



Global Business Dialogue on Electronic Commerce

## Intellectual Property Rights Enforcement Recommendations

October 29, 2002

Leading Co-Chair (Europe/Africa)

*Gunter Thielen*  
Chairman & CEO  
Bertelsmann

Co-Chair (Asia/Oceania)

*Michio Naruto*  
Chairman, Fujitsu Research  
Institute & Special  
Representative, Fujitsu Ltd.

### IPR ENFORCEMENT ONLINE

The GBDe IPR Working Group has now covered general principles of IPR protection (1999), IPR-specific notice and takedown procedures (2000) and technological protection measures (2001)<sup>14</sup>. The natural progression was for the Working Group to look at enforcement mechanisms taking as a starting point the Paris Recommendations (1999). This paper concentrates on online enforcement only because of the GBDe scope of activities; off-line piracy remains a crucial problem, but will not be addressed here.

The digital environment offers a wide range of possibilities to all stakeholders. In particular, technical development has moved the Internet increasingly from a centralized structure where users consume 'flat' content offered by web sites to one where more powerful devices, with cheaper connectivity and faster transmission speeds, offer consumers access to richer online content. The advent of broadband promises ubiquitous access to all types of intellectual property in a manner previously not possible. This

permits not only a greater dissemination of such intellectual property but also stimulates consumer demand for the devices and services that enable access.

Piracy and counterfeiting of intellectual property, however, risk devastating the development of sustainable online content distribution worldwide. A legitimate market for intellectual property online and relevant access devices and services can only reach its full potential if piracy and counterfeiting are adequately addressed. In the absence of effective enforcement against such activities, legal business online in intellectual property will not thrive.

The following recommendations cover three areas of particular importance in this respect: (I) the enforcement against the immediate infringer, (II) the definition of online piracy and counterfeiting with respect to criminal law and (III) the prohibition of circumvention, including circumvention technologies and services, of technological measures protecting intellectual property.

<sup>14</sup> None of the previous recommendations are modified by this recommendation.

## I. Immediate infringer pays

One of the principles underlying the 1999 GBDe Liability Issue Group statement and the GBDe IPR specific notice and takedown recommendation of 2000 is that of immediate infringer pays. This principle should guide liability in a general context. This means that the party who commits the illegal act in the digital environment is the immediate offender and therefore should be primarily held liable for it. In specific cases, however, liability could be shared by more than one offender or even go beyond the immediate offender.

Along the same lines, both the US Digital Millennium Copyright Act and the European Electronic Commerce Directive provide for conditional safe harbours from monetary damages related to copyright infringement for intermediaries if certain, specific conditions are met, with the rightholder still able to pursue the immediate infringer. Both instruments require intermediaries to take down or block access to infringing content hosted on their systems or networks, when having actual knowledge or awareness of facts or circumstances from which infringement is apparent in order to qualify for the safe harbour from liability for monetary damages, and both instruments provide for the continued availability of injunctive relief.

The principle of “immediate infringer pays” is a vital element of the overall framework in which rightholders can pursue pirates and counterfeiters with the co-operation of intermediaries protected by these safe harbours.

The following recommendations aim to clarify what is required for effective online enforcement of intellectual property rights.

### 1. Access to available data

It is necessary to identify the alleged infringer in order for rightholders to take appropriate action to enforce their rights. Such information may be available from an intermediary, a third party such as a law enforcement authority or from publicly available databases such as the WHOIS database.

The GBDe member companies agree that reasonable access to data relating to primary infringers is a vital component of online enforcement. This includes data relating to online transactions retained by third parties such as online intermediaries and to data obtained by law enforcement agencies in the course of an investigation. It is equally imperative that robust and efficient procedures are in place for law

enforcement and civil parties to request the lawful disclosure of data required in evidence, together with immunity from liability for such disclosure and an appropriate mechanism for the reimbursement of additional costs incurred by intermediaries, such as service providers.

### 2. Data Retention and Preservation

Technical data such as IP addresses or the domain name are critical in the investigation of IPR infringements online. Matching information enabling the identification of the pirate or counterfeiter will usually be held by third parties, such as service providers or other intermediaries. If such data is unavailable, the perpetrator may not be identifiable and an investigation cannot progress.

The GBDe feels that data relating to the identification of infringers, where kept by online service providers or other intermediaries in the normal course of their business, or where preserved by them in response to a request by an authorized entity for the purposes of an infringement action or criminal investigation, should, be available for the purpose of enforcing rights, to the extent possible and in a way which is not unreasonably burdensome. Governments should seek equitable cost recovery mechanisms for intermediaries assisting in making such data available. The GBDe recognises that the availability of data stored and processed by intermediaries is subject to the limitations of data protection law in many jurisdictions.

### 3. Data Protection

Data Protection is an essential part of the legal framework for electronic commerce and vital to gain consumer confidence. Only if consumers feel confident in the digital environment will electronic commerce really flourish. Indeed, the GBDe has agreed on a number of important principles relating to data protection in business to consumer relationships.<sup>15</sup> This goal is compatible with protecting intellectual property on the Internet which should also promote consumer confidence and the flourishing of e-commerce. Data protection law permits derogations so that data can be disclosed for enforcement purposes, such as piracy investigations, while balancing the interests of data subjects.

The GBDe believes that data protection rules can and should be interpreted and applied to take account of the needs of IP enforcement including

<sup>15</sup> GBDe Recommendations on Consumer Confidence.

appropriate data access and preservation.

## **II. Criminal Piracy and counterfeiting in a network environment<sup>16</sup>**

Piracy and counterfeiting are major problems for the IPR industries. Each year, IPR industries lose billions of dollars as a result of such criminal activities. Independent sources estimate that 350,000 movies are downloaded each day.<sup>17</sup> It is estimated that in May 2002 there were approximately three million users and 500 million files available for copying at any one time on all of the peer-to-peer services worldwide.<sup>18</sup> The problem is even more acute because of the speed of transmission, the quality of the content transmitted and the global nature of the Internet. Pirates and counterfeiters can reach a global public at minimal cost and lower risk of detection. With the advent of broadband, this phenomenon could further escalate.

The changing character of content distribution may require a clarification of what constitutes criminal infringement or counterfeiting. While both activities have limitations in the analogue world, more substantial harm can be done in the digital world by the unlawful reproduction and distribution of intellectual property belonging to others.

Traditional definitions in criminal law of piracy and counterfeiting sometimes include the requirement that it is done "for profit" or "on a commercial scale" in the sense that the motivation of the perpetrator is economic gain. This standard has already reached its limits in the analogue world, and the problem is more significant in the digital world. Today's technology allows anybody to act as a distributor of digital content without prohibitive costs. It is therefore more

---

<sup>16</sup> The GBDe is not proposing any change to the scope of IP rights and exceptions under national law and international treaties. Only conduct that does not fall within such exceptions can constitute infringement.

<sup>17</sup> VIANT (Boston-based consultancy)

<sup>18</sup> IFPI Privacy Report 2002

common for online pirates and counterfeiters to be individuals rather than commercial entities.

The solution to this problem lies in a clarification of what constitutes piracy or counterfeiting.

The GBDe members agree that the primary point of orientation for a definition of piracy or counterfeiting in criminal law should be the wilful or intentional violation of the underlying intellectual property rights. The subjective motivation of the infringer, whether to make a direct or indirect commercial profit or simply to cause mischief, should not be determinative. TRIPS Members should provide for criminal liability where significant harm is caused to rightholders by wilful infringement of intellectual property rights.

## **III. Development and protection of technological protection measures**

The deployment of standard and interoperable technological protection measures agreed by industry will also be a critical element in the fight against online piracy. The need to promote development of such measures, their scope of application and requirements as well as their appropriate protection are an essential element of the GBDe 1999 and 2001 Recommendations to which reference is made.