

Bird & Bird & IP and IT Law Bytes

First published in the June 2014 issue of PLC Magazine and reproduced with the kind permission of the publishers. Subscription enquiries 020 7202 1200.

Groundless threats in IP actions: Law Commission report

Summary

The Law Commission (the Commission) has published a report on reform of the threats provisions relating to trade marks, patents and designs (the report).

Facts

In the report, the Commission has recommended bringing the threats provisions relating to designs and trade marks into line with those covering patents. This means that it would not be actionable to threaten a primary actor, even if the threat relates to allegations of secondary infringement as well as primary infringement.

The Commission has proposed that the concept of primary infringement should be expanded to include those who merely intend to commit primary acts, provided that the rights holder has evidence of this intention.

The Commission has also recommended that it should be permissible, without attracting liability for groundless threats (as currently is the case with patents), to make enquiries of suspected secondary infringers for the sole purpose of finding out if there has been infringement, provided that there is a legitimate commercial purpose behind the communication, and there are reasonable grounds for believing that the information provided is true.

Under the suggested regime, it would no longer be possible to avoid liability for making threats by showing that, at the time the threat was made, the threatener did not know, or had no reason to suspect, that the patent was invalid.

In addition, the Commission has recommended that lawyers, and patent and trade mark attorneys, should no longer be jointly liable for making threats where they have acted in their professional capacity and on instructions from their clients.

(For more information, see "Briefing Groundless threats of IP proceedings: a potential solution?", this issue.)

Comment

Reform of the law on threats is long overdue. As the provisions currently stand, they are easy to avoid, complex and inconsistent, and they can also obstruct attempts to settle disputes.

Currently, the UK is the only country in the EU (with the exception of Malta) with specific groundless threats legislation. However, the other EU member states each have their own, unharmonised, ways of dealing with the problem, such as unfair competition. More drastic changes might eventually become necessary as a result of the increasingly cross-border nature of intellectual property litigation, including when the EU unitary patent becomes available. The Commission said that it might then be necessary to consider the introduction of a new tort of unfair competition, along the lines of the Paris Convention, either as a UK measure or as part of wider EU reforms.

*Source: The report, 14 April 2014,
http://lawcommission.justice.gov.uk/docs/lc346_patents_groundless_threats.pdf.*

Copyright: jurisdiction over infringement claims

Summary

The European Court of Justice (ECJ) has ruled on a question of jurisdiction under the Brussels Regulation (44/2001/EC) in proceedings for copyright infringement.

Background

The Brussels Regulation sets out a system for the allocation of jurisdiction and for the reciprocal enforcement of judgments. Persons domiciled in an EU member state are to be sued in that state, subject to certain exceptions (*Article 2, Brussels Regulation*) (Article 2). In relation to a tort, a person may also be sued in the courts of the place where the harmful event occurred or may occur (*Article 5(3), Brussels Regulation*) (Article 5(3)).

Facts

H commissioned S to take photographs of room interiors of its hotel in France. S licensed H to use the photographs in advertising material and on its website. There was no written agreement on the terms of use, merely an invoice that stated "include the rights – only for the hotel hi". A publisher based in Germany published a book containing reproductions of several of the photographs and offered it for sale in Germany.

S sued H in Germany for copyright infringement on the basis that H had passed the photos to the publisher. H challenged the jurisdiction of the German court, pointing out that the harmful event occurred in France if the photographs were passed to the publisher's French office.

The German Federal Court of Justice referred to the ECJ the question of whether, under Article 5(3), the harmful event occurred in member state A if the tort forming the subject matter of the proceedings, or from which the claims were derived, was committed in member state B and consisted of the participation in the principle tort committed in member state B.

Decision

The ECJ confirmed that the expression "place where the harmful event occurred or may occur" in Article 5(3) was intended to cover both the place where the damage occurred and the place of the causal event giving rise to the damage, so H could be sued in the courts of either of those two places, at S's option.

Both H and the publisher were considered to have caused the alleged harmful event (the copyright infringement). However, H acted in France, and was therefore outside the jurisdiction of the court in which it was sued. Where only one of several supposed perpetrators of the alleged damage was sued in a court within whose jurisdiction it had not acted, the causal event would not occur within the jurisdiction of that court for the purposes of Article 5(3). Therefore, Article 5(3) would not allow jurisdiction to be established on that basis.

However, where there are several supposed perpetrators of the damage allegedly caused to the rights holder, Article 5(3) allows jurisdiction to be established, in relation to just one of the perpetrators, on the basis of the place where the alleged damage occurred, provided that the damage might occur within the jurisdiction of the court seised.

On the facts, the delivery of the photographs by H to the publisher in France gave rise to the reproduction and distribution of the photographs, and therefore the possibility that the alleged damage might occur in Germany. However, the court seised on the basis of the place where the damage occurred had jurisdiction only to rule on the damage caused in the territory of that member state.

Comment

The decision suggests that, while the so-called causation limb (using the place of the causal event giving rise to the damage) cannot be used to establish jurisdiction under Article 5(3) if the defendant did not act in the jurisdiction, it is sufficient to establish jurisdiction (on the basis of the place where the damage occurred) where the reproduction and distribution of the allegedly infringing work gives rise to the possibility that damage might occur within the

jurisdiction. This should increase the flexibility of potential options when choosing where to sue foreign defendants within the EU.

Jurisdiction under Article 5(3) is limited to damage caused within that member state. If S had sued the publisher under Article 2, on the basis of its domicile in Germany, jurisdiction would not have been so limited.

Case: Hi Hotel HCF SARL v Spoering C-387/12.

Data Retention Directive: held to be invalid

Summary

The European Court of Justice (ECJ) has held that the Data Retention Directive (2006/24/EC) (the Directive) is invalid because the EU legislature has exceeded the limits imposed by compliance with the principle of proportionality under Articles 7, 8 and 52(1) of the EU Charter of Fundamental Rights (the Charter).

Background

The Directive provides that EU member states must adopt laws requiring communications service providers (CSPs) to retain, for a period of between six and 24 months, certain types of traffic, subscriber and location data generated or processed in providing services (Articles 3 and 6). Individual member states have an option to introduce longer periods where they face particular circumstances warranting an extension for a limited period (Article 12(1), the Directive).

The UK implemented the Directive through the Data Retention (EC Directive) Regulations 2009, which came into force on 6 April 2009 (see News brief "Data retention: regulations extended to apply to internet data", www.practicallaw.com/7-385-4832). Access to communications data retained by CSPs is regulated by Part I of Chapter II of the Regulation of Investigatory Powers Act 2000.

Article 5(4) of the Treaty on European Union (TEU) provides that, under the principle of proportionality, the content and form of EU action must not exceed what is necessary to achieve the objectives of the TEU [**and the Treaty on the Functioning of the European Union**]. This means that the EU legislator must not enact laws if this is not necessary, appropriate or proportionate in a strict sense.

The European Convention on Human Rights (ECHR) and the EU Charter of Fundamental Rights (Charter) protect EU citizens' fundamental rights, including the rights to:

- Respect for private life (Article 8, ECHR and Article 7, Charter).
- Data protection (Article 7, Charter).
- Freedom of expression (Article 10, Convention and Article 11, Charter).

Article 52(1) of the Charter provides that any limitation on the exercise of the rights and freedoms recognised by the Charter must be provided for by law and respect the essence of those rights and freedoms. Subject to the principle of proportionality, limitations may be made only if they are necessary and genuinely meet objectives of general interest recognised by the EU or the need to protect the rights and freedoms of others.

Facts

Following applications by an Irish campaign group and others, a number of questions concerning the compatibility of the Directive with Article 5(4) of the TEU, and with certain fundamental rights protected by the Charter, were referred to the ECJ.

Decision

The ECJ held that the Directive is invalid because the EU legislature has exceeded the limits imposed by compliance with the principle of proportionality in the light of Articles 7, 8 and 52(1) of the Charter. The ECJ held that:

- The retention of communications data under Articles 3 to 5 of the Directive, for the purpose of possible access to them by the competent national authorities, directly and specifically affects individuals' private life. Therefore, the Directive fell within the scope of Article 7 of the Charter. The ECJ also acknowledged the potential impact that data retention could have on individuals' exercise of the freedom of expression guaranteed by Article 11 of the Charter.
- The data retention requirement imposed by Articles 3 and 6 of the Directive interfered with the rights guaranteed by Article 7 of the Charter. Since the Directive also provides for the processing of personal data, it interfered with the right to the protection of personal data guaranteed by Article 8 of the Charter. This interference was not justified.
- The Directive did not comply with the proportionality principle.

The ECJ also criticised:

- The EU legislature for adopting a measure that covered, in a comprehensive and generalized manner, all persons and all means of electronic communication, without any differentiation, limitation or exception being made in the light of its crime-fighting objective.
- The Directive for failing to lay down any objective criterion or substantive and procedural conditions governing competent national authorities' access to the data and their subsequent use for the purposes of law enforcement and public security.
- The Directive for failing to require member states to provide sufficient safeguards for data security, including cross-border transfers. Specifically, the Directive did not require the data to be retained within the EU, which made it impossible to control compliance with applicable EU data protection and data security requirements. This control must be exercised by an independent authority to protect individuals' data protection rights.

Comment

The ECJ's press release clarifies that the Directive is invalid from the date that it came into force. There is therefore currently no EU law mandating the retention of communications data. The Commission's view is that national legislation implementing the Directive will only have to be amended to the extent required by the ECJ's decision, and that member states' competence to adopt their own national data retention laws under Article 15(1) of the E-Privacy Directive (2002/58/EC) remains unaffected.

Of particular importance are the ECJ's comments on the need to store retained data within the EU to ensure oversight of compliance with applicable EU data protection and data security requirements by independent EU authorities in accordance with Article 8(3) of the Charter. This requirement will become very topical as difficult decisions are made on issues such as the future of the EU-US safe harbour arrangement, the data export provisions contained in the proposed EU Data Protection Regulation and the regulation of cloud computing services (see *News brief "EU data protection regulations: the long road to reform"*, www.practicallaw.com/8-565-4665).

Case: Digital Rights Ireland and Seitlinger and others, Joined Cases C-293/12 and 594/12; Court of Justice of the European Union press release, 8 April 2014, <http://curia.europa.eu/jcms/upload/docs/application/pdf/2014-04/cp140054en.pdf>.

Copyright Directive: national private copying levies

Summary

The European Court of Justice has held that national private copying levies under the Copyright Directive (2001/29/EC) (the Directive) must exclude unlawful copies.

Background

Under Article 2 of the Directive (Article 2), authors, performers and producers enjoy an exclusive reproduction right in relation to certain types of creative work.

Article 5(2) of the Directive (Article 5(2)) allows EU member states to make exceptions to, or impose limitations on, the reproduction right provided for in Article 2 in particular situations. These include reproductions on any medium made by a natural person for private use and for ends that are non-commercial, on condition that the rights holders receive fair compensation that takes account of the application or non-application of technological measures referred to in Article 6 of the Directive to the work or subject matter concerned (*Article 5(2)(b)*).

Article 5(5) of the Directive (Article 5(5)) provides that the exceptions and limitations provided for in Article 5(2) will be applied only in certain special cases that do not conflict with a normal exploitation of the work or other subject matter and that do not unreasonably prejudice the legitimate interests of the rights holder.

In *Infopaq International A/S v Danske Dagblades Forening*, the ECJ held, among other things, that the exceptions under Article 5(2) must be interpreted strictly (www.practicallaw.com/2-422-4217).

Facts

A were importers and manufacturers of blank data media, such as CDs and CD-Rs. Under Dutch national law, A were required to pay a private copying levy to one of the defendants. A claimed in the Dutch court that the amount of the levy wrongly took into account the harm suffered by copyright holders from copies made from unlawful sources. The Dutch court referred a number of questions to the ECJ.

Decision

The ECJ held that EU law, and in particular Article 5(2)(b) read together with Article 5(5), prevents national legislation that does not distinguish the situation in which the source from which a reproduction for private use is made is lawful, from that in which the source is unlawful.

Following *Infopaq*, the Article 5(2) exceptions must be interpreted strictly. The three-step test in Article 5(5) was not intended to affect the scope of the exceptions (only how they were applied by member states). Therefore, Article 5(2)(b) could not be understood as requiring rights holders to tolerate infringements that might accompany the making of private copies.

National legislation that did not draw a distinction as to source might infringe Article 5(5). For example, accepting that private copies could come from an unlawful source would inevitably reduce the sales or other lawful transactions relating to copyright works, so the normal exploitation of those works would be adversely affected.

Also, a private copying levy system that did not distinguish between lawful and unlawful sources did not safeguard the fair balance between the rights and interests of authors (the recipients of compensation) and those of the users of protected material. For example, users who bought equipment, devices and media subject to the levy would have to pay a levy the level of which would be determined without regard to the extent to which private copies were made from unlawful sources.

The Intellectual Property Rights Enforcement Directive (2004/48/EC) was concerned solely with the enforcement of intellectual property rights by rights holders. It therefore did not cover proceedings that related to the scope of the private copying exception scheme and its impact on the collection and distribution of fair compensation.

Comment

The decision is unsurprising since an alternative result would have meant that users would have effectively been required to subsidise private copyright infringement actions. National legislation must be clear on its face that the private copying exception applies only to lawful copies; legislation that is not so expressed, even though it may be interpreted by the national court as having that effect, will not suffice.

Unlike most other European member states, the UK's proposals to introduce a private copying exception are not, as currently drafted, accompanied by a private copying levy. The wording of the private copying exception is currently being finalised and it is understood that the absence of private copying levies is likely to be a controversial issue as far as rights holders are concerned.

Case: ACI Adam BV and others v Stichting de Thuiskopie and others C 435/12.