Reports of Cases

OPINION OF ADVOCATE GENERAL
PITRUZZELLA
delivered on 27 April 2023 [1]

Case C-655/21

Criminal proceedings
against
G. ST. T.,
Other party:
Rayonna prokuratura Burgas, TO Nesebar

(Request for a preliminary ruling lodged by the Rayonen sad Nesebar (District Court, Nesebar, Bulgaria))

(Reference for a preliminary ruling – Enforcement of intellectual property rights – TRIPS Agreement – Criminal sanctions for trade mark infringements – Applicability of the Charter of Fundamental Rights of the European Union – Principles of legality and proportionality of criminal offences and penalties)

1. In the case to which the present Opinion relates, the Rayonen sad Nesebar (District Court, Nesebar, Bulgaria) refers four questions to the Court for a preliminary ruling, the first two on the interpretation of Directive 2004/48/EC, [2] and the last two on the interpretation of Article 49 of the Charter of Fundamental Rights of the European Union ('the Charter'). Those questions are raised in connection with criminal proceedings brought against G. ST. T., who is charged with several offences of trade mark infringement.

I. Legal framework

A. European Union law

2. With regard to primary law, Article 49 of the Charter is relevant in the order for reference from the point of view of both the legality and the proportionality of criminal offences and penalties, referred to in paragraphs 1 and 3 of that article respectively. With regard to Directive 2004/48, the referring court refers to recitals 26 and 28, as well as to Article 13, concerning compensation for the prejudice suffered as a result of the infringement of intellectual property rights. To save

[1] Original language: Italian.

[2] Directive of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights (OJ 2004 L 157, p. 45).

space, I shall confine myself here to referring to the relevant wording of those provisions, reserving the right to draw attention to their content, where necessary, in the remainder of the present Opinion.

B. Bulgarian law

3. The request for a preliminary ruling refers to Articles 13, 119 and 127 of the Zakon za markite i geografskite oznacheniya (Law on trade marks and geographical indications; 'the ZMGO') and to Articles 13, 76b and 81 of the Zakon za markite i geografskite oznacheniya (Law on trade marks and geographical indications, repealed, in force on 22 June 2016; 'the ZMGO 2016'). In particular, Article 127(1) of the ZMGO and Article 81(1) of the ZMGO 2016 provide for an administrative sanction to be imposed on a person who, in the course of trade, uses goods or services that bear a sign identical or similar to a registered trade mark without the consent of the proprietor thereof.

4. The referring court further draws attention to Articles 55, 66 and 172b of the Nakazatelen kodeks (Criminal Code; 'the NK') and to Articles 84 to 88 and 247c of the Nakazatelno-protsesualen kodeks (Code of Criminal Procedure; 'the NPK'). For the purposes of the present case, Article 172b of the NK is of particular relevance; its wording, which it is appropriate to point out at this stage, reads as follows:

'(1) A person who, without the consent of the holder of the exclusive right, uses in the course of trade a trade mark, design, plant variety or animal breed which is the subject of that exclusive right, or who uses a geographical indication or an imitation thereof without a legal basis, shall be punished by a term of imprisonment not exceeding five years and a fine not exceeding 5 000 Bulgarian leva (BGN).

(2) If the act referred to in paragraph 1 is repeated or causes significant harmful effects, it shall be punishable by a term of imprisonment of five to eight years and a fine of BGN 5 000 to BGN 8 000.

(3) The object of the offence shall be confiscated and destroyed irrespective of whose property it is.'

II. Main proceedings and procedure before the Court

5. The accused, G. ST. T., a sole trader, is accused of having committed several offences involving the counterfeiting of registered trade marks in 2016, by offering for sale, without the consent of the holder of the corresponding right, items of clothing bearing signs that resembled those trade marks, for a total value of BGN 1 404 590 in the case of the original clothing and of BGN 80 201 in the case of the counterfeit clothing. The goods in question, seized at the commercial establishment in which they were being offered for sale, were confiscated and subsequently destroyed.

6. The referring court points out, in the first place, that the offences referred to in Article 172b(1) and (2) of the NK were introduced in the Republic of Bulgaria within the scope of the discretion conferred by recital 28 of Directive 2004/48. They complement the administrative offence currently provided for in Article 81(1) of the ZMGO 2016. That court essentially states that the constituent elements of the offence under Article 172b(2) of the NK require an assessment of the magnitude of the harm caused to the right holder. To that end, the national case-law applies a presumption not provided for in Directive 2004/48, whereby the harm caused by that offence

corresponds to the equivalent of the retail prices of lawfully manufactured goods that are identical or similar to the infringing goods, and is exclusive of both lost profit and non-material damage. In those circumstances, that court is unsure whether the Bulgarian legislation is compatible with Directive 2004/48.

7. In the second place, having stated that the criminal offence under Article 172b of the NK and the administrative offence provided for in the ZMGO came within the scope of EU law because they were penalty-related provisions applicable to legal relationships that were regulated by EU law, the referring court has doubts as to whether the Bulgarian legislation, which categorises the same conduct as an administrative offence and as a criminal offence, without providing a clear and precise criterion for differentiating the two, is compatible with Article 49(1) of the Charter.

8. Lastly, that court has doubts as to whether the custodial sentence provided for in Article 172b(2) of the NK, with a particularly high lower limit in terms of sentencing and an upper limit that cannot be regarded as low either, complies with the principle of proportionality set out in Article 49(3) of the Charter, also in the light of the fact that the practical possibilities for a reduction of the sentence are extremely limited.

9. It is in this context that the Rayonen sad Nesebar (District Court, Nesebar) stayed the proceedings and referred the following questions to the Court of Justice for a preliminary ruling:

‘(1) Are the legislation and case-law in accordance with which the harm suffered by the trade mark proprietor forms part of the constituent elements of the offences referred to in Article 172b(1) and (2) of the NK consistent with the standards introduced by [Directive 2004/48]in relation to harm caused by the unlawful exercise of intellectual property rights?

(2) If the first question is answered in the affirmative, is the automatic presumption, introduced by case-law in the Republic of Bulgaria, for determining the harm – in the amount of the value of the goods offered for sale, calculated on the basis of the retail prices of lawfully manufactured goods – consistent with the standards of [Directive 2004/48]?

(3) Is legislation which does not distinguish between an administrative offence (Article 127(1) of the [ZMGO] currently in force and Article 81(1) of the ZMGO in force in 2016), the criminal offence under Article 172b(1) of the NK and, if the first question is answered in the negative, the criminal offence under Article 172b(2) of the NK compatible with the principle of legality of criminal offences, as enshrined in Article 49 of the [Charter]?

(4) Are the penalties provided for in Article 172b(2) of the NK (custodial sentence of 5 to 8 years and a fine of BGN 5 000 to BGN 8 000) consistent with the principle established in Article 49(3) of the [Charter] (the severity of penalties must not be disproportionate to the criminal offence)?’

10. The Republic of Austria and the European Commission submitted written observations under Article 23 of the Statute of the Court of Justice of the European Union. By way of a measure of organisation of procedure, the Court put to the interested parties, within the meaning of Article 23 of the Statute, certain questions, to be answered in writing, concerning Articles 49 and 51 of the Charter. The Republic of Austria and the Commission complied with that measure.

11. In accordance with the Court's request, the present Opinion will deal only with the third and fourth questions referred for a preliminary ruling.

III. Analysis

A. Jurisdiction of the Court: preliminary observations

12. The Court's jurisdiction to answer the third and fourth questions referred for a preliminary ruling depends on whether the Charter is applicable to the main proceedings. That applicability depends in turn on whether, as required by Article 51(1) of the Charter, which delimits its own scope, the Bulgarian legislature, in defining the sanctions laid down in Article 172b of the NK, was implementing EU law. The answer to that question would clearly be in the affirmative if it were to be held, as the referring court holds, that Article 172b of the NK constitutes a penalty-related provision adopted as part of the transposition into Bulgarian law of Directive 2004/48. The Court will have to rule on that point in the answer to be given to the first two questions referred for a preliminary ruling.

13. The present Opinion, which, as has been said, does not deal with those questions, aims instead to examine the applicability of the Charter from a different angle and therefore starts from the premiss of a Court ruling that the criminal legislation whose compatibility with Directive 2004/48 the referring court seeks to assess falls outside the scope of that directive. More precisely, I will examine below whether the application of the Charter, and thus the jurisdiction of the Court to answer those questions, may follow from the fact that the national legislation at issue implements an undertaking given in the context of an international agreement concluded by the European Union.

1. The application of the Charter in the event of implementation by the Member States of international legal obligations of the European Union

14. According to Article 51(1) of the Charter, the provisions of the latter apply to the Member States only when they are implementing EU law. By virtue of Article 51(2) thereof, the Charter does not extend the scope of EU law beyond the powers of the European Union; nor does it establish any new power or task for the European Union, or modify powers and tasks defined by the Treaties.

15. It is settled case-law that the fundamental rights guaranteed by the Charter are applicable to all situations governed by EU law, but not outside that. [3] Those rights must therefore be respected, in particular, when national legislation comes within the scope of that law. [4] Where that is the case, the Court, when giving a preliminary ruling, must provide all the elements of interpretation necessary for the national court to assess whether that legislation complies with the fundamental rights whose observance it guarantees. [5]

[3] See judgment of 5 May 2022, *BPC Lux 2 and Others* (C-83/20, EU:C:2022:346, paragraph 26).

[4] See judgment of 21 May 2019, *Commission* v *Hungary (Usufruct over agricultural land)* (C-235/17, EU:C:2019:432, paragraph 63 and the case-law cited).

[5] See judgment of 5 May 2022, *BPC Lux 2 and Others* (C-83/20, EU:C:2022:346, paragraph 26).

16. As pointed out by Advocate General Saugmandsgaard Øe in his Opinion in *Commission* v *Hungary (Usufruct over agricultural land)*,[6] it follows from the Court's case-law that situations in which Member States are bound by fundamental rights recognised in the EU legal order can be classified in – at least – two categories.

17. First, those fundamental rights are binding on the Member States when the latter *implement* rules of EU law, whether contained in the Treaty,[7] in regulations,[8] in directives,[9] in framework decisions,[10] or even in acts that have their legal basis in EU regulations and form part of the law of the European Union.[11]

18. Second, the fundamental rights recognised in the EU legal order apply when a Member State *derogates*, by means of national legislation, from EU law and invokes a justification recognised by EU law in defence of that national legislation. In that regard, the Court has made it clear, on the basis of what it had already held in the *ERT* judgment[12] before the Charter had entered into force, that recourse by a Member State to exceptions provided for by EU law in order to justify an obstacle to a fundamental freedom guaranteed by the Treaty also constitutes 'implementing Union law' within the meaning of Article 51(1) of the Charter, even if, in itself, the legislation in question is not intended to implement a provision of EU law.[13]

19. However, that dichotomy does not exhaust the totality of situations in which the Charter applies. That is already clear from the judgment of 26 February 2013, *Åkerberg Fransson*.[14] In that judgment, the national measures in question, which provided for the imposition of surcharges and the institution of criminal proceedings aimed at penalising value added tax (VAT) fraud, did not fall exactly into either of the two categories referred to above. The Court nevertheless held that those measures constituted an implementation of EU law within the meaning of Article 51(1) of the Charter, pointing out that the measures were intended to penalise infringements of provisions contained in EU directives in the field of VAT and therefore to implement the obligation, imposed on the Member States by the Treaty, to penalise effectively conduct that was detrimental to the financial interests of the European Union.

20. The range of situations coming within the scope of EU law and giving rise to the application of the Charter is therefore broader and not clearly or exhaustively defined. It includes, in general, all situations in which EU law imposes specific obligations on the Member States or in which a provision of EU law applies. The criteria for assessing whether there is in fact a situation 'implementing EU law' within the meaning of Article 51(1) of the Charter are also fluid. The

6 C-235/17, EU:C:2018:971, point 71 et seq.

7 See judgment of 5 December 2017, *M.A.S. and M.B.* (C-42/17, EU:C:2017:936).

8 See judgment of 24 March 1994, *Bostock* (C-2/92, EU:C:1994:116).

9 See judgment of 10 July 2003, *Booker Aquaculture and Hydro Seafood* (C-20/00 and C-64/00, EU:C:2003:397).

10 See judgment of 5 April 2016, *Aranyosi and Căldăraru* (C-404/15 and C-659/15 PPU, EU:C:2016:198).

11 See judgment of 5 May 2022, *BPC Lux 2 and Others* (C-83/20, EU:C:2022:346).

12 See judgment of 18 June 1991, *ERT* (C-260/89, EU:C:1991:254).

13 See, in that respect, judgment of 21 May 2019, *Commission* v *Hungary (Usufruct over agricultural land)* (C-235/17, EU:C:2019:432, paragraph 65 and the case-law cited). This was an action for failure to fulfil obligations, in which the Commission had, for the first time, requested that the Court find that the Member State concerned had independently infringed a provision of the Charter. The Hungarian legislation at issue constituted a restriction on the free movement of capital and, in order to justify that restriction, Hungary relied on the existence of overriding reasons in the public interest as well as of the grounds referred to in Article 65 TFEU. The Court held that, in those circumstances, the compatibility of that legislation with EU law had to be examined in the light *both of the exceptions provided for by the Treaty* and the case-law of the Court, *and of the fundamental rights guaranteed by the Charter*; it therefore proceeded to examine jointly the separate complaints raised by the Commission. I note that, in his Opinion in this case (C-235/17, EU:C:2018:971), Advocate General Saugmandsgaard Øe had suggested that the Court reject the Commission's complaint based independently on the Charter.

14 C-617/10, EU:C:2013:105 ('the judgment in *Åkerberg Fransson*').

Court has stated that it is necessary, for that purpose, to ascertain, inter alia, whether the national measure in question 'is intended to implement a provision of EU law, what its character is and whether it pursues objectives other than those envisaged by EU law, even if it is capable of indirectly affecting the latter, and whether there is a provision of EU law that specifically governs the matter or is capable of affecting it'.[15] Despite that fluidity, the objective of the assessment is clear: to ensure application of the fundamental rights enshrined in the Charter in all cases in which EU law applies. As the Court stated in paragraph 21 of the judgment in *Åkerberg Fransson*, 'situations cannot exist which are covered … by European Union law without [the] fundamental rights [guaranteed by the Charter] being applicable'.

21. In its recent judgment of 6 October 2020, *Commission* v *Hungary (Higher Education)*,[16] the Court, ruling as the Grand Chamber, made an important addition to the abovementioned case-law. The case at the origin of that ruling concerned infringement proceedings in which the Commission accused Hungary of not only an infringement of Article XVII of the General Agreement on Trade in Services ('the GATS')[17] and an infringement of that Member State's obligations under Article 16 of Directive 2006/123/EC,[18] but also of a separate and independent infringement of Article 13, Article 14(3) and Article 16 of the Charter, relating to academic freedom, freedom to found educational establishments and freedom to conduct a business.[19]

22. In that judgment, the Court first reiterated its settled case-law under which an international agreement concluded by the European Union constitutes, as from its entry into force, an integral part of the EU legal order.[20] It then held that the GATS, in so far as it was included in the Agreement establishing the WTO, signed by the European Union, then approved by the latter on 22 December 1994,[21] formed part of EU law.[22] It accordingly concluded, in paragraph 213, that, 'when the Member States are performing their obligations under that agreement …, they [are] implementing EU law, within the meaning of Article 51(1) of the Charter'.

23. Although the Court did not refer to any precedent, it follows from the scheme of the judgment that the logic underlying that conclusion is as referred to in points 19 and 20 of the present Opinion,[23] whereby application of the fundamental rights guaranteed by the Charter is justified in a situation such as that referred to in paragraph 213 of the judgment in *Commission* v *Hungary* because, when giving effect, in their domestic law, to international legal obligations of the European Union on the basis of their normative power, the Member States meet an obligation vis-à-vis the European Union, applying rules that form an integral part of EU law, with the result that the applicability of the Charter ensures that Member States do not infringe the fundamental

15 See judgment of 5 May 2022, *BPC Lux 2 and Others* (C-83/20, EU:C:2022:346, paragraph 27).

16 C-66/18, EU:C:2020:792 ('the judgment in *Commission* v *Hungary*').

17 GATS appears in Annex 1B to the Agreement establishing the World Trade Organization (WTO), signed in Marrakesh and approved by Council Decision 94/800/EC of 22 December 1994 concerning the conclusion on behalf of the European Community, as regards matters within its competence, of the agreements reached in the Uruguay Round multilateral negotiations (1986-1994) (OJ 1994 L 336, p. 1), ('the Agreement establishing the WTO').

18 Directive of the European Parliament and the Council of 12 December 2006 on services in the internal market (OJ 2006 L 376, p. 36).

19 The national legislation challenged by the Commission required foreign educational institutions based outside the European Economic Area (EEA), as a condition for being able to provide teaching services in Hungary, to conclude an international agreement between that Member State and the home State in question, as well as to offer higher education training in their home country.

20 See paragraph 69 of the judgment in *Commission* v *Hungary*.

21 See Decision 94/800. The WTO Agreement entered into force on 1 January 1995.

22 See paragraphs 70 and 71 of the judgment in *Commission* v *Hungary*.

23 See point 19 of the present Opinion. The case-law based on the *ERT* judgment, which comes within the second of those categories (see point 20 of the present Opinion), is in fact expressly referred to in paragraph 214 of the judgment in *Commission* v *Hungary* in support of a separate justification for application, in the present case, of the fundamental rights guaranteed by the Charter.

rights of the European Union when they act as EU 'agents'.[24] On the other hand, the obligation imposed on Member States to implement agreements concluded by the European Union derives from the FEU Treaty, Article 216(2) of which provides that those agreements are binding on the Member States.

24. The conclusion reached by the Court in paragraph 213 of the judgment in *Commission* v *Hungary* therefore has a particularly broad potential for application by analogy, which goes beyond the confines of the case of which it forms part. I do not believe that it can be inferred from the context of the case that gave rise to that judgment, and in particular from the fact that it concerned the infringement of an obligation resulting from an agreement concluded by the European Union, that the Court intended to limit the conclusion reached therein solely to cases in which the national measure at issue is liable to call into question the international liability of the European Union. In my opinion, both the wording of that paragraph and the premisses on the basis of which application of the Charter is inferred in that case – that is to say, the incorporation of the GATS into EU law – as well as the logic underlying that application, referred to above, militate against such a restrictive reading.

25. In that regard, I note that similar reasoning to that applied by the Court in the judgment in *Commission* v *Hungary*, in order to justify in that case the application of the general principles of EU law, is to be found in the judgment of 24 February 2022, *Agenzia delle dogane e dei monopoli* and *Ministero dell'Economia e delle Finanze*.[25] In the case that gave rise to that judgment, the referring court questioned the proportionality of national legislation that provided, in the case of the sale of tobacco products to minors, for the cumulation of an administrative financial penalty and an ancillary administrative penalty consisting in the temporary suspension of the trading licence of a tobacconist's shop. The Court first held that the provisions of EU law whose interpretation was sought by the referring court did not apply to the situation at issue in the main proceedings.[26] Subsequently, referring to paragraph 69 of the judgment in *Commission* v *Hungary* and to the case-law according to which an international agreement concluded by the European Union constitutes, as from its entry into force, an integral part of EU law, the Court held that the national provision at issue in the national proceedings had to be assessed in the light of the requirements introduced into Article 16 of the World Health Organisation (WHO) Framework Convention on Tobacco Control, signed in Geneva on 21 May 2003 ('the FCTC')[27] and, in particular, paragraph 1 of that article, under which each party to that framework convention had to adopt and implement 'effective legislative, executive, administrative or other measures at the appropriate government level to prohibit the sales of tobacco products to persons under the age set by domestic law, national law or 18'. Lastly, the Court specified that 'since the FCTC is an integral part of EU law, its implementation must comply with the principle of proportionality, as a general principle of EU law'.[28] In other words, the Court recognised that the implementation by

[24] See, in that respect, Opinion of Advocate General Kokott in *Commission* v *Hungary (Higher Education)* (C-66/18, EU:C:2020:172, point 128).

[25] C-452/20, EU:C:2022:111 ('the judgment in *Agenzia delle dogane e dei monopoli* and *Ministero dell'Economia e delle Finanze*').

[26] The provisions in question were Article 5 TEU and Article 23(3) of Directive 2014/40/EU of the European Parliament and of the Council of 3 April 2014 on the approximation of the laws, regulations and administrative provisions of the Member States concerning the manufacture, presentation and sale of tobacco and related products and repealing Directive 2001/37/EC (OJ 2014 L 127, p. 1, and corrigendum OJ 2015 L 150, p. 24). As far as that directive was concerned, the Court held that it had not harmonised the aspects of the sale of tobacco products that relate to the sale of those products to minors (see paragraphs 24 to 27).

[27] See the judgment in *Agenzia delle dogane e dei monopoli* and *Ministero dell'Economia e delle Finanze*, paragraphs 19 to 32. The FCTC was approved on behalf of the European Union by Council Decision 2004/513/EC of 2 June 2004 concerning the conclusion of the WHO Framework Convention on Tobacco Control (OJ 2004 L 213, p. 8).

[28] See paragraph 33 of the judgment in *Agenzia delle dogane e dei monopoli* and *Ministero dell'Economia e delle Finanze*.

the Member States of obligations entered into under that framework convention constituted a case of 'applying EU law' in such a way as to trigger application of the general principles of that law.

26. It is in the light of the foregoing principles that the applicability of the Charter in the situation at issue in the main proceedings must be assessed.

2. Application of the Charter to the situation at issue in the main proceedings

27. The referring court is consulting the Court on the interpretation of Article 49 of the Charter in order to determine whether the provisions of Bulgarian law that penalise the counterfeiting of a registered trade mark are compliant with that provision. That court assumes that the situation at issue in the main proceedings comes within the scope of EU law because the offences referred to in Article 172b(1) and (2) of the NK and the administrative offences provided for by the ZMGO and the ZMGO 2016 apply 'to legal relations governed by EU law'.

28. In that regard, I reiterate that the Agreement on Trade-Related Aspects of Intellectual Property Rights contained in Annex 1C to the Agreement Establishing the WTO ('the TRIPS Agreement') pursues, inter alia, the objective of establishing minimum multilateral standards to combat counterfeiting and achieves a de facto harmonisation of measures and procedures to enforce intellectual property rights.[29] According to Article 61 thereof, the 'Members shall provide for criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting … Remedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity. In appropriate cases, remedies available shall also include the seizure, forfeiture and destruction of the infringing goods …'. Although the referring court did not refer to that agreement, the latter lays down specific obligations regarding criminal proceedings and penalties. While it does not prescribe a particular level of penalties, it nevertheless requires the introduction of certain types of penalty. The reference, in recital 28 of Directive 2004/48, to criminal sanctions as 'a means of ensuring the enforcement of intellectual property rights' must be regarded as an implicit reference to those obligations, which the directive nevertheless expressly does not affect.[30]

29. The Court has long recognised that the TRIPS Agreement, like the GATS, forms an integral part of the EU legal order[31] and is therefore applicable in the European Union, even though the provisions of the TRIPS Agreement do not have direct effect and are not such as to create rights upon which individuals may rely directly before the courts by virtue of EU law.[32] Moreover, the TRIPS Agreement comes within the notion of 'commercial aspects of intellectual property' referred to in Article 207(1) TFEU and, therefore, since the entry into force of the FEU Treaty, within the exclusive external competence of the European Union in matters of common commercial policy.[33]

[29] See, in that respect, judgment of 18 July 2013, *Daiichi Sankyo and Sanofi-Aventis Deutschland* (C-414/11, EU:C:2013:520, paragraph 58).

[30] See Article 2(3)(b) of Directive 2004/48.

[31] See judgment of 15 March 2012, *SCF Consorzio Fonografici* (C-135/10, EU:C:2012:140, paragraphs 39 and 40). See also judgment of 13 November 2018, *Levola Hengelo* (C-310/17, EU:C:2018:899, paragraph 39).

[32] See judgment of 15 March 2012, *SCF Consorzio Fonografici* (C-135/10, EU:C:2012:140, paragraph 46).

[33] See judgment of 18 July 2013, *Daiichi Sankyo and Sanofi-Aventis Deutschland* (C-414/11, EU:C:2013:520, paragraphs 45 to 60).

30. Applying by analogy the reasoning of the Court in paragraph 213 of the judgment in *Commission* v *Hungary*, it follows that when Member States are meeting their obligations under the TRIPS Agreement, including those arising from Article 61 thereof, they are implementing EU law within the meaning of Article 51(1) of the Charter. In so far as the offences referred to in Article 172b(1) and (2) of the NK constitute an implementation of the obligations arising from Article 61 of the TRIPS Agreement, the Charter is thus applicable to the situation at issue in the main proceedings.

31. Contrary to what the Austrian Government maintains, the fact that the authors of the Treaties conferred only limited powers on the European Union in criminal matters [34] and that criminal legislation is therefore, in principle, within the competence of the Member States does not oppose this conclusion. [35]

32. On the one hand, it follows from that same case-law that that competence must in any event be exercised with due regard not only for the fundamental freedoms guaranteed by EU law, but also for all EU law, in particular primary law. [36] Even when acting in areas coming within their competence, the Member States are therefore bound to comply with their obligations under EU law. [37] On the other hand, the Court has long held that the mere fact that, in principle, criminal legislation, like the rules of criminal procedure, does not come within the competence of the European Union [38] does not prevent the EU legislature, when the application of effective, proportionate and dissuasive criminal penalties by the competent national authorities is an essential measure for ensuring the effectiveness of an EU policy or the proper functioning of the internal market, from taking measures in relation to the criminal law of the Member States. [39] That competence is now expressly set out in Article 83(2) TFEU. It follows that the EU legislature is competent, under the conditions laid down in that provision, to adopt harmonisation measures in criminal matters concerning the definition of minimum norms relating to the definition of offences and penalties that are necessary to ensure the full effectiveness of the rules which it lays down on the protection of intellectual property, protection which is, moreover, enshrined in Article 17(2) of the Charter itself. The scope of the obligation on Member States, resulting from Article 61 of the TRIPS Agreement, to provide for criminal procedures and penalties to be applied in cases of wilful trade mark counterfeiting does not go beyond the powers provided for in Article 83(2) TFEU.

33. Admittedly, as pointed out by the Austrian Government, this is, according to Article 4(2)(j) TFEU, a competence shared with the Member States, which, according to Article 2(2) TFEU, the latter exercise 'to the extent that the Union has not exercised its competence'. Now, the European Union has not adopted any harmonisation rules on penalties and criminal proceedings for the

[34] See judgment of 26 February 2019, *Rimšēvičs* and *ECB* v *Latvia* (C-202/18 and C-238/18, EU:C:2019:139, paragraph 57).

[35] See judgment of 17 December 2020, *Generalstaatsanwaltschaft Berlin (Extradition to the Ukraine)* (C-398/19, EU:C:2020:1032, paragraph 65).

[36] See judgment of 26 February 2019, *Rimšēvičs* and *ECB* v *Latvia* (C-202/18 and C-238/18, EU:C:2019:139, paragraph 57).

[37] See, in that respect, judgment of 22 February 2022, *RS (Effects of the decisions of a constitutional court)* (C-430/21, EU:C:2022:99, paragraph 38 and the case-law cited).

[38] See judgments of 11 November 1981, *Casati* (203/80, EU:C:1981:261, paragraph 27), and of 16 June 1998, *Lemmens* (C-226/97, EU:C:1998:296, paragraph 19).

[39] See, in that regard, judgment of 13 September 2005, *Commission* v *Council* (C-176/03, EU:C:2005:542, paragraph 48), although, in the judgment of 23 October 2007, *Commission* v *Council* (C-440/05, EU:C:2007:625, paragraph 70), the Court had ruled that determination of the type and level of criminal penalties to be applied did not, by contrast, come within the sphere of competence of the European Community.

infringement of intellectual property rights.[40] As further asserted by the Austrian Government, the Court has made it clear that the mere fact that a national measure falls within an area in which the European Union has competence cannot bring it within the scope of EU law and thus make the Charter applicable.[41] Lastly, it follows from settled case-law, dating back to the judgment of 26 October 1982, *Kupferberg*, also referred to by the Austrian Government, that the measures necessary to implement the provisions of an agreement concluded by the European Union must be adopted on the basis of the current state of EU law in the areas covered by the agreement, sometimes by the EU institutions, sometimes by the Member States.[42]

34. However, if the European Union remains fully entitled to legislate, on the one hand, on intellectual property rights, by virtue of its powers relating to the internal market, in compliance with the rules on the existence, scope and exercise of intellectual property rights contained in the TRIPS Agreement,[43] and, on the other hand, by virtue of Article 83(2) TFEU, in the area of criminal law, in order to ensure the effectiveness of the rules protecting those rights, the worldwide harmonisation of intellectual property protection brought about by that agreement,[44] including with regard to the fight against counterfeiting, in principle binds each WTO member and is incorporated into the EU legal order irrespective of acts of internal harmonisation, with the result that the meeting of obligations entered into under those agreements, even when carried out by the Member States in the exercise of their competence, comes within the scope of EU law.

35. On the other hand, in the very same judgment in *Kupferberg*, the Court stated that, 'in ensuring respect for commitments arising from an agreement concluded by the Community institutions the Member States fulfil an obligation not only in relation to the non-member country concerned but also and above all in relation to the Community which has assumed responsibility for the due performance of the agreement', pointing out the 'Community nature' of the provisions in question.[45] Now, paragraph 213 of the judgment in *Commission* v *Hungary* appears to develop that case-law, which, while undoubtedly constituting a broad interpretation of the notion of 'implementing EU law' referred to in Article 51(1) of the Charter, nevertheless does not go beyond the limits imposed by that provision. I do not therefore consider that the scope of the interpretation of that notion resulting from that paragraph can be limited, as the Austrian Government suggests, solely to situations in which provisions of agreements are implemented that come within the competence, already exercised, of the European Union.[46]

36. I recall, moreover, on the one hand, that in the judgment in *Commission* v *Hungary*, in response to the argument that the European Union lacked competence in the area of higher education, the Court replied that, since the commitments entered into under the GATS come within the scope of the common commercial policy, although the Member States have broad competence in the area of education, those commitments, including those relating to the

40 I would point out that on 12 July 2005 the Commission adopted a proposal for a directive of the European Parliament and of the Council on criminal measures aimed at ensuring the enforcement of intellectual property rights (COM(2005) 276 final), amended on 26 April 2006 (COM(2006) 168 final ('amended proposal for a directive')). That proposal, initially based on Article 95 EC and, after the entry into force of the Treaty of Lisbon, on Article 83(2) TFEU, was withdrawn in 2010 (OJ 2010 C 252, p. 7).

41 See judgment of 14 October 2021, *INSS (Survivor's pension based on a partnership)* (C-244/20, not published, EU:C:2021:854, paragraph 61).

42 See judgment of 26 October 1982, *Kupferberg* (104/81, EU:C:1982:362, paragraph 12; 'the judgment in *Kupferberg*').

43 See judgment of 18 July 2013, *Daiichi Sankyo* and *Sanofi-Aventis Deutschland* (C-414/11, EU:C:2013:520, paragraph 59).

44 See, to that effect, judgment of 18 July 2013, *Daiichi Sankyo* and *Sanofi-Aventis Deutschland* (C-414/11, EU:C:2013:520, paragraph 58).

45 See the judgment in *Kupferberg*, paragraphs 13 and 14.

46 I note also that, if this were the case, the Charter would apply by reason of the implementing provisions adopted by the European Union pursuant to its internal competence.

liberalisation of trade in private educational services, fall within the exclusive competence of the European Union.[47] On the other hand, I note that, in the judgment in *Agenzia delle dogane e dei monopoli* and *Ministero dell'Economia e delle Finanze*, the implementation of the FCTC by the Member State concerned gave rise to the application of the general principles of EU law even when there was no specific harmonising legislation at EU level, not only with regard to the applicable penalties, but also with regard to the rules of substantive law infringed.[48] In that regard, it is important to note also that, unlike in the case that gave rise to that judgment, the criminal proceedings against G. ST. T. and the sanctions at issue in those proceedings are intended to punish infringement of the exclusive rights conferred by the registered trade mark, the scope of which is an area subject to extensive harmonisation and regulation at EU level.[49]

37. Lastly, with regard to the argument that the Austrian Government draws from Article 207(6) TFEU, under which 'the exercise of the competences conferred by this Article in the field of the common commercial policy … shall not lead to harmonisation of legislative or regulatory provisions of the Member States in so far as the Treaties exclude such harmonisation', it is sufficient to note, on the one hand, that, in the judgment in *Commission* v *Hungary*, the fact that, with regard to the area of education, Article 166(4) TFEU contains an express prohibition of harmonisation but did not preclude the Court from treating the Charter as applicable for the grounds set out in paragraph 213 of that judgment and, on the other hand, that the possibility of approximating the laws and regulations of the Member States in criminal matters for the purpose of ensuring the effective implementation of a Union policy is, as has been seen, expressly provided for in Article 83(2) TFEU.[50]

38. On the basis of all of the foregoing, I consider that the Charter is applicable to the situation at issue in the main proceedings, if and in so far as the conduct incriminated in the main proceedings and the penalties applicable to it come within the scope of Article 61 of the TRIPS Agreement, although this is a matter for the referring court to verify.

B. The third question referred for a preliminary ruling

39. By its third question, the referring court essentially asks the Court whether the principle of the legality of criminal offences and penalties provided for in Article 49(1) of the Charter precludes national legislation under which the same conduct may give rise to both an administrative offence and a criminal offence without the boundaries of the one and the other being clearly defined and thus without the persons concerned being placed in a position to predict the consequences of that conduct.

40. According to settled case-law, by virtue of the principle of the legality of offences and penalties, criminal provisions must comply with certain requirements of accessibility and predictability as regards both the definition of the offence and the determination of the penalty.[51] This principle is applicable also to the cumulation of administrative and criminal proceedings and

47 See the judgment in *Commission* v *Hungary*, paragraph 74. By that argument Hungary submitted that the Court lacked jurisdiction to deal with the action for failure to fulfil obligations in that case.

48 As we have seen, in that judgment the Court expressly recognised the lack of harmonisation of aspects relating to the sale of tobacco products to minors.

49 See Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks (OJ 2015 L 336, p. 1) and Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark (OJ 2017 L 154, p. 1).

50 On this point, see also the Opinion of Advocate General Kokott in *Commission* v *Council* (C-137/12, EU:C:2013:441, points 66 and 67).

51 See judgment of 11 June 2020, *JI* (C-634/18, EU:C:2020:455, paragraph 48 and the case-law cited).

penalties, and therefore the same requirements must be met also by provisions that allow double prosecution. [52] Although the principle of the legality of offences and penalties requires that the law clearly define the offences and the penalties for those offences, this condition is fulfilled if the person is in a position to know, on the basis of the wording of the relevant provision and with the possible help of interpretation given thereto by the courts, which acts and omissions make him or her criminally liable. [53] Furthermore, according to settled case-law, the principle of specifying the applicable law cannot be interpreted as prohibiting the gradual clarification, from one case to another, of the rules on criminal liability by means of case-law interpretation, provided that the result is reasonably predictable at the time when the offence is committed, in the light, in particular, of the interpretation in force at that time in the case-law relating to the legal provision in question. [54]

41. It follows from the order for reference that G. ST. T. was charged only with the aggravated offence referred to in Article 172b(2) of the NK. As the referring court itself points out, the existence of 'significant harmful effects' is one of the constituent elements of that offence and is what distinguishes it from the administrative offence under Article 127(1) of the ZMGO.

42. It is also apparent from that decision that, in an interpretative judgment of 2013, [55] the Varhoven kasatsionen sad (Supreme Court of Cassation, Bulgaria) adopted an algorithm for calculating the prejudice suffered as a result of the criminal offence referred to in Article 172b – the compatibility of which with Directive 2004/48 is disputed by the referring court in the first two questions referred for a preliminary ruling – for the purpose of, inter alia, furnishing practical guidance for the correct classification of the criminal offence provided for in Article 172b of the NK and the delimitation of that offence from administrative infringements.

43. In so far as it follows from the case-law referred to in point 42 of the present Opinion, first, that gradual clarification of the rules on criminal liability by means of case-law interpretations is not in itself incompatible with the principle of the legality of criminal offences and penalties and, second, that the mere fact that the precise delimitation between administrative offences and criminal offences, as well as the potential cumulation of the penalties laid down, depends on the interpretation of a general concept that requires a wide-ranging assessment by the national courts is not, in itself, capable of calling into question the clear and precise nature of the national legislation, [56] it is for the referring court to assess whether, despite the abovementioned interpretative judgment of the Varhoven kasatsionen sad (Supreme Court of Cassation), there is still confusion as to the constituent elements of the administrative offence under Article 127 of the ZMGO and those of the criminal offence under Article 172b of the NK, such that the scope of criminal liability under that article cannot be predicted.

44. It is therefore necessary, in my opinion, to answer the third question referred for a preliminary ruling to the effect that, where the legislation of a Member State penalises the counterfeiting of a registered trade mark by applying administrative and criminal penalties, Article 49(1) of the Charter requires that the boundaries of criminal liability be clearly defined. That principle does not preclude the precise scope of the constituent elements of the offence of counterfeiting that distinguish the latter from the administrative offence from being clarified by interpretation of the

[52] See judgment of 5 May 2022, *BV* (C-570/20, EU:C:2022:348, paragraph 37).

[53] See judgment of 5 May 2022, *BV* (C-570/20, EU:C:2022:348, paragraph 38 and the case-law cited).

[54] See judgment of 5 May 2022, *BV* (C-570/20, EU:C:2022:348, paragraph 41).

[55] See judgment of 31 May 2013 in Case No 1/2013.

[56] See, in that regard, judgment of 20 March 2018, *Garlsson Real Estate and Others* (C-537/16, EU:C:2018:193, paragraphs 52 and 53).

case-law, provided that that interpretation enables the persons concerned to know precisely, at the time when the offence is committed, which acts and omissions may render them criminally liable.

C. The fourth question referred for a preliminary ruling

45. By its fourth question, the referring court essentially asks whether the penalties set out in Article 172b(2) of the NK, that is to say a term of imprisonment of five to eight years and a fine of BGN 5 000 to BGN 8 000, comply with the principle of proportionality set out in Article 49(3) of the Charter. According to that court, the prison sentence, in particular the minimum sentence, is of an 'exceptional severity', considering also that the offence takes the form of merely offering for sale the goods in question. It further states that, given the high level of the penalty, the possibility for the court to reduce it or stay its execution is extremely limited. Lastly, the referring court points out that both the cumulation of the prison sentence with a high fine and the additional measure consisting in the confiscation of the infringing goods and their destruction contributes to increasing the severity of the penalty imposed as a whole.

46. Let me first point out that, according to settled case-law, if there is no harmonisation of applicable penalties at EU level, the Member States remain competent to choose the penalties that seem appropriate to them. They are, however, obliged, as I previously observed above, to exercise their competence in compliance with EU law and the general principles thereof and, consequently, in accordance with the principle of proportionality.[57] Article 61 of the TRIPS Agreement confines itself to obliging WTO members to penalise certain infringements of intellectual property rights and suggests that the potential measures include 'imprisonment and/or monetary fines sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity'. Moreover, as I have also pointed out previously, there has been no harmonisation on the matter at EU level. It follows that the Member States enjoy a broad margin of discretion in that connection, in particular as regards the level of the penalties applicable. That discretion enables them, in particular, to assess the seriousness of the offence at national level and to adapt those penalties accordingly.

47. Next, I would point out that it is settled case-law that the principle of the proportionality of penalties referred to in Article 49(3) of the Charter requires the severity of the penalties imposed to be commensurate with the gravity of the infringements that they penalise, ensuring, in particular, a genuinely dissuasive effect, without going beyond what is necessary to achieve the objectives legitimately pursued by the legislation in question.[58] The Court has further stated that the principle of proportionality requires that the specific circumstances of the case in point be taken into account when determining the penalty.[59] It is ultimately for the national court, which alone is competent to assess the facts and interpret national law, to determine whether, in the proceedings before it, those requirements are met.

48. In the present case, as regards, first of all, the nature and gravity of the offence, it is apparent from the order for reference that Article 172b of the NK is intended to penalise, inter alia, the intentional counterfeiting of trade marks, that is to say, conduct of a certain gravity, which Article 61 of the TRIPS Agreement requires to be penalised under criminal law and in such a way

[57] See judgment of 11 February 2021, *K. M. (Sanctions imposed on the master of a vessel)* (C-77/20, EU:C:2021:112, paragraph 36).

[58] See, in that regard, judgment of 14 October 2021, *Landespolizeidirektion Steiermark and Others (Gaming machines)* (C-231/20, EU:C:2021:845, paragraph 45).

[59] See judgment of 4 October 2018, *Link Logistik N&N* (C-384/17, EU:C:2018:810, paragraph 45).

as to ensure sufficient deterrence. A growing phenomenon, which has long had an international dimension, counterfeiting poses a serious threat to businesses and national economies, with significant social repercussions, as well as posing problems for consumer protection, particularly when public health and safety are at stake. It is also a phenomenon that appears to be increasingly linked to organised crime. [60]

49. As regards, in the first place, the term of imprisonment provided for in Article 172b(2) of the NK, it is set at a significantly high level, particularly if one considers the minimum limit for that sentence, which is set at five years; [61] it is therefore likely to raise reasonable doubts as to its proportionality, particularly when applied to conduct such as that at issue in the main proceedings, as described by the referring court. It must, however, be borne in mind that Article 172b(2) of the NK applies where there are specific aggravating circumstances that appear to be linked, first, to recidivism or continuation, and, second, to the seriousness of the damage caused. For a simple offence, Article 172b(1) of the NK provides for a lower minimum sentence, set at three years. Now, as the Commission has rightly pointed out, one of the elements to be taken into consideration when assessing the proportionality of a criminal law is the possibility of modulating the penalty according to the seriousness of the offence. [62]

50. In the present case, although, as stated, it is apparent from the order for reference that the conduct at issue in the main proceedings, consisting in offering for sale garments bearing trade marks similar to registered trade marks, was held by the public prosecutor to be covered by the offence referred to in Article 172b(2) of the NK in view of the seriousness of the resulting prejudice, the Court does not have sufficient evidence either in the abstract or in practice, in particular with regard to the precise scope of the notion of 'significant harmful effects' within the meaning of Article 172b(2) of the NK, to provide the referring court with further elements for assessment in addition to those referred to previously. In any event, it is for that court, in the light of all the circumstances of the case that can be taken into consideration under national law, to carry out a practical examination of the proportionality of the custodial sentence applicable in relation to the incriminated conduct and the consequences thereof and, where necessary, to adapt the level of that sentence to the specific circumstances of the case as far as possible under the discretion vested in it, which includes any power to reclassify the facts for which G. ST. T. is called upon to answer from an offence within the meaning of Article 172b(2) of the NK to an offence within the meaning of the first paragraph of that article.

51. As regards, in the second place, the cumulation allowed by Article 172b(2) of the NK of a fine with a custodial sentence, I should point out that the Court has previously had occasion to clarify that the cumulation of penalties of a criminal nature must be accompanied by rules that ensure that the severity of the penalties imposed as a whole corresponds to the seriousness of the offence concerned and that such a requirement follows not only from the principle of the proportionality of penalties laid down in Article 49(3) of the Charter but also from Article 52(1) thereof. [63] The Court has further clarified that that requirement applies, without exception, to all

[60] It is against this background that the Commission pointed out in its amended proposal for a directive that the fight against counterfeiting and piracy is an objective of fundamental importance for the European Union.

[61] By way of a benchmark, the amended proposal for a directive provided for that offence to be punishable by a maximum sentence of not less than four years' imprisonment when committed within the framework of a criminal organisation or when it involved a risk to the health or safety of individuals.

[62] See judgments of 11 February 2021, *K. M. (Sanctions imposed on the master of a vessel)* (C-77/20, EU:C:2021:112, paragraph 51), and of 16 July 2015, *Chmielewski* (C-255/14, EU:C:2015:475, paragraph 26).

[63] See, in that regard, judgment of 20 March 2018, *Menci* (C-524/15, EU:C:2018:197, paragraph 55).

penalties imposed cumulatively and, therefore, both to the cumulation of penalties of the same nature and to the cumulation of penalties of different natures, such as fines and prison sentences. [64]

52. In the present case, it is therefore for the referring court, for the purpose of assessing the proportionality of the practical application of the legislation at issue in the main proceedings, to determine whether there are appropriate rules to ensure that the severity of the set of penalties laid down, including confiscation and destruction of the infringing property, is adapted to what is strictly necessary in the light of the seriousness of the offence committed and whether those rules are applicable in the criminal proceedings brought against G. ST. T.

53. On the basis of the foregoing, it is therefore necessary, in my view, to reply to the fourth question referred for a preliminary ruling by stating that Article 49(3) of the Charter must be interpreted as precluding national legislation that, with a view to combating the counterfeiting of a registered trade mark, provides for the imposition of criminal penalties of both a custodial and a financial nature of a severity that is not proportionate to the seriousness of the infringements committed. It is for the referring court to carry out that examination of proportionality in practice, in the light, in particular, of the possibility offered by that legislation to modulate those penalties in relation to the seriousness of the infringement, as well as in the light of all the circumstances that can be taken into account under national law in order to weigh up, first, the seriousness of the offence in question and, second, the burden that the cumulation of those penalties specifically entails for the person concerned.

IV. Conclusion

54. In the light of all the foregoing, I propose that the Court reply as follows to the third and fourth questions referred for a preliminary ruling by the Rayonen sad Nesebar (District Court, Nesebar, Bulgaria):

Article 49(1) of the Charter of Fundamental Rights of the European Union must be interpreted as meaning that, where the legislation of a Member State penalises the counterfeiting of a registered trade mark by applying administrative and criminal penalties, the principle of the legality of the criminal offences and penalties laid down in that provision requires that the boundaries of criminal liability be clearly defined. That principle does not preclude the precise scope of the constituent elements of the offence of counterfeiting that distinguish the latter from the administrative offence from being clarified by interpretation of the case-law, provided that that interpretation enables the persons concerned to know precisely, at the time when the offence is committed, which acts and omissions may render them criminally liable.

Article 49(3) of the Charter must be interpreted as precluding national legislation that, with a view to combating the counterfeiting of a registered trade mark, provides for the imposition of criminal penalties of both a custodial and a financial nature in so far as the severity of those penalties, considered both separately and cumulatively, is not proportionate to the seriousness of the infringements committed. It is for the referring court to carry out that examination of proportionality in practice, in the light, in particular, of the possibility offered by that legislation to modulate those penalties in relation to the seriousness of the infringement, as well as in the light of all the circumstances that can be taken into account under national law in order to weigh up, first, the seriousness of the offence in question and, second, the burden that the cumulation of those penalties specifically entails for the person concerned.

[64] See judgment of 5 May 2022, *BV* (C-570/20, EU:C:2022:348, paragraph 50).