

ON THE ROAD TO THE EU

In summary

- 🌐 Romania is due to join the EU in January 2007.
- 🌐 It has a very limited period of time left to harmonise the legislation and the intellectual property perception, but clearly the transposition of Directive 2004/48/EC is a great step forward.
- 🌐 The new Law's provisions will hopefully contribute to the much-needed education regarding intellectual property that the Romanians currently lack.

Andrew Vlad Ratza of Ratza & Ratza in Bucharest describes how Romania overcomes the biggest obstacle towards EU accession: itself

Most of the foreigners associate Romania to the following names: Hagi, Nadia Comaneci and Ceausescu. The ones who visited Romania in the past fifteen years also remember the street dogs and the street kids who begged at stoplights and in the centre of Bucharest and, of course, the bumpy roads. Now, Hagi has retired, Ceausescu is being forgotten and let to rest in peace, the street dogs have been exterminated, the orphan children are being taken care of in foster homes and the bumpy roads have been repaired and new, modern highways are under construction. The only bumpy road remaining: the one towards the European Union.

Romania is making great efforts to join the EU in 2007, but is it doing enough? This article will focus on the transposition of Directive 2004/48/EC of the European Parliament and of the Council by the Romanian Government, related aspects, as well as other steps that must be taken, at least in the intellectual property field, before the accession itself.

Where is Romania now?

There is a quite well-established system entrusted with the protection of intellectual property rights in Romania. The Patent and Trademark Office is at the core of this system and is governed by special laws, it has its own budget and it is entitled to its own administration. There is also a comprehensive network of intellectual property agencies covering the entire territory of Romania. All agents are members of the Patent Chamber and are obeying the principles and rules imposed by this organisation and by the laws that settle this profession. Some of the agents are members of prestigious worldwide organisations such as INTA, Marques, FICPI etc.

Romania has signed and ratified the Madrid Agreement and Protocol, the Nice Agreement, the Vienna Agreement, the Paris Convention, the Geneva Treaty, the Marrakech Agreement, the AELS and CEFTA, etc. Its intellectual property laws are in accordance with the international laws and practice and are aligned with the European Union laws. Up to date auxiliary laws have recently been adopted (e.g.: The Law regarding the protection of intellectual property rights by the Customs Authorities).

Also, in 2003, the Bucharest Municipal Court of Law has established a special Court Section dedicated to intellectual property related matters. This ended the era when judges had absolutely no idea of the intellectual property laws and practice.

One might believe that the Romanian intellectual property field is running smoothly. This is quite true if we take into consideration the Laws, the practice and the expertise but not the way its population perceives intellectual property. After 50 years of communism, when property meant nothing and everything was public, the respect people have for property has diminished considerably. Intellectual property is something most Romanians do not understand, acknowledge or respect. They do not realise the importance of a trademark being distinctive and the impact this could have on their businesses. Because of this and also because of the high costs involved by the registration process, very few Romanians protect their intellectual property. And most of those who choose to do so, they do it mindlessly as they fail to understand the importance of and to address to an intellectual property counsel. Counterfeited goods make their way onto the markets, mainly because the huge demand for cheap products generated by the low incomes but also due to the consumer's lack of education in this respect. But even sadder is the fact that most of the ones that import and commercialise these goods on Romanian territory do not even realise that they are committing a crime.

Taking the above into consideration, the Romanian Government transposing Directive 2004/48/EC is highly-welcomed as its provisions, if cleverly enforced, have the potential to transform the current perception Romanians have on intellectual property.

Directive 2004/48/EC

Directive 2004/48/EC was adopted by the European Parliament and the Council on 29 April 2004 and focuses mainly on the enforcement of intellectual property rights. It is considered to be of "paramount"¹ importance for the success of the Internal Market. It was adopted with the intention to eliminate the disparities regarding the means of enforcing intellectual property rights that currently exist between Member States². Some of the provisions are completely new for some Member States.

The Romanian Government has transposed this Directive by an Urgency Ordinance adopted on 20 July 2005. The urgency of this law was given by the fact that Romania is due to join the European Union in January 2007 and to respect the Adhesion Treaty.

Although other Romanian intellectual property-related laws contain enforcement provisions, this Ordinance is regarded as an welcomed unification of all into one law. In addition, it is considered to be a new step towards complete harmonisation between the Romanian Laws and European Laws as it contains new measures, procedures and remedies against intellectual property right infringement.

What is new for Romania?

- The right to information is considered to be a completely new concept in the Romanian intellectual property legislation. This compels the infringer or other persons that have helped the infringer to disclose the origin of goods with full details

Protection

Our firm was founded in 1963 and our practice is devoted mainly to Intellectual Property Law, including:

- Counseling to licensors
 - License of Technology.
 - Patent.
 - Trademark.
 - Copyright.
 - Unfair Competition.
 - Trade Secrets.
- Licensing (which includes Franchise agreements).
- Computer Law.
- Related Antitrust Law and Litigation of both domestic and foreign clients.
- Registration, maintenance and protection before the administrative authorities and courts.



BufeteSoní

Paseo de la Reforma 560 · Lomas de Chapultepec
 Del. Miguel Hidalgo 11000 México, D.F.
 (5255) 5540-1413 tel / (5255) 1084-2734 fax
 soni@soni.com.mx / www.soni.com.mx

- The infringer may be ordered, on its own expense, to publicise the Court decisions and to ascertain the dissemination of the information concerning these decisions. Under some particular circumstances, this may include prominent advertising;
- The process of obtaining a Court Decision is highly sped-up as the judges are entitled to adopt provisional measures and stop the infringement before and without deciding on the substance of the case. These Decisions are adopted by Presidential Decree, within one week, without even notifying the other party in order to prevent further damages;
- Additional corrective measures may include: temporary withdrawal of the counterfeited goods from commercial circuits, permanent withdrawal of the counterfeited goods from commercial circuits as well as the destruction of the counterfeited goods, all on the infringer's expense;
- As an absolute first in the Romanian intellectual property legislation, the Law provides protective measures for the infringers, in case they have been unaware of the rights they infringed and acted without intention or by imprudence. They will not be exempted, however, from paying the damages.

The right to information

Although mentioned in the TRIPs Agreement, this is by far the most detailed settlement of this concept and it is the first time it is included in a Romanian Law. In this respect, the Court may order the infringer or any other person who was found in possession of the infringing goods on a commercial scale or using these on a commercial scale or providing services used in infringing activities or that has been indicated by one of the above as being involved in the production, manufacturing or distribution of the goods to disclose the origin of the goods or services that infringe intellectual property rights. The information should comprise complete details including names and addresses of any or all of

the following: producers, manufacturers, distributors, suppliers, previous holders of the goods, wholesalers and retailers. The goods and/or services should also be identified by the following particulars: quantities produced, manufactured, delivered, received or ordered as well as the price obtained for them. The price is of great importance as the

After 50 years of
communism, when
property meant nothing
and everything was
public, the respect people
have for property has
diminished considerably

counterfeited goods are much cheaper than the original goods and the Customs Authorities start their investigations from this element.

However, the infringer or the persons listed above may be entitled to reject this order in case there are other legal provisions by which the right to information is misused, the information would force the person to admit its own participation or that of close relatives or by which the confidentiality of information sources or the processing of personal data is violated.

Regarding the refusal of providing the information based on the fact that the person may have to admit its own participation or that of his relatives, and taking into consideration the Romanian Laws, it could turn out extremely hard for the Court of Law to obtain evidence from the infringer.

In Civil Law, the persons called upon to provide information about the infringement of intellectual property rights fall in two categories: the actual infringer and other categories of persons enumerated in the art. 8, paragraph 1, letters (a) to (e)⁹. Usually, during a Court proceeding, the infringer will

participate as a defendant and the other categories will serve as witnesses. According to art. 173 of the Code of Civil Procedure, the court can decide that the defendant can not be forced to enter into evidence a document which can result in criminal charges being brought against the defendant or against another person or can result in the defendant or another person being subjected to "public contempt". According to art. 191 of the Code of Civil Procedure, a witness in a civil case can not be forced to testify if his testimony will expose himself or one of his relatives to a criminal charge or to "public contempt". In conclusion, a person can refuse to offer any information regarding the infringement of industrial property rights only if by disclosing such information, criminal charges can be brought against that person. As a general rule, criminal charges can be brought against a person for infringing industrial property rights if that person acted with intent, meaning he or she was aware that his or hers actions constitute infringement. This is not the case for most of the infringers at the end of the distribution chain and therefore the Law does not allow these persons to refuse to provide information on the infringement.

In Penal Law, during a criminal proceeding, the infringer (as the defendant) has, according to art. 70 of the Code of Penal Procedure, the so-called "right to be silent". This means that the defendant can decide not to make any statements regardless of the motives. Unlike the witness in the civil proceeding, the witness in a penal proceeding does not have the possibility to refuse to testify even if that testimony might incriminate him in any way. This can be explained by the fact that the Code of Penal Procedure is still largely based on the Code from the communist period. Modifications have been brought to the Code but some gaps are yet to be filled. At the time being, this constitutes an advantage for the right-holder and one would think that filing a Penal action is the way to go, but, compared to a Civil action, the role of the intellectual property right-holder is greatly diminished. Once the criminal complaint has been filed, all the important decisions regarding the course of action, including whether the case will appear in front of a judge or not, will be taken by the prosecutor.

Publicity measures

At the request of the applicant and at the expense of the infringer, the latter may be forced to publicise the Court Decisions in full or in part as well as additional information about the Decision. The Court may decide that prominent advertising is required, depending on the gravity of the case and on the extent of the infringement. This provision is highly welcomed by both the large companies that face a lot of infringement cases and the intellectual property practitioners.

Why?

Well, in the past few years and mainly since the Intellectual Property Section of the Municipal Court of Law has been established, trademark owners have been successful in many actions they have filed against infringers. Also, recording intellectual property rights with the Customs Authorities has reduced the number of counterfeited goods imported from Eastern Asia.

However, there still are many small shops and stores that sell counterfeited goods. Their owners... they have no idea that they are committing a crime and do not even know that their products are cheap copies of well-known trademarks.

This is why by publicising Court Decisions, the infringement of intellectual property rights will be reduced considerably and most of the small-shop owners will refrain from selling the goods they have read about in their daily newspaper.

Unfortunately, there is one downside of this provision. It is hard to apply this to someone who owns a small store, the average infringer in Romania, with estimated annual sales equal to a quarter or less of the cost of the advertisement. Of course, there is always the possibility for the trademark owner to take the necessary steps to publicise the Decision and then revert to the infringer and recover its expenses. But, given the fact that most stores sell only one or two pieces of the counterfeited goods, probably the owner would consider it is not worth it. As we can see, this is a vicious circle that can only be broken by additional legal provisions and subventions provided by the Romanian Government. The large newspapers may also do an effort and provide advertising spaces at lower rates for this purpose.

Speedy proceedings... or not?

In order to stop the infringement immediately provisional and precautionary measures can be adopted by Presidential Decree, which usually takes about one week, even without notifying the defendant. The measures should be appropriate to the case in question and can only be taken after the guarantees needed to cover the costs and the possible injury that

There still are many small shops and stores that sell counterfeited goods. Their owners... they have no idea that they are committing a crime and do not even know that their products are cheap copies of well-known trademarks

may be suffered by the defendant have been provided. The measures are justified only when a delay would cause irreparable harm to the holder of an intellectual property right⁴.

The provisional measures that can be issued by the Court are:

to forbid, on a provisional basis, the continuation of the alleged infringement of that right; or

to make such continuation subject to the lodging of guarantees capable of ensuring the compensation of the right-holder.

The provisional measures may be issued even against an intermediary whose services are used to infringe an intellectual property right. In addition, the Court may order the seizure of goods suspected of infringing any intellectual property rights and to prevent the entry or movement within channels of commerce. Other measures include the seizure of movable or immovable property of the alleged infringer, including bank accounts and other assets.

Although these measures can be issued even without notifying the defendant, the proportionality between them and the harm caused should be respected. In determining the proportionality, the Court should consider lost profits by the right-holder, any unfair profits made by the infringer and other elements such as moral prejudices. Also, the applicant is bound to provide evidence to a sufficient degree of certainty that it is the rightful owner of the intellectual property in question, that this right is being infringed or that such infringement is imminent. In case the Court decides that there has been no infringement or imminent infringement of an intellectual property right, the applicant may be ordered to provide compensation for any injury caused to the defendant by soliciting these measures.

In practice, though, a Court of Law rarely accepts the Presidential Decree procedure. Although this is clearly stipulated by the Law, the urgency of such a procedure is very difficult to prove and, in the recent past, actions based on the Presidential Decree have been rejected as non-urgent. While an action based on a Presidential Decree usually takes about one week, a regular Court action could take as much as one year until the first Decision is issued. A sped-up procedure especially created for intellectual property right protection would be much more useful and probably much more effective.

Corrective measures

Together with the advertisement of the Court Decisions, the recall from the channels of commerce, the definitive removal from the channels of commerce and the destruction of goods and any materials that were used in the manufacturing of these goods that were found to be infringing an intellectual property right, are considered to be corrective measures.

These corrective measures should take into account the interests of third parties including, in particular, consumers and private parties acting in good faith⁵.

All measures are issued at the expense of the infringer, but to what extent? Is the infringer forced to destroy the counterfeited goods even if such an action would cost more than the goods itself? The Law fails to answer these questions, but given the principle of

proportionality, probably the answer would be no. However, given the fact that most infringers run small shops that only sell a few items of counterfeit nature, the high costs of destroying the goods in a legal manner would prohibit the Romanian Courts of Law to ever take a Decision in this way. Therefore, these provisions are hardly if not impossibly applicable, unless the intellectual property right-holder would act directly and pursue these measures on its own expenses with little chances to recover anything from the infringer. In that case, what is so correct about these corrective measures?

Protective measures

It may seem a little awkward that a Law regarding the enforcement of intellectual property rights grants protective alternatives for the infringer. Well, not quite. The protective alternatives can be a very useful tool in the hands of the intellectual property right-holder and can generate 'teamwork' between this one and the infringer.

More specifically, these protective measures only apply to those infringers that engaged in an infringing activity without knowing or those that have been unaware of the rights they infringed or those that acted without intention or by imprudence. They would, however, have to pay the damages caused by his actions.

The intellectual property right-holder may benefit from these measures and may even advise the infringer to act as such and demand the Court to issue a Decision in this direction. In exchange, the right-holder may be able to successfully ask the infringer to disclose more details regarding the origin of the goods and afterwards to go after the big fish. This may go as far as the intellectual property right-holder dismiss the charges and thus, to exonerate the infringer from paying the damages.

Are we there yet?

Without any doubt, the transposition of the Directive 2004/48/EC is an important step that Romania has taken towards European Union accession. It is an important step for Romania and also for Europe.

However, the Directive settles the enforcement of intellectual property rights

but who is going to enforce it. Harmonising legal texts is the simple part. Not only should the legal texts be the same, but the effects as well. The Romanian Government will probably find a way to publicise the importance of intellectual property rights and will have to do this at a very large scale

While an action based on a Presidential Decree usually takes about one week, a regular Court action could take as much as one year until the first Decision is issued. A sped-up procedure especially created for intellectual property right protection would be much more useful and probably much more effective

and at an extremely fast rate. People deal with counterfeit goods every day, trademarks owners struggle to protect their rights and to enforce these rights, but the problem is more complex than this. The population has to be informed and educated about the importance of intellectual property. This can not be achieved one by one by Court Decisions, as it could take forever. Nonetheless, the transposition of

Directive 2004/48/EC is a very welcomed first step in changing this, which although it will not happen over night, it will happen, hopefully.

So, are we there yet? It is only fair to say that Romania is ready while the Romanians are not. ☹

Notes

- 1 Directive 2004/48/EC; The Official Journal of the European Union (EN) of 30 April 2004 - L 157 - page 46 - paragraph (3).
- 2 Member States refers to the countries that are currently members of the European Union. These countries are: Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, The Netherlands, United Kingdom.
- 3 Text of Article 8, paragraph 1, letter (a) to (e) from the Romanian Law reads as follows: (a) was found in possession of the infringing goods on a commercial scale; (b) utilizes infringing services on a commercial scale (c) was found to be using the infringing services on a commercial scale; (d) was found to be providing on a commercial scale services used in infringing activities; (e) 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.
- 4 Directive 2004/48/EC; The Official Journal of the European Union (EN) of 30 April 2004 - L 157 - page 53 - paragraph (22).
- 5 Directive 2004/48/EC; The Official Journal of the European Union (EN) of 30 April 2004 - L 157 - page 54 - paragraph (24)

About the author

Andrew Vlad Ratza, 25, has been working in the Intellectual Property field since 1998. Graduated from Law School in 2002. In 2003, he co-founded Ratza & Ratza, which provides the full range of intellectual property prosecution and litigation services. Andrew is a member of INTA and Marques, and is currently involved in Trademark and Industrial Design work. The author would like to thank Mr. Dragosh Marginean, one of Ratza & Ratza's Attorneys-at-Law who also contributed to this article.

