

Copyright Update

An update on developments in Europe in 2009

There have been interesting developments and decisions relating to copyright in Europe during 2009. At the European level, following a reference from the Danish Court in a case brought by newspaper publishers against a media monitoring and analysis business, the ECJ clarified the meanings of "reproduction" and "transient" in the context of the Copyright Directive 2001/29. In Spain, newspaper publishers were successful in a copyright infringement claim brought against a press-clipping service. However, the news was not all positive for newspaper publishers - in the UK, a newspaper publisher was found to have infringed a photographer's copyright by the commercial use of a photograph and back issue archive.

Several jurisdictions have considered the issue of online file sharing. In France, a tough stance has been adopted with the French Parliament passing a bill giving authority to judges to suspend internet access for persistent infringers. In the UK, the Digital Britain Report was published and subsequently the Digital Economy Bill was introduced with the aim of reducing illegal file sharing. The German, Swedish and Dutch courts have ruled against the file sharing sites Rapidshare, Pirate Bay and Mininova respectively in copyright infringement cases.

The enforcement of copyright online has also been addressed. In Germany, the Regional Court of Munich found that the music industry's practice of splitting online rights into the mechanical reproduction right and the right to make publicly available conflicts with German copyright law. In Hamburg, the online TV service Zattoo was found to be infringing copyright by carrying out retransmissions which were not authorised by the correct parties, and the German Federal Court of Justice recently ruled that the operation of an online video recording service infringed copyright.

Finally, in the UK, the House of Lords (now the Supreme Court) ruled that delay does not debar a claim to an ownership interest in copyright and the Copyright Tribunal considered what constituted a reasonable royalty rate under a music video licence.

Does copyright subsist in 11 words?

Infopaq International A/S v Danske Dagblades Forening ("DDF") (ECJ (Fourth Chamber): C-5/08; 16.07.09)

Infopaq operated a media monitoring and analysis business which consisted primarily of creating summaries of articles in Danish newspapers and periodicals by means of a data capture process. Part of this process involved finding a pre-defined search word in the article and reproducing the searched-for word together with the five words before and after it in the article. DDF was a professional association of Danish newspaper publishers, which assisted its members with

Contents

European perspective	
Does copyright subsist in 11 words?	1
Finland	
Proposed reform of works created by employees	2
France	
The French "three strikes" system is raised from the dead	3
Germany	
German Court decides that the split of online music copyrights is invalid	4
Hamburg Court rules on copyright liability of RapidShare	6
Regional Court of Hamburg decides that online TV service Zattoo is illegal without right holders' consent - collecting societies' and broadcasters' consent is irrelevant	7
German Federal Court of Justice finds that without right holders' consent online private video recording services are only legal in very specific circumstances	9
The Netherlands	
Mininova forced to remove torrents linking to copyright material	11
Spain	
Press clipping activities constitute copyright infringement	13
Sweden	
The Pirate Bay verdict - the end of the beginning?	15
UK	
Digital Britain - the final Report	17
No time limits for bringing a claim to the ownership of musical copyright	18
Copyright Tribunal issues decision on music video licensing	19
High Court rules that commercial use of newspaper publisher's archive constitutes copyright infringement	20
Contacts	22



copyright issues. It complained to Infopaq that consent had not been sought for its capture and processing of the articles. Infopaq disputed this and brought an action before the Danish Courts (the Østre Landsret) claiming that DDF should be ordered to acknowledge that Infopaq was entitled to undertake its procedure in Denmark without consent from the rightholders. The Østre Landsret dismissed the action and Infopaq appealed to the Højesteret which referred 13 questions to the ECJ on the interpretations of the Copyright Directive 2001/29.

The first question asked whether the storing and subsequent printing out of the relevant text extract (consisting of a search word and the five preceding and five subsequent words) was an act of reproduction protected by Article 2(a).

Article 2(a) provides authors with an exclusive right to prohibit reproduction of their work in whole or in part. 'Reproduction' and 'reproduction in part' are not defined in the Directive and were to be construed broadly. Further, the ECJ held that copyright subsisted only in relation to subject matter that was 'original' in the sense that it was the author's own intellectual creation. There was nothing to indicate that parts of a work were to be treated differently from the work as a whole. Parts of a work would share the originality of the whole work, provided that the parts contained elements

which were the expression of the author's intellectual creation.

It was common ground that the newspaper articles were protectable as literary works. However, words in isolation were not an intellectual creation of the author as such. It was only through the choice, sequence and combination of those words that an author expressed his creativity in an original manner and produced an intellectual creation. It was a question of fact for the national Court to determine whether the 11 words in question expressed the author's own intellectual creation and were thus protectable. However, the cumulative effect of the numerous extracts by Infopaq would increase the likelihood that there was a 'reproduction in part', not least because they may overlap to produce relatively lengthy fragments of the whole article.

The remaining questions were about the defence provided by Article 5(1) relating to temporary acts of reproduction. The ECJ noted that if a Directive sets out conditions derogating from a general principle, those conditions should be interpreted strictly. Legal certainty for rights holders required that the storage and deletion of the work should not be dependent on discretionary human intervention. Further, an act was 'transient' (one of the Article 5 conditions) only if its duration was limited to what was necessary for the proper completion of the technological

process in question. The final stage of Infopaq's data capture process involved printing files containing the 11 word extract onto paper. This medium only disappeared when the paper was destroyed, which was entirely dependent on the will of the user of that process and not a 'transient act' within the meaning of Article 5(1).

Tim Harris, London

Proposed reform of works created by employees

In November 2009, a working group appointed by the Ministry of Education in Finland published its proposal for the amendment of the Copyright Act regarding works created by employees.

Part of the Government's Resolution on the Strategy Concerning Intellectual Property Rights includes passing legislation regarding copyright in works created by employees. The Resolution was published on 26 March 2009.

According to the proposal, the employer is entitled to parallel user rights in works created by its employees unless otherwise agreed by the employer and employee.

The proposal is not intended to change the situation concerning computer programs and databases. Rights in these works will continue to belong to the employer in accordance with the present legislation.

The proposal is currently being circulated for comment. The proposal is said to codify the established practice but different interest groups have expressed different opinions as to whether this is actually true. The proposal is a compromise but it has been accused of being too employee-friendly, too employer-friendly and/or too vague and unclear. Generally the organisations representing the employers tend to be in support of the reform, whilst the creators of the works in which copyright exists are lobbying against the proposed amendments.

Whether or not the proposal results in new legislation, it seems likely that employers should continue to agree the issue of ownership of copyrights and intellectual property rights with employees in employment contracts.

Ella Mikkola, Helsinki

The French "three strikes" system is raised from the dead

On 22 September, the French Parliament passed a bill providing a new version of the "three strikes" system against persistent illegal file-sharers.

The establishment of a "three strikes" system was at the centre of the

controversial HADOPI bill adopted last May. This bill allocated to an administrative authority (the HADOPI authority¹) the power to withhold access to the internet in the case of persistent infringement if two warnings remained unanswered.

Following a claim from copyright holders or their representatives, the authority was then allowed to order the internet service provider to suspend the connection (without interrupting billing).

The person accessing the internet i.e. the connection holder was therefore presumed to be the illegal downloader. The burden of proof that the infringement was due to fraud perpetrated by a third party, rested on him. However, there was no judicial recourse allowing him to stop the suspension. Moreover, the connection owner was blacklisted and internet service providers were prevented from providing him with an internet connection.

This bill was strongly criticised by consumer associations (as this law punished the connection owner, not the copyright violator), politicians and authorities such as the French National Commission for the Protection of Information Privacy (CNIL) which considered that the bill did not ensure a fair balance between respect of privacy and protection of copyright.

This first version of the "three strikes" system was then banned by the French Constitutional Council, which considered that only a judge could impose sanctions under the law because the internet is a component of the freedom of information and under French law the presumption of innocence shall prevail.

The "HADOPI 1" Law of 12 June 2009 therefore came into force without the provisions relating to the "three strike" system and the HADOPI authority was assigned the mere task of observation, labelling and recommendation without any power to impose penalties.

Hence, the French Parliament went back to the drawing board and adopted a new bill, HADOPI 2, on 22 September 2009.

This bill provides that the HADOPI Authority is empowered to ascertain whether or not there has been an infringement and to hear the person concerned. However, a judge is the only person who can authorise the suspension of the user's internet connection according to two possible proceedings, either by a Single Judge Division through the "regular" procedure (where a person is found guilty he will be liable to a fine of up to €300,000 and up to three years imprisonment) or through the criminal or so-called "ordonnance penale" procedure. With this latter procedure

¹ "HADOPI" being the acronym for "Haute Autorité pour la Diffusion des Oeuvres et la Protection des Droits sur Internet" (High Authority for the diffusion of works and protection of copyright on the Internet), the government agency created by the law

no hearing is organised, the defendant has no legal representative and the judge is not required to justify his or her decision.

The judge can then order the suspension of internet access for up to one year in the case of copyright infringement, or one month where abuse of the line is deemed to result from negligence (i.e. failing to prevent other parties from using the connection with the intention of performing an infringement).

Members of the French Socialist Party strongly criticise this new bill for restricting the rights of the defendant. It considers that the "ordonnance penale" procedure is convenient for offences that would not normally be contested, such as minor traffic offences, but not for offences committed on the internet where the identification of offenders through the IP address of computers can be readily challenged.

However, the Constitutional Council decided on 22 October 2009 that HADOPI 2 was valid and it subsequently came into force on 29 October 2009 (2009-1311).

At a time when the UK Government is considering implementing a "three strikes" system, it will be useful to keep an eye on the development of the French system.

**Oceane Millon de la Verteville, London
and Benedikte Hattier, Paris**

German Court decides that the split of online music copyrights is invalid

The Regional Court of Munich has decided that the music industry's common practice of splitting online rights conflicts with German copyright law. The court held that, in order to fulfil the legislative purpose of avoiding multiple claims and ensuring legal certainty of licences, such splitting of one uniform economical-technical process into two separate exploitation rights is not possible. The court declared the practice of splitting online rights into the mechanical reproduction right (Sect. 16 German Copyright Act) and the right to make publicly available (Sect. 19a GCA), and to subsequently claim licence fees for both, to be inconsistent with German law. The court held that the "mechanical reproduction right" cannot exist as a kind of use in the online sector "without the right to make publicly available". However, the court did not state whether this is only the case for streaming platforms such as MyVideo, the claimant in the case, or whether this also applies to download platforms such as iTunes.

Facts and background

The claimant was MyVideo Broadband S.R.L, a subsidiary of the major German TV company ProSiebenSat.1 Media AG and the provider of

MyVideo, a user-generated video content platform similar to YouTube. Every user is able to upload videos after passing through a registration procedure which includes the acceptance of MyVideo's General Terms and Conditions that read: "Every user bears exclusively and without restriction all responsibility for all information provided by him/her." Videos can be watched by the users only via streaming technology, with no downloading.

The defendant was CELAS GmbH, a joint venture of the German music collecting society GEMA and the UK music collecting society MCPS-PRS (now PRS for Music). It claimed to manage the mechanical reproduction rights of the Anglo-American repertoire of EMI Music Publishing. The mechanical reproduction rights include the rights to reproduce and distribute content/recordings in multiple copies.

In early 2008, the parties failed to reach an agreement in negotiations over licence fees in respect of these rights for the years 2007 and 2008. Later that year, MyVideo concluded an agreement with GEMA regarding the website myvideo.de. With respect to the Anglo-American repertoire of EMI Music Publishing claimed by CELAS, the agreement between GEMA and MyVideo expressly excluded the mechanical reproduction rights and only included the right to make this repertoire publicly available.

By way of background, EMI had moved the mechanical reproduction rights of

its Anglo-American repertoire from national collecting societies, such as GEMA, to CELAS to implement European-wide licensing. This development was triggered by a highly disputed recommendation of the European Commission on collective rights management aiming for more competition and convenience for music users to obtain the rights for international music offerings such as online platforms. According to the traditional European music licence system, users have to enter into licence agreements with the national collecting societies in each relevant country individually. Due to legal restrictions, EMI did not transfer the right to make publicly available but only transferred the mechanical reproduction rights. This resulted in a split of rights between CELAS and GEMA, a situation which had not previously arisen in Germany.

During the negotiations and in their aftermath, CELAS threatened MyVideo with an injunction. This caused MyVideo to file an action for a declaratory judgment, seeking a ruling that CELAS does not have the right to hinder the offering of music on myvideo.de.

Reasoning

It is a general principle under German copyright law, that the rights to exploit a work can be split with an "in rem" effect only insofar as the respective separate exploitations cover independent so-called "economical-

technical" exploitations. The court held that this principle is infringed in the case at hand. It based its conclusion mainly on two reasons.

First, a splitting of the rights in the online sector is regarded as technically impossible. The right to make publicly available under Sect. 19a GCA includes, by implication, a reproduction that is technically necessary due to the fact that in the overwhelming majority of cases the user and the content made publicly available are located in different places. In the court's view, even GEMA recognises this by offering a "package" of the mechanical reproduction rights and the rights to make publicly available (as agent of CELAS).

Second, the court held that CELAS' (and GEMA's) current practice of splitting a composite technical process creates the risk of unjustified multiple claims and legal uncertainty. The court said that this uncertainty is not caused by the existence of exploitation means which are theoretically divisible, but results from the actual artificial splitting up of the right. The online rights of the Anglo-American artists could have been realised if the mechanical reproduction rights had been transferred together with the rights to make publicly available.

Impact

The judgment has received a great deal of attention in the online content and music communities as it seems to contradict international standard

practices in the music industry and possibly even the EU recommendation on collective rights management. The judgment is not binding and has been appealed to the Regional Appeal Court Munich (and may possibly be finally decided by the German Federal Court of Justice or even the ECJ). Thus, the final impact of this judgment remains to be seen. For the time being, the judgment adds more legal uncertainty and confusion to the already complex structure of collective rights management schemes in Europe.

Finally, in an "*obiter dictum*", the Regional Court of Munich raised the question of whether CELAS is a collecting society within the meaning of German copyright law. If this were the case, CELAS would need approval as a collecting society from the German Patent Office, and would be prevented from executing collective rights on behalf of right holders for as long as it does not have approval. CELAS has asked the German Patent Office for such an approval in the past, but the office denied the application arguing that CELAS is not a collecting society. If the Regional Court of Munich and the German Patent Office maintain their contradictory views, CELAS may be in the absurd position of being forced to take legal action against the German Patent Office to get an approval to act as collective licensor for rightholders in Germany.

Fabian Niemann, Frankfurt

Hamburg Court rules on copyright liability of RapidShare

In its judgment of 12 June 2009, the Regional Court of Hamburg granted an injunction (cease and desist order) in preliminary proceedings in favour of the German music collecting society GEMA against the Swiss filehoster RapidShare AG. The decision was based on the finding that, although RapidShare used an MD5 hash filtering program, it had not done enough to prevent its users from illegally uploading music to its servers, thereby making the music publicly available. Contrary to many press reports, the court did not impose a fine or damages on RapidShare.

The judgment triggered huge international press attention for a number of reasons, including that the value which the court attributed to the claim (€24 million) was misinterpreted by the press as a "fine". The judgment is important because outside Germany there have been no judgments against RapidShare. However, in Germany there have already been a couple of previous judgments regarding RapidShare.

Decision

The court rendered a cease and desist order which stated that RapidShare must stop making publicly available or letting its users make publicly available the music listed by GEMA in the claim

and that, in the case of further infringements, RapidShare would have to pay a disciplinary fine of up to €250,000 for each case of infringement.

The court decided that the value of the dispute was €24,075,000. This amount is neither a fine nor damages. The value of the dispute is not only directly relevant to the calculation of court fees and the recoverable lawyers' fees, but is also a sign of the court's valuation of the copyright infringements.

Background

The court found that RapidShare was not responsible for direct copyright infringement, but was a "disquietor" ("Störer"). This principle is peculiar to German law. A "disquietor" is a person who is made responsible for an IP infringement because of a relevant causal contribution. Such relevant contribution is usually assumed if the person has put in place the technical means for an infringement, is aware of the infringement and does not prevent the (repetition of the) infringement despite being able to do so within reasonable means. The German courts apply the disquietor principle with respect to injunctive relief claims (but not with respect to damage claims), even against access, caching and hosting providers within the meaning of the E-Commerce Directive, arguing that the protections of the Directive do not apply to injunctive relief once a person is aware of the infringements.

Reasoning

The court found that RapidShare was liable to cease and desist because it did not effectively prevent internet users from sharing copyrighted music files on RapidShare even though GEMA had given notice of the infringement several times before the lawsuit. The sole use of a filter program called "MD5" by RapidShare was held to be insufficient because it did not effectively prevent users sharing the files in dispute. Instead, RapidShare would have needed to undertake more specific steps to make sure that the relevant files notified to it by GEMA were deleted and not shared again on RapidShare. The court held that RapidShare did not sufficiently prove that it had undertaken such reasonable steps (which could have included manual inspection of the particular disputed files).

Context

There had already been several German court judgments in preliminary injunctive proceedings regarding alleged copyright infringements involving file sharing hosts – all based on the "disquietor" principle. The judgments include five Regional Appeal Court judgments, four in favour of the right holders and one in favour of the infrastructure provider (Regional Appeal Court Hamburg of 2.7.2008, file number: 5 U 73/07, granting judgment regarding RapidShare; Regional Appeal Court Cologne of 21.9.2007, file number: 6 U 86/07, granting judgment regarding RapidShare; Regional Appeal Court

Hamburg of 28.1.2009, file number: 5 U 255/07, granting judgment regarding usenets; Regional Appeal Court Hamburg of 14.1.2009, ref. 5 U 113/07, granting judgment regarding usenets; Regional Appeal Court Düsseldorf of 15.1.2008, file number: I-20 U 95/07, denying judgments regarding usenets) as well as a couple of judgments of Regional Courts. All Regional Appeal Court judgments have been decided in preliminary injunction proceedings which cannot be appealed to the highest German civil court, the Federal Court of Justice. Thus, there will be no clear legal situation in Germany in the near future.

Impact

In conclusion, all courts have found that file sharing hosts do not regularly need to check their platforms for copyright infringements in general, but need to take reasonable steps in order to stop infringements and avoid their repetition as soon as they get notice of the infringement. Knowledge is deemed proved if the provider warns users of the possibility of copyright infringements (which some of the providers did in their early days, but now most of the big providers do not do this anymore). The main issue currently is the question of what kind of measures need to be undertaken by the provider once it has been notified of infringing content. A manual inspection of the platform by the provider's employees is certainly a sufficient step, but not practical for providers with large amounts of content: the sole use of a pure MD5

filter on the other hand is not sufficient as the files can easily be renamed which makes it impossible to filter them. In terms of the required steps the Hamburg and Cologne regional courts apply a higher standard than the Düsseldorf Regional Court. It remains to be seen how the Federal Court of Justice may decide the case in the future. Until then, right holders (who can choose the applicable jurisdiction within Germany in internet cases) will prefer to go to Hamburg and Cologne.

Fabian Niemann, Frankfurt

Regional Court of Hamburg decides that online TV service Zattoo is illegal without right holders' consent – collecting societies' and broadcasters' consent is irrelevant

Judgment

In a dispute between film studios Warner and Universal against the German offering zattoo.de of online TV service Zattoo, the Regional Court Hamburg decided on 8 April 2009 (ref. no. 308 O 660/08) that zattoo.de must not retransmit TV content without the consent of the original right holders. The court granted

preliminary injunctions against zattoo.de in relation to five of the studios' movies. The court held that the consents given by the German public broadcasters and the German collecting societies to the retransmission by Zattoo were irrelevant because they did not have the right to grant online retransmission rights. Zattoo announced that it will carry on negotiations with the collecting societies in the hope that the collecting societies will be able to enter into a deal with the studios. Depending on the outcome of these negotiations, Zattoo has reserved the right to initiate main proceedings in which the preliminary injunction may be overruled.

Facts

The defendant is a Swiss company offering an advertisement-financed service branded "Zattoo", which allows users in several European countries to receive television channels on their personal computers free of charge. In Germany, Zattoo retransmits content via the internet which has been broadcast by the German public broadcasters ARD and ZDF. ARD and ZDF, as well as the German collecting societies (with one exception), have consented to the retransmission. Zattoo does not retransmit content of the German private broadcasters, which have objected to such retransmission. In contrast with some other jurisdictions where retransmission without the broadcaster's consent is seen as

possible (such as Switzerland and Spain), Zattoo does not retransmit without the broadcaster's consent.

Technically, Zattoo receives satellite TV content, converts and encrypts the content and retransmits it simultaneously via the internet to its subscribers. The subscribers have to register and install the free software "Zattoo-Player" on their PC to receive the services. The transmission of the national television channels is limited to the respective national territories via the so called "geotargeting" of the IP-address by Zattoo.

Reasoning

Zattoo argued that their service constitutes a cable retransmission under section 20b of the German Copyright Act ("*Urheberrechtsgesetz*" – "GCA") and therefore Zattoo only requires the consent of the broadcasters, because of the broadcasters' ancillary copyrights under section 87 para. 1 GCA, and of the collecting societies, because the copyrights of the right holders can only be claimed by collecting societies in the case of cable retransmission according to section 20b GCA. The background of this provision, which implemented Directive 93/83/EEC of 27 September 1993 on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission ("Cable and Satellite Directive"), was that a simple cable

retransmission should not be subject to the complex process of acquiring rights from various right holders. Only the broadcasters' rights should have to be obtained individually because it was assumed that there are not many broadcasters.

The court disagreed with Zattoo's view. It stated that the statutory right to retransmit broadcasts only applies to cable retransmission, and not to retransmission via the internet. Accordingly, it argued that the German public broadcasters ARD and ZDF and the German collecting societies (GEMA and others) were not entitled to grant online retransmission rights to Zattoo. Only the right holders of the content, i.e. in the case at hand Warner and Universal, were able to grant such rights. This explanation followed on from a systematic and historic interpretation of section 20 b GCA and the Cable and Satellite Directive.

The wording of section 20 b GCA leaves open the question as to whether or not the network used by Zattoo constitutes a cable-system within the scope of section 20 b GCA. The provision itself does not provide a technical definition, nor does any of the legislative guidance. In view of the fact that the network infrastructure used by Zattoo consists of interconnected cables and technically resembles the circulation via conventional coaxial cable, section 20 b GCA could be understood to include the internet.

However, the court held that such an interpretation disregarded the historical context of section 20 b GCA and its position in the exploitation rights regime. Section 20 b was inserted into the GCA as part of the implementation of the Cable and Satellite Directive. The technological basis for making content available to the public by using the internet was not sufficiently known at the time the legislation was passed. A further indication that a technology-neutral interpretation should not be applied to section 20 b GCA is contained in Article 11bis para 1(ii) of the Berne Convention and its "Annotated Principles". Article 11bis para 1(ii) merely specifies the rights of the originator, but does not specify the mode in which these rights can be exercised, that is to say whether these rights are exercised by collecting societies or by the rights holders themselves.

It was not possible to conclude unequivocally from the wording of section 20 b GCA, and from an examination of its legislative history, that this section encompassed retransmission over the internet. Therefore, the court said that a broad interpretation encompassing the types of cable retransmission which were not known at the time when the GCA came into force would not be appropriate. Section 20 b GCA constitutes a restriction of the exclusive rights of the right holders to decide on the exploitation of their works and thus

has to be interpreted in a narrow manner.

The court did not ignore the fact that Zattoo had purchased an interest in a bundle of rights from one source (a situation which is comparable to a cable company's interest). However, the court could not extend the ambit of section 20 b GCA to include internet transmission in the absence of further express legislation particularly because the quality of retransmission of television programmes over the internet is considerably different from the quality of conventional cable retransmission over proprietary coaxial cable networks. With the single act of feeding the signal in the decentralised and open network infrastructure of the internet, a potential diffusion rate is established which surpasses the rate reached by the present and spatially defined coaxial cable networks. In addition, internet connections can be set up more easily and cheaply over existing network infrastructures than coaxial cable connections and therefore the already widespread coverage can be increased further and more quickly. The fact that Zattoo geographically restricts retransmission by the means of "geotargeting" to Germany, and the fact that relatively few users are registered with Zattoo in comparison with the cable networks did not change the court's view because of the far reaching effect of the internet and the potential effects such a service could have on the right holders.

The court concluded that, since the service does not constitute a cable retransmission in the sense of section 20 b GCA, the collecting societies' consents were irrelevant and the contract with ARD and ZDF also did not help as ARD und ZDF can only grant rights with respect to their ancillary copyrights as broadcasters under section 87 para. 1 GCA, but not with respect to the copyrights of the authors and right holders.

Outlook

This judgment, in many respects, continues to treat the traditional means of content transportation (cable and satellite) and the internet differently. In the case at hand, the Regional Court Hamburg cannot necessarily be blamed for this. Although there might have been room for a more progressive application of the law by the court, it is mainly a failure of the German legislature which did not clearly define the application, or non-application, of section 20b GCA with respect to the internet in its latest copyright reform, which became effective as of 1 January 2008.

It can only be hoped that the legislature makes up for this omission and introduces a clear rule with the next copyright reform, for which the consultation has already started. The key question not only in Germany but within Europe will be whether the European and national legislators really want to extend the collective rights regime with respect to pure

retransmissions to the internet or rather whether there should be a silent phase-out of the retransmission principles under the Cable and Satellite Directive (there are some indications that in fact the latter may happen). In any case, a clear regime without frictions between different technical means should be established.

Fabian Niemann, Frankfurt

German Federal Court of Justice finds that without right holders' consent online private video recording services are only legal in very specific circumstances

Judgment

The German Federal Court of Justice ("Bundesgerichtshof" – "FCJ") recently ruled on the legitimacy of online video recording services. Three parallel actions (ref. nos. I ZR 215/06; I ZR 216/06; I ZR 175/07) were brought by two major German private TV broadcasters, RTL and SAT1, against www.shift.tv and www.safe.tv, both of which provide online private video recording (PVR) services. On 22 April 2009, the court ruled that, depending on their technical set-up, online PVR services will usually infringe copyright.

In passing judgment on the legality of online PVR services, the FCJ also ruled on four key issues of German copyright law. Therefore this decision is of major importance for many business models and copyright holders and extends beyond the issue of online PVRs and the rights of TV broadcasters under sect. 87 et. Seqq. German Copyright Act ("*Urheberrechtsgesetz*" – "GCA").

Facts

The online PVR service providers operate facilities for the receipt of TV signals by satellite reception stations, transformation of these signals and storage of the TV signals (TV content) in customer dedicated space on their servers. Customers select the content to be stored and can download or stream the content as often as desired and from wherever in the world they are accessing the internet. PVR services are financed by both advertisements and monthly charges.

The facts made available to the FCJ from the hearings in the lower courts did not provide a sufficiently clear explanation as to the exact technical set-up of the PVR services. Therefore, in coming to a decision, the FCJ considered all possible ways in which the PVR could have been set-up.

Decision

The four key copyright issues on which the FCJ ruled were as follows.

1. The court had to consider which person actually performs the act of

reproduction of the copyright works under sect. 16 GCA and art. 2 of the Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society ("**InfoSoc Directive**") in scenarios where one party controls and maintains the copying and storage infrastructure and another party triggers the copying and storage by remote access to the infrastructure.

Whoever is performing the restricted act needs to have the right to do so under a licence from the copyright holder or a statutory exemption in the GCA. The FCJ held that the person performing the reproduction is the person who technically triggers the reproduction, even if this involves the use of technical means provided by a third party. Thus, if an online PVR or other service is structured so that all acts of copying are triggered by the customers, the service provider does not perform any act of reproduction. If copying for private purposes, the customers can rely on the statutory exemption for private copying under sect. 53 GCA so that the service would not infringe the copyright holders' right of reproduction in any way.

2. The FCJ held that in the event that a service provider performs an act of copying it cannot rely on sect. 53 para. 1 GCA. The sect. 53 provision allows single copies of a work to be made and allows a person

authorised to make such copies to cause such copies to be made by another person, but only insofar as this is done free of charge. The Defence argued that if no profits are made by the service and/or if the customer itself pays no fee it is free of charge. The FCJ found that a payment is received if the service provider aims to profit in the future. It was held to be irrelevant that the fees paid by customers for the actual service will not generate a profit as long as the service provider is looking to create a profit by other means, for example by selling advertising space on the webpage. The consequence of this decision is that the private copying privilege granted by sect. 53 only applies to copies made for private purposes by the customers themselves or by a truly non-profit organisation for its customers.

3. The FCJ held that online PVR services do not infringe the exclusive right of copyright holders to make copies available to the public as protected by sect. 19a GCA and art. 3 InfoSoc Directive. Offering a single copy intended for one person's exclusive use does not constitute making copies available to the public, even if identical copies are publicly offered to multiple persons.

4. However, the FCJ stated that the exclusive right of copyright holders to retransmit the copyright work (sect. 20 GCA and art. 3 InfoSoc

Directive) is infringed in the event that the customer performs the retransmission. In this case, the virtual video recorder (the server space allocated to the customer) is part of the sphere of the customer. The right of retransmission is infringed by retransmitting broadcasting signals simultaneously to a sufficient number of customers which constitute the "public" in the meaning of the law. Hence, the fact that the data did not physically leave the defendant's infrastructure was insignificant.

Consequences

The result of these decisions is that it will be very difficult for an online PVR service not to infringe copyright – the infringement is either triggered by the service provider performing a reproduction, or by the customer retransmitting the copyright work. Only niche services where copying is triggered by the customer and where the transmission of each particular set of TV signals (e.g. a TV show) is transmitted only to a singular person and not to the "public" will avoid infringement.

The judgment extends beyond the immediate question as to the legality of online PVRs and contains decisions on many issues which have not previously been decided under German law. In particular, the

statements of the FCJ as to who actually carries out the reproduction is of importance for many business models in the virtual world, for example music and video online services and cloud computing, and also for traditional IT outsourcings.

Fabian Niemann, Frankfurt

Mininova forced to remove torrents linking to copyright material

Judgment by the District Court Utrecht of 26 August 2009, Stichting BREIN/Mininova

The internet offers lots of opportunities for the development and exploitation of information products on secondary markets.² Search engines display material that is provided online. User-created content forums enable the distribution of texts, films, photos and music. File sharing forums facilitate the exchange of sources of information. For users, such online services are invaluable. However, they could not exist without the primary information products that determine the content of the service offered. The more interesting the available material, the more attractive the visit is to the website – and the bigger the profit which usually arises from

publicity. Taking this into account, the question arises as to whether the owners of copyright material³ should be able to control the indirect exploitation by secondary online services in addition to the direct commercialisation of the work. In the case of Mininova the District Court Utrecht answered this question in the affirmative.

Mininova is an online service in the file sharing platform domain. Users can store free torrents which function as a link to files that are available online. By following a link, other users are able to trace and download the information products behind it. The particular attraction of Mininova can be attributed to copyright material. Studies have shown that torrents available through Mininova refer to such material to a considerable degree. Whilst Mininova employs moderators and administrators to ensure that no reference is made to files containing viruses, porn or drug-related matters the moderators facilitate the use of copyright material. 'VIP uploaders', including aXXo (the internet alias of an individual who converted commercial DVD films into files used to create torrent files for download), have been encouraged to provide files. Users receive the required passwords in order to circumvent protective measures and files removed under the NTD-procedure (notice and take down) can be placed on Mininova

² See Th. Dreier, 'Primär- und Folgemärkte', in: G. Schricker/Th. Dreier/A. Kur (eds.), *Geistiges Eigentum im Dienst der Innovation*, Baden-Baden: Nomos 2001, p. 51.

³ Copyrighted material also includes – as in the judgment material protected by neighbouring rights.

again at a future date. In summary, Mininova is an easy-to-use provider of links to files stored on the internet that mainly contain copyright material.

The District Court Utrecht did not approve of this business model. Mininova was held to be acting unlawfully towards the copyright owners who participate in the Dutch copyright group BREIN⁴, and were ordered to remove all torrents from its platform that refer to copyright material. This verdict follows an extensive consideration and assessment of Mininova's conduct which reflects the current state of affairs in the field of file sharing. Whilst the judgment provides a clear analysis of the issues, some supplementary comments are worth noting.

First, it is surprising that, despite the obvious profiting from copyright material, the District Court focused its analysis on unlawful conduct rather than on copyright infringement. BREIN's primary claim on copyright grounds failed. It is true that a copyright infringement does not result from the mere provision of a platform that enables users to make protected material public. Furthermore, because of the architecture of the Mininova-

platform, infringing files are directly transferred from the computer of the providing user to the user that wants to have the file. Therefore, it was not Mininova, but rather the users of its platform that were regarded as 'publishers' for the purposes of copyright.⁵ Mininova was not directly liable for copyright infringement.

When considering the copyright claim, the District Court avoided any further discussion of the acts performed by the moderators and administrators of the Mininova-platform. It is an established fact that moderators occasionally upload copyright material themselves to replace empty files and these infringing acts could be attributed to Mininova. However, this indirect copyright infringement by Mininova was only taken into account as part of the court's assessment of unlawful conduct. In this way, the District Court was able to focus its analysis on the umbrella business model of Mininova instead of on some occasional copyright infringements.

The fact that the court considered Mininova to have committed a tort rather than copyright infringement meant that a balancing act was carried out when considering the conduct of

file sharing platforms. Whilst copyrights are absolute prohibitive rights, an analysis on the basis of unlawful conduct, however, leaves room for a careful weighing up of interests.⁶ The fact that Mininova offers facilities for linking to copyright material, thereby promoting infringements of copyrights and profiting from these infringements, was merely the starting point for a decision based on unlawful conduct. Additional factors, including Mininova's duty of care and the proportionality of the obligation to clear the platform also played an important part. This implies that the judgment does not mean that file sharing platforms are unlawful as such. It must instead be determined on a case-by-case basis whether, pursuant to the copyright policy of the platform provider, there has been unlawful conduct. This means that user-created content forums⁷ that are not tailored to the exchange of copyright material remain possible.⁸

Secondly, the District Court Utrecht noted that with respect to viruses, porn and drug-related files Mininova actively interferes in the content of its platform; in the case of copyright material, however, it tolerates or even

⁴ The Bescherming Rechten Entertainment Industrie Nederland (BREIN) foundation is the central contact in The Netherlands with respect to all issues concerning the unauthorised copying and distribution of entertainment products.

⁵ See also for example the judgment by the Single Judge Charged with Urgent Cases of the District Court The Hague of 5 January 2007, Brein/KPN, AMI 2007, p. 55 with note van Dalen.

⁶ See also for example the judgment by the District Court The Hague of 9 June 1999, Scientology/XS4ALL, AMI 1999, p. 110 with note Koelman.

⁷ For a list of these services and a discussion of their social impact, see OECD, 'Participative Web: User-Created Content', document DSTI/ICCP/IE(2006)7/Final, 12 April 2007, available online at <http://213.253.134.43/oecd/pdfs/browseit/9307031E.PDF>

⁸ See on the issue of sufficient room for new online industries M.R.F. Senftleben, 'Fair Use in the Netherlands - a Renaissance?', AMI 2009, p. 1.

promotes it. This active interference excluded the application of the 'safe haven' provision pursuant to article 6:196c(4) Dutch Civil Code. Mininova did not qualify as an information society service that has 'neither knowledge nor control' over the information passed through or stored on its platform. On the contrary, the high degree of interference in the content implied a duty of care in the form of a positive supervisory obligation. In view of this obligation, the NTD-procedure employed by Mininova was deemed insufficient. Mininova was ordered to bar torrents linking to files with copyright material. In addition to the removal of the infringing torrents, Mininova was ordered to prevent the replacement of these torrents.

In the light of this judgment, it seems that the creation of interactive platforms with user determined content will not automatically create a concurrent supervisory burden.⁹ The defence pursuant to article 6:196c(4) Dutch Civil Code remains possible in principle.¹⁰ Considerable effort will only be required where the platform's content is being checked for copyright material. As Mininova checks the

content of its platform, the court found it implausible that it does not have knowledge of copyright infringement committed by users. The identification of copyright material can hardly be considered to be difficult.¹¹ The District Court was right to remark that copyright generally arises in commercially produced films, games, music and television series. Information relating to the commercial nature of a certain production can usually be found online. In general, Mininova should have doubted the lawfulness of the relevant files in respect of copyright.

The District Court's message is clear. Providers of file sharing services that profit from copyright protected material need the permission of the copyright owners involved. This rule balances the interests of primary and secondary providers of information products. The parties on the primary market deal with the original production of information and must amortise their investments through exploitation. After all, what files could be exchanged on Mininova's platform without the efforts of the primary content industry? It is in the best interests of the primary content

industry to share the profit generated by Mininova on the secondary market through publicity. In the case of YouTube, this view has already led to contractual arrangements with the copyright owners. YouTube is already using screening techniques to trace infringing material.¹²

In other words, Mininova's business model is out of date. The freeloading of copyright material is unlawful. This is obvious. On a further note, arrangements between file sharing platforms and the content industry are also desirable to promote innovation in the primary music market. Over two billion downloads have taken place through the Mininova-platform. For the primary content industry, the time has come to play a more active role in this promising market with publicity-based business models.

Martin R.F. Senftleben¹³, The Hague

⁹ See the judgment of the District Court Zwolle-Lelystad of 14 March 2007, Stokke/Marktplaats, IER 2007, p. 73 with note Struik, Mf 2006/9 with note Beuving.

¹⁰ See the TGI Paris judged on 15 April 2008, Lafesse/Daily Motion, RIDA 216 (2008), p. 506, with respect to a French platform for the exchange of videos. Also see Chr. Alberdingk Thijm, 'Wat is de zorgplicht van Hyves, XS4ALL en Marktplaats?', AA 2008, p. 573.

¹¹ Copyrighted material is not comparable with expressions about the honour and reputation of a person where the unlawfulness is not necessarily obvious. See the judgment by the Court of Appeal

Amsterdam of 24 June 2004, Lycos/Pessers, online available at http://www.iept.nl/files/2004/IEPT20040624_Hof_Amsterdam_Lycos.pdf.

¹² See about screening techniques and YouTube the description of the *Eindrapport parlementaire werkgroep auteursrecht* of 17 June 2009, B9/7973, p. 22 and 25.

¹³ Prof. M.R.F. Senftleben is professor in Intellectual Property at the VU University Amsterdam and Rechtsanwält at Bird & Bird, The Hague.

Press clipping activities constitute copyright infringement

More than two years ago, 55 newspaper publishers brought a claim against the corporation Documentacion de Medios S.A., for using the content of the newspapers in their press clipping service. On 17 April 2009, the Madrid Commercial Court held that the defendant had committed copyright infringement by carrying out such press clipping activities without the publishers' authorisation. The judgment analyses three aspects of copyright law.

Only collecting societies are entitled to receive copyright payments

The first question the Court tackled was whether any entity, other than one which is legally authorised to act as a collecting society, has legal standing to manage copyrights - this right is granted to collecting societies under s150 of the Spanish Copyright Act (SCA). According to this provision, collecting societies do not need to inform the Court of the powers granted to them by copyright holders to sue third parties or to accept payments in the rightholders' interest or on their behalf when such payments are in dispute, as was the issue in the present case.

The defendant argued that it had already made compensatory payments

to the Federacion de Asociaciones de Periodistas de España (FAPE), the Spanish Federation of Associations of Journalists, in view of the fact that, in the defendant's opinion, the copyrights belonged to the journalists. The court rejected the view that FAPE had the legal standing to receive payments since it was not legally authorised as a collecting society.

Publishing houses, authors of newspapers and magazines

Secondly, the Court considered the concept of a collective work as defined in s8 SCA. The Commercial Court considered that the essential elements needed for a work to be considered a collective work, were:

- Initiative and co-ordination by one natural or legal person;
- Work published under the natural or legal person's name;
- A relationship between the co-ordinator and the authors based upon subordination and hierarchy principles;
- Individual contributions aimed at the creation of a new collective whole;
- The contributions are then assembled and pooled into a new, independent and unique work which is the result of the co-ordinating efforts; and
- No author may own the copyright in the "collective work" as a whole.

The Commercial Court concluded that both newspapers and magazines are

collective works. The judgment is the first Court ruling in Spain which states that the publisher (and not the journalists) has the right to expressly forbid reproductions of their publications and has the right to receive a fair and equitable remuneration.

No exception to infringement is provided for "press clipping" activities

Finally, the Commercial Court dealt with the essence of press clipping activities under Spanish Copyright Law. The Defendant argued that the activity of press clipping was protected by laws regarding freedom of information.

The Court pointed out that SCA s32.1 prescribes a legal limit to the copyright holders' exclusive right of exploitation in that it is possible to use "fragments" of works in another original work for the purposes of teaching or research. The provisions of s32 expressly include press reviews and collections.

However, s32 is limited in scope to circumstances where the following requirements are met:

- The compiled works are journalistic articles;
- These articles have already been included in a collective work (irrespective that it has been delivered in printed hard copies or just made available to the public by digital means);
- The collective work has been published for commercial purposes;

- and
- The compiling activity is a mere reproduction of the original work carried out for commercial purposes.

The Court dismissed the Defence's argument that s32 protection was available in this case. The defendant Documentacion de Medios S.A., was paid by customers for its compilations of press clippings and for digitalising journalistic articles, and because payment was received the court found that the defendant was carrying out its press clipping activities for commercial purposes.

The defendant is appealing the judgment, and a trial at the Madrid Court of Appeal is pending.

Conclusion

The decision clarifies the much-debated legal position of press-clipping businesses. Copyright in newspaper articles has been conferred exclusively on publishers. As the publishers now have complete control over the contents of the newspapers, any company seeking to use newspaper material will first need to obtain permission from the relevant publisher.

It is likely that the battle between press clipping providers and publishing houses will need to be resolved by legislation. The full effects of the Spanish Copyright Act have now been

seen and it does not appear to suit the interests of press clipping providers, whereas publishing houses, on the other hand, are more than happy with the effects.

Carlos Maldonado and Miguel A. Rodríguez¹⁴

The Pirate Bay verdict – the end of the beginning?

Stockholm District Court Case B 13301-06

As has been extensively reported, four representatives of 'Pirate Bay', a Swedish file sharing site (reports vary as to where it is actually based), were found guilty of contributory copyright infringement on 17 April 2009 by the Stockholm District Court. The claimants in the case were a group of 15 entertainment companies including Sony Music Entertainment, EMI and Universal Music. The case against Pirate Bay has attracted widespread attention because it is one of the world's largest file sharing sites, boasting some 3.6 million registered users sharing hundreds of thousands of files. The site has long defied attempts to restrict its making available of copyright protected works, often posting received cease-and-desist letters on the site along with their less than respectful

responses. More importantly, the technology used by the Pirate Bay site meant that the Court had to consider complicated issues arising under copyright law and penal law.

The representatives of Pirate Bay were not accused of having infringed copyright directly but of furthering copyright infringements by others. Therefore, the Court first had to consider whether the acts committed by others were illegal. If not, the defendants could not have been found guilty since no primary illegal act would exist to "further". The Court concluded that the primary actions of those individuals who share their files through use of the BitTorrent program should be classified as "communication to the public" under the Swedish Copyright Act. Communication to the public is one of the exclusive rights granted to copyright owners and therefore their consent is required for any such communication. Since such consent was absent in the present case, the Court concluded that there existed primary illegal acts and therefore the defendants were capable of secondary copyright infringement by "furthering" those acts.

The Defence submitted that use of the BitTorrent file sharing program meant that no illegal act took place as no copyright infringing material is actually stored on Pirate Bay's servers - the Pirate Bay's site merely provides a platform and software which enables

¹⁴ The authors would like to thank Associate Blas Piñar for his efforts to obtain a copy of the Madrid Commercial Court judgment.

individual users to share files. The Defence also argued that they had been unaware of the existence of "trackers" (links) on the site to the 33 files that formed the subject of the case. However, the Court held that the consistent lack of concern for copyright protection that was demonstrated by the defendants was so reckless as to fulfil the criterion of intent to further the primary infringement.

The Court found the defendants criminally liable for acts which infringed the Swedish Copyright Act. It then had to address the issue of whether the defendants could benefit from protection from liability conferred on service providers by the E-Commerce Directive (2000/31/EC) and its implementation in Swedish law.

The Court held that Pirate Bay did amount to a "service provider" within the meaning of the E-Commerce Directive. However it held that Pirate Bay was not a "mere conduit" (within the meaning of Article 12) and the service being provided was not "caching" (within the meaning of Article 13). Despite falling outside of both Articles 12 and 13, the hosting provision within Article 14 had to be considered by the Court as it can still apply in such circumstances. Article 14 provides a hosting defence which requires that the service provider does not have actual knowledge of illegal activity or information and, as regards claims for damages, is not aware of facts or circumstances from which the

illegal activity or information is apparent, or, upon obtaining such knowledge or awareness, acts expeditiously to remove or to disable access to the information. The Court held that the defendants, despite the fact that the use of BitTorrent program meant that no copyright materials were actually stored on Pirate Bay's website, were not entitled to benefit from the Article 14 defence because they were aware that copyright works were being shared between users through use of Pirate Bay's platform and software. They also completely failed to take any action in relation to the infringements known to them. The defendants asked for a referral to be made to the European Court of Justice (ECJ) concerning whether they should be entitled to benefit from the Article 14 service provider defence. However, the Court ruled there was no need to refer to the ECJ the question of service provider protection from liability as the legislation was sufficiently clear.

The Court found the four men guilty of secondary copyright infringement and they were each sentenced to a year in prison (although they have not yet been remanded in custody due to their appeal which is currently pending). They were also found jointly liable for damages in the concurrent civil case to an amount of approximately SEK 30 million (approximately €2.7 million) and will have to pay the claimants' legal costs as awarded by the Court at approximately SEK 3 million (approximately €270,000). The claimants had sought a much more

substantial sum but the Court applied conservative methods in calculating damages.

The convicted men appealed to the Svea Court of Appeals and also entered a claim that a mistrial should be declared and the matter referred back to the District Court. The mistrial claim was raised when it transpired that the trial judge, as well as several of the claimants' lawyers, were active members of both the Swedish Association of Copyright and the Swedish Association for Protection of Industrial Property. The Defence alleged that these affiliations constituted a conflict of interest. The mistrial claim was dismissed by the Court of Appeal on 25 June 2009 – it was decided that membership of the copyright associations is a valid method of gaining knowledge of the topic and does not constitute bias, and therefore no mistrial would be declared. The main appeal case is still pending.

The initial verdict of the Court in the Pirate Bay trial answers the much debated question as to whether use of the BitTorrent protocol, characterised by its peer-to-peer piecemeal transfers, should actually be deemed to constitute an infringement of copyright at all and in the future the decision may come to be seen as "the end of the beginning" of the battles against internet piracy.

Currently, the judgment appears to have had little effect on Pirate Bay's web site - the site continues to operate

and its blog urges readers to keep sharing files. Nordic telecom operators have so far refused to block access to the Pirate Bay site following the judgment on the basis that the matter is under appeal. However, as regards the effect of the judgment internationally, it is reported that BT and other UK mobile broadband providers now deny users access to the site "in compliance with a new UK voluntary code", and Eircom, the major Irish telecom operator, indicated in February 2009 that it was ready to begin blocking sites such as Pirate Bay.

**Henrik Nilsson and Jerker Edström,
Stockholm**

This article has been adapted from an article that was first published in the World Media Law Report, April 2009.

Digital Britain – the final Report

The final Digital Britain Report was published in June 2009. This followed a comprehensive review of Britain's digital communications sector which included digital content. The most important aspect of digital content discussed in the report related to the peer-to-peer file sharing legislation.

Peer-to-peer file sharing legislation

Following the Gowers review in which peer-to-peer file sharing was identified as causing damage to the UK's creative industries, the Report outlined a number of policies aimed at reducing

file sharing. The most significant proposal was a graduated response by Ofcom, the UK communications regulator, which aims to reduce illegal file sharing by 70%. Ofcom would be empowered to require ISPs to notify alleged infringers that their conduct is unlawful and to collect evidence relating to serious repeat infringers. If, after 12 months, the 70% target is not achieved, Ofcom would have reserve powers to impose technical measures on ISPs to deal with repeat offenders, such as bandwidth reduction or protocol blocking. These obligations would be underpinned by a detailed code of practice. Other softer proposals involve encouraging legal markets for downloading and educating consumers in the law of copyright.

Following the Digital Britain Report, the Government published a further consultation on 16 June 2009 setting out its legislative proposals to deal with illegal file sharing. The consultation focuses on the legislation to impose obligations on ISPs and, in particular, the balance between the remit of the code of practice and the scope for discretion and the apportionment of costs.

However, on 25 August 2009, the government issued a new statement announcing that the following should be included in measures to be considered against repeat infringers:

- the Secretary of State should be given the power to direct Ofcom to impose the technical measures on

ISPs if he considers them to be necessary to ensure faster implementation of these measures and greater flexibility;

- the suspension of accounts of serious infringers should be added to the list of potential technical measures; and
- some costs, such as operating costs of sending notifications, should be split equally between ISPs and right holders.

The Government claimed that this represented a development in its thinking, rather than a change of position. However, the Internet Services Providers Association (ISPA) expressed its concerns at the lack of consultation in relation to the amendments. In particular, ISPA considered that involving the Secretary of State in the technical measures would politicise the process and also expressed its concern that the suspension of accounts was a disproportionate response.

The issue of proportionality in relation to the suspension of accounts has now been addressed by the European Council and the European Parliament through the inclusion of an "internet freedom provision" in the Telecoms Reform Package. Following lengthy negotiations, the new provision expressly states that any measures relating to access to or use of services implemented by Member States must conform to the European Convention for the Protection of Human Rights and Fundamental Freedoms: measures

must be appropriate, proportionate and necessary. This provision potentially creates a conflict between some of the UK measures now under consideration and EU law.

Digital creative industries – other content issues

In addition to the proposals on file-sharing, the Report considered the protection of other digital rights. The Government proposed investing in next generation broadband networks as test beds to assist infrastructure providers, content owners and consumers in the trial of new monetisation methods for digital content, new rights models and new methods of safeguarding personal digital security. A wider cultural tax relief, similar to that already provided to the film industry, is also being considered for all culturally-specific digital content. In particular, the tax relief is intended to encourage the production of British video games, support the creation of new IP and technology in the UK and retain UK creative and technical expertise.

In response to the Report, the government has now introduced the Digital Economy Bill, which, if passed, will implement many of the proposals contained in the Report through primary legislation. The Bill had its first reading in the House of Lords in November 2009.

Taliah Davis, London

No time limits for bringing a claim to the ownership of musical copyright

Fisher v Brooker & Ots (Lords Hope, Walker, Mance Neuberger and Baroness Hale; [2009] UKHL 41; 30.07.09)

The House of Lords (“HoL”) overturned the decision of the Court of Appeal (“CoA”) ([2008] Bus LR 1123) and reinstated the decision of the lower court, holding that mere passage of time cannot, in English law, debar claims to an ownership interest in copyright.

Matthew Fisher, who was a member of Procol Harum between 1967 and 1969, started proceedings against Gary Brooker and Onward Music (the “Respondents”). He claimed that he created the distinctive organ arrangement in the song “A Whiter Shade of Pale”, as recorded by the band in May 1967. Gary Brooker and Keith Reid (another band member) assigned their copyright in the original music to Essex Music (Onward Music’s predecessor company) prior to Fisher joining the band and prior to Fisher’s assistance in creating the second, particular arrangement of the music, ownership of which was the focus of dispute in the case. In the 38 years after the issue of the record, Fisher

played no part and had no say in the exploitation of the copyright in the music, nor did he claim or receive payment of any royalties earned from it. In the action, he did not claim damages or an account of profits from the Respondents for infringement of copyright by unauthorised use of the music before the commencement of the action, but sought recognition for his joint authorship, joint copyright ownership and a right to future royalties.

Blackburne J in the High Court made three declarations to the effect that (1) Fisher was the co-author of the music as recorded by Procol Harum and released as a single on 12 May 1967; (2) Fisher was a joint owner of the musical copyright in this arrangement of the music, his share being assessed at 40%; and (3) the implied licence of the Respondents to exploit this arrangement of the music was revoked on 31 May 2005 (the date of Fisher’s claim, but 38 years after the initial release of the record). The Respondents would need Fisher’s prior consent to exploit the arrangement of the music after 31 May 2005. Blackburn J also refused to grant an injunction against the Respondents to restrain future exploitation of the arrangement on the ground that there was no evidence of an intention by the Respondents to disregard Fisher’s rights.

Mummery LJ gave the leading judgment in the CoA. He drew a

distinction between the right to attribution of authorship and the right to a copyright interest. He explained that in normal circumstances, the co-authorship of a work entails co-ownership of the copyright in it. However, Fisher's acquiescence and 38 year delay in bringing his claim made it unconscionable for Fisher to assert his copyright interest and to revoke an implied licence to exploit the copyright in a musical arrangement. The CoA held that "the defences of acquiescence and laches operated to disentitle Fisher from the exercise of the court's discretion to grant the second and third declarations". As such, the Respondents' implied licence to exploit the musical arrangement was irrevocable and Fisher could neither claim future royalties nor sue for copyright infringement. Fisher appealed against the decision of the CoA to overturn declarations (2) and (3) of the High Court order.

Lord Neuberger gave the leading judgment in the HoL. The Respondents raised a number of defences based on Fisher's acquiescence and delay, laches and proprietary estoppel. The CoA had held that it was unconscionable for Fisher to be able to assert his rights by seeking an injunction when for 38 years the Respondents had proceeded to exploit the work on the basis that they owned all of the copyright in it. The HoL rejected this conclusion, and held that it was inconsistent for Fisher not to be estopped from asserting his

copyright interest only to have the existence of his right refused on equitable grounds. The HoL stated that the key point was that if Fisher sought an injunction to prevent copyright infringement then such an application would be considered on its merits. Furthermore, Fisher should not be deprived of the ability to claim royalties in respect of the work in which he owned 40% of the musical copyright merely on the grounds that it would be inappropriate for him to be able to seek an injunction.

Lord Neuberger stated that under English law "the mere passage of time cannot itself undermine claims such as those raised by Mr Fisher in the current proceedings". The defence of laches is a bar only to equitable remedies and a declaration as to the existence of a statutory property right is not equitable relief. In any event the application of laches usually requires some sort of detrimental reliance. The Respondents failed to show any prejudice resulting from the delay, indeed the delay "has been of considerable financial benefit to the Respondents, effectively outweighing any disadvantage to them resulting from the delay". The HoL therefore rejected all of the Respondents' arguments based on equitable principles.

The HoL restored the two declarations set aside by the CoA with the caveat that the third declaration may be amended upon consideration as to the

validity of the assignment of Essex's rights by virtue of the recording contract or the assignment to Onward, an issue which the HoL did not consider it appropriate to determine at that time.

Victoria Evans, London

Copyright Tribunal issues decision on music video licensing

On 7 September 2009, the Copyright Tribunal ("the Tribunal") for the first time gave a judgment on the subject of music videos. The case concerned an application by CSC Media Group ("CSC") which wished to settle the terms of a licence for its seven music video channels. The licensing body Video Performance Limited ("VPL") demanded a 20% headline royalty rate and £700,000 advance (£100,000 per channel) which CSC refused to pay.

Following an application to the Tribunal by CSC, the Tribunal was tasked with determining a reasonable rate for the licence under s.126(4) of the Copyright, Designs and Patents Act 1988.

Comparable licences

In determining reasonableness, the Tribunal first examined comparable licences in similar circumstances.

Earlier licence agreements between VPL and CSC were not comparable due

to recent changes in the market. The advent of broadcasting websites such as YouTube have resulted in music television broadcasters suffering a decline in advertising revenue due to the increasing amount of advertisers' budgets being allocated to online advertising. Therefore such comparisons were no longer valid.

Agreements with other broadcasters were also not comparable. Whilst BSkyB was 'an example' of an agreed 20% rate with a major broadcaster, the manner in which negotiations were conducted with CSC had to be taken into account. The Tribunal was critical of VPL's aggressive 'take it or leave it' approach towards CSC and this posed a degree of differentiation.

The headline rates that VPL's sister company Phonographic Performances Limited ("PPL") set for commercial radio operators were not directly comparable. The Tribunal believed that music videos were clearly worth more than commercial radio as a licensable commodity. However, since PPL's highest rate for commercial radio was 5.75% it was evidently unreasonable for VPL to charge a rate four times this amount.

Consequently, due to the changing market but taking into account the promotional weight of music videos, the Tribunal held that the right royalty rate had to be between 10% and 15%.

Reasonable financial expectation

In order to fine tune its analysis and achieve a reasonable figure, the Tribunal then examined whether the demands of VPL still enabled CSC to make a reasonable profit from its undertaking. Given the market changes affecting music video broadcasting, CSC's balance sheet was not a paragon of healthy growth. In fact, two channels were operating at a loss. Accordingly, VPL's rates could be considered disproportionate.

Risk sharing

A final factor which the Tribunal took into consideration was where the entrepreneurial risk lay in the licensing scheme. The Tribunal stated that the licensee's 'hard work and investment' to achieve a profitable business given the difficulty of succeeding in the music video market, swung the balance in their favour. By deciding that a far greater risk lay with CSC as the licensee, a high royalty rate was rendered less reasonable.

Conclusion

The Tribunal concluded that a reasonable royalty rate should be 12.5% of CSC's gross revenue subject to deductions in respect of advertising and other costs. With regard to the advance, it was held that 30% of the anticipated royalty would be a fair proportion to pay.

Nathan Capone, London

High Court rules that commercial use of newspaper publisher's archive constitutes copyright infringement

Alan Grinsbrook v MGN Ltd & others [2009] EWHC 2520 (Ch)

In October 2009, the High Court held that a newspaper publisher infringed a photographer's copyright by producing an archive of newspaper back editions containing the photographer's photographs, with a view to using the archive for commercial purposes.

Background

The claimant, Mr Alan Grisbrook, a freelance photographer, supplied the defendant MGN Limited (MGN), a newspaper publisher, with photographs. It was common practice that a photographer would be paid a fee for a published photograph after publication. In addition, payment was due where a previously published photograph was subsequently used in a different edition. Payment was not due, however, where a previously published edition was reproduced. Both published and unpublished photographs supplied to the newspaper were stored in an archive.

The parties had settled two previous disputes relating to unpaid licence fees

and copyright infringement by means of a consent order, which contained an undertaking on the part of MGN not to infringe Mr Grisbrook's copyright.

The issues

MGN set up three websites with content comprising material from their archive. The purpose of each website was to market and sell photographs, sell previously published front pages, and sell previously published articles to the public.

Although there was no written licence agreement, Mr Grisbrook had granted an oral licence to MGN, the terms of which were determined by implication from the common practice and the course of dealings between the parties. Accordingly, Mr Grisbrook agreed that a licence had been granted for two purposes: the production of current newspapers containing his photographs and the occasional future

use of material stored in the newspaper archive in new publications.

The licence did not extend to the commercial exploitation of the newspaper's archive. Because of this infringement, MGN breached the undertaking in the consent order not to infringe.

Although MGN's activities were outside the scope of the statutory exceptions to copyright infringement, including specifically, the exceptions provided for libraries and archives, the court refused an application for committal proceedings and refused to grant an order of sequestration against the assets of MGN because the breach of the consent order had not been deliberate. The dispute should have been dealt with through ordinary proceedings and as such, a declaration of copyright infringement was sufficient.

Conclusion

The court followed its past approach and was reluctant to imply terms into the licence to extend its scope. At the time that the licence was granted, it would not have been contemplated that newspaper archives would be used for commercial gain. Therefore, whilst consent had been given to the publisher to store photographs in an archive, consent had not been given for the use of this archive for profit. In the absence of any express agreement to the contrary, the photographer retained the copyright in his works and the licence did not extend by implication to permit MGN to use Mr Grisbrook's photographs for commercial exploitation of the newspaper's archive.

Luisa Zukowski, London

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