

# Bird & Bird & IP & IT Bytes

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## Copyright infringement: defence of fair dealing

### Summary

The High Court has held that reproduction and communication to the public of eight second clips showing highlights of broadcasts and films through mobile phone apps was a substantial part of the underlying works, and not protected by the defence of fair dealing for the purpose of reporting current events.

### Background

Section 1(1)(b) of the Copyright, Designs and Patents Act 1988 (CDPA) provides that copyright subsists in films and broadcasts.

Copyright is infringed by doing an act restricted by copyright, such as reproduction or communication to the public, in relation to the whole, or any “substantial part”, of a work (*section 16, CDPA*). Fair dealing with a work for the purpose of reporting current events does not infringe, provided it is accompanied by a sufficient acknowledgement (*section 30(2), CDPA*) (*section 30(2)*). In *Pro Sieben Media AG v Carlton UK Television Ltd*, the Court of Appeal held that the appearance on screen of a broadcaster's logo could be a sufficient acknowledgement ([www.practicallaw.com/3-100-9507](http://www.practicallaw.com/3-100-9507)).

The Copyright Directive (*2001/29/EC*) provides that exceptions and limitations should be applied only in certain special cases that do not conflict with a normal exploitation of the work or other subject matter and do not unreasonably prejudice the legitimate interests of the rights holder (the three-step test).

Articles 12 to 14 of the E-Commerce Directive (*2000/31/EC*) limit the liability of internet service providers (ISPs) where they act as mere conduits, caches or hosts of information. This is implemented in the UK by regulations 17 and 19 of the Electronic Commerce (EC Directive) Regulations 2002 (*SI 2002/2013*) (regulations 17 and 19).

### Facts

E and S owned the copyright in television broadcasts of cricket matches organised by E, and films made during the course of those broadcasts, for example action replays.

T and F's app allowed users to upload screen-captured clips of broadcast footage and to add commentary to those clips. T's employees, contractors and users uploaded clips of cricket match broadcasts lasting up to eight seconds onto the app where they could be viewed by users. Users could also view the clips on T's website, Facebook page and Twitter.

E and S alleged that users committed infringing acts when using the app, and that T and F were jointly liable with the users for those acts. They argued that T and F were primarily liable for their employees' and contractors' acts. T and F did not dispute joint liability, but relied on the defences of acting as a mere conduit and hosting in regulations 17 and 19. T and F also relied on the defence of fair dealing in *section 30(2)*.

## Decision

The court held that the copyright works relied on, broadcasts and films, were signal rights rather than authorial works, and had no requirement for originality.

So, the court had to consider what test for substantiality should apply in circumstances where there is no intellectual creation.

The issue was whether it was correct to consider the value or interest of the part of the broadcast or film when determining whether it was a substantial part: whether a qualitative assessment should be applied. The court held that an approach parallel to the “intellectual creation” test should be applied and so parts of broadcasts and films were protected if they contained elements reflecting the rationale for their protection: the investment made by the broadcaster or producer. This required both a quantitative and qualitative assessment of the part of the work reproduced.

The clips used were at most eight seconds taken from two-hour broadcasts or films. Although quantitatively this was not a large proportion, from a qualitative perspective the clips were typically highlights of the matches and so were of interest and value. Each clip substantially exploited E and S’s investment in producing the relevant broadcast or film and so constituted a substantial part. However, other clips might not amount to a substantial part, for example if they did not show a highlight of the match.

A sporting event such as a cricket match is a “current event” within the meaning of section 30(2) so, as most clips were uploaded “near-live”, they qualified as being in relation to a current event. This did not include interviews or analysis of matches. The key question was whether the infringing acts were “for the purpose of” reporting the matches. Reading section 30(2) in light of the Copyright Directive, “reporting” should be construed broadly and could encapsulate “citizen journalism” in addition to traditional news reporting.

Despite the potentially broad definition of “reporting”, the court concluded from the way T and F had advertised their app that its primary purpose was sharing clips. Although users added comments to the clips, this was not sufficient to qualify as use for the purpose of reporting current events. The clips were presented for consumption because of their value, rather than to inform the audience about current events.

The court also found that, even if the clips were for the purpose of reporting current events, the use of the clips was not fair dealing. The evidence demonstrated that the use was commercially damaging to E and S and conflicted with the normal exploitation of the works, including live coverage and clip rights, through the licensing deals E had negotiated with other outlets, its own proposed use and future licensing plans. Also, the extent of the use was held not to be justified by the informatory purpose, even for later versions of the app that restricted the amount a user could view.

The app did not merely involve transmission of information but also storage, and so the mere conduit defence was also inapplicable. As regards hosting, many of the clips uploaded to the app were subject to editorial review by T and F, or even uploaded by their employees, and so not subject to the hosting defence.

## Comment

This decision will be welcomed by rights holders, especially in the sports sector where sporting events which are the underlying subject-matter of the broadcast tend to be less readily protected than, for example, television drama series or feature films which have an underlying “authorial” dramatic work. Substantial investment is made by broadcasters in the right to broadcast live sport and the ability to show slow motion action replays from all angles, and so the finding that even very short highlight clips can constitute a substantial part of the broadcast will provide comfort that this investment can be protected.

This decision provides useful guidance on how the categories of use exempted from liability can be construed purposively and so broadly in light of technological developments and the Copyright Directive, even if here the purpose was sharing footage purely for consumption not imparting information. It suggests that where commercial value is extracted from the copyright content itself, rather than the use of this content to report on events, it will be difficult to satisfy the requirement for fair dealing for the purpose of reporting current events.

The defence of fair dealing for the purpose of reporting current events is explored in detail and guidance given on how to determine whether a reproduction and communication is for this purpose. Social media users will be comforted by the fact that capturing images or sound of a newsworthy event using a mobile phone and uploading it to a social media site could qualify as reporting current events, even with relatively little commentary. There are also some helpful comments about what could qualify as a sufficient acknowledgment based on the *Pro Sieben* principles.

*Case: England and Wales Cricket Board Ltd and another v Tixdaq Ltd and another [2016] EWHC 575 (Ch).*

## Trade marks: infringement in online advertising

### Summary

The European Court of Justice (ECJ) has held that online advertisements referring to trade marks in the context of a former authorised dealership did not infringe those trade marks where reasonable steps had been taken to have the references removed from the advertisements.

### Background

Article 5(1)(a) of the Trade Marks Directive (2008/95/EC) (the Directive) (Article 5(1)(a)) provides that the owner of a registered trade mark may prevent third parties from using in the course of trade any sign which is identical to its mark in respect of goods or services which are identical to those for which the mark is registered. A claim under Article 5(1)(a) can only succeed if the use affects, or is liable to affect, the functions of the trade mark, which include its origin, advertising, investment and communication functions.

Article 5(1)(b) of the Directive (Article 5(1)(b)) provides that a trade mark owner has the right to prevent unauthorised third parties from using, in the course of trade, an identical or similar sign for identical or similar goods or services to those for which the mark is registered, where there exists a likelihood of confusion or association on the part of the public.

### Facts

D owned a figurative trade mark for "Mercedes-Benz". Under an agreement with D's subsidiary company, E was entitled to describe itself as an authorised Mercedes-Benz dealer and ordered the publication of an advertisement for a certain period. Once the agreement terminated, E asked the advertising service provider to remove the reference to E as an authorised dealer. E also wrote to several other websites requesting the removal of other online advertisements describing E as an authorised dealer that had been published without E's knowledge or consent.

D sued E in the Hungarian courts for infringement of its "Mercedes-Benz" trade mark. The Budapest Municipal Court asked the ECJ whether Article 5(1)(b) means that the trade mark owner is entitled to take action against a third party named in an advertisement on the internet even though the advertisement was not placed on the internet by the person featuring in it or on its behalf, and it is possible to access that advertisement on the internet despite the fact that the person named in it took all reasonable steps to have it removed, but did not succeed in doing so.

### Decision

The ECJ held that Article 5(1)(a) and (b) mean that, where a third party is named in an online advertisement that contains a sign identical or similar to a trade mark so as to give the impression that there is a commercial relationship between the third party and the trade mark owner, but the advertisement had not been placed by the third party or on its behalf, the third party is not making a use of that sign that could be prohibited by the trade mark owner. In addition, the third party is not making a prohibited use of the sign if it placed the advertisement with the trade mark owner's consent, and the third party had expressly asked the website operator from whom it had ordered the advertisement to remove the advertisement or the reference to the mark.

Using a trade mark within the meaning of Article 5(1) involves active behaviour and direct or indirect control of the act constituting the use, which is not the case if that act is carried out by an independent operator without the consent of the advertiser, or even against its express will.

*Case: Daimler AG v Epyüd Garage Gépjárműjavító és Értékesítő Kft C-179/15.*

## Copyright: damages for moral prejudice

### Summary

The European Court of Justice (ECJ) has held that damages for moral prejudice can be awarded in addition to royalties under the Intellectual Property Enforcement Directive (2004/48/EC) (the Directive).

### Background

Article 13(1) of the Directive (Article 13(1)) requires EU Member States to ensure that infringers that knowingly, or with reasonable grounds to know, engage in an infringing activity, are ordered to pay the rights holder damages appropriate to the actual prejudice suffered as a result of the infringement. Courts setting the damages must either:

- Take into account all appropriate aspects, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused to the rights holder by the infringement.
- In appropriate cases, set the damages as a lump sum on the basis of elements such as at least the amount of royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question.

In *Henderson v All Around the World Recordings Ltd*, the Intellectual Property Enterprise Court (IPEC) considered that the moral prejudice contemplated by Article 13(1) is confined to prejudice arising in limited circumstances, where a claimant has suffered little or no financial loss and would otherwise either be left without compensation, or where the compensation would not be proportionate to the overall damage suffered ([2014] EWHC 3087 (IPEC)).

### Facts

L sued M in Spain for intellectual property rights infringement. The Spanish Supreme Court stayed the proceedings to ask the ECJ whether, under Article 13(1), L could claim damages for moral prejudice in addition to damages based on the amount of royalties or fees that would have been due to him.

### Decision

The ECJ held that Article 13(1) permits a party that has been injured by an intellectual property rights infringement and that has claimed compensation for its material damage as calculated in accordance with Article 13(1)(b) on the basis of the amount of royalties or fees that would have been due to it if the infringer had requested authorisation to use the right, also to claim compensation under Article 13(1)(a) for the moral prejudice that it has suffered.

The reference in Article 13(1)(b) to “at least the amount of royalties or fees” allows other elements to be included in the amount, such as, where appropriate, compensation for any moral prejudice caused to the rights holder.

The general rule is that the infringer must pay the injured rights holder damages that are appropriate to the actual prejudice suffered by it as a result of the infringement. Moral prejudice, such as damage to the reputation of the author of a work, constitutes a component of the prejudice actually suffered by the rights holder. Therefore, where the rights holder has suffered moral prejudice, Article 13 precludes the calculation of the amount of damages from being based exclusively on the amount of hypothetical royalties.

Setting the amount of damages due as a lump sum on the basis of hypothetical royalties alone covers only the material damage suffered by the rights holder. For the purposes of providing compensation in full, the rights holder must also be able to seek compensation for any moral prejudice suffered.

## Comment

The decision makes it clear that damages based on moral prejudice caused to rights holders by infringement is cumulative and so can be awarded to rights holders in addition to those based on royalties or fees. The ECJ's interpretation is based on a purposive, rather than a literal, reading of Article 13(1).

UK courts, in particular the IPEC, have recently considered the question of damages based on moral prejudice under the Directive. In light of the ECJ's ruling that damages based on moral prejudice can be claimed in addition to those based on royalties or fees, the view of the IPEC in *Henderson* appears to be questionable.

Following this decision, claimants in intellectual property rights infringement cases may wish to include specific claims for damages based on moral prejudice.

*Case: Christian Liffers v Producciones Mandarina SL C-99/15.*

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