

# Copyright Update

February 2009

## An update on developments in Europe

Our review of the copyright cases and developments in Europe in the course of 2008 reveals a number of themes and interesting areas of debate. At the European level, these have been: liability of online intermediaries and ISPs (particularly in France where there have been inconsistencies in the relevant French judgments), the landscape surrounding collective licensing of online music and developments in the law relating to copyright in the knowledge economy, term extension and harmonisation. The courts in Germany have considered the legality of image searches and liability for user generated content on a filesharing platform, as well as whether reprographic levies should be raised on personal computers. In The Netherlands, the courts have considered whether or not an intention to create a copyright work is required in order for copyright to subsist. We also report on the protection available for TV formats in Italy and a recent referral to the ECJ by the Swedish Market Court regarding the interpretation of Article 82 EC (abuse of dominant position) by a Swedish copyright management organisation. Finally, in the UK, Star Wars costumes and the use of foreign decoder cards to access foreign transmissions of live Premier League football matches have been judicially considered.

## European Perspective

### Online intermediary liability

The last 18 months has seen renewed interest in the liability position of online intermediaries and internet service providers. The effective truce between rights owners and online intermediaries, since the safe harbours incorporated in the US Digital Millennium Copyright Act and the EU E-Commerce Directive were passed in the late 1990s, has broken down. The protagonists have once more engaged in battle through the press, the courts and the legislature.

There have been two main contributors to this breakdown; first, the advent of video on the internet, threatening business models for the

## Contents

### European Perspective

Online intermediary liability	1
Collective licensing of online music in Europe	4
Extension and harmonisation of copyright term for the music industry	7
European Commission Green Paper on Copyright in the Knowledge Economy	9
ECJ copyright cases currently pending or in which judgment has been given in 2008	12

### France

User-generated content and ISP liability in France	13
--	----

### Germany

Implementation of EU Enforcement Directive – Codification of rights to inspect infringing goods	14
German Federal Court of Justice decides that reprographic levies should not be raised on personal computers up to 2007	16
Recent German court judgments question legitimacy of image searches	18
Rapidshare held liable for user generated content that infringed copyright	20

### Italy

TV format protection in Italy	23
-------------------------------	----

### The Netherlands

Endstra's final work? Dutch copyright: scope of protection remains very wide.	24
---	----

### Sweden

European Court of Justice decision in <i>Kanal 5 Ltd, TV 4 AB v Föreningen Svenska Tonsättares Internationella Musikbyrå</i> Case C-52/07	26
---	----

### UK

Star Wars, the sequel	27
<i>Football Association Premier League Limited, NetMed Hellas SA and Multichoice Hellas SA v (1) QC Leisure &amp; Anr (2) AV Station Plc &amp; Anr (3) Michael Madden &amp; Ors</i>	29

### Contacts

33



most valuable content: TV and movies; and second, the growth in peer to peer file sharing, much of it involving music and, increasingly, video.

The new era started in March 2007, when Viacom sued YouTube in the US, claiming over \$1 billion damages for copyright infringement in respect of video clips uploaded to the video sharing site. That litigation is ongoing. In July 2008 the Italian media company RTI filed a similar lawsuit against YouTube in Italy, claiming \$500 million in damages.

Court decisions have emerged around Europe addressing the question of whether various types of online actors qualify for online intermediary protection under the E-Commerce Directive. All the cases have concerned the hosting protection given to online service providers who store information provided by a recipient of the service. Under Article 14 of the E-Commerce Directive, the service provider is not liable for information stored at the request of a recipient of the service if (a) the recipient of the service is not acting under the authority or control of the service provider (b) the service provider has no actual knowledge of the illegal activity or information and (for civil liability) is not aware of facts or

circumstances from which the illegal activity or information is apparent, and (c) in any event upon gaining such knowledge or awareness acts expeditiously to remove or to disable access to the information.

Considerable uncertainty has surrounded the question of what qualifies as a host under Article 14. Does it apply only to passive technical storage activities? Or can it also include a broader range of discussion forums, auction sites and Web 2.0-type content sharing platforms? Various recent decisions in France have held that Google Video, Dailymotion (a video sharing site), Wikipedia and Google's Blogger service are hosting services within Article 14 of the Directive. Other French decisions have held that Tiscali's personal web page creation service, MySpace, provision of syndication feeds and provision of a "Digg"-type social ranking service were publishing activities, not hosting activities. The recent eBay cases in France held that eBay was an online broker, not a host. A Belgian court subsequently held the opposite.

There have also been various decisions applying the criminal and civil knowledge standards. On the whole the criminal knowledge standard has tended to require the content to be

obviously and manifestly unlawful in order to fix a hosting provider with knowledge. For civil liability, however, the findings have been more variable as to how specific the required knowledge has to be. One notable decision was that in *Zadig v Google*, a copyright decision, in which a Paris court held that where there were repeated postings of the same infringing content, notice of the first infringement was sufficient to provide knowledge in respect of subsequent uploads. So merely acting to take down a notified content on the receipt of each subsequent notice was insufficient and Google ought to have taken steps to prevent repeated uploads.

Similarly, in the Dailymotion case decided in April 2008, another copyright case, the Paris court held that the likelihood of future infringement had to be judged in the light of notices received from the rights owners, which created a new obligation to check content. In the Belgian eBay case, however, the Brussels Tribunal de Commerce held that eBay was under no monitoring obligation.

An aspect of intermediary liability that has become more prominent in the courts is the question of when courts



may grant injunctions against online intermediaries such as hosts and conduits. The E-Commerce Directive provides that limitations of liability do not affect the possibility of injunctions of different kinds; and that such injunctions can, in particular, consist of court orders requiring the termination or prevention of any infringement, including the removal of illegal information or the disabling of access to it. Also, Article 8.3 of the Copyright in the Information Society Directive enables courts to grant injunctions against service providers whose services are used by third parties to infringe copyright, without having to show that the service provider is itself infringing.

Injunctions against service providers can be categorised into three types: blocking of named internet sites, filtering by type of content and/or geographic origin, and termination of user accounts. There have been examples of all of these. The Danish courts have granted injunctions against conduits requiring access to the Russian allofmp3 site and to the Swedish Pirate Bay site to be blocked. An Italian court has also granted a similar injunction (subsequently vacated) in respect of the Pirate Bay site. The Belgian *SABAM v Scarlet* case

remains the sole example of an injunction being granted against a conduit requiring installation of filtering technology, in that case relating to P2P file sharing of music files infringing copyright.

The Danish Supreme court has issued an injunction requiring termination of the account of a customer proven to have engaged in unlawful P2P file sharing. The German courts have also granted injunctions against online auction sites and others. These are based on a "disturber" principle, specific to Germany, whereby the courts can grant injunctions, based on the intermediary's knowledge of prior infringements, for future infringements of the same kind. However, such injunctions cannot oblige the provider to prevent future infringements at any cost or so as to put the provider's business model at risk.

In November 2007, the debate over ISP responsibility took a new turn with the Olivennes agreement in France, whereby ISPs would cooperate with a newly created authority over P2P infringements. Under this arrangement, rights owners would identify alleged infringers, ISPs would experiment with filtering technologies and a "three strikes" process would be

introduced, consisting of warning, account suspension and account termination. The new authority would create a database of terminated subscribers, to prevent them switching ISPs.

The European Commission issued a Communication in January 2008 asking whether the Olivennes agreement was an example to be followed, and whether filtering measures are an effective way to prevent online copyright infringements.

At about the same time Paul McGuinness, manager of U2, made a speech in which he asserted that the "*the failure of ISPs to engage in the fight against piracy, to date, has been the single biggest failure in the digital music market*". He suggested that "*the safe harbours of the 1990s are no longer appropriate, and if ISPs do not cooperate voluntarily there will need to be legislation to require them to cooperate.*"

In the UK this was followed towards the end of February 2008 by the UK government Creative Industries consultation, which raised the possibility of legislation to require ISP cooperation. On 10 April 2008, a vote in the European Parliament opposed the Olivennes "three strikes" principle.



On 24 July 2008, six major UK ISPs signed a memorandum of understanding with the BPI, the MPA and the UK government. The ISPs agreed to initiate a three month trial whereby they would send informative letters to users suspected of illegal file sharing on the basis of IP address information provided by rights owners. At the same time the government issued a consultation paper on legislative options to address illicit P2P file sharing. Under the government's preferred option there would be various self-regulatory approaches, underpinned by an obligation on ISPs to take action against subscribers to their network who are identified by the rights holder as infringing copyright through P2P. Expanding further on this obligation, the government stated in its consultation paper:

*"We anticipate this would take the form of the requirement to have an effective policy in place for dealing with cases of alleged unlawful P2P file sharing. ... This regulatory requirement will be phrased to limit the ISP's obligation to take action to those circumstances where it can be demonstrated that an individual subscriber or account is being used to infringe copyright. It would be*

*designed to apply only to unlawful file sharing over P2P networks. This will not affect the ISP's limitation of liability under Articles 12 to 14 of the E-Commerce Directive, insofar as ISPs will not be made liable for the illicit content of what they transmit, cache or host. Furthermore, ISPs will not be required to perform any general monitoring of their networks. ISPs who choose not to engage in the self-regulatory arrangement would remain bound by the underlying requirement to have an effective policy on unlawful P2P file sharing."*

At the European level, various amendments were introduced to the Telecoms Package as it made its way through the European Parliament, including some designed to address copyright infringement on the internet by placing cooperation obligations on ISPs. These did not pass. However, an amendment was passed that could be interpreted as preventing Member States from enacting legislation enabling internet subscribers to be cut off without a court order.

Simultaneously, rights owners have been lobbying the G8 countries participating in the Anti-Counterfeiting Trade Agreement negotiations to include ISP responsibility provisions in the ultimate agreement.

In the early part of 2008, the rights holders appeared to have seized the initiative in this area. It remains to be seen to what extent online intermediaries will continue to defend the position that they cannot and should not become involved in monitoring the activities of their users. In the meantime there are signs that the political process will be affected by increasingly vocal digital user groups protesting against the prospect of their ISPs being told to spy on them.

Graham Smith, London

## Collective licensing of online music in Europe

Music licensing has traditionally been dealt with on a country-by-country basis as individual copyright owners assign the worldwide exploitation rights in their works to their national collecting society, which licenses or administers certain uses of the copyright works on their behalf. The collecting society umbrella organisation CISAC provides a model reciprocal representation agreement for use between collecting societies. Most collecting societies have entered into such agreements so that they can each offer the repertoire of all the



artists represented by all the collecting societies participating in the reciprocal agreements. The reason that such reciprocal agreements have attracted attention in recent years is that they contain: (i) territorial restrictions, such that a national society may not grant a licence to the whole catalogue of works outside its home territory; and (ii) membership restrictions, which mean that copyright owners are only allowed to assign their exploitation rights to their home society. In effect, this means that collecting societies cannot grant cross-border licences, which is becoming an increasingly serious problem for businesses who wish to clear rights in music for online use and distribution on a Europe-wide basis. Consequently, the various parties have been locked in fierce debate and the last few years have seen a number of significant developments which are changing the way in which music is licensed across Europe. The latest, and arguably most important, development is the decision issued by the Commission on 16 July 2008 in the *CISAC* case.

### ***CISAC: the facts***

On 30 November 2000, the broadcaster RTL filed a complaint with the Commission against the German collecting society GEMA concerning

GEMA's refusal to grant an EU-wide licence to RTL for all its music broadcasting activities. On 4 April 2003, Music Choice Europe filed a complaint against CISAC, claiming that the territoriality clauses in the CISAC model agreement were in breach of Article 81 of the EC Treaty. The cases were merged and are referred to as the *CISAC* case.

### ***CISAC: the proceedings***

On 31 January 2006, the Commission sent a Statement of Objections to CISAC and the EU national collecting societies setting out the Commission's concerns that certain clauses of the model contract, including the territorial and membership restrictions referred to above contained anti-competitive elements.

In March 2007, CISAC proposed a set of draft commitments designed to remedy the Commission's concerns. A majority of CISAC members agreed to abide by the commitments, which included undertakings that the societies would lift the membership restrictions and grant multi-territorial licences for performing rights over the internet, satellite and cable. The Commission tested CISAC's proposed commitments in the market and invited third parties to submit their

opinions. A group of 27 companies – including some of Europe's biggest media groups and telecom companies, such as France Telecom, SBS Broadcasting, RTL, ProsiebenSatl and Deutsche Telekom – wrote a strongly worded open letter asking the Commission to reject CISAC's offer. As a result, the Commission concluded that the proposed commitments were not sufficient to reintroduce effective competition in the market and that it would not be possible to reach a negotiated solution with the collecting societies.

### ***CISAC: the decision***

On 16 July 2008, the Commission issued a decision in the *CISAC* case, which has not been made publicly available<sup>1</sup>. According to the Commission's press release, it has allowed collecting societies to maintain their current system of bilateral agreements and to keep their right to set levels of royalty payments due within their domestic territory. However, the Commission did find that the clauses dealing with membership restrictions and territorial exclusivity in the reciprocal representation agreements between the collecting societies were in breach of Article 81.

<sup>1</sup>The Commission issued a summary of the decision on 18 December 2008.



The Commission also found anti-competitive the "concerted practices" amongst the collecting societies whereby the societies have limited their mandates to the domestic territory of the other collecting societies. The Commission said that this results in a *de facto* exclusivity for the granting of licences which cover the repertoires of more than one collecting society and a strict segmentation of the market on a national basis. The effect for a commercial user that wants to offer a pan-European media service is that it cannot receive a licence which covers several Member States, but instead has to negotiate with each individual national collecting society.

Although the Commission did not impose fines on the basis that this would penalise the copyright owners represented by the societies rather than the societies themselves and because a number of the collecting societies had already begun to remove the restrictive clauses from their agreements, thus showing a willingness to cooperate, the decision does require the collecting societies to amend their representation agreements and practices. The decision gave the collecting societies 120 days in which to inform the Commission about their revised agreements. The Commission's

decision has been appealed by more than twenty collecting societies.

### **Other developments in music copyright licensing- pre and post CISAC**

In 2005, the Commission conducted an impact study on the cross border collective administration of copyright for online music services. The results of the study were reported on 7 July 2005. The Commission made three suggestions: (i) preserve the status quo; (ii) abolish the territorial restrictions so that each collecting society would be able to grant EU-wide licences; and (iii) abolish the membership restrictions and territorial restrictions thereby enabling copyright owners to assign their rights to any collecting society within the EU which society could grant EU-wide (or possibly even worldwide) licences. On 12 October 2005, the Commission issued a Recommendation favouring option (iii).

Following the Recommendation, and perhaps as a result of the progression of the *CISAC* case, a number of national collecting societies introduced new licensing initiatives. For example, in 2007 the Spanish, French and Italian collecting societies announced a joint

venture called ARMONIA for a one-stop-shop licensing platform for online and mobile use of their catalogues on a Europe-wide basis. Also in 2007, the British collecting society launched 'Alliance Digital', a new platform offering EU-wide licences for the repertoire administered by small and medium-sized publishers. To date, over 800 publishers have assigned their rights to Alliance Digital.

Furthermore, several national collecting societies have formed joint ventures in line with option (iii) of the Commission's report. For example, the German and British collecting societies recently formed CELAS to administer the repertoire of EMI Music Publishing in the online/mobile world throughout the EU. Further collaborations in respect of other notable repertoires have also been entered into by various national societies. Accordingly, on 7 February 2008, the Commission published a monitoring report concluding that its Recommendation had been endorsed by a number of national collecting societies.

On 21 July 2008, mere days after the *CISAC* decision, the Dutch collecting society BUMA announced that it had issued a pan-European licence to its worldwide music repertoire (including



the repertoire of the British collecting society PRS) to online music store Beatport.com. However, under the reciprocal representation agreement entered into between BUMA and PRS prior to the *CISAC* decision, BUMA was prohibited from licensing PRS's repertoire anywhere outside The Netherlands. BUMA nonetheless proceeded with its licence to Beatport.com on the basis that, post-*CISAC* any territorial restrictions in the reciprocal agreement were null and void. However, PRS sought, and was granted, an interim injunction, ordering BUMA to refrain from licensing PRS' catalogue outside of The Netherlands. The judge found that, contrary to BUMA's argument, the *CISAC* decision did not determine that individual agreements between CISAC members were anti-competitive but rather that it is the concerted practice between the CISAC members which is contrary to Article 81. Therefore, the *CISAC* decision does not lead to the nulling in law of BUMA's reciprocal representation agreement with PRS.

## Conclusion

As can be seen above, the landscape is changing very quickly. It seems likely that commercial pressures on collecting societies, their members and

licensees will eventually result in a workable licensing model. It is hoped that such a model is developed sooner rather than later to provide certainty to all stakeholders.

**Gina Brueton, London**

This article by Gina Brueton is an abridged version of an article that appeared in the October/November 2008 edition of *Intellectual Asset Magazine* which was authored by Peter Brownlow and Emily Forsyth (London) and Helene Miksche (Stockholm).

## Extension and harmonisation of copyright term for the music industry

At present, there are discrepancies in the term of protection enjoyed across Member States in relation to musical compositions with words. In some Member States, musical compositions with words are given a single unified term of protection calculated from the date of the death of the last surviving author. In other States (including the UK) separate terms of protection apply to the musical work and the literary work (lyrics) calculated from the date of death of the author or last surviving author of each independent musical or literary work. The affect of

this is that copyright in the lyrics and in the music can expire at different times in different States and even within a state. This lack of harmonisation across the EU inhibits the free movement of goods and services as copyright may have expired in a musical work (or literary work) in one EU State but still exist in another State.

The Commission proposes inserting into Directive 2006/116/EC on the term of protection of copyright and related rights ("the Directive"), a new Article 1(7) providing that for the purpose of calculating the copyright term only, a musical composition with words will be treated as if it was a work co-authored by the author/s of the music and the author/s of the lyrics. This will mean that copyright in the musical work and literary work (lyrics) expires at the same time, being the end of the year 70 years after the death of the last surviving author.

Currently, the term of copyright protection for performers and phonogram producers set out in the Directive is 50 years after publication or first communication to the public of the phonogram. "Phonogram" is an archaic term which was originally used to refer to records. However, the Phonograms Convention, a treaty administered by the World Intellectual Property Organization defines a



phonogram as “any exclusively aural fixation of sounds of a performance or of other sounds”. It is accordingly used to refer broadly to any sound recording. The Commission’s proposal is to extend the term of protection to 95 years (in relation to both the recording and the performance embodied therein) following the triggering event. This extended period is only to apply to fixations of performances in phonograms. Therefore, for fixations of performances otherwise than in a phonogram (for example, in an audiovisual work) the current 50 year term will continue to apply.

The proposed amending Directive includes in its recitals an explanatory note that performers start their careers at a young age and the current term of 50 years is often insufficient to protect their performance for their lifetimes, let alone beyond them. Therefore, performers face an income gap at the end of their lifetimes and also cannot prevent or restrict objectionable uses of their performances that occur during their lifetimes. According to the Commission, an extension to 95 years would help to address these problems. It would also benefit phonogram producers by generating additional revenue from the sale of phonograms.

The proposal relating to the extension of term for phonogram producers and performers is timely as copyright in recordings released 50 years ago (when production of phonograms first reached large scale production) is now starting to expire. This means that, unless the law changes, phonogram producers and performers will not continue to enjoy a revenue stream from their phonograms or performances.

In practice, session musicians have little or no bargaining power and usually transfer their rights to the phonogram producer on the basis of a one-off buy out payment. Feature performers (who usually receive a credit) are better remunerated. They usually receive an advance on royalties and then further payments if the phonogram producer recoups the initial advance. The Commission proposes that phonogram producers should contribute 20% of revenues generated by phonogram sales during the extended copyright term to a dedicated fund for session musicians, which collecting societies would then administer. The money set aside in the fund is to be reserved exclusively for the benefit of performers whose performances have been fixed in a phonogram and who have transferred their rights to the phonogram

producer against a one-off payment before the date of transposition of the amending Directive (its incorporation into national law). This is intended to compensate these performers (session musicians) for the fact that the phonogram producers will receive an additional 45 years in which to exploit their performance embedded in phonograms, before copyright expires. For performances fixed in phonograms which have not come into existence or which are in existence but which have not been transferred to a phonogram producer at the time of transposition, the session musicians will not benefit from the fund but are intended instead to benefit from an increased buy-out payment negotiated on the basis of the longer term of copyright protection which the phonogram producer will enjoy.

In order to avoid placing an undue burden on small and medium sized phonogram producers, Member States shall be free to exempt certain producers which do not achieve annual revenue of at least €2 million from contributing to the fund.

The Commission’s proposal includes a new Article 10a(6) which provides that if a phonogram producer does not publish a phonogram, which but for the term extension would be in the public domain, the rights in the



fixation of the performance shall, upon request, revert to the performer and the rights in the phonogram shall expire. This would leave the performer (or his or her estate) free to exploit the phonogram embodying their performance without taking a licence from the phonogram producer. However, licences in relation to the underlying musical and literary works would need to be obtained if they were still protected by copyright. This is also a transitional provision only and is therefore of limited benefit to performers.

If neither the phonogram producer nor the performer makes the phonogram available to the public in a reasonable quantity during the first year of the term extension, the rights in the phonogram and in the fixation of the performance shall expire and the rights shall enter the public domain. Again, anyone wishing to exploit the phonogram or the performance embodied therein would still need a licence in relation to the underlying works, if they were still protected by copyright.

The Gowers Review (published in December 2006) supported the status quo and advised against any extension of copyright term. The UK Government has also put forward

reasons to reject the Commission's proposal. For example, that the extension would not benefit the majority of performers and would lead to increased costs for industries that pay to play music. The proposal is currently under consideration by the European Parliament.

Brooke Whitaker, London

## European Commission Green Paper on Copyright in the Knowledge Economy

At the same time as publishing its proposals on term extension in July, the European Commission also published a Green Paper to solicit stakeholders' views on certain issues, primarily relating to exceptions and reservations, and connected with the role of copyright in the knowledge economy in the EU. The Directive on the harmonisation of certain aspects of copyright and related rights in the information society (2001/29/EC) (the "Directive") already provides, *inter alia*, an exhaustive list of exceptions and limitations to the protection of copyright and related rights that Member States may implement. Although the Directive

achieved a degree of harmonisation, differences in national implementation and subsequent technological changes have led to this consultation. The Directive's recitals recognise that a balance needs to be struck between ensuring a reward to a copyright owner for the creation of a work, and the future investment and dissemination of knowledge products. Therefore, a number of the Directive's exceptions are aimed specifically at the dissemination of knowledge for research, science and educational purposes. The Green Paper seeks feedback in relation to these exceptions by 30 November 2008.

Libraries and similar institutions benefit from Article 5(2)(c), permitting reproduction in respect of specific acts for non-commercial purposes (which arguably only covers acts necessary for the preservation of works contained in libraries' catalogues) and Article 5(3)(n), a narrowly formulated exception to the communication to the public right for the purpose of research or private study by means of dedicated terminals located at the premises of such establishments. Stakeholders are requested to provide their views on whether the exceptions should be expanded to cover format shifting



(e.g. digitisation), and to permit entire collections to be scanned in order to permit end users to access them remotely. Alternatively, as publishers are setting up online databases permitting subscribers to access material for a fee, the exceptions could remain unchanged and libraries could enter into licensing schemes with publishers.

People with a disability need to access works in formats adapted to their needs. They are assisted by Article 5(3)(b), which allows for non-commercial uses directly related to the disability to the extent required by the disability. However, some Member States have restricted the exception to certain categories of disabled person (e.g. visually impaired). Further, although fair compensation for rightholders is permitted, given the cost of converting works to accessible formats and the limited resources available, the Green Paper questions whether it should apply to this exception.

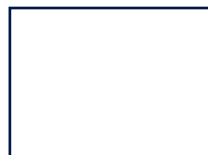
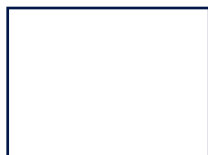
Dissemination of study materials through online networks can have a beneficial effect on the quality of education and research, but also carries the risk of copyright infringement when works are digitised and/or copyrighted works are made

available to the public. Article 5(3)(a) provides an exception to reconcile the legitimate interests of rightholders with the wider goal of public access to knowledge. However, this exception has tended to be implemented narrowly (e.g. distance learning is not explicitly covered), and with considerable differences between Member States. Some countries have restricted the exception to the right of reproduction whilst others have extended it to rights of communication and making available to the public, some make a distinction between analogue and digital works whilst others do not, and the permitted length of excerpts from works varies considerably. Particular problems arise when students enrol for courses in countries other than their own, or when teachers or researchers carry out their activities in several institutions located in different countries. The Green Paper raises a number of queries directed to clarifying this exception and whether certain mandatory minimum rules should be introduced.

Finally, the phenomenon of user-created content, including blogs, podcasts, wikis and video-sharing is raised. The Directive does not provide an explicit exception allowing existing copyright protected works to be used

for creating new or derivative works although certain exceptions provide flexibility in this regard (e.g. Article 5(3)(d), which allows quotations for purposes such as criticism or review to the extent required by the specific purpose and in accordance with fair practice, and Article 5(3)(k), which exempts uses for the purposes of caricature, parody or pastiche). However, the Green Paper suggests that a separate exception for transformative user-created content could stimulate innovative uses of protected works and lead to the creation and dissemination of new, potentially valuable works. It recognises that any such exception would need to comply with the three step test laid out in Article 5(5) of the Directive so that it (i) applies only in certain cases; (ii) does not conflict with the normal exploitation of the work or other subject matter; and (iii) does not unreasonably prejudice the legitimate interests of the rightholder. The Green Paper requests feedback on whether more precise rules and/or a specific exception are required for user-created content.

This Green Paper is not the only review of exceptions and reservations to copyright and related rights being undertaken in the Community. In the UK, as a response to the



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recommendations of the Gowers Review on Intellectual Property, the UK Intellectual Property Office has been undertaking a review of the UK implementation of certain of these aspects of the Directive and so has solicited feedback on extending existing exceptions for educational purposes, format shifting, research and private study, for libraries and archives and also on whether or not an exception for parody should be introduced. It has also undertaken a consultation on whether or not to repeal, or at least to limit further in scope, certain existing exemptions from the restricted act of public performance for sound recordings and performers' rights.

**Trevor Cook and Tim Harris, London**



## ECJ copyright cases currently pending or in which judgment has been given in 2008

Case	Parties	Provision under Review	Status
C-275/06	Productores de Music de Espana (Promusicae) v Telefonica de Espana SAU	Directives 2000/31, 2002/58 and 2004/48 and Article 8 (1) and (2) of Directive 2001/29 on copyright and related rights in the information society	Judgment 29 January 2008
C-456/06	Peek & Cloppenburg KG v Cassina SpA	Article 4 (1) of Directive 2001/29 on copyright and related rights in the information society	Judgment 29 January 2008
C-240/07	Sony Music Entertainment Germany GmbH v Falcon Neue Medien Vertrieb GmbH	Article 10(2) of Directive 2006/116 on the term of protection of copyright and certain related rights	Judgment 20 January 2009
C-304/07	Directmedia Publishing GmbH v Albert-Ludwigs-Universitat Freiburg	Article 7(2)(a) of Directive 96/9 on the legal protection of databases	Judgment 8 October 2008
C-545/07	Apis-Hristovich EOOD v Lakorda AD	Article 7(2)(a) of Directive 96/9 on the legal protection of databases	Pending
C-557/07	LSG-Gesellschaft Zur Wahrnehmung Von Leistungsschutzrechten	Articles 5(1)(a) and 8(3) of Directive 2001/29 on copyright and related rights in the information society	Pending
C-5/08	Infopaq International A/S v Danske Dagblades Forening	Articles 2 and 5(1)(a) of Directive 2001/29 on copyright and related rights in the information society	Pending
C-98/08	AGEDI and AIE v Sogecable SA and Canal Satelite Digital SL	Directive 92/100 on rental right and lending rights and on certain rights related to copyright	Pending
C-429/08	Karen Murphy v Media Protection Services Ltd	Directive 98/44 on the legal protection of services based on, or consisting of, conditional access	Pending
C-467/08	SGAE V Padawan SL	Article 5 (2) (b) of Directive 2001/29 on copyright and related rights in the information society	Pending
C-403/08	Football Association Premier League Ltd & ors v QC Leisure and ors	Directives 89/552, 98/34 and Directive 98/44 on the legal protection of services based on, or consisting of, conditional access	Pending



## France

### User-generated content and ISP liability in France

The question of liability of internet service providers has become a crucial issue worldwide due in particular to the recent development of the web 2.0 and the increase in the popularity of peer to peer file sharing. The aim of this article is to focus on user-generated content in France (see Graham Smith's article "**Online intermediary liability**" on page 1 for a general European overview).

The development of user generated content websites gave rise to a battle between intellectual property rights owners and website owners. The former consider that website owners must be liable for infringing content posted by web users, while the latter consider that they cannot be held liable as they are hosting providers in the sense of the E-Commerce Directive.

The E-Commerce Directive was transposed into French law by Law No. 2004-575 of 21 June 2004 (Loi pour la confiance dans l'économie numérique/Law to promote

confidence in the digital economy). This law defines the hosting provider as: "*a natural person or a legal entity who provides, even without charge, for the public broadcasting by online communication services, the storage of signals, written documents, images, sounds or messages of any nature provided by the recipients of these services*".

According to this law, the hosting provider is liable for the stored contents, only if (i) he was actually aware of the illicit character of the content or if (ii) he did not delete the illicit content or did not forbid access to such content promptly after becoming aware of its illicit character.

If a website owner is not a hosting provider, he must be considered liable for the content posted by web users.

On this point, IP right owners argue that, in the case of traditional technical hosting, the hosting provider is a technical intermediary related to the website only by a contract. In contrast, the user generated content website distributes the content posted by the web users under its own trade marks. Moreover, the broadcasting of the posted contents creates an audience and therefore advertising revenue. The IP right owners also assert that website owners intervene in order to improve

this content, which is a different activity from that of simple content storage.

Website owners oppose this analysis. They consider that the features raised by IP right owners are not new because, for example, the same can be said about discussions forums. In addition, according to the aforementioned law, the status of the hosting provider does not depend on the choice of economic model (e.g. whether or not the website generates revenue).

In France, there were two different case law trends on this question.

According to some French courts' rulings, website owners are considered as publishers (Tribunal de Grande Instance 22 June 2007, *Lafesse v Myspace*). However, some courts ruled against this interpretation (Tribunal de Commerce, 20 February 2008, *Flash Film v Google France and Google Inc*, Tribunal de Grande Instance Paris, 19 October 2007 *Zadig v Google*).

However, the French Court decisions of 2008 indicate that in future the Courts will analyse the actual activities of the website owners to determine whether or not they are hosting providers. For example, a website to which third parties can post contributions seems to



be considered as a hosting provider, whereas if the hosting activity is accessory to or indistinguishable from a commercial activity, the website owner shall not be considered as a hosting provider (*eBay* decisions: Tribunal de Commerce Paris, 30 June 2008 and Tribunal de Grande Instance Troyes, 4 June 2008).

In any case, even when the Judges decide that the website owner is a hosting provider and not a publisher, they tend to increase the obligations of the hosting provider as provided under the aforementioned law.

First example: regarding the time when a hosting provider is considered as informed of the existence of illicit content on its website, a French court ruled that, with regard to its activity, DailyMotion was at least aware of the factual circumstances which gave rise to an inference that infringing content was posted on its website (Tribunal de Grande Instance, 13 July 2007 *Nord Ouest Production v Dailymotion*<sup>2</sup>).

According to this decision, a notification by IP owners would not be necessary. However, to our knowledge, this decision has not been followed by any French Court.

Second example: a French court ruled that the website owner must take all necessary measures to delete

infringing content within 24 hours after having knowledge of it (Toulouse, 13 March 2008, *Krins K. / Pierre G.*).

Third example: a French court added another obligation onto hosting providers in ruling that, after having been informed of infringing content the website owner must use all necessary means to avoid any new broadcasting (Tribunal de Grande Instance Paris, 19 October 2007, *Zadig Production v Google*, Tribunal de Commerce Paris 20 February 2008, *Flash Film v Google France and Google Inc.*).

This leads to further legal uncertainty for hosting providers.

What is the solution? A new law? In general, in France, it takes a long time to pass a bill and in most cases, when it is finally passed, the bill is no longer suited to the situation. Therefore, the solution may be what is called "soft law", namely agreements between different players on the solutions and processes to be implemented.

**Pierre Sirinelli & Sandrine Rambaud,**  
Paris

## Germany

### Implementation of EU Enforcement Directive – Codification of rights to inspect infringing goods

With effect from 1 September 2008, the German legislator has – with a delay of two years after the official deadline – finally implemented Directive 2004/48/EC of the European Council and of the Parliament of 29 April 2004 on the enforcement of intellectual property rights ("Enforcement Directive") into German law. The new law substantially strengthens the remedies available in the enforcement of patents, trade marks and copyrights.

Amongst other changes, the legislator has now codified certain inspection rights for copyright owners in the case of a suspected copyright infringement. This amendment to the German Copyright Act is of particular relevance for the software industry, where substantiating infringement typically requires specific knowledge of the allegedly infringing source code, which is not regularly available in the general software market place.

<sup>2</sup> An appeal has been lodged against this decision.



Within the concept of German civil procedural law, which neither has rules of disclosure or pre-trial discovery nor provides an equivalent to the British and French concepts of an "Anton Piller Order" or a "Saisie-contrefaçon", such rights of inspection are to be considered as an exception from the general prohibition of inquisitive investigations in civil proceedings. As a rule, each party to a German civil proceeding must adduce evidence to the court in order to support the facts on which the party relies, while the court will not carry out investigations of the facts on its own motion (*ex officio*).

The legal preconditions for inspection of material which allegedly infringes copyright (e.g. source code) are:

- a "sufficient" degree of probability that copyright is infringed; and
- that the inspection is required in order for the claimant to substantiate a claim for copyright infringement.

The right to inspection can be enforced through a preliminary injunction, which is typically granted *ex-parte*, i.e. without a prior hearing of the defendant.

When drafting the new legislation, the German legislator has taken into account the principles on the

preconditions and scope of a source code inspection set forth in 2002 by the German Federal Supreme Court (BGH) in the leading case "Faxkarte" (cf. BGH GRUR 2002, 1064 et seq.). Therefore, although the details of the future legal practice obviously need to be awaited, the courts are likely to interpret the foregoing requirements and handle the related procedure, in a similar manner to the practice established in the "Faxkarte" case which has become common practice in patent litigation before specific German courts (in particular, the district court of Düsseldorf).

In the "Faxkarte" case, the BGH particularly addressed the conflicting legitimate interests of the parties in the case of a source code inspection, where the claimant's interest to sue for a possible infringement of its rights potentially collides with the alleged infringer's interest to protect its trade and business secrets. In order to bring these interests into an appropriate balance and ensure a fair trial for both parties, the BGH established a so-called "*in-camera-procedure*", where the results of the source code inspection are not necessarily disclosed to the claimant. Rather, a neutral expert, bound to secrecy, is charged with the inspection of the relevant source code and the submission of a written report

on the results of the inspection to the court. Based on such report, the court then assesses the likelihood of an actual copyright infringement and decides which information to provide to the claimant.

With regard to the appropriate scope and time of making available the report of an inspection to the claimant, the existing court practice, which mainly relates to alleged patent infringements, varies considerably. The court shall consider the parties' specific legitimate interests concerned and then decide whether or not and at which point in time to appropriately disclose the report either to the claimant, often with the defendant's specific secret information redacted, or possibly even only to the claimant's secrecy-bound legal representatives.

As mentioned above, the newly codified inspection rights may be enforced through preliminary injunctive proceedings. Alternatively, they can theoretically be made the subject of main proceedings. However, as the success of inspecting an allegedly infringing item typically depends on being fast and surprising the defendant, inspection suits in main proceedings seem unlikely to play an important role in the future. Rather, an increasing number of injunctive inspection orders is to be awaited.



In conclusion, the new legislation is of significant and increasing importance to the software industry in enforcing copyright, be it in the context of excess of licence restrictions as well as unauthorised third party usage.

Alexander Duisberg & Henriette Picot,  
Munich

## German Federal Court of Justice decides that reprographic levies should not be raised on personal computers up to 2007

This case looks at a recent decision in the German Courts regarding whether reprographic levies should be raised on personal computers ("PCs"). Since the end of 2007, new legislation has come into place in this area. Although PCs face copyright levy claims, no reprographic levies have to be paid up to 2007.

On 2 October 2008, the German Federal Court of Justice, the *Bundesgerichtshof*, decided in a test case that no reprographic levies would be applied to PCs. The case related to an action brought by the collecting

society VG Wort against Fujitsu Siemens (reference number I ZR 18/06). This decision has saved the PC industry between €500-1000 million. This is the latest of four Bundesgerichtshof judgments on the application of reprographic copying levies in the past 12 months. Previously, the Bundesgerichtshof has refused to apply reprographic levies to single function printers (judgment of 6 December 2007, reference number I ZR 94/05) and CD copy stations (i.e. devices which can copy multiple CDs at the same time) (judgment of 30 January 2008, reference number I ZR 131/05). However, the Bundesgerichtshof applied levies to multifunctional devices which consist of a scan, copy, print and, in some cases, fax function (judgment of 17 July 2008, reference number I ZR 206/05). All of these judgments relate to the application of reprographic levies under the old German copyright levy regime applicable until 31 December 2007. They do not cover the audio and video copying levy, which was the second levy existing under the old German copyright levy regime, or the new German copyright levy regime applicable from 1 January 2008. Under the old audio and video copying levy as well as under the new

law, PCs are still liable to copyright levy claims. Nevertheless, the judgment of 2 October 2008 is significant, and it is likely to be of great economic significance to the industry.

### The background

Copyright levies were introduced into the German Copyright Act (in common with some other European copyright acts) to compensate rightholders for acts of private copying. This private copying would take place on photocopiers and similar audio and video recorders where rightholders could not technically prevent the copying. In Germany, the wording of the old law had not been changed since 1985 and was clearly focused on reprographic and analogous copying devices and similar storage media. Additionally, the levy provisions do not cover digital products where rightholders are able to control copying by use of Digital Rights Management ("DRM"). Despite this, collecting societies claim copyright levies for many products which are able to copy third party content (e.g. PCs, burners, printers, scanners, fax machines, mobile phones). As the legal situation under the old legislation was unclear and due to the economic significance of this issue, there is still



litigation in Germany relating to most products on which levies were claimed.

## The reasoning of the judgment

The reasoning of the judgment of 2 October 2008 followed the pattern of the **Bundesgerichtshof's judgment of 6 December 2007** in which the Bundesgerichtshof decided that copyright levies do not apply to single function printers (**for details, click here**). The Bundesgerichtshof considered that reprographic copying only happens if a PC is used together with a scanner and a printer. Only in this case will a hard copy be made from another hard copy. In the case of a series of devices only one device is subject to copyright levies to avoid multiple payments. For example, where a scanner, PC and printer are used, the scanner is the relevant device (see the judgment of the Bundesgerichtshof on scanners of 5 July 2001; reference number I ZR 335/98). Without a scanner, a PC (as well as a printer) can only undertake digital copying. As digital copying is substantially different from reprographic copying (because copying can be prevented by copyright protection mechanism), the reprographic copying levy cannot be directly applied to PCs.

The Bundesgerichtshof argued also that there could not be analogous application (application mutatis mutandis). The Bundesgerichtshof noted that copyright levies are only applied to manufacturers, importers and dealers of electronic hardware in limited circumstances, in light of practical considerations. The beneficiaries of private copying privileges are the end users. Therefore, the application levies may only be placed on manufacturers, importers and dealers as third parties who are not beneficiaries where there is a clear legal basis. An analogous application may only be made if the situation is analogous to the situation the legislator had in mind, in particular with respect to the harm caused to the rightholders. The Bundesgerichtshof argued that rightholders are already compensated by licence fees for many digital copies made with PCs (no levies apply to licensed copies) and that most of the free-of-charge content is deliberately provided without copyright protection mechanisms or DRM by the rightholders and therefore covered by an implied licence. The situation of digital copying cannot be compared to reprographic/analogous copying where rightholders have no control over the copies made. Therefore, there is no basis for an analogous application.

## Outlook

VG Wort announced that it would file a constitutional complaint against the judgment (as it did against the single printer judgment of the Bundesgerichtshof). Clarity will only be gained after the Constitutional Court's decision. Depending on the procedure chosen by the German Constitutional Court it will take between one and four years for the Constitutional Courts to decide this case.

Although the judgments have clarified the situation relating to reprographic levies under the old law (applicable until 2007), there are still areas of uncertainty. For example, the application of audio and video copying levies on devices such as PCs and certain mobile phones which can record music is still disputed under the old law and will presumably only be resolved by the Bundesgerichtshof in the next few years.

In addition, the German copyright levy regime has changed substantially with effect from 1 January 2008. The basis for applying levies to various products has been broadened. The new law, however, does not provide any reasonable guidance as to how to calculate the levies (**for details, click here**). Accordingly, manufacturers, importers and dealers of products involved in copying third party content



are currently discussing levies with the collecting societies and may face litigation if they cannot reach a settlement. Examples of the types of technologies covered are PCs, hard discs, burners, printers, scanners, fax machines, multifunctional devices, MP3/4 players, STBs, video recorders/PVRs, mobile phones, memory cards and USB sticks.

The situation is unsatisfactory both for the industry and the collecting societies. The situation becomes even more complex in light of the large variation of copyright levies in the EU: from no levies at all (e.g. in the UK and Ireland) modest levies (e.g. in Scandinavia and The Netherlands), to extensive application of levies to many products on a reasonable level (e.g. in some CEE states) or on a very high level (e.g. in Germany, France and, partly, Spain). The EU commission has launched a consultation on the harmonisation of copyright levies and held a public hearing on 22 May 2008. It remains to be seen whether this initiative will lead to a substantial harmonisation of copyright levies. However, even if it does, any developments are likely to take a few years.

Fabian Niemann, Frankfurt

## Recent German court judgments question legitimacy of image searches

In five parallel proceedings against Google and ISPs using search engines of different providers, the Hamburg Regional Court decided that an image search facility infringes German copyright law (308 O 42/06, 308 O 248/07, 308 O 115/06, 308 O 113/06, 308 O 404/06). The Regional Appeal Court in Jena used similar arguments in its judgment against Google on 27 February 2008 (Reference number 2 U 319/07). In this judgment, the Regional Appeal Court in Jena questioned the legitimacy of image searches. However, on the facts of the cases it did not accept the claims of the image rightholder. The Hamburg Court did grant the rightholders an injunction. However, the injunction is not immediately binding and is only enforceable against payment of a security of €100,000,000. Google has filed an appeal against this judgment and this issue is expected to be finally decided by the German Federal Court of Justice.

## Background

As part of their image searches, Google and other providers provide thumbnails of pictures available on the internet to users searching for images by entering various search terms. In common with most copyright laws, the German Copyright Act does not include specific provisions covering search engine activities. Consequently, the legitimacy of the image searches has been discussed in Germany for quite some time. However, there have been few cases in this area. The scarcity of cases may be attributable to the view that search engines are generally in the public interest. Additionally, rightholders are less likely to complain of an infringement as they have chosen to provide their images on the internet. However, this issue has now been addressed by the recent judgments rendered by courts in Jena and Hamburg. If the opinion of the Hamburg Court is finally confirmed by the Federal Court of Justice, German copyright law may need to be changed to avoid the possibility of image search providers having to cease their services in Germany.

## Reasoning of the Hamburg Court

The Hamburg Court held that it had jurisdiction to decide this case. It held that whether the actual upload of the



thumbnails takes place in Germany is not decisive in establishing whether the Court has jurisdiction. As Google US was making its image search publicly available in Germany, the German Court had jurisdiction.

The Hamburg Court stated that copying and making a picture publicly available, even if only in a minimised form, was a relevant restricted act under the German Copyright Act. The rightholder's rights in the original pictures extended to a right of relevant use in the thumbnail. This is because the characteristics of the original which are protected by copyright are still visible in a thumbnail. The Court stated that the image search provider undertakes a relevant act under the German Copyright Act when it makes the thumbnails stored on its server, publicly available in its lists of image search results. Providing an image when a user clicks on it is not a relevant act as individuals link to the actual images shown by the providers hosting the images in that situation. Although the sites appear within a Google frame, Google only provides links to the sites.

As a result of the Court's decision that the provision of the search results (and thumbnails) is a relevant act, the image search will only be legal either if the rightholders consented to it or if a statutory exemption applies.

It has been argued that an implied consent must be assumed if rightholders provide content on the internet and do not use any mechanism to prevent pictures from being found by search engines and uploaded onto the search engine servers. It is considered that it can be assumed that it is in the interest of rightholders to be listed in image searches. Failure to use protection mechanisms (which are easily available) would confirm that in each individual case the rightholder was happy for their images to be searched. However, the Hamburg Regional Court did not follow this view. It argued that, at least in the case before it, no implied consent could be assumed as the rightholder did not put the images on the internet itself. The rightholder had instead allowed a third party to use them on its website. The Court argued further that the third party's failure to use protection such as robots.txt file settings could not be seen as an indication of the rightholder's implied consent.

In this respect, the decision of the Hamburg Court is specific to its facts, as it does not address cases where rightholders place the content on the internet themselves, where there would be more room to argue that an implied consent exists. However, there

are still many situations where a third party, not the rightholder, will be providing the content on the internet. In these cases, the argument of the Hamburg Court would apply which may present image search providers with a problem if the decision is upheld.

The Hamburg Regional Court decided that no statutory exemption applied. When evaluating the application of statutory exemptions under the German Copyright Act, courts adopt a narrow interpretation of exemptions to protect the interests of the copyright owners. There are a few limited exceptions to this general principle. The Hamburg Court examined the various statutory exemptions on which the providers inter alia based their defence, but came to the conclusion that none of the exemptions applied in this case. Due to the narrow interpretation of exemptions, the court also refused to apply an exemption *mutatis mutandis*. As the German Copyright Act does not contain a general fair use or fair dealing exemption, the Hamburg Regional Court held that it could not take into account the public interest in the image search (which it conceded existed with respect to image searches) when considering rightholders' rights.



Consequently, the Court held that the rightholder had a claim against the image search providers to cease and desist from providing pictures covered by their rights to the public in Germany via their image search engines. The Court expressly regretted that it "was obliged" to render such judgment, but stated that the German Copyright Act did not make it possible for it to render a different judgment. Its view was that the legislator, not the courts, must change the law to permit image searches. The court acknowledged that its judgment jeopardises the existence of Google's image search in Germany and therefore only allowed enforcement of the cease and desist order against payment of a security of €100,000,000. In practice, the judgment will not be enforced. Furthermore, the case is currently on appeal to the Hamburg Appeal Court, although obtaining a final decision is likely to take a number of years.

### Evaluation of the judgment and practical effects

German courts, in particular the German Federal Court of Justice, have in the past adopted a more creative approach, balancing the public's and end users' interests against the

rightholders' interests, than the Hamburg Regional Court has done in this case.

There are two cases where the German Federal Court of Justice has extended the limits of the normal application of copyright exemptions in relation to new forms of use and applied statutory copyright remuneration claims as compensation (judgments of 25 February 1999

"*Kopienversanddienst*", reference number I ZR 118/96, and of 11 July 2002 "*Elektronischer Pressespiegel*", reference number I ZR 255/00). In the *Kopienversanddienst* case, the Court invented a new copyright remuneration claim. In this case, the Federal Supreme Court allowed copies of books to be sent from public libraries to users under the private copying privilege, arguing that there was a public need for copies to be sent. The Court also argued that rightholders could be compensated by the application of a statutory copyright remuneration to be paid to copyright collecting societies. An image search is in fact closer to the private copying privilege than libraries sending copies of books to the public. Arguably, search engines are equally important for the general public and cause less harm to the rightholders. Considering both German copyright law and the general balancing of interests under

the German Constitution, the Google image search seems to be a much clearer case for extending the law than the disputed judgments of *Kopienversanddienst* and *Elektronischer Pressespiegel*.

It is possible that the upper courts will not follow the view of the Hamburg Regional Court and instead allow the Google image search, or at least allow it against some form of statutory remuneration. However, if the decision of the Hamburg Regional Court prevails and if there is no change in the law, the ability to provide image search facilities in Germany will be threatened - a situation which is arguably against the public interest.

Fabian Niemann, Frankfurt

## Rapidshare held liable for user generated content that infringed copyright

In Germany it is an established principle that a host can be made liable to monitor user generated content that infringes copyright. A host that has previously been made aware of infringing material on its platform can be enjoined, under the 'disquietor' principle, to stop it making



similar content available; and placing it under a positive ongoing duty to monitor for infringements of copyright. However, until recently it was not clear what the duty to monitor actually covered. However, the *Rapidshare* case in the Hamburg regional appeal court has provided guidance as to how a company could comply with its duty to monitor.

It is unclear in Germany under what precise circumstances online intermediaries, such as hosting providers or internet platform operators, may be liable for copyright infringing content uploaded to their servers by users. A recent judgment against the operators of the Rapidshare filesharing platform by the Hamburg Regional Appeal Court has now introduced new considerations into the discussion. The judgment has, however, not made online intermediaries' situations easier.

### The judicial background

The German Federal Court of Justice, the *Bundesgerichtshof*, has repeatedly held that an online intermediary that has previously been made aware of infringing material on its platform that infringes copyright and other third party rights, can be obliged to monitor user generated content for future similar violations of third party rights.

The court decided this even though the E-commerce Directive (as well as the German Telemedia Act, which implements the E-Commerce Directive into German law), excludes any general obligation on an online intermediary to proactively search for unlawful user generated content (see **previous report in Bird & Bird's IT & E-Commerce Bulletin**).

The Bundesgerichtshof considers that the liability limitation provisions in the E-commerce Directive do not apply to injunctive claims. Injunctive claims can be brought, for example, against a so-called "disquieter". A disquieter is a person who contributes to another person's infringement and has knowledge of the infringement. The disquieter comes under a "surveillance duty" in order to prevent further similar infringements. An online intermediary can be held liable as a disquieter, under German law, if it does not take sufficient steps to prevent future violations after (a) such a violation has taken place on its platform; and (b) it has been made aware of the earlier violation.

The Bundesgerichtshof emphasised that *"no unreasonable duties to monitor are to be placed on [an online intermediary], which would challenge its whole business model"*. However,

the court has not defined the limits of the possible "duty to monitor" clearly. Additionally there have been some inconsistent judgments of regional courts as a result (see **report in Bird & Bird's IT & E-Commerce Bulletin**).

### The facts

The latest of these judgments has been issued by the Regional Appeal Court in Hamburg against the operators of the Rapidshare.com and Rapidshare.de filesharing platforms. On these platforms, users can anonymously upload any type of file (e.g. MP3s, JPGs, and computer programs). Registration is not required, and an identity check does not take place. The platform is highly popular. On Rapidshare.de, 250,000 files are uploaded daily. According to Rapidshare's own statements, around 5 to 6 percent of the 28 million files available on Rapidshare.com are "piracy" copies. Two filters are used to prevent or remove unlawful uploads. The first, called "MD5", prevents files which are identical to files previously removed from Rapidshare for infringement of third party rights from being uploaded. The second filter is used to search filenames (but not the files themselves) for keywords such as the names of computer programs.



Rapidshare was sued by the owner of the copyright in certain software programs which had been unlawfully uploaded to Rapidshare several times. The plaintiff sought to have Rapidshare identified as a disquieter, so that it would stop copying or making software programs available on the platform and to stop third parties from doing so.

### The findings of the *Rapidshare* judgment

The Hamburg court, returning a comprehensive judgment spanning over 73 pages, held that the measures that the operators of the Rapidshare platforms had put in place were not sufficient to avoid the "disquieter principle" being applied.

In determining the extent of the duty to monitor, the court considered that it would always be important to consider the facts of the individual case, and to balance different individual interests. However, the court identified certain relevant criteria for the balancing test. This had not been done by other German courts before in such detail. According to the Regional Appeal Court in Hamburg, the criteria should be:

- the importance and weight of the rights in question;

- the function of the online intermediary (e.g. does he receive a commission);
- whether it is just and reasonable to expect the rights owner to actively engage in the protection of his rights;
- whether the rightowner is dependent on the online intermediary to protect his rights (e.g., because he cannot take action against the users himself because he has no access to information about their identity); and
- whether the legal and business model of the online intermediary would be hampered by the measures demanded.

The court found that the measures applied by Rapidshare were not sufficient. For example, the court considered that the filters deployed were insufficient, since (a) the smallest changes to files could circumvent the MD5-filter, as it only removed identical files; and (b) the names of files checked by the second type of filter would not necessarily reflect the content of the files.

The court, however, recognised that the protection against liability under the Telemedia Act should not be reversed under the disquieter principle, and that the requirements to

monitor should not be excessive. However, this would require that an online intermediary adopts a legal business model that complies with the legal regime. The court considered that Rapidshare had not done this, but had deliberately and illegitimately exploited the anonymity of the internet in operating its business. Although it is not necessary to require Rapidshare to provide its services only to registered users, the court's view was that it should have at least stored the IP numbers of its users. This would have meant that it could have blocked users' access where they were using an IP address that had previously been used to upload unlawful content. Data protection law would not prevent this solution.

### Outlook

The judgment still leaves many questions open. One of them, for example, is the question of what type of content filters the courts would consider acceptable in order to prevent the disquieter principle being applied.

The judgment clearly illustrates, however, that under the current legal framework online intermediaries should take active steps to avoid unpleasant outcomes. Although there



is no certainty that these steps can be used, useful measures to take could include:

- Prohibiting uploading unlawful content in user agreements and user policies;
- Educating users about what is unlawful content;
- Asking the user community to report unlawful content;
- Reacting to reports of unlawful content;
- Blacklisting certain types of content, if the probability of unlawful content is high (e.g. ban recorded media on online market places);
- Taking a cooperative approach towards rights owners;
- Reviewing licence models (e.g. does the online intermediary really want to acquire rights to use the uploaded content); and
- Developing accurate and helpful technical solutions as far as possible and feasible.

**Fabian Niemann & Henning Krieg,  
Frankfurt**

## Italy

### TV format protection in Italy

Typically, the creation of an audiovisual work (e.g. film for TV, talk show, game show, reality show, soap opera) requires several steps. The creation (a) begins with an idea; (b) develops the idea outlining (usually) the main content ("scheme/outline") of the audiovisual work (for instance, the sequence of the scenes, the characteristics of the participants and the anchor, the criteria according to which the participants shall be chosen, and the title); and (c) develops the scheme further including creating the additional material necessary to achieve the end result: for instance, the script, the description of the set and some technical instructions for staging and shooting. These schemes/outlines ((b) and (c)) may be defined as format.

The creative process of the audiovisual work advances through the staging and the shooting, and finally, the creative process is completed with the final editing or with the direct broadcasting of the audiovisual work.

### Format copyright protection

In Italy, a TV format can attract copyright. To achieve such protection

the format shall meet the requirements provided for by the law, such as to the complexity and the creativity of its expression.

Whether or not a format receives copyright protection is a question of fact.

Italian case law highlights that the format which expresses only the idea of a TV programme without specifying and detailing the relevant content in a complex form and with a sufficient level of predetermination does not attract copyright (Court of Roma, 27 January 2000; Court of Roma, 31 May 2007).

Copyright protects the expression of the idea rather than the idea itself. Thus, the expression of the idea needs to be sufficiently complex since copyright does not protect an expression which merely coincides with the idea.

Italian case law is inconsistent as to the level of predetermination that a format must have in order to receive copyright protection.

Part of the case law requires the same level of predetermination that typically a script of a film has, for instance, specifying the narrative developments, describing the scenes, the characters, the dialogues and the main sketches (Court of Roma, 6 July 1999). Other



case law does not require the same level of predetermination (Court of Bari, 26 October 2004). In any case, in order to attract copyright, it is not necessary that the level of predetermination avoid any room for spontaneity and unforeseeability of events (Court of Monza, 26 May 1994).

The expression of the idea also needs to be creative. The creativity needs to relate to the way in which the idea is expressed: such as (a) the structure of the concepts and the sequence of the arguments: as well as (b) the form of the expression.

### **Format copyright protection against copying**

From a general point of view there is infringement when a subsequent work copies (in whole or in part) elements protected by copyright, belonging to a previous format.

The evaluation of infringement is a question of fact. Even if copyright does not protect the idea, in the evaluation of infringement the originality of the idea may represent a useful indication as to whether or not copying has occurred.

There is no infringement of a format when both the earlier and the later formats represent contents common in the state of the art and when, obviously, their expressions use common solutions (Court of Rome, 31 May 2007, the case decided by the court relates to reality show formats both based on the conflict between a daughter-in-law and mother-in-law. Both of their expressions used common solutions: the selection and the exclusion of the participants, the use of the phone to express a preference, life in common in the same house and the interviews of the participants.) In such cases minor variations to the later format may avoid a finding of infringement. The decision of the Court of Monza, 26 May 1994 is an example. In this case both the formats consisted of promoting contacts between singles: the previous format through dialogue with the anchor, the later format by means of a call and quiz. The Court decided that the dialogue between the anchor and the single did not represent an original solution to express the idea to promote the contact between persons. In addition the differences concerning the methods of contacting participants were sufficient to avoid infringement.

### **Conclusion**

From a general point of view, a TV format attracts copyright. The level of protection will depend on several factors which shall be evaluated on a case by case basis, namely: the originality of the idea expressed, the complexity and the creativity of the expression and the appearance in a subsequent format (in whole or in part) of the protected elements characterising the previous format.

Daniele De Angelis, Milan

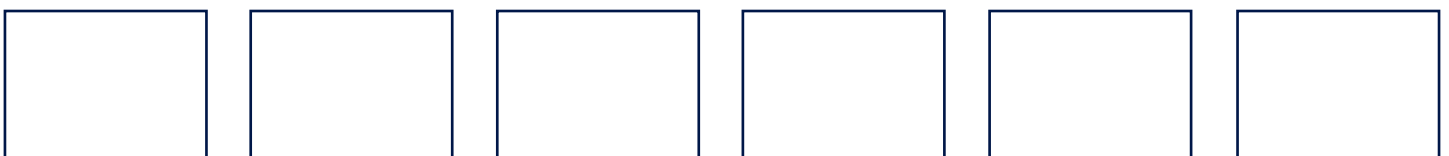
## **The Netherlands**

### **Endstra's final work? Dutch copyright: scope of protection remains very wide.**

No intention to create a work is required for obtaining copyright.

On 30 May 2008, the Supreme Court in The Netherlands decided in a dispute between the sons of the real estate broker Endstra and two journalists that for the creation of a copyright work it is not required that the author intended to make a creation.<sup>3</sup>

<sup>3</sup> Judgment by the Dutch Supreme Court of 30 May 2008, LJN BC2153



In 2003 and 2004, the real estate broker Endstra held fifteen confidential conversations with detectives of the Criminal Intelligence Unit. Endstra told them that Willem Holleeder had illicitly obtained a large amount of money from him. He also accused the Holleeder-organisation of a large number of murders. Without Endstra's knowledge, these conversations were recorded on tape and the majority of these conversations were typed out later. For safety reasons, these recorded conversations were held in a moving car and are also known as 'the back seat conversations' or 'the Endstra tapes'. Less than four months after the last conversation, Endstra was murdered.

The police started an investigation into his murder and the extortion by the Holleeder-organisation. The transcripts of nine conversations and summaries of the other back seat conversations were added to the criminal file and were obtained by two journalists of the Dutch newspaper, "The Parool". These journalists published the back seat conversations in a book with the name "The Endstra-Tapes" omitting only fillers such as "um" and "ers" and certain personal information and adding a preface and an epilogue.

Unsurprisingly, Endstra's sons are not happy with this publication and tried to enforce through the court that this book must be withdrawn from the market. Among other things, they asserted that the back seat conversations were conducted in an interview form and that these interviews were to be designated as a work for the purposes of the Copyright Act and therefore acquired copyright. Therefore, permission was required from the Endstra heirs to publish the conversations.

In The Netherlands, a work receives copyright protection if it 'has its own original character and bears the personal stamp of the author'. In other words, the work must be original. Whether the work is beautiful or ugly, good or bad, requires little effort or years of work, is irrelevant in establishing whether or not the work attracts copyright protection. As long as there is an original expression this will generally be sufficient.

Examples of works that may be the subject of copyright are novels, paintings, software and also television formats, musical improvisations, games and lectures. In 2006, the Dutch Supreme Court determined that also a scent may qualify for copyright protection. It is therefore clear that a

large diversity of works in The Netherlands enjoy copyright protection.

Back to the Endstra-tapes. Both the District Court Amsterdam and the Court of Appeal Amsterdam found that these conversations were not protected by copyright. These courts saw the conversations as a businesslike transfer of information. It was assessed that the requirements applicable to qualify for copyright protection in The Netherlands are low, but not so low that there was no threshold at all. Before there is a copyright work it must have been 'conceived as a coherent creation' by the author. An author must intentionally want to make an intellectual creation. Although Endstra undoubtedly thought about what he wanted and did not want to release to the detectives and therefore applied a certain selection, he did not intentionally couch his story as a coherent creation and as a result there was no copyright work.

The Court of Appeal said that if someone does not intend to make a copyright work, no copyright work is created. Endstra thought he was only transferring information hoping that on this basis the Criminal Intelligence



Unit would catch Holleeder and his colleagues. He was not writing crime fiction and therefore did not deserve copyright protection according to the Court of Appeal.

With the introduction of this 'intention requirement', the Court of Appeal seems to add a new requirement to the copyright protection requirements. The Supreme Court disagreed. It is true that there must be human labour and therefore creative choices. However, it is not important whether the author has intentionally wanted to create a work and has intentionally wanted to make creative choices. In other words: it does not matter whether Endstra opted for making a work and intentionally made particular original choices. If in the Endstra-tapes sufficiently creative choices were made, these conversations attract copyright.

Some lawyers have asserted that such a view is incorrect because there must be an 'intended creation', it being important whether this creation is destined for publication. Others believe the Supreme Court is right and that unintended creations deserve to attract copyright. Intention, just like when assessing whether something is 'beautiful', is irrelevant to answering the question whether something has an original design. In addition an

intention requirement is not logical: the creation of a work is for example not the primary approach of this piece of text by me. The primary object of this article is to inform you, not to create a copyright work.

Furthermore, it may in practice be very hard to find out whether a particular form was intentionally chosen. It can in any case not be asked of Mr Endstra anymore.

Bart Beuving, The Hague

## Sweden

### European Court of Justice ("ECJ") decision in Kanal 5 Ltd, TV 4 AB v Föreningen Svenska Tonsättares Internationella Musikbyrå Case C-52/07

Swedish television broadcasting companies, Kanal 5 and TV4, sought an injunction from the Swedish Market Court, on the grounds that STIM (the Swedish Copyright Management Organization) was abusing its dominant position when applying a remuneration model based on a

percentage of the broadcaster's advertising revenues.

Kanal 5 and TV4 objected to the fact that STIM imposed a licence fee corresponding to a percentage of their revenue when by contrast the public service channel Sveriges Television paid a lump sum agreed in advance. The broadcasters also claimed there was no link between their advertising revenues and the value of the licensed background music.

The Market Court requested a preliminary ruling from the ECJ concerning the interpretation of Article 82 EC (abuse of dominant position).

The ECJ found that a copyright management organisation with a dominant position in a substantial part of the EU does not abuse that position where it applies a remuneration model according to which the amount of the royalties corresponds partly to the revenue of those channels, provided that that part is proportionate to the quantity of relevant musical works broadcast. However, this is not the case if another method enables the use of those works and the audience to be identified more precisely, without resulting in a disproportionate increase in the costs incurred for the management of contracts and the supervision of the use.



The ECJ held that Article 82 is to be interpreted as meaning that by calculating the royalties in a different manner according to whether the companies concerned are commercial companies or public service undertakings is likely to exploit in an abusive manner the copyright management company's dominant position if it applies dissimilar conditions to equivalent services and if as a result it places them at a competitive disadvantage. However it may be possible to objectively justify such an approach, if for example, the reason for applying different models is that the broadcasters are differently funded.

The Swedish Marketing Court will now continue its proceedings in the light of the preliminary ruling from the ECJ.

Helene Miksche, Stockholm

## UK

### Star Wars, the sequel

#### *Lucasfilm Limited & Ors v Andrew Ainsworth and Shepperton Design Studios Limited* [2008] EWHC 1878 (Ch)

On 31 July, Mann J handed down an extensive judgment concerning claims

to copyright in costumes created for the original Star Wars film. The Claimants, who were the original Star Wars production companies (hereafter the "Lucas Companies"), sued Andrew Ainsworth and his company in relation to Ainsworth's on-line sale of replica Star Wars costumes. The Lucas Companies failed to enforce a previous US judgment in the UK but succeeded in a claim for infringement of US copyright.

Ainsworth had been a sub-contractor involved in the creation of the Stormtrooper and other costumes used in the film, during which time he had created moulds for the Stormtrooper helmet which he was now utilising to produce replicas. On one occasion he advertised in the US and some of his products were sold and delivered to US customers. This activity attracted the attention of the Lucas Companies.

The Lucas Companies commenced an action for copyright infringement, unfair competition and trade mark infringement against Mr Ainsworth in California. Mr Ainsworth challenged the California court's jurisdiction but then took no further part in the proceedings. On 26 September 2006, default judgment was ordered against Mr Ainsworth for \$20m USD. In the

present action, the Lucas Companies sought to enforce that judgment in the UK to the tune of \$10m USD in damages or alternatively, hoped for success in a claim for US copyright infringement.

The Lucas Companies claimed that Mr Ainsworth was infringing their copyright, was passing off or alternatively that he had misused confidential information which belonged to them. The Lucas Companies also claimed that any new copyright in the replicas should be assigned to them. Mr Ainsworth counterclaimed, claiming that the replicas that he had made were copyright works and that he was not obliged to transfer copyright in them to the Lucas Companies.

In order to create the original Stormtrooper helmet, Mr Ainsworth copied two drawings containing a depiction of a Stormtrooper and a clay model. He did not dispute that he had used the drawings to copy the helmet but he claimed that the final version contained detail added by him. In order to create the Stormtrooper armour, he was provided with tools or casts from which he made his own tools to produce copies of the armour. Mr Ainsworth also copied other types of helmet from drawings and sketches



which had been provided to him. Copyright in the original drawings and sketches was found to be owned by the Lucas Companies. However, Mr Ainsworth had two defences to copyright infringement which operated in his favour. Section 51 of the Copyright, Designs and Patents Act 1988 (which states that it is not an infringement of copyright to make an article from a design document) provided a defence, as did the predecessor to Section 52 of the same Act (which limits the term of copyright protection to 25 years (previously 15 years) where an artistic work has been industrially exploited).

The Stormtrooper helmet that Mr Ainsworth made was not a sculpture as it was not made with an artistic purpose. The same reasoning applied to the Stormtrooper armour and to the other helmets which Mr Ainsworth made. Neither were the Stormtrooper helmets, armour or other helmets works of artistic craftsmanship as they were not made to appeal as pieces of art. The Lucas Companies claimed that if Mr Ainsworth had acquired copyright in any of the items that he made, he was contractually obliged to assign those copyrights to them. The Judge held that none of the items in question were copyright works but if they had been, copyright in them

would have been equitably owned by the Lucas Companies. Mr Ainsworth was working to a commission, producing articles for which the Lucas Companies had provided clear specifications; it was implicit in the relationship that Mr Ainsworth would not retain copyright. Mr Ainsworth's counterclaim that, due to additions made by him during the creative process, he was the owner of new copyright works, failed.

In terms of passing off, the Lucas Companies claimed that Mr Ainsworth was misrepresenting his work to be licensed by them. The Judge stated that such a misrepresentation was not in fact made.

All confidentiality in any drawings and information provided to Mr Ainsworth disappeared when the material was put in the public domain, which it was when the film was publicised and then shown. As such, Mr Ainsworth had not misused any confidential information.

The Lucas Companies asked the English Court to enforce the US copyright claim. The application of *Adams v Cape Industries plc* [1990] Ch 43 meant that neither Mr Ainsworth nor his company was sufficiently present in the US at the date of service or commencement of the US proceedings, or at any time, to allow the US judgment to be

enforced in the UK. Internet trading into the US from the UK did not establish a sufficient presence for this purpose. The Judge said: "*The Cape principles were established at a time when trade between countries could take place by telephone, letter and telex. It was not sufficient to establish the enforceability of a foreign judgment that there be trading into that foreign country by those means, no matter how extensive the trading. Internet trading is not materially different for these purposes. It just makes the establishing of contracts easier - advertising is easier, placing an order is easier and quicker and payment is more easily (and usually more quickly) achieved. It does not make the seller more present in the buyer's country. If Mr Ainsworth were present in the US by means of his internet trading, why is he not present in every country into which he sells goods by means of an internet deal? That would be a very far-reaching conclusion, and one which would not be justified by any underlying principle, or at least not by any principle underpinning Cape.*"

After considering the authorities on the enforcement of foreign intellectual property rights in England, the Judge considered that it was appropriate to decide the issues from a US copyright



perspective. The most compelling point in favour of the Court determining the US copyright claim was that Mr Ainsworth did not accept the jurisdiction of the US courts, but at the same time submitted that the claim should not be brought in the UK because the US was the only appropriate place to bring it. As such, if the Judge was not to allow the Lucas Companies to bring their claim for US copyright infringement in the English courts, Mr Ainsworth would escape the consequences of his wrong.

In the US, copyright cannot subsist in functional or utilitarian devices, nor can copyright be infringed in drawings by the production of a functional or utilitarian device. On the evidence, the articles were not functional or utilitarian for the purposes of the relevant infringement test and the Lucas Companies' claim based on infringement of US copyright succeeded.

**Kathryn Robinson, London**

## *Football Association Premier League Limited, NetMed Hellas SA and Multichoice Hellas SA v (1) QC Leisure & Anr (2) AV Station Plc & Anr (3) Michael Madden & Ors*

### **Background**

On 24 June 2008, Kitchin J handed down an extensive judgment dealing with issues concerning the use of foreign decoder cards in the UK to access foreign transmissions of live Premier League football matches. The Claimants complained that the dealing in and use of such cards in the UK involved an infringement of their rights under Section 298 of the CDPA and an infringement of various copyright works embodied in the Premier League match coverage. This article does not cover all of the issues but deals with the salient points.

The Premier League is the leading professional football league competition for football clubs in England. The first Claimant ("FAPL") is the vehicle through which the 20 Premier League clubs operate the

competition. FAPL's activities include organising the filming of Premier League matches and licensing the rights to broadcast them. The second and third Claimants were and remain the Greek sub-licensee of Premier League broadcast rights in Greece and the Greek company which owns and operates the broadcasting platform for Premier League matches broadcast from within Greece.

The Claimants brought three test cases. Two of the actions were brought against suppliers of equipment and satellite decoder cards to pubs and bars, which enable the reception of Premier League matches broadcast from outside the UK. The third action was against licensees or operators of four pubs that showed live Premier League matches broadcast from outside the UK. Pubs and bars which show live Premier League matches broadcast from outside the UK pay less money for this service than they would pay to BSkyB Ltd (FAPL's exclusive UK licensee) to receive broadcasts of the same football matches from within the UK.

### **The meaning of "illicit device" in the Conditional Access Directive**

The Claimants claimed infringement of their rights under Section 298 of the



CDPA. Section 298 was intended to implement the Conditional Access Directive<sup>4</sup>. The purpose of the Directive was to facilitate the undistorted operation of the single market by giving to broadcasting service providers a Community-wide right to suppress the manufacture of and commercial dealings in pirate decoder equipment and cards which give access to protected services (the scope of which includes encrypted television broadcasting services), and further to remove obstacles to the free circulation of lawful decoder equipment and cards which might previously have arisen from pre-existing provisions of national law.

Article 2(e) of the Conditional Access Directive defines an "illicit device" as "*any equipment or software designed or adapted to give access to a protected service in an intelligible form without the authorisation of the service provider*". The Claimants argued that two of the Defendants had provided decoder equipment and cards without their authorisation and as such, the devices were illicit devices.

The Defendants claimed that the definition of "illicit device" could only refer to pirate decoder cards which permit access to a protected service

free of charge. Moreover, the Defendants' decoder equipment and cards had been placed on the market with the authorisation of the broadcasting service provider and as such the equipment and cards could not be described as "pirate".

The Judge said that the arguments of both sides were powerful and that the proper interpretation of the expression "illicit device" was not clear. He considered that this was an issue to refer to the ECJ.

### **Infringement – copying in the decoder and on the television screen**

The publicans used decoder equipment and television sets to show football matches in their pubs. The Claimants claimed infringement of Section 17 of the CDPA: infringement of copyright in the football matches by the Defendants' copying in the decoders and on television screens of film works, a musical work, a sound recording and artistic works.

In terms of copying in the decoder equipment, it was clear that fragments of the various film works, the musical work and the sound recording were stored sequentially in the decoder. The fragments individually or collectively

did not amount to a substantial part of the copyright works. However, the position in relation to the artistic works (the various graphics, devices and logos) was different: the Judge accepted that these were reproduced in full within one frame of the broadcast signal in the decoder.

In terms of copying by displaying films and artistic works on television screens in pubs, with respect to the films, the Claimants' position was no stronger than for the decoder. However, the Judge accepted that the artistic works were reproduced in full within one frame of the broadcast signal as seen on the television.

The Judge then considered whether there was a defence to copying under s.28A of the CDPA, which implements Article 5(1) of the Copyright and Information Society Directive<sup>5</sup>. Article 5(1) provides an exception to the reproduction right (and hence a defence to copying) in the case of certain transient or incidental reproductions. All elements of the defence were clearly made out except for the requirement that the copying must have no independent economic significance. The Judge said that this was a point of interpretation upon which the guidance of the ECJ was necessary.

<sup>4</sup> Conditional Access Directive 98/84/EC

<sup>5</sup> Copyright and Information Society Directive 2001/29/EC



## **Infringement – communication to the public**

The Claimants argued that the screening of the matches in public was a communication of the works to the public contrary to s.20 of the CDPA, which implements Article 3 of the Copyright and Information Society Directive<sup>6</sup>. Although this subject merited a reference to the ECJ, it was the Judge's provisional view that the Defendants had not communicated the copyright works to the public within the meaning of Article 3. There had been no retransmission by the publicans whether by wire or otherwise. They had simply received the signal, decoded it and displayed it on a television. The only acts of communication to the public were those of the Claimants and there was no act of communication separate from the satellite broadcast itself.

## **Infringement – performing, playing or showing the works in public**

The Claimants also argued that the performance in public of the musical work and the playing or showing in public of the sound recording and various film works constituted

performing, playing or showing the works in public contrary to s.19 of the CDPA. The Defendants did not dispute this but stated that they had a defence under s.72 of the CDPA, which provides that the showing or playing in public of a broadcast to an audience who have not paid for admission to the place where the broadcast is to be seen or heard does not infringe any copyright in the broadcast, any sound recording in it (save for one which is excepted) or any film included in it. The Judge found that the defence applied to all the film works relied upon. This left the sound recording and musical work, both of which embodied a football anthem.

The Judge held that the sound recording was an excepted sound recording for the purposes of s.72 (its author was not the author of the broadcast) and as such the s.72 defence in respect of the sound recording failed. The s.72 defence also failed for the musical work as s.72 did not provide a shield in respect of the free showing or playing of musical works.

In terms of making copies of the work in the decoder and on the television screen, the s.72 defence was limited to

the free showing or playing in public or a broadcast, certain sound recordings and films included in it. It did not extend to copying.

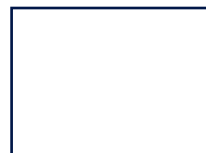
## **Articles 28 – 30 EC (free movement of goods) and 49 EC (services)**

The Judge said that the defence based on free movement of goods was relevant only to the claim in respect of the decoder cards in circulation within the EU.

The Defendants contended that, in trying to inhibit the circulation of lawful decoder equipment and cards, the Claimants were seeking relief which amounted to a quantitative restriction on trade between Member States or a measure having equivalent effect within the meaning of Article 28EC. Further, they contended that such a restriction was incapable of justification under Article 30EC. Likewise, the Claimants were seeking relief which amounted to a restriction on the freedom of foreign broadcasters to provide services and the freedom of customers to receive those services contrary to Article 49 EC.

The Claimants argued that the ECJ had decided that performance rights, such

<sup>6</sup> Satellite and Copyright Directive 93/83/EEC



as copyright in broadcasts, may be validly licensed and enforced in the EU on a national basis without falling foul of the EC Treaty's rules on free movement because of the specific subject matter and essential function of copyright protection. The fact that a fee had been paid in respect of one Member State was irrelevant because FAPL had a right to license for a fee in each Member State in which it had copyright for its broadcasts.

The Judge said that this issue also needed to be referred to the ECJ for guidance.

### Competition law (Article 81 EC)

The Defendants' case under Article 81 only applied to the broadcasts made from within the EU.

FAPL had established a system of contracts which contained restrictions against the circulation of authorised decoder cards outside the respective territory of each licensee.

The Defendants argued that in the event that the interpretation of the Conditional Access Directive for which they contended was correct, it could be presumed that the export restriction had as its object the restriction or distortion of competition and it was enough to show that there was a danger that trade between

Member States would be appreciably affected. The Article 81 defence was also raised against the copyright infringement claims.

The Claimants stated that it was inherent in the specific subject matter and essential function of copyright for broadcasts that rights could be licensed to exclusive licensees in particular Member States. In short, exclusive licences of performing rights did not *per se* infringe Article 81, even though they conferred absolute territorial protection and might prevent transmission into a neighbouring state.

This question was intimately tied to the other issues and the Judge believed it too should be referred to the ECJ.

The Judge asked for the parties' input on the precise formulation of the questions which should be put to the ECJ.

### Comment

The essence of the defence is that FAPL tries to partition the broadcasting market by prohibiting the circulation of lawful decoder cards. If the Defendants' case is successful, it could have significant consequences for the European broadcasting market. The Defendants' case is effectively a challenge to the way in which sports

(and indeed virtually all) broadcast rights are licensed in the EU.

**Kathryn Robinson, London**

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