

Bird & Bird & IP & IT Bytes

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Jurisdiction: online copyright infringement

Summary

The European Court of Justice (ECJ) has held that copyright infringement proceedings may be brought in any EU member state where a website is accessible, even if it is not targeted at users there, although only in respect of damage incurred within each jurisdiction.

Background

Persons domiciled in a member state, whatever their nationality, are to be sued in the courts of that member state (*Article 2, the Brussels Regulation (44/2001/EC)*). A person may be sued in another member state in matters relating to tort in the courts for the place where the harmful event occurred or may occur (*Article 5(3), the Brussels Regulation*) (*Article 5(3)*). This means that the defendant may be sued in both the place where the damage occurred and the place of the event giving rise to it (*Melzer v MF Global UK Ltd, www.practicallaw.com/8-532-4104*).

In *Pinckney v KDG Mediatech AG*, the ECJ held that Article 5(3) did not require the activity concerned to be “directed to” the member state where the court seised was situated, so a French court had jurisdiction in relation to infringing CDs because they had been offered on a website that was accessible to consumers in France (*www.practicallaw.com/7-546-0875*).

Facts

P sued E in Austria for infringing her copyright in photographs that E made available for viewing and downloading on its website. E argued that proceedings should not have been brought in Austria, as its website used the German .de top-level domain and was not directed at users in Austria. It said that the mere fact that the website was accessible in Austria was insufficient to confer jurisdiction on the Austrian court.

The court referred to the ECJ the question whether in these circumstances Article 5(3) meant that there is jurisdiction only in the member state where the defendant is domiciled and in the member state(s) to which the website, according to its content, is directed.

Decision

The ECJ held that Article 5(3) meant that mere accessibility of the website within Austria was sufficient to give the Austrian court jurisdiction. However, a court could only rule on damage caused within the member state where it was situated.

The Austrian court did not have jurisdiction by virtue of the place where the causal event giving rise to the harm took place. The decision to place the material online, and the activation of the process for the technical display of the photos on the website, did not take place in Austria, as E was not situated there.

In assessing jurisdiction based on where the damage allegedly occurred, the ECJ analysed whether damage might occur in Austria as a result of E’s use of the photos. P’s copyright was protected in Austria. E argued that its website was not directed at Austrians and therefore no damage was done to the copyright within

Austria. Following *Pinckney*, however, the activity need not be targeted at website users in Austria. Therefore, damage (or likelihood of damage) arose from the mere accessibility of the website in Austria.

Comment

The very wide test in *Pinckney* (wider than “intention to target”) opened up jurisdiction over copyright infringement claims to all places where a website is accessible. However, in *Pinckney*, damage was limited to those member states where physical copies of the CDs had been received by consumers. Where, as here, the infringement is online, the potential jurisdiction and the extent of damage is even wider. The ease of digital copying has increased the likelihood of claims for online infringement. These claims are now likely to increase further as a result of this decision because it means that the claimant can almost always sue in its home jurisdiction, something it may be more willing to do than suing abroad.

The decision makes it even more important for content users to ensure that they have all the rights needed to use the content in question, otherwise there is now potential exposure to claims in a wide range of jurisdictions, at the claimant’s election. Where rights are restricted to certain territories it becomes imperative to geo-block effectively, because the defendant cannot rely on not having targeted those territories. There is, however, one reality check point: for any serious infringement with significant damages attached, ideally the claimant will still want to sue in the defendant’s home court so that it can recover all damages, rather than just damage in one country.

In addition, as a practical matter, if the claimant’s home court takes jurisdiction on the basis of mere accessibility, but the facts do not support targeting, then a substantive claim for infringement by “making available” (necessarily limited to that jurisdiction) is bound to fail.

Case: Pez Hejduk v EnergieAgentur.NRW GmbH C-441/13.

Copyright: exhaustion of distribution rights

Summary

The European Court of Justice (ECJ) has held that the consent of the copyright holder does not cover the distribution of an object incorporating his work, if that object has been altered after its initial marketing to such an extent that it constitutes a new reproduction of that work.

Background

Recital 28 of the Copyright Directive (2001/29/EC) (the Directive) provides that copyright protection includes the exclusive right to control the distribution of the work incorporated in a tangible article.

EU member states must provide authors the exclusive right to authorise or prohibit any form of distribution of their original work to the public by sale or otherwise (*Article 4(1), the Directive*). The distribution right in the EU is only exhausted if the first sale or other transfer of ownership in the EU is made by the copyright owner or with his consent (*Article 4(2), the Directive*) (*Article 4(2)*).

Facts

The Dutch collecting society P licensed copyright and took action against infringements on behalf of copyright owners. A marketed posters and other reproductions depicting the works of famous painters, which were covered by the copyright exploited by P. A sold posters, framed posters, posters on wood and images on canvas. The production of an image on canvas involves a chemical process that A termed “canvas transfer”. The economic value of the canvas transfers significantly exceeded that of the posters.

P brought an action for copyright infringement on the basis that the canvas transfers reproduced works protected by copyright without the consent of the copyright owners. The Dutch first instance court dismissed P’s claim, but the Dutch appeal court, rejecting A’s argument that the distribution right had been exhausted, held that there is a new publication where the copy of a work placed on the market by the copyright owner is distributed to the public under another form, as whoever markets that new form of that copy has new opportunities for exploitation. Therefore, the marketing of canvas transfers constituted a publication that was prohibited under national law.

The Dutch supreme court referred to the ECJ the question of whether the distribution right is exhausted if the copyright work reproduced undergoes an alteration in its form.

Decision

The ECJ held that Article 4(2) means that exhaustion of the distribution right does not apply where a reproduction of a copyright protected work, marketed in the EU with the copyright holder's consent, underwent an alteration of its form and was placed on the market again in its new form.

Exhaustion of the distribution right applies to the tangible object into which a protected work or its copy is incorporated if it has been placed onto the market with the copyright holder's consent. Where the object, which was marketed with the copyright owner's consent, underwent later alterations to its physical medium, as in the case of a canvas transfer, the replacement of the medium resulted in the creation of a new object incorporating the image of the protected work. This alteration of the work was sufficient to constitute a new reproduction of that work, which was covered by the exclusive right of the author and required his authorisation.

Therefore, the consent of the copyright holder did not cover the distribution of an object incorporating his work if that object had been altered after its initial marketing in such a way that it constituted a new reproduction of that work. The copyright holders had not expressly consented to the distribution of the canvas transfer. Applying the rule of exhaustion of the distribution right would have deprived those copyright owners of the possibility of either prohibiting the distribution of those objects, or requiring appropriate reward for the commercial exploitation of their works.

Comment

The focus of this decision is on the distribution of tangible objects under the Directive, and so questions relating to the exhaustion of digital rights remain unanswered.

For works protected by the Software Directive (91/250/EEC), following *UsedSoft v Oracle*, in the case of computer software that is distributed by download as well as on a physical medium, the distribution right may, in certain cases, be exhausted where the copyright holder has granted the right to use the software for an unlimited period for a fee corresponding to the economic value of the work (see *News brief "Second-hand software: the market opens up"*, www.practicallaw.com/3-520-5269). Complex digital works, such as e-books and audio books, may, however, be protected both under the Copyright Directive (for example, text, images, sound) and the Software Directive (for example, enhanced interactive functionality, animation). The ECJ is yet to consider whether and how the exhaustion principle will be applied to works with digital content.

The decision also has implications for licensees, which should ensure that all their intended uses of the licensed copyright work on different physical (or electronic) media are covered within the scope of the licence grant.

Case: *Art & Allposters International BV v Stichting Pictoright* C-419/13.

Database Directive: contractual limitations

Summary

The European Court of Justice (ECJ) has held that databases that are not protected by the Database Directive (96/9/EC) (the Directive) are also not subject to the Directive's contractual limitations.

Background

Article 15 of the Directive renders void contractual provisions that interfere with the provisions under Articles 6(1) and 8 of the Directive (Article 6(1) and Article 8) concerning the lawful use of databases.

Facts

P used screen-scraping software to extract flight data from R's website and used the data in its price comparison website. R's website terms and conditions expressly prohibited this and provided that only R's website was authorised to sell its flights. Price comparison websites could apply to enter into a written

agreement with R, which permitted them to access R's price, flight and timetable information for the sole purpose of price comparison.

R sued P in the Netherlands for infringing its database copyright and sui generis right under the Directive. The Dutch Supreme Court upheld the view of the Amsterdam Court of Appeal that the flight data publicly available on R's website was not protected by either database copyright or sui generis right. However, it requested a preliminary ruling from the ECJ as to whether, under the combined effect of Article 6(1), Article 8 and Article 15 of the Directive (Article 15), the freedom to use databases that were not protected by the Directive could be limited contractually.

Decision

The ECJ held that the Directive did not apply to a database that was not protected either by copyright or sui generis right under the Directive, so that Articles 6(1), 8 and 15 did not stop the author of the database from laying down contractual limitations on its use by third parties, without prejudice to the applicable national law.

Although a database might correspond to the definition set out in Article 1(2) of the Directive, it would not fall within the scope of the Directive if it failed to satisfy the conditions for database copyright protection under Article 3(1) or sui generis right protection under Article 7(1). Therefore, the provisions on lawful use under Articles 6(1) and 8 could not apply to the database and so neither could the sanction under Article 15 for agreeing contractual provisions that were contrary to Articles 6(1) and 8.

Comment

The decision has implications for the business model of websites that not only offer users price comparison, but also allow consumers to buy goods and services directly, without the need to go to the website of the actual provider. Ironically, the fact that a database is not protected by copyright or the sui generis database right results in increased contractual freedom, allowing the provider to prohibit third parties from using its data through screen-scraping in order to sell its goods and services directly to the public.

The underlying issue in this dispute, of wider relevance generally, is therefore contractual: the extent to which website terms and conditions can prevent screen-scraping (at least where the Directive is inapplicable). As the ECJ acknowledged, this is a question of national law. As far as the UK is concerned, the question remains unanswered. In *Newspaper Licensing Agency v Meltwater*, the Court of Appeal declined to rule on whether an internet user was bound by a website's terms and conditions in using posted material (see *News brief "Copyright in headlines and hyperlinks: writing copyright wrongs"*, www.practicallaw.com/8-507-8650). The answer to the question will be of interest to price comparison websites and consumers as well as internet businesses that would prefer to charge screen-scrapers for the use of their data or avoid them altogether as a way of reducing exposure to price competition.

Case: Ryanair Ltd v PR Aviation BV C-30/14.

Trade mark infringement and passing off: figurative logo

Summary

The High Court has held that use by a car rental company of its "e" logo infringed a figurative Community trade mark (CTM) also incorporating the letter "e" and registered in relation to car rental services.

Background

The CTM Regulation (207/2009/EC) provides that a CTM owner has the right to prevent unauthorised third parties from using, in the course of trade, any sign:

- Where, because of its similarity to the CTM, and the identity or similarity of the goods or services covered by the CTM and the sign, there exists a likelihood of confusion or association on the part of the public (Article 9(1)(b)).

- Which is identical with, or similar to, the CTM, which has a reputation in the EU, and where the use of the sign is without due cause and takes unfair advantage of, or is detrimental to, the distinctive character or repute of the CTM (Article 9(1)(c)).

In order to establish acquired distinctiveness, a significant proportion of the relevant class of persons must rely on the mark as indicating the origin of the goods.

Facts

EH owned a CTM registered in relation to vehicle rental and leasing services, which comprised a stylised letter "e". EH used the CTM both by itself and within various banners. EG used a logo (the logo) that also incorporated the letter "e" in its car rental services in three categories of use:

- On its own.
- As part of its sub-brands.
- In combination with the word "Europcar" and often the strapline "moving your way".

EH sued for trade mark infringement and passing off in respect of EG's use of the logo.

Decision

The court held that the claim for infringement following a likelihood of confusion under Article 9(1)(b) succeeded in relation to all three categories of use of the logo. The claim for passing off also succeeded.

If the claim under Article 9(1)(b) had failed, so too would the claim for dilution under Article 9(1)(c). There was no detriment to the distinctive character of the CTM because, assuming no likelihood of confusion, there was no evidence of change in the economic behaviour of the average consumer.

A preliminary issue was whether the relevant public could include residents of a foreign country, such as the US. Since the vehicle rental market has a strong transnational character, it would be artificial and wrong to exclude consumers of vehicle rental services who were resident abroad from the relevant public in the UK. The foreign-based part of the relevant public should be treated with some caution, since it would inevitably be harder for the court to put itself into the position of those consumers than of consumers resident in the UK. Also, even if foreign residents were disregarded, it was important to bear in mind that the population of the UK was very heterogeneous. In particular, the population included a large number of people who were foreign nationals.

The CTM's inherent distinctive character, its enhanced distinctive character acquired through use in green and white, and the identity of the respective services supported a likelihood of confusion. The average consumer's level of attention was a neutral factor. Consumers in the field of vehicle rental services had varying levels of attention.

The relatively low degree of similarity between the logo and the CTM was a factor that pointed away from a likelihood of confusion, but did not by itself result in there being no likelihood of confusion. It remained possible that the average consumer without the opportunity to compare the logo and the CTM side by side would mistake the former for the latter as a result of imperfect recollection.

The context of EG's use pointed away from a likelihood of confusion, but the strength of this factor varied between the three categories of use. In relation to the third category, the logo retained an independent distinctive role.

Even in the absence of evidence of actual confusion, the court would probably have concluded that there was a likelihood of confusion as a result of the first category of use, but it would have hesitated as to whether to reach the same conclusion in relation to the second category of use and, even more so, the third category. However, given the evidence of actual confusion, the court also found a likelihood of confusion on the part of the average consumer from the second and third categories of use.

Comment

The court decided in principle, absent case law on the point, that when assessing the likelihood of confusion in the UK, the relevant public could include residents of a foreign country. Similarly, in passing off, in appropriate cases, a claimant can rely on the deception of customers resident abroad.

The decision illustrates the importance of the context in which the mark is used and the significance of evidence of actual confusion, which bolstered EH's case in relation to categories of use where the likelihood of confusion was assessed to be weaker.

The court interpreted the European Court of Justice's comments in *Oberbank AG v Deutscher Sparkassen*, in relation to survey evidence to establish acquired distinctiveness, to mean that the percentage of consumers that would be a sufficiently significant proportion of the relevant class of persons depended on the circumstances of the case, and was for the national court to assess (www.practicallaw.com/7-574-9829).

The court was critical of the procedure in the UK required to show that survey evidence will have "real value", as prescribed in *Marks & Spencer v Interflora*, as it had involved the parties in an expensive two-day hearing before the trial, which did not save any costs at trial but rather required the court to consider criticisms of the surveys twice ([2012] EWCA 150; see Briefing "Surveys in trade mark infringement cases: lessons from *Marks & Spencer v Interflora*", www.practicallaw.com/1-525-3850). The Court of Appeal again emphasised that survey evidence should only be admitted if it was of real value and even then only if the value justified the cost (*Interflora Inc and another v Marks & Spencer plc (Rev 1)* [2013] EWCA Civ 319, www.practicallaw.com/0-530-4807). Following the Court of Appeal's remission of *Interflora* for re-trial by the High Court, it remains to be seen whether this aspect will also be reconsidered (*Interflora Inc and others v Marks and Spencer plc* [2014] EWCA Civ 1403, www.practicallaw.com/6-589-4732).

Case: *Enterprise Holdings Inc v Europcar Group UK Ltd and another* [2015] EWHC 17 (Ch).

Patents: second medical use claims

Summary

In interim injunction proceedings, the High Court has held that the manufacturer of a product that is the subject of a second medical use claim must have a subjective intent that the product be used for the patented second medical use in order to infringe the claim.

Background

The grant of patents for second medical uses of known compounds must overcome two problems: that the compounds are not new; and that methods of treatment of the human (or animal) body by therapy are not patentable.

Since the amendment of the European Patent Convention (EPC) in 2000, Article 54(5) of the EPC has enabled the grant of claims in the form "product X for treating indication Y" (a purpose-limited product claim). Before the EPC, these patents had to use claims in the "Swiss" form, that is, "use of substance X for the preparation of a medicament (or pharmaceutical composition) for treating indication Y" (a purpose-limited process claim).

Section 60(1)(c) of the Patents Act 1977 (section 60(1)(c)) makes it an infringement to keep, dispose of, or offer to dispose of, any product obtained directly by means of the claimed process.

Facts

W marketed a prescription-only drug for three different indications under a single registered trade mark. Patent protection for the drug had expired but W also owned a current second medical use patent for pain relief, which was one of the three indications. A applied for a marketing authorisation for a generic version of the drug limited to the other two indications.

W was concerned that, despite this, the generic drug would be dispensed for the patented second medical use, because most prescriptions are written generically. Since very few prescriptions state the indication for which the drug has been prescribed, the dispensing pharmacist will generally not know this. W also argued that, because the generic drug is usually cheaper than the patentee's product, pharmacists have a strong commercial incentive to dispense the generic version of the drug unless positive steps are taken to prevent this.

W sued for patent infringement and sought an interim injunction requiring A to take specific actions to prevent its generic version of the drug being dispensed for patients who had been prescribed the drug for the patented indication.

Decision

The court refused to grant the interim injunction. There was no serious issue to be tried as A would not infringe the patent by marketing the drug for the permitted indications. As the relevant claim was to a process of manufacture, infringement would require a subjective intention by A, as the manufacturer, that the drug would be used for treating the patented indication. While A might foresee that the product might be prescribed for the patented use, it did not have the requisite intention.

Swiss form claims were process claims, so W's primary claim for infringement of the patent was under section 60(1)(c). W contended that the generic drug was a product obtained directly by means of the process of the patent claims, and that it was sufficient that A intended to sell the drug, and knew that pharmacists were likely to dispense it for treating pain, unless positive steps were taken to prevent this. There was no dispute that A intended to sell the drug, as it was lawfully entitled to, and it was arguably foreseeable that, unless steps were taken to prevent it, pharmacists would be likely to dispense the drug for treating pain, and that A knew that that was the case. A contended that this knowledge was not sufficient and that what was required was a subjective intention on its part that the drug should be used for treating pain.

The court noted that cases from other EU jurisdictions supported the proposition that subjective intent was required and it held that the word "for" in Swiss form claims imported a requirement of subjective intention on the part of the manufacturer that the medicament or pharmaceutical composition would be used for treating the specified condition.

In case this was wrong, and there was a serious issue to be tried, the court applied American Cyanamid principles and concluded that it would not have granted the interim injunction in any event (*American Cyanamid Co v Ethicon Ltd* [1975] UKHL 1). The court noted that the relief that W sought against A was intended not to affect A's own conduct so much as the conduct of third parties who were not before the court. It followed that the principles had to be applied with particular care.

Granting the relief sought by W would create a greater risk of injustice than refusing it. W's unquantifiable loss in the period up to judgment was not likely to be substantial. However, A was likely to suffer substantial unquantifiable loss if the order sought by W were wrongly granted. If A were required to put a notice on its packaging, this would delay its entry into the market and it would be very difficult to quantify its loss, particularly if other players entered the market during that period. Also, the evidence showed that the requirement to put a notice on the packaging and the imposition of contractual terms requested by W were both likely to deter pharmacists from stocking the generic drug.

Comment

The decision is important as it defines the requirement of the manufacturer's knowledge and intention under section 60(1)(c) where there are claims in Swiss form. Claims in EPC form have a different scope of protection to claims in Swiss form so nothing said here about Swiss form claims necessarily applies to EPC claims.

Although W was not successful on the facts, the court noted that there were potential scenarios where Swiss form claims might still be enforced. For example, if a manufacturer put the patented indication on its summary of product characteristics or product information leaflet, that would be strong evidence of a

subjective intent to carry out the process for that purpose. Likewise, it might also be infringement if a manufacturer or third party promoted the prescribing or dispensing of the product for the patented use in another way.

The court has subsequently refused A's application to strike out W's infringement claim. The requirement for subjective intention and its precise meaning is likely to be appealed: the court noted that this is a developing area of the law. However, on the facts, an injunction in the form requested seems unlikely to be granted. Adding wording to packaging that the generic drug should not be prescribed for pain has potential regulatory problems as well as discouraging pharmacists from stocking it. Contractual restrictions on buyers would not necessarily overcome the problem that the dispensing pharmacist often does not know, and would have no reasonable way of finding out, what indications the prescription is intended to treat.

Case: Warner-Lambert LLC v Actavis Group PTC EHF and others [2015] EWHC 72 (Pat).



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