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## UK IP Enforcement Regulations Enter into Force

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On April 29, 2006, the Intellectual Property (Enforcement) Regulations 2006 (the UK Regulations) entered into force in the United Kingdom. The UK Regulations implement the European Union IP Rights Enforcement Directive (the EU Directive) (2004/48/EC), which took effect on May 20, 2004.

### EU Directive

The EU Directive aims to establish a common framework by harmonizing civil enforcement of intellectual property rights and the remedies and penalties relating to IP infringement across the European Union. Proposed by the European Commission in January 2003 and based on best practices across Member States, the EU Directive is aimed to "result in less expensive litigation, more uniformity, and more certainty."

### UK Regulations

Many of the provisions of the EU Directive were taken from existing English law; nonetheless, the UK Regulations amend each of the key domestic IP statutes in addition to related secondary legislation and the applicable civil procedural rules. The UK Regulations also implement the EU Directive on the Legal Protection of Designs (98/71/EC) and the EU Regulation on Community Designs (6/2002/EC), and amend the Agreement Establishing the World Trade Organization—including the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs)—and the European Economic Area Agreement.

### Key Amendments

**Assessment of Damages.** A potentially significant provision inserted by the UK Regulations relates to the assessment of damages "for infringement of an intellectual property right [where] the defendant knew, or had reasonable grounds to know, that he engaged in infringing activity." In this circumstance, the provision states, "the damages awarded...shall be appropriate to the actual prejudice...suffered." Where "appropriate," these damages "may be awarded on the basis of the royalties or fees which would have been due had the defendant obtained a licence." Alternatively, "all appropriate aspects shall be taken into account, including in particular: (i) the negative economic consequences, including any lost profits, which the claimant has suffered, and any unfair profits made by the defendant; and (ii) elements other than economic factors, including the moral prejudice

caused."

This provision marks a departure from existing UK law in two significant respects. Firstly, on a finding of infringement, a claimant is required to elect for either damages or an account of profits. The new provision now permits a court to consider "any unfair profits made by the defendant" when assessing damages. Secondly, prior to the UK Regulations, a court would not consider "moral prejudice;" this represents a shift from the previous consideration of only the actual financial loss suffered. It is presently unclear what this amendment will mean in practice: the term "moral prejudice" is not defined further in either the EU Directive or UK Regulations and, therefore, remains to be interpreted by the courts.

**Registered Designs Act 1949.** The UK Regulations confirm the status of registered designs and applications as "personal property;" the right of their transmission (for example, by assignment) subject to notice of conflicting rights and certain formalities; the range of infringement remedies available to registered design owners; the right of action of exclusive licensees, their infringement rights and range of remedies; and the exemption from liability for innocent infringers. These amendments remove previous inconsistencies with other forms of IP rights.

**Patents Act 1977 (PA 1977).** In infringement proceedings where "an amendment of the specification of a patent has been allowed under any of the [Act] provisions" or where "the validity of a patent is put in issue...and it is found that the patent is only partially valid," the UK Regulations now require the court to "take into account" when assessing damages whether: (a) "at the date of infringement," the defendant "knew or had reasonable grounds to know, that he was infringing the patent"; (b) "the specification of the patent was framed in good faith and with reasonable skill and knowledge"; and (c) the infringement proceedings were "brought in good faith." Criteria (a) and (c) are new considerations, whereas (b), previously a mandatory condition, is now discretionary.

Also under the UK Regulations, where the right holder failed to register the relevant "transaction, instrument or event" (for example, assignment or license) within six months of its date, it will now lose only "costs or expenses" in infringement proceedings, as opposed to the previous, more onerous loss of damages or an account of profits.

**Trade Marks Act 1994.** Consistent with the amendment of the PA 1977, under the UK Regulations, where the right holder failed to register the relevant "registrable transaction" within six months of its date, again it will now lose only "costs" in infringement proceedings, as opposed to the previous loss of "damages or an account of profits."

**Copyright, Designs and Patents Act 1988 (CDPA 1988).** The UK Regulations introduce the presumptions of ownership of a performance and publication right in civil infringement proceedings. This removes, in each case, the evidential burden that would otherwise have to be met by the claimant.

**Copyright and Rights in Database Regulations 1997.** Additionally, the UK Regulations apply various provisions of the CDPA 1988 "to database right and databases in which that right subsists"--in particular, those provisions relating to the delivery up, seizure and disposal of infringing copies. This removes the previous inconsistency with the law of copyright.

**Community Design Regulations 2005.** Finally, the UK Regulations confirm that the range of remedies available for infringement of national (registered or unregistered) designs apply equally to the infringement of Community (registered or unregistered) designs, thereby removing the previous inconsistency.

## **Summary**

Rather than effect significant changes, the UK Regulations largely clarify and confirm the existing law, ensuring a greater consistency among rights and remedies available for the enforcement of various forms of IP rights in the United Kingdom.

Of particular note, the new assessment-of-damages provision allows claimants to receive greater compensation in cases of knowing infringement. The amendment does not appear, however, to have introduced a doctrine of punitive or exemplary damages; the awardable damages will continue to compensate the claimant for only the actual prejudice suffered, which now includes "moral prejudice."

## **Proposal for EU Directive on Criminal Measures for IP Enforcement**

On April 26, 2006, the European Commission adopted an amended proposal for a further draft Directive (the Draft Directive), designed to "improve...cooperation," and harmonize and "strengthen the criminal law framework" for IP enforcement across the European Union. The Commission had originally proposed criminal provisions in the EU Directive above, but these had been dropped during intense negotiations, largely as a result of the desire to enact the EU Directive prior to the Member State expansion that took place on May 1, 2004.

The Draft Directive follows the decision of the European Court of Justice (ECJ) in Case C-176/03 (September 13, 2005), which states that the criminal law provisions necessary for the effective implementation of EU law are a matter for the European Union.

The draft provisions require Member States to regard all intentional IP infringements on a commercial scale (including attempting, aiding or abetting, and inciting such infringements) as a criminal offense. They also impose remedies such as imprisonment and/or monetary fines and, in appropriate cases, the seizure, forfeiture and destruction of infringing goods. It remains to be seen whether this draft will survive the legislative process.

For more information on this or other intellectual property matters, please contact the authors listed above.