Directive harmonises** the **civil** (not criminal) **means** through which firms facing trade secret misappropriation can obtain protection, such as :

- ○ **blocking** the **illegitimate use** and disclosure of misappropriated trade secrets

- ○ **removing** from the market **goods** manufactured on the basis of a trade secret illegally obtained

- ○ **getting compensation** for the damages caused by the unlawful use or disclosure of the misappropriated trade secret

Article 10

Provisional and precautionary measures

1. Member States shall ensure that the competent judicial authorities may, at the request of the trade secret holder, order any of the following provisional and precautionary measures against the alleged infringer:

(a) the cessation of or, as the case may be, the prohibition of the use or disclosure of the trade secret on a provisional basis;

(b) the prohibition of the production, offering, placing on the market or use of infringing goods, or the importation, export or storage of infringing goods for those purposes;

(c) the seizure or delivery up of the suspected infringing goods, including imported goods, so as to prevent their entry into, or circulation on, the market.

2. Member States shall ensure that the judicial authorities may, as an alternative to the measures referred to in paragraph 1, make the continuation of the alleged unlawful use of a trade secret subject to the lodging of guarantees intended to ensure the compensation of the trade secret holder. Disclosure of a trade secret in return for the lodging of guarantees shall not be allowed.

The Trade Secrets Directive

EU DIRECTIVE ON TRADE SECRETS

The **freedom of expression** and the **right of information** are **not impacted** by the Directive. This means that **journalists** remain **free** to **investigate** and publish news on firms' practices and business affairs. Even if a trade secret is misappropriated, the Directive establishes a specific safeguard to preserve the freedom of expression and the right to information, which are protected by the EU Charter of Fundamental Rights. The safeguard arises if the divulgation of the trade secret obtained by, or passed to journalists, occurred through the use of unlawful means (*eg* breach of law or breach of contract).

The Trade Secrets Directive

- EU DIRECTIVE ON TRADE SECRETS

- ► interestingly, the **Directive does not remove** the **legal obligations** on firms to **reveal information** for **public policy goals** (public health, environment, consumer safety etc). Thus, the public interest prevails over private interest in such matters. This also means that the Directive does not allow firms to hide information that they are obliged to disclose to regulatory authorities or to the public at large

- ► moreover, the **Directive does not alter** and **does not have** any **impact** on those **regulations** establishing the **right** of **citizens** to have **access** to **documents** in the possession of public authorities, including documents submitted by third parties such as firms and business organisations

The Trade Secrets Directive

- <u>EU DIRECTIVE ON TRADE SECRETS</u>

- ► finally, the **Directive** expressly **safeguards** those who, acting in the public interest, **divulge** a **trade secret** in order to **reveal** a **misconduct**, **wrongdoing** or **illegal activity**. Such a safeguard applies if the trade secret was acquired or passed to the whistle-blower through the use of unlawful means (*e.g.*, breach of law or contract). On the other side, if no illicit conduct occurs, the disclosure of the trade secret is out of the scope of the Directive and therefore no safeguard is needed

Article 5

Exceptions

Member States shall ensure that an application for the measures, procedures and remedies provided for in this Directive is dismissed where the alleged acquisition, use or disclosure of the trade secret was carried out in any of the following cases:

(a) for exercising the right to freedom of expression and information as set out in the Charter, including respect for the freedom and pluralism of the media;

(b) for revealing misconduct, wrongdoing or illegal activity, provided that the respondent acted for the purpose of protecting the general public interest;

(c) disclosure by workers to their representatives as part of the legitimate exercise by those representatives of their functions in accordance with Union or national law, provided that such disclosure was necessary for that exercise;

(d) for the purpose of protecting a legitimate interest recognised by Union or national law.

The Trade Secrets Directive

EU DIRECTIVE ON TRADE SECRETS

To sum up, according to the Directive, **Member States have to** :

■ **offer** trade-secret holders strong civil law protection against the unlawful acquisition, use or disclosure of their confidential business information

■ **implement** in the national laws corrective measures (including damages) to redress misappropriation and misuse of trade secrets

■ **implement** in the national laws measures to preserve the confidentiality of trade secrets in the course of legal proceedings

The Trade Secrets Directive

- EU DIRECTIVE ON TRADE SECRETS

- Overall, the Directive builds a **common**, **clear** and **balanced legal framework** which should discourage unfair competition and dishonest behaviours. It should also **encourage collaborative innovation** and the **sharing of valuable know-how**, to the benefit of a more competitive and economically stronger Union.

- what is the relation between trade secrets and innovation ?
- which are the characteristics of trade secrets ? are they IPRs ?
- what are the safeguards in relation to trade secret protection ?

The Trade Secrets Directive

SUGGESTED READINGS

- EU Parliament and Council of the EU, Directive n. 2016/943 on the protection of undisclosed know how and business information (trade secrets) against their unlawful acquisition, use and disclosure [2016] O.J. L 157
- EU Commission (IPR Helpdesk), *Your Guide to IP in Europe* (2017)
- European Parliament (Research Service), 'EU Innovation Policy - Part II' (2016)

MODULE III

THE INTELLECTUAL PROPERTY STRATEGY AND THE NEW ACTION PLAN

(*Lecture XV*)

413

PROGRAMME OF THE COURSE

LECTURES

Module III: Intellectual Property Rights Strategy in Europe:

- From the IP Enforcement Directive to the 2017
- Fairness and fundamental right perspective
- Effective enforcement in a digital ecosystem
- Innovation governance and better regulation

MODULE III

INTELLECTUAL PROPERTY RIGHTS STRATEGY IN EUROPE

(lecture I)

IPR Enforcement Directive: a minimum harmonization

Dir. 2004/48/CE: The EU Directive on Intellectual Property Rights Enforcement (IPRED) defines a **general framework and sets minimum standards** by imposing the obligation to make certain measures, procedures and remedies available to secure effective IPR enforcement.

Its aims is to **harmonise the laws of the Member States** by enforcing intellectual property rights (via sanctions and remedies).

IPR Enforcement Directive: a minimum harmonization

IPRED: WHAT ARE THE LEGAL OBBLIGATIONS?

Article 3: General obligation

1. Member States shall provide for the measures, procedures and remedies necessary to ensure the enforcement of the intellectual property rights covered by this Directive. Those measures, procedures and remedies shall be fair and equitable and shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays.
2. Those measures, procedures and remedies shall also be effective, proportionate and dissuasive and shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.

IPR Enforcement Directive: a minimum harmonization

IPRED: PRO…

The measures, procedures and remedies have:

► effectively helped to better protect IPR throughout the EU;

► allowed deal with IPR infringements in civil courts;

► created a common legal framework where the same set of tools is to be applied across the Union.

IPR Enforcement Directive: a minimum harmonization

IPRED: … AND CONS:

► the application of IPRED is limited to regulate measure, procedures and remedies available for the civil enforcement IPR;

► no uniform interpretation of the Directive's provisions;

► not really adequate to face internet challenges;

IPR Enforcement Directive: IPRED 2?

In 2005, the Commission proposed a Directive on criminal measures aimed at ensuring the enforcement intellectual property rights (2005/0127/COD), the so-called **IPRED2**. It would have expanded the existing IPRED to include new **criminal measures** aimed at ensuring the enforcement of intellectual property rights.

The draft IPRED2 was **widely criticized** on the basis that its scope was far broader than the current international standard for criminal IP enforcement in the TRIPs agreement.

The Commission has silently **withdrawn the IPRED2** this proposal in **2010**.

IPR Enforcement Directive: a minimum harmonization

HOW DO COUNTERFEITING AND PIRACY AFFECT THE EU?

- They're detrimental to innovation;
- Negative impact on the jobs;
- Limit development, growth and competitiveness;
- A growing risk to consumer health and safety;
- Profits from counterfeiting and piracy often go to criminal organisations
- They affect the public budgets of the Member States

IPR Enforcement Directive: a minimum harmonization

IPRED: THE SCOPE AND MAGNITUDE OF COUNTERFEITING AND PIRACY:

The IPRED is **the cornerstone** of legislation in the fight against counterfeiting and piracy. The Directive covers infringements of all intellectual property rights (trade marks, designs, patents, copyright *etc*.) which cause significant harm to rights holders. It also contains the necessary **safeguards and limitations** to protect the interests, not only of the defendant, but also of potentially innocent offenders, who have unknowingly been involved in counterfeiting or piracy.

High levels of counterfeiting

- In **2005 OECD** indicated that the volume of tangible counterfeit and pirated products in international Trade could be up to **USD 200 billion**, corresponding **1,9%** of world import

- **Between 2005** and **2009** the international Trade in counterfeit goods increased of **more** than **60%**

- In **2013**, a study carried out by **EUIPO** and **OECD** estimated that the global Trade in counterfeit goods represented the **2,5%**. In the **EU**, as much as **5%** of all imports were of counterfeited and pirated products, worth up to €85 billion.

Counterfeiting negatively affects jobs & growth, creates safety & security issues – serious problem that requires attention of policy makers and enforcement authorities.


In 2016 trade in counterfeit and pirated products amounted to as much as **USD 509 billion**. This represents up to **3.3% of world trade**.
The share of fakes in world trade grew significantly. In 2013 up to 2.5 % of world trade was in fake goods (up to USD 461 billion).
This growth was reported during a period of a relative slowdown in overall world trade. The intensity of counterfeiting is on the rise – big risk for the knowledge-based, open and globalised economy!
10 · TRENDS IN TRADE IN COUNTERFEIT AND PIRATED GOODS

The EU case study:

In 2016, imports of fake products into the EU were up to **EUR 121 billion** (USD 134 billion); up to **6.8% of EU imports**, against 5% of imports of fakes in 2013.

Main origins of fakes coming to the EU are China, Hong Kong (China), United Arab Emirates and Turkey. India and Morocco are also important sources of fakes and their role has been growing!

Fakes smuggled to the EU the most intensly are watches, leather goods, footwear, tobacco and cosmetics. Fake toys are on the rise!

EU: still remains a patchwork of national online markets

The **internet is borderless** but online markets in the EU are still fragmented by multiple barriers. Europe remains a **patchwork of national online markets** and there are cases when Europeans are unable to buy copyright protected works or services electronically across a digital single market.

The **negative aspect** was that copyright rules didn't set the right incentives and enable right holders, users of rights and consumers to take advantage of the opportunities that modern technologies provide.

EU: still remains a patchwork of national online markets

EUROPEAN COMMISSION: AN AMBITIOUS PROGRAMME (2011)

In its conclusions of February 2011, the European Council invited the Commission to **explore options** for setting up an intellectual property rights valorisation instrument at European level, in particular to ease SMEs' access to the knowledge market.

On May 2011, the European Commission announced **a formal strategy** concerning IPR, which aims at **moderninsing** the existing legal framework in which IPRs operate.

IPR enforcement & "follow the money"

- July 2014: IPR Enforcement Action Plan
- May 2015: Digital Single Market Communication
- October 2015: Single Market Strategy
- Dec 2015: Copyright Communication

EU: still remains a patchwork of national online markets

EU IPR ENFORCEMENT ACTION PLAN : "FOLLOW THE MONEY" APPROACH (2011- 2014)

Follow the money is an initiative of the European Commission which started in 2011. It brings different parties together to establish a **multi-stakeholder dialogue** aimed at **disrupting the revenue flow for commercial-scale intellectual property** (IP)-infringing activities through voluntary agreements.

The Memorandum of Understanding (MoU) on the sale of counterfeit goods via the Internet, brokered by the Commission in 2011, was **the first voluntary co-operation agreement between stakeholders** at the European level aimed at better enforcement of intellectual property rights (IPR).

EU policy on the protection of intellectual property rights

- *'Towards a renewed consensus on the enforcement of Intellectual Property Rights: An EU Action Plan' (COM(2014) 392)*
- *'Towards a modern, more European copyright framework' (COM(2015) 626)*
- *'Promoting a fair, efficient and competitive European Copyright-based economy in the Digital Single Market' COM(2016) 592 final*

EU: still remains a patchwork of national online markets

IPR ENFORCEMENT: TOWARDS A RENEWED CONSENSUS ON THE ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS: AN EU ACTION PLAN (2014)

► In July 2014, the Commission **proposed** a **Communication** entitled "Towards a renewed consensus on the enforcement of Intellectual Property Rights: An EU Action Plan" according to which the Commission seeks to **re-orientate its policy for intellectual property enforcement** towards better compliance with intellectual property rights (IPR) by all economic actors. In the fight **against counterfeiting**, the EC intended to continue to follow the «**follow the money**» approach.

On 9 June 2015, the European Parliament adopted a resolution 2014/2151(INI) '**Towards a renewed consensus on the enforcement of Intellectual Property Rights: An EU Action Plan**' on the Commission's communication COM (2014) 392 – setting an Action Plan to address infringements of intellectual property rights in the EU published on 1 July 2014.

► The European Parliament welcomed the Commission's Action Plan.

► According to the Parliament, the key objective should be to ensure the **effective, evidence-based enforcement of IPR**, which plays a key role in stimulating innovation, creativity, competitiveness, growth and cultural diversity.

► Ensuring **fair remuneration for creators** should as well be a crucial element of the EU Action Plan. To that end, the Parliament, inter alia, stated that all actors in the supply chain have a role to play in the fight against IPR infringement and should be involved in this process.

► Furthermore the Parliament stressed the importance of **ensuring the application of due diligence throughout the supply chain**, the need for operators in the industry to exchange information about platforms which provide access to content that infringes IPR, the importance of sector-based agreements and good practice guides to combat IPR infringements, the involvement of organised crime in international IPR-infringing activities.

► Moreover, Parliament's resolution emphasised the **importance of improving civil enforcement procedures for SMEs** and **individual creators** as regards IPRs and called on the Commission to adapt the EU legislative framework regarding IPR infringement to the internet environment.

What the European Commission did

► In **September 2014**, the Commission set up an **Expert Group** on the enforcement of intellectual property rights.

► On 9 **December 2015** the Commission launched a **Public Consultation** on the evaluation and modernisation of the legal framework for the enforcement of IPR.

► On 17 **December 2015** the Commission launched a **Public Consultation on** due diligence and supply chain integrity in order to identify the mechanisms developed by companies to secure and monitor their supply chains to reduce the risk of intellectual property infringements.

► On 21 **June 2016,** the Commission held the "**Intellectual Property Rights Enforcement Conference**" to review the progress made in disrupting IP infringing activities at the source and ensuring supply chain integrity.

Moving Towards Eu Copyright Reform

COMMUNICATION: PROMOTING A FAIR, EFFICIENT AND COMPETITIVE EUROPEAN COPYRIGHT-BASED ECONOMY IN THE DIGITAL SINGLE MARKET (2016)

This Communication presented the latest **developments** and **state of play** following the **December Communication**.

The Commission implemented an ambitious agenda that both modernized the EU copyright framework for **the benefit of all stakeholders** and **supported the availability** and **visibility of European** cultural and creative content, including across borders. The legislative initiatives and financial support measures were mutually supportive and reinforcing.

"Our creative industries will benefit from these reforms which tackle the challenges of the digital age successfully while offering European consumers a wider choice of content to enjoy. We are proposing a copyright environment that is stimulating, fair and rewards investment".

-Günther H. Oettinger, Commissioner for the Digital Economy and Society

2017 Package: Enforcement of intellectual property rights

As announced in the Single Market Strategy and Digital Single Market Strategy, on 29 **November 2017** the Commission adopted a **comprehensive package** of measures **to further improve the application and enforcement of IPR**, and to step up the **fight against counterfeiting and piracy**.

With this package the Commission addressed issues related to judicial enforcement, and looked more broadly at the potential and added value of industry-led initiatives, the roles of public authorities and how to fight IP infringements within the EU, at our borders and internationally.

The **aim** was **to encourage the investment** in creativity and innovation by European companies, in particular SMEs.

IP Package - key documents

- **Overall strategy**
  - Communication "A balanced IP enforcement system responding to today's societal challenges" COM(2017) 707
- **IPR Enforcement**
  - Communication "Guidance on certain aspects of Directive 2004/48/EC on the enforcement of intellectual property rights" COM(2017) 708
  - Commission SWD: Evaluation Report on IPRED SWD(2017) 431
  - Commission SWD: Overview of the functioning of the MoU on the sale of counterfeit goods via internet SWD(2017) 430
- **Standard Essential Patents (SEPs)**
  - Communication "Setting out the EU approach to Standard Essential Patents" COM(2017) 712

2017 Package: Enforcement of intellectual property rights

COMMUNICATION: A BALANCED IP ENFORCEMENT SYSTEM RESPONDING TO TODAY'S SOCIETAL CHALLENGES (COM 2017) 707

This Communication **sets out a comprehensive set of measures and actions** aims at ensuring a coordinated and effective approach across EU policies to further improve the fight against IP infringements. To ensure a maximum visibility, the Commission is working with the EUIPO to make information on all measures and actions available via a single web portal. The magnitude of counterfeiting and piracy and their impact on our society require effective enforcement responses, involving fast and coordinated intervention from a multitude of players, both public and private, acting at every level, from local to global.

2017 Package: Enforcement of intellectual property rights

COMMUNICATION: GUIDANCE ON CERTAIN ASPECTS OF DIRECTIVE 2004/48/EC ON THE ENFORCEMENT OF IP RIGHTS AND A REPORT ON THE EVALUATION OF THIS DIRECTIVE COM (2017) 708

The objective of the guidelines is to **facilitate the interpretation and application of Directive 2004/48** by the competent judicial authorities and other stakeholders, who are concerned with respect for intellectual property rights in judicial proceedings. The measures, procedures and remedies provided for by the Directive constitute an effective, coherent and **common toolbox for IP enforcement** across the single market

2017 Package: Enforcement of intellectual property rights

COMMUNICATION: GUIDANCE ON CERTAIN ASPECTS OF DIRECTIVE 2004/48/EC ON THE ENFORCEMENT OF IP RIGHTS AND A REPORT ON THE EVALUATION OF THIS DIRECTIVE COM (2017) 708

The Directive's application by national authorities and other affected parties would benefit from appropriate guidance on how to interpret its key provisions, taking into account means especially important for SMEs. It would also benefit from more best practices for public exchange, more **transparency on IP-related case law** and more national judges able to deal with IPR infringement claims. **The document is not legally binding**, and the guidance provided does **not affect the jurisprudence of the CJEU.**

2017 Package: Enforcement of intellectual property rights

COMMISSION SWD: EVALUATION REPORT ON IPRED SWD(2017) 431

The evaluation of the Directive has demonstrated that the **measures, procedures and remedies** set out in IPRED have **effectively helped to better protect IPR** throughout the EU and better deal with IPR infringements in civil courts. The Directive has led to the creation of **a common legal framework** where the same set of tools is to be applied across the Union. In this respect, it has achieved the objective of approximating the legislative systems of the Member States for the civil enforcement of IPR.

2017 Package: Enforcement of intellectual property rights

COMMISSION SWD: EVALUATION REPORT ON IPRED SWD(2017) 431

However, **substantial differences remain** in the practical application of the Directive in the different Member States:

► the directive is of minimum harmonization;

► diversity of national legal systems of civil procedure and the lack of a uniform interpretation of some provisions.

MoU on the sale of counterfeit goods via the internet

- **Objectives**
  - establishing a **code of practice** in the fight against online sale of counterfeit goods
  - enhancing **collaboration** among the stakeholders
  - exchanging **experiences**, identifying **best practice** and disseminating it across the market
- **Commitments**
  - notice and take-down procedures
  - pro-active and preventive measures
  - information sharing, transparent policies
  - evaluation of key performance indicators (KPIs)

2017 Package: Enforcement of intellectual property rights

COMMUNICATION "SETTING OUT THE EU APPROACH TO STANDARD ESSENTIAL PATENTS" COM(2017) 712

In its Communication, the Commission proposes a number of measures and **sets out key principles** to promote a balanced, clear and predictable framework for the licensing of SEPs on fair, reasonable and non-discriminatory terms (FRAND).

It provides for a clearer framework to incentivise the development of, and ease the access to key technologies that enable interconnection and connectivity. Stakeholders will have better legal certainty for the development and licensing of technologies required for the hyper-connected society.

2017 Package: Enforcement of intellectual property rights

COMMUNICATION "SETTING OUT THE EU APPROACH TO STANDARD ESSENTIAL PATENTS" COM(2017) 712

The Communication covers **3 key aspects** of standard-essential patents. It:

► contributes to a more transparent environment for negotiations between SEP holders and potential licensees

► proposes common valuation principles for SEPs technology

► suggests ideas for a balanced and predictable enforcement regime.

Enforcement Directive – next steps

- **Building on the Guidance, the Commission is:**
  - Working closely with **Member States** to ensure full compliance with the Guidance
  - Working with **Member States** and the legal community to develop best practice and further practical guidance
- **Member States are called up on:**
  - To invest in a specialisation of judges
  - To improve publication of judgements

MODULE III

INTELLECTUAL PROPERTY RIGHTS STRATEGY IN EUROPE

(lecture II)

Fairness and IPR

WHAT'S THE MEANING OF FAIRNESS?

The notion of **fairness** is often used in **IP law** to justify the protection of inventors, creators, trademark owners and others against certain forms of free-riding. It is also used to **restrict abusive** and **anti-competitive** conduct by IP owners. Fairness can infuse the protection of the "fruits of intellectual labour" with a degree of proportionality and thus constitute one of the justificatory theories of many forms of IP. The best-known role of fairness on the IP stage may be the notion animating **fair use** and **fair dealing limitations** on copyrights in common law jurisdictions. Fair use is also applicable with different contours to trade-marks.

Strengthening fairness and balance in the IPR civil enforcement framework

THE DIFFICULTIES IN ENFORCING THE IPRED PROVISIONS

The **unpredictable amount** of compensation to be awarded and the **low probability** of obtaining **appropriate compensation** for the damages suffered were some of the main reasons given to explain why rightsholders do not seek civil redress in cases of IPR infringement.

Article 13

Damages

1. Member States shall ensure that the competent judicial authorities, on application of the injured party, order the infringer who knowingly, or with reasonable grounds to know, engaged in an infringing activity, to pay the rightholder damages appropriate to the actual prejudice suffered by him as a result of the infringement.

When the judicial authorities set the damages:

(a) they shall take into account all appropriate aspects, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused to the rightholder by the infringement;

or

(b) as an alternative to (a), they may, in appropriate cases, set the damages as a lump sum on the basis of elements such as at least the amount of royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question.

2. Where the infringer did not knowingly, or with reasonable grounds to know, engage in infringing activity, Member States may lay down that the judicial authorities may order the recovery of profits or the payment of damages, which may be pre-established.

Digital Single Market Strategy and the importance of fundamental rights

ART. 13: AN APPROPRIATE COMPENSATION FOR THE PREJUDICE SUFFERED:

According to Article 13(1), the damages should be appropriate to the actual prejudice suffered as a result of the infringement. The **aim** is to **compensate** that **prejudice in full**. The Directive provides for two possibilities to set such damages.

Contrary to for instance Article 13(2), these are therefore not two options for the Member States; rather, it is for the applicant and ultimately the competent judicial authority to decide which of these **two alternative methods** is to be applied in order to set the damages in a given case.

Strengthening fairness and balance in the IPR civil enforcement framework

ART. 13: THE POSSIBILITY OF CLAIMING COMPENSATION FOR MORAL DAMAGES

A party injured by an IPR infringement who brings a claim for damages to compensate for the prejudice suffered, set in accordance with the lump sum method of Article 13(1)(b) of IPRED, may claim and, **if the claim is substantiated**, be awarded not only compensation for material damage but also for the **moral prejudice** caused by that infringement.

Strengthening fairness and balance in the IPR civil enforcement framework

ART. 13: CJEU AND THE INTERPRETATION OF 13 IPRED:

On 25 **January 2017**, the **CJEU** handed down a judgment in case **C-367/15**, concluding that Article 13 of Directive EC 2004/48 does not prevent a national regulation from stating that when an intellectual property right ("IPR") has been infringed, the IPR owner may claim an amount corresponding to twice the remuneration amount that the third party would have had to pay to make an authorized use of the IPR in question. It doesn't mean that Member States cannot introduce punitive damages - from conferring a higher level of protection - into their national legislation. It simply means that they are not required to do so.

Making the IPR civil enforcement framework more efficient and effective

A fair regulation would imply also taking into account the differentiation between the various forms of counterfeiting. The measures to protect intellectual property must be **flexible** and should **not stifle innovation**. It is important to ensure that:

►the measures established and applied in accordance with the IPRED to be viable for all parties concerned and proportionate to the gravity of infringement, they must also respect the **fundamental rights to a presumption of innocence, the right to a fair trial, the right to privacy and the right to the confidentiality of communications**;

► the measures to be taken against intermediaries: the **right of information**, provisional and precautionary **measures** and permanent injunctions;

► the procedural tools to rights-holders, allowing them to protect their rights in the framework of an established court case, in front of the competent judicial body which applies the necessary procedural safeguards to all parties involved.

Article 14

Legal costs

Member States shall ensure that reasonable and proportionate legal costs and other expenses incurred by the successful party shall, as a general rule, be borne by the unsuccessful party, unless equity does not allow this.

Making the IPR civil enforcement framework more efficient and effective

ART. 14: CJEU AND THE INTERPRETATION OF 14 IPRED

The CJEU has clarified some important aspects about article 14:

► it is applied to legal costs, which includes **lawyers' fees**, as well as to **other costs** directly and closely related to the judicial proceedings concerned. The latter includes costs incurred for the **services of a technical adviser**, where those services are essential in order for a legal action to be usefully brought seeking, in a specific case, to have a right upheld;

Making the IPR civil enforcement framework more efficient and effective

► article 14 of IPRED does not preclude national legislation providing for **a flat-rate scheme to reimburse costs** for a lawyer's assistance, provided that those rates ensure that the costs to be borne by the unsuccessful party are reasonable, taking into account features which are specific to the case. However, Article 14 **precludes** national legislation providing for **flat rates which are too low** to ensure that, at the very least, a significant and appropriate part of the reasonable costs incurred by the successful party are borne by the unsuccessful party.

Ensuring a balanced approach to IPR enforcement and preventing abuse

The protection of IPRs, which is an important objective, should at the same time **not** lead to **increased abuses to the detriment of the users** of protected goods. At the same time, the advent of the digital age has also meant that fundamental rights can be violated in new ways. It's essential to ensure that the delicate balance between the fundamental right to property, including IP, and the other fundamental rights, is respected.

Ensuring a balanced approach to IPR enforcement and preventing abuse

CJUE AND FUNDAMENTAL RIGHTS PERSPECTIVE:

In addition to the need for measures established and applied in accordance with the IPRED to be viable for all parties concerned and proportionate to the gravity of infringement, they must also respect the **fundamental rights to a presumption of innocence, the right to a fair trial, the right to privacy and the right to the confidentiality of communications.** This applies in particular for the provisions concerning the information on the identity of an alleged infringer. Any reinforcement of the contribution of intermediaries in the fight against illegal file sharing must remain compliant with these fundamental rights.

Ensuring a balanced approach to IPR enforcement and preventing abuse

► IPRED respects all of the fundamental rights and observes the principles recognized in particular by **the Charter of Fundamental Rights of the European Union**.

► In particular, in all cases where the provisions of IPRED are interpreted and applied and where various **conflicting fundamental rights** protected in the EU's legal order are at stake, it should be ensured that a fair balance is struck between them, in light of the **principle of proportionality**.

► A range of CJEU judgements issued address this issue.

Decision n. C-275/06 PROMUSICAE Productores de Música de España v. Telefónica

Rights in conflict

Privacy
(art. 7 Charter of Nice)

«Everyone has the right to respect for his or her private and family life, home and communications.“

Right to property
(art. 17, n. 2, Charter of Nice)

«Intellectual property shall be protected»

Sources:

Directive 2000/31/EC (E-commerce Directive)
Directive 2001/29/EC (Harmonization of Copyright)
Directive 2004/48/EC (Enforcement Directive)
Directive 2002/58/EC (Privacy and Electronic)

Decision n. Case C-70/10

Decision n. Case C-360/10

SABAM

NETLOG

Rights in conflict

Charter of Fundamental Rights

Art. 17 (2)
Right to Property

"Intellectual property shall be protected"

Charter of Fundamental Rights

Art. 16
Freedom to conduct a business

"The freedom to conduct a business in accordance with Community law and national laws and practices is recognized".
(providers)

Charter of Fundamental Rights

Art. 8
Protection of personal data

Art. 11
Freedom of expression and information

(users)

Article 8
Right of information

1. Member States shall ensure that, in the context of proceedings concerning an infringement of an intellectual property right and in response to a justified and proportionate request of the claimant, the competent judicial authorities may order that information on the origin and distribution networks of the goods or services which infringe an intellectual property right be provided by the infringer and/or any other person who:

(a) was found in possession of the infringing goods on a commercial scale;

(b) was found to be using the infringing services on a commercial scale;

(c) was found to be providing on a commercial scale services used in infringing activities;

or (d) was indicated by the person referred to in point (a), (b) or (c) as being involved in the production, manufacture or distribution of the goods or the provision of the services.

2. The information referred to in paragraph 1 shall, as appropriate, comprise:

(a) 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.

3. Paragraphs 1 and 2 shall apply without prejudice to other statutory provisions which:

(a) grant the rightholder rights to receive fuller information;

(b) govern the use in civil or criminal proceedings of the information communicated pursuant to this Article; (c) govern responsibility for misuse of the right of information;

or (d) afford an opportunity for refusing to provide information which would force the person referred to in paragraph 1 to admit to his/her own participation or that of his/her close relatives in an infringement of an intellectual property right;

or (e) govern the protection of confidentiality of information sources or the processing of personal data.

Ensuring a balanced approach to IPR enforcement and preventing abuse

STRIKING A FAIR BALANCE BETWEEN THE APPLICABLE FUNDAMENTAL RIGHTS IN THE CASE OF THE RIGHT OF INFORMATION (ART.8)

When dealing with **right of information** requests brought under **Article 8**, situations can exist where several fundamental rights need to be balanced with one another.

Under it, the competent judicial authorities can require an infringer or certain other persons to provide information on the origin and the distribution networks of the goods or services which infringe an IPR. This information can include personal data, where such disclosure occurs in compliance with the applicable legislation on the protection of personal data and provided safeguards exist to ensure a **fair balance** between the **various fundamental rights** at issue.

"THE DIGITAL SINGLE MARKET STRATEGY RELIES ON FAIRNESS TO DEFINE A COMPETITIVE AND INNOVATION-DRIVEN ENVIRONMENT".

IMPORTANCE OF THE ONLINE PLATFORM ECONOMY

1 million businesses are already selling goods and services via online platforms

ONLINE PLATFORMS DRIVE **INNOVATION AND GROWTH** IN THE DIGITAL ECONOMY:

22% of the value of e-commerce are generated by business selling their products and services on online platforms.

European e-commerce turnover increased by **15%** to **€530 billion** in 2016

For 2017, European Business-to-Consumer (B2C) e-commerce turnover was forecast to reach around **€602 billion**, at an annual growth rate of nearly **14%**

ONLINE PLATFORMS CREATE SIGNIFICANT **EU MARKET OPPORTUNITIES**, IN PARTICULAR FOR SMALL AND MEDIUM ENTERPRISES (SMEs)

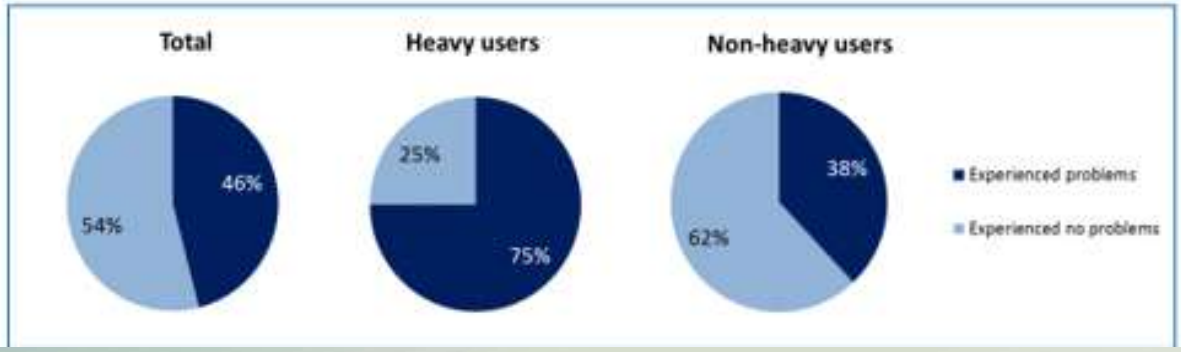
more than **50%** of SMEs selling through online marketplaces sell cross-border

Where a particular marketplace created a webpage dedicated to the small retailers:

the **79** retailers participating in these platforms	sold more than **87,500** items	with a total value of more than **€3.2 million**	delivered to **84** countries in a year

Commission Study

- *About **46%** of business users have problems with platforms (of which **21%** with a certain frequency);*
- **75%** of heavy users are far more likely to experience problems, with **33%** of them experiencing them often;
- **66%** of EU SMEs say that the position in research results influences their sales



Impact Assestment of the Proposal

- *Nearly **50%** of European businesses operating on platforms had experienced problems, of which **38%** related to contractual relations and remained unsolved;*
- *The **26%** had been solved but "with difficulties"; with an estimated in lost sales as a direct result. **€1.27-2.35 billion.***

Digital Single Market Strategy: European Commission proposes Regulation to increase fairness and transparency for business users of online platforms

On **26 April 2018**, as part of its Digital Single Market initiatives, the European Commission adopted **a proposal for a Regulation** on promoting fairness and transparency for business users of online intermediation services.

The proposed Regulation **aims** to improve the functioning of the Digital Single Market and to **create** a **fair**, **transparent** and **predictable business environment** for smaller businesses (SMEs) and traders when using online platforms and search engines.

Digital Single Market Strategy: European Commission proposes Regulation to increase fairness and transparency for business users of online platforms

Among other things, the proposed new Regulation would:

► **Increase transparency** by requiring providers of online intermediation services to ensure that their terms and conditions for professional users are easily understandable and easily available;

► **Help companies** resolve disputes more effectively by making providers of online intermediation services set up an internal complaint-handling system;

► Set up an **EU Observatory** to monitor the impact of the new rules.

Fairness and transparency for business users of online services: Regulation UE 2019/1150

On 11 July **2019**, **Regulation** (EU) **2019/1150** of the European Parliament and of the Council of 20 June 2019 on promoting fairness and transparency for business users of online intermediation services was published in the Official Journal.

Along with the new rules, the Commission created the **Observatory on the online platform economy** in order to monitor the latest trends in this sector. Platforms must comply with the P2B Regulation before it starts to apply on 12 July 2020.

WHAT ARE THE BENEFITS OF THE NEW RULES?

Increased innovation opportunities in the online ecosystems through binding rules and enhanced transparency to foster trust and fairness in the market

Common P2B rules based on transparency, dispute resolution and monitoring.

Greater regulatory predictability for businesses

Greater legal certainty for platforms and general online search engines within the EU.

EU Observatory closely monitoring, anticipating and solving issues in the online economy.

Digital Single Market Strategy and the importance of fundamental rights

The Digital Single Market must be built on **reliable**, **trustworthy**, **high-speed**, **affordable networks** and services that safeguard **consumers' fundamental rights** to privacy and personal data protection while also encouraging innovation. In particular, Cyber threats are a borderless problem and have a negative impact on our economy, on citizens' fundamental rights and on society at large. The growing number of offences (for instance data interception, online payment fraud, identity theft, trade secrets theft) is leading to significant economic losses. They often result in disruption of services, fundamental rights violations and undermine citizens' trust in online activities.

MODULE III

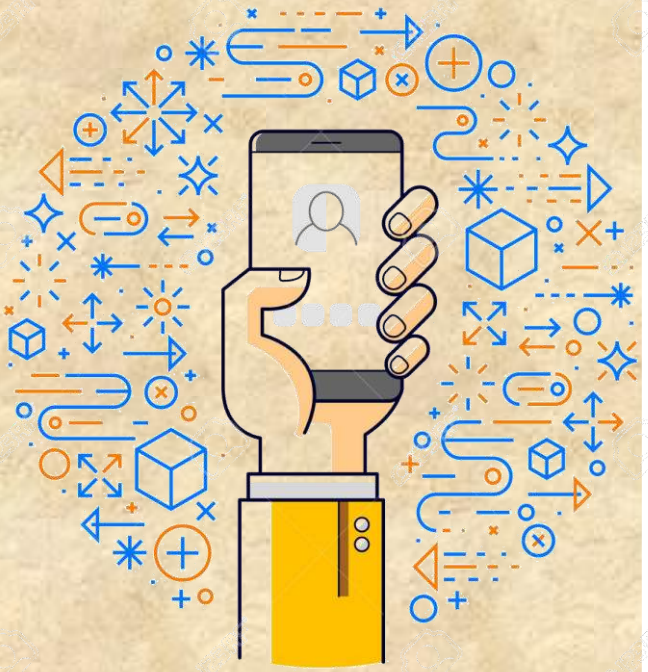
INTELLECTUAL PROPERTY RIGHTS STRATEGY IN EUROPE

(lecture III)

The global digital enforcement of intellectual property

Digital technology is arguably humankind's greatest achievement. Thanks to Big Tech and the advent of platforms such as Google, Alibaba, Amazon, Facebook, and Twitter, the way we live, search for things, shop, communicate, create or enjoy digital contents have all changed fundamentally.

The rapid growth of the digital economy, enabled by broadband penetration, and coupled with increases in computing power and storage, creates global markets for content and rights holders. But it also creates a threat that — without adequate controls — piracy will damage the creative industries



Intellectual Property Rights in Digital Environment

In a context of innovation the progress should be determined on a fair and balanced playing field, so that the best ideas float to the top and everyone benefits. With this format in place, the ability for those who innovate successfully and receive rewards and incentive to continue doing so and those who have problems in need of solutions both benefit.

In the past, IP protection has been a valued and effective tool to dissuade counterfeiting and piracy. Now that **distribution** has become **digitally interconnected** and global at a rapid pace, IP protection is of even more significance to overall progress. It important to guarantee a regulation to keep pace with evolving socio-economic or technological realities.

"The industrial revolution of our time is digital. We need the right scale for technologies such as cloud computing, data-driven science and the internet of things to reach their full potential. As companies aim to scale up across the Single Market, public e-services should also meet today's needs: be digital, open and cross-border by design. The EU is the right scale for the digital times".

- **Ansip Andrus,** Vice-President for the Digital Single Market

Communication: Digitising European Industry Reaping the full benefits of a Digital Single Market (2016)

The Communication "Digitisation of European industry - Reaping the full benefits of a Digital Single Market" was presented on 19 April 2016 together with three other Communications on Cloud Computing (European Cloud Computing Initiative - Building a competitive data and knowledge economy in Europe), the digital transformation of public administration (EU eGovernment Action Plan 2016-2020 - Accelerating the digital transformation of public administration) and on ICT standardisation (ICT standardisation priorities). This package is one of 16 initiatives in the roadmap for implementing the Digital Single Market and aims to reverse the EU's de-industrialisation process by exploiting the opportunities of digital technologies.

Its aim is to reinforce the **EU's competitiveness in digital technologies and to ensure that every industry in Europe, in whichever sector, wherever situated, and no matter of what size can fully benefit from digital innovations.**

European Cloud Initiative - Building a competitive data and knowledge economy in Europe (2016)

The European Cloud Initiative is designed to help science, industry and public authorities in Europe access world-class data infrastructures and cloud-based services as they become the decisive factors for success in the digital economy

It also should respects **high standards** of **quality**, **reliability** and **confidentiality**, to ensure protection of personal data and intellectual property, and security – in terms of resilience and protection against intrusion.

The growing importance of online platforms in the digital economy

Online platforms have dramatically changed the digital economy, bringing many benefits in today's digital society and creating "**digital value**", that is very important to the effective functioning of the digital single market.

However, the growing importance of the digital economy linked with the diversity and fast-changing nature of platform ecosystems also raise new policy and regulatory challenges.

Communication: Online platforms and the Digital Single Market Opportunities and challenges for Europe (2016)

In order to promote the development of platforms, it is necessary to create a digital single market that is functional and **breaks down barriers** to allow companies to quickly integrate and develop in the European context.

As regards IP protection, the use of online platforms for sharing content has greatly expanded the audience of users, thus increasing the economic benefits for the content distribution. In this sense there is a **growing concern** as to whether the value generated by some of these new forms of online content distribution is fairly shared between distributors and rights holders.

Communication: Online platforms and the Digital Single Market Opportunities and challenges for Europe (2016)

In the context of the **evaluation** and **modernisation** of the **enforcement** of intellectual property rights the Commission will assess the role intermediaries can play in the protection of intellectual property rights, including in relation to counterfeit goods, and will consider amending the specific legal framework for enforcement.

Infact, it is necessary to preserve the importance of transparency and of ensuring a level playing field. The protection of rightsholders within the copyright and intellectual property framework is necessary in order to ensure recognition of values and stimulation of innovation, creativity, investment and the production of content.

Communication: Online platforms and the Digital Single Market Opportunities and challenges for Europe (2016)

For that reason, the Commission will continue to engage with platforms in setting up and applying **voluntary cooperation mechanisms** aimed at depriving those engaging in commercial infringements of intellectual property rights of the revenue streams emanating from their illegal activities, in line with a "follow the money" approach.

Communication: Online platforms and the Digital Single Market Opportunities and challenges for Europe (2016): one look to the e-commerce Directive

The liability regime for intermediary service providers, as set out in the **Directive 2000/31/EC**, was designed at a time when online platforms did not have the characteristics and scale they have today and its aim was to create a **technology-neutral regulatory environment** that has considerably facilitated their scaling-up.

While certain concerns were raised on liability issues the consultation showed broad support for the existing principles of the e-Commerce Directive.

Article 14

Hosting

1. Where an information society service is provided that consists of the storage of information provided by a recipient of the service, Member States shall ensure that the service provider is not liable for the information stored at the request of a recipient of the service, on condition that:

(a) the provider does not have actual knowledge of illegal activity or information and, as regards claims for damages, is not aware of facts or circumstances from which the illegal activity or information is apparent; or

(b) the provider, upon obtaining such knowledge or awareness, acts expeditiously to remove or to disable access to the information.

2. Paragraph 1 shall not apply when the recipient of the service is acting under the authority or the control of the provider.

3. This Article shall not affect the possibility for a court or administrative authority, in accordance with Member States' legal systems, of requiring the service provider to terminate or prevent an infringement, nor does it affect the possibility for Member States of establishing procedures governing the removal or disabling of access to information.

"Online platforms are becoming people's main gateway to information, so they have a responsibility to provide a secure environment for their users. What is illegal offline is also illegal online. While several platforms have been removing more illegal content than ever before – showing that self-regulation can work – we still need to react faster against terrorist propaganda and other illegal content which is a serious threat to our citizens' security, safety and fundamental rights".

- Ansip Andrus,
the Digital Single Market

Communication on Tackling Illegal Content Online - Towards an enhanced responsibility of online platforms (2017)

This Communication lays down a set of guidelines and principles for online platforms to step up the **fight against illegal content online** in cooperation with national authorities, Member States and other relevant stakeholders. It aims to facilitate and intensify the implementation of good practices for preventing, detecting, removing and disabling access to illegal content so as to ensure the effective removal of illegal content, increased transparency and the protection of fundamental rights online.

The European Commission also promised to **monitor progress in tackling illegal content online** and assess whether additional measures are needed to ensure the swift and proactive detection and removal of illegal content online, including possible legislative measures to complement the existing regulatory framework.

Communication on Tackling Illegal Content Online - Towards an enhanced responsibility of online platforms (2017)

In particular, in order to promote the IP's protection, online platforms should put in place effective mechanisms to **facilitate the submission of notices** that are sufficiently precise and adequately substantiated to enable the platforms to take a swift and informed decision about the follow-up (e.g., asserting ownership for intellectual property rights (IPR).

This should facilitate the provision of notices that contain an explanation of the reasons why the notice provider considers the content illegal and a clear indication of the location of the potentially illegal content (e.g. the URL address).

Guidance on certain aspects of Directive 2004/48/EC of the European Parliament and of the Council on the enforcement of intellectual property rights (2017)

According to the European Commission it is important to **ensure an effective IPR enforcement in a digital context.** In fact, in a digital environment the services of intermediaries may increasingly be used by third parties for infringing activities.

In particular the IPRED Directive sets **two types of injunctions** that are – according to the rightsholders – essential instruments to protect IP rights.

Section 4
Provisional and precautionary measures

Article 9

Provisional and precautionary measures

1. Member States shall ensure that the judicial authorities may, at the request of the applicant:

a) issue against the alleged infringer an interlocutory injunction intended to prevent any imminent infringement of an intellectual property right, or to forbid, on a provisional basis and subject, where appropriate, to a recurring penalty payment where provided for by national law, the continuation of the alleged infringements of that right, or to make such continuation subject to the lodging of guarantees intended to ensure the compensation of the rightholder; an interlocutory injunction may also be issued, under the same conditions, against an intermediary whose services are being used by a third party to infringe an intellectual property right; injunctions against intermediaries whose services are used by a third party to infringe a copyright or a related right are covered by Directive 2001/29/EC;

Article 11

Injunctions

Member States shall ensure that, 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. Where provided for by national law, non-compliance with an injunction shall, where appropriate, be subject to a recurring penalty payment, with a view to ensuring compliance. Member States shall also ensure that rightholders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe an intellectual property right, without prejudice to Article 8(3) of Directive 2001/29/EC.

IPRED:Ensuring a balanced regime for injunctions and intermediaries

► It's the **competent judicial authority** which determines what measures will have to be taken (if any) by the defendant;

► In particular, Injunctions should be capable of being effective, but they should **not** go **beyond what is necessary and proportionate** in the circumstances of the case at hand to achieve that objective;

► It can be sufficient that they make the infringing acts in question difficult or seriously discourage them, without necessarily leading to the complete cessation thereof;

► The addressee of the injunction **cannot** be required to make "**unbearable sacrifices**";

► **Measures** imposed need to be **sufficiently precise and effective**, without requiring that a measure must guarantee that an end is put to the infringement;

► Compliance with the fundamental rights of all parties involved should be ensured in this regard, including those of third parties which may be affected by the measures taken to comply with the injunction such as internet users.

Decision n. Case C-70/10

At issue in Scarlet Extended was a system to be installed by an **internet service provider for filtering**

Decision n. Case C-360/10

A largely similar system, to be installed by a **hosting service provider** in respect of **information stored** on its servers, was at issue in SABAM.

In both cases the CJEU found that requiring the providers concerned to **install** such general **filtering systems** would not be compatible with Article 15 of the e-Commerce Directive and Article 3 of IPRED, read together with and construed in light of the requirements stemming from the protection of the applicable fundamental rights.

IPRED: The digital evidence regime

There're different regimes between the various Member States. In fact some of them provide for the possibility to **allow screenshots as evidence in legal proceedings** brought under IPRED, provided that they indicate the allegedly infringing goods or services in a sufficiently visible and precise manner and comply with certain procedural safeguards, can in the Commission's view be considered as best practice. Depending on national legal systems, such safeguards can include for instance the obligation to have such evidence taken by a notary or a bailiff.

"We are very pleased to see that Europeans are enjoying their new digital rights across borders. This is another concrete step taken towards building a true Digital Single Market and modernising EU rules to make them fit with the digital era".

- Ansip Andrus, Vice-President for the Digital Single Market

Regulation on cross-border portability of online content services in the internal market (2017)

In the context of guarantee an unlimited access throughout the Union to online content services that are lawfully provided to consumers in their Member States, adopted on June 2017.

Its aim is ensuring that consumers who buy or subscribe to films, sport broadcasts, music, e-books and games **can access** them **when they travel** in other **EU countries**.

Portability, together with **mobile roaming** and the **removal** of unjustified **geo-blocking**, is a cornerstone of the European Commission's Digital Single Market policy.

New Directive on Copyright and Related Rights in the Digital Single Market (2019)

On 15 April 2019, the European Council approved the **Directive on Copyright and Related Rights in the Digital Single Market**. This Directive intends to make EU copyright rules fit for the digital age.

The digital age has transformed the way in which researchers carry out their work, how we conceive business and share knowledge and information. Current copyright rules are not adapted to the growing digital landscape – a fact which made it necessary to bring these rules up to speed and offer an appropriate regulatory framework that encourages creative work and innovation while striking the balance with freedom of expression and the need to promote

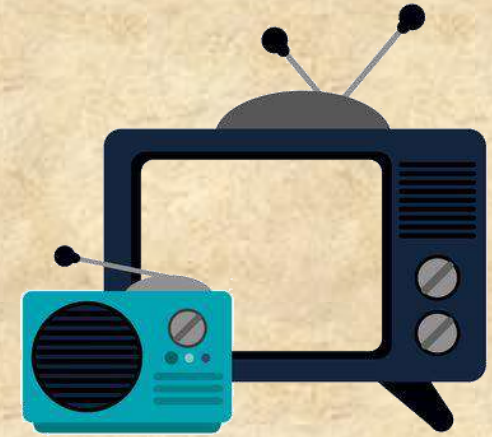
research, education, access to information and cultural heritage.

“The long awaited Copyright Directive adoption is a crucial cornerstone for our Digital Single Market. By providing a clearer legal framework fit for the digital world, it will strengthen the cultural and creative sectors, and bring added value to the European citizens”.

- Mariya **Gabriel**, Commissioner for Digital Economy and Society

Directive on television and radio programmes (2019)

This Directive – approved on May 2019 – lays down rules on the exercise of copyright and related rights applicable to certain online transmissions of broadcasting organisations and retransmissions of television and radio programmes, and amending Council Directive 93/83/EEC.



The new rules will make it **easier** for European **broadcasters** to make certain programmes available on their live TV or catch-up services **online**, and will simplify the distribution of more radio and TV channels by retransmission operators. This agreement marks an important step towards a fully functioning Digital Single Market.

MODULE III

INTELLECTUAL PROPERTY RIGHTS STRATEGY IN EUROPE

(lecture IV)