THE EUROPEAN UNION AND COPYRIGHT

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TABLE OF ABBREVIATIONS

C.F.I.    Court of First Instance\(^2\)
C.J.E.U.  Court of Justice of the European Union\(^3\)
C.M.L. Rev. Common Market Law Review
C.M.L.R.  Common Market Law Reports
C.T.L.R.  Computer and Telecommunications Law Review
E.C.     European Community\(^4\)
E.C.D.R.  European Copyright and Design Reports
E.C.L.R.  European Competition Law Review
E.C.J.    European Court of Justice\(^5\)
E.C.R.    European Court Reports
E.Ct.H.R. European Court of Human Rights
E.E.A.    European Economic Area
EFTA     European Free Trade Area
E.H.R.R.  European Human Rights Reports
E.I.P.R.  European Intellectual Property Review
E.L. Rev. European Law Review
E.T.M.R.  European Trade Mark Reports
E.U.      European Union
F.S.R.    Fleet Street Reports
GRUR     Gewerblicher Rechtsschutz und Urheberrecht
          (Industrial Property and Copyright Law)

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\(^1\) Cases, if not yet reported elsewhere, may be found online at http://curia.europa.eu (Court of Justice case law). Further research may be done at the following sites: http://eur-lex.europa.eu/ (legal instruments and related documents); http://ec.europa.eu/ (Commission activities); http://ec.europa.eu/competition/ (Commission antitrust prosecution); http://www.ipo.gov.uk/pro-policy/policy-information/ecj.htm (U.K. Intellectual Property Office: list of pending references to the Court of Justice). For courts and research sources in national jurisdictions, see, respectively, the tables of abbreviations of subsequent chapters.

\(^2\) *i.e.*, the General Court, effective December 1, 2009.

\(^3\) As explained in § 1[1][c][iv] *infra*, the Court of Justice of the European Union now includes the Court of Justice, the General Court, and specialized courts. Unless otherwise specified, the Court of Justice issued all judgments and orders referenced in the footnotes below.

\(^4\) *i.e.*, the European Union, effective December 1, 2009.

\(^5\) *i.e.*, the Court of Justice of the European Union, effective December 1, 2009.
GRUR Int. Gewerblicher Rechtsschutz und Urheberrecht--Internationaler Teil (Industrial Property and Copyright Law--International Part)

I.I.C. International Review of Intellectual Property and Competition Law

Informatierecht/AMI Informatierecht/AMI, Tijdschrift voor auteurs-, media- en informatierecht

JIPITEC Journal of Intellectual Property, Information Technology and Electronic Commerce Law

Official Pub. Luxembourg Office for Official Publications

O.J. Official Journal of the European Union

RIDA Revue Internationale du Droit d'Auteur

R.T.D.E. Revue Trimestrielle du Droit Européen

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6 Before 2004, the International Review of Industrial Property and Copyright Law.
§ 1 Introduction

The law of the European Union affects the national copyright and related laws of its Member States. These Member States constitute an Internal Market of more than half a billion consumers, one which conducts over one-third of all trade worldwide. This section will start by introducing the legal framework of the European Union and then indicate the bases for the application of its law to copyright and related rights.¹

[1]--Legal Framework

The European Union is based upon a pair of treaties. First, from January 1, 1958,² to December 1, 2009, the Treaty Establishing the European Community³ had governed this Community⁴ as the key lawmaking jurisdiction for the Internal Market. Second, effective November 1, 1993,⁵ the Treaty on European Union⁶ laid the groundwork for this Union⁷ which, effective December 1, 2009, replaced the Community. At the same time,⁸ the E.C. Treaty was, not only amended and reconfigured with the E.U. Treaty, but renamed the Treaty on the Functioning of the European Union.⁹ The following overview will outline these developments¹⁰ and then survey resulting institutions.¹¹

¹ Unless otherwise indicated, this chapter discusses law current to January 1, 2012. Cases not yet reported may be found at http://curia.europa.eu.

² For further details, see § 1[1][a] infra.

³ Hereinafter referred to as the former E.C. Treaty in historical contexts.

⁴ Hereinafter called the former Community, or abbreviated as the former E.C., in historical contexts.

⁵ For further details, see § 1[1][b][i] infra.

⁶ Hereinafter referred to as the E.U. Treaty.

⁷ Hereinafter called the Union or abbreviated as the E.U.

⁸ For further details, see § 1[1][b][ii] infra.

⁹ Hereinafter referred to as the F.E.U. Treaty.

¹⁰ To track developments in and beyond this historical introduction, references to currently operative treaty provisions will, as needed, be followed or footnoted by references to corresponding prior versions. In some instances, provisions have merely been formally reconfigured or renumbered; in others, they have also been substantively revised.
[a]--The Former European Community. Two treaties were signed in Rome on March 25, 1957: one established a European Economic Community; the other, a European Atomic Energy Community. Both Treaties entered into force on January 1, 1958, and formed inter-related "Communities." The first of this pair of treaties was amended several times, most importantly by the Maastricht Treaty on European Union, effective November 1, 1993, and by the Lisbon Treaty, effective December 1, 2009. The Maastricht Treaty shortened the original term "European Economic Community" to the "European Community." The Lisbon Treaty, integrating the Community into the Union, replaced the term "European Community" with the term “European Union.”

The original six members of the former Community, now the Union, were Belgium, France, Germany, Italy, Luxembourg, and the Netherlands. They were joined by nineteen other countries at successive, later stages: Denmark, Ireland, and the United Kingdom in 1973; Greece in 1980; Spain and Portugal in 1986; Sweden, Finland, and Austria in

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11 On the institutions, see § 1[1][c] infra.

12 Sometimes called the Treaty of Rome and, until November 1, 1993, the Treaty Establishing the European Economic Community, this last term abbreviated as the E.E.C.

13 The E.E.C. Treaty, revised as the E.C. Treaty and then as the F.E.U. Treaty, had its provisions renumbered. Unless historical context requires further detail, only the last renumbering, by the Lisbon Treaty, will be tracked here. For a full set of treaties, as well as tables of equivalences for this last renumbering, go to http://eur-lex.europa.eu/en/treaties/index.htm.

14 For further analysis, see § 1[1][b][i] infra.

15 For further analysis, see § 1[1][b][ii] infra.

16 N.b., in principle, each adherence is effective at the beginning of the calendar year indicated—as, for example, for the original six on January 1, 1958. However, the adherence for the ten Member States adhering in 2004 is effective on May 1, 2004.

17 Act concerning the Conditions of Accession and the Adjustments to the Treaties--Accession to the European Communities of the Kingdom of Denmark, Ireland and the United Kingdom of Great Britain and Northern Ireland, O.J. 1972 No. L 73.

1995; and Poland, Lithuania, Estonia, Latvia, the Czech Republic, Slovakia, Hungary, Slovenia, Malta, and Cyprus in 2004, and Romania and Bulgaria in 2006. A number of other applications for accession have been made: some have been rejected, and some are still actively pending.

The activities of the former Community had encompassed realizing a customs union and abolishing obstacles between Member States to freedom of movement for persons, goods, services, and capital. As explained below, with the development of the Union, such objectives have been amplified well beyond purely economic goals.

The European Union and Economic Area. The former E.C. Treaty had been amended on a number of occasions: after accession of new Member States to the former Community, by the Single European Act, and by further treaties, including that instituting the European Union. Finally, effective December 1, 2009, the Lisbon Treaty integrated the Community into the Union by amending both the E.U. Treaty itself and the former E.C. Treaty, renaming it the F.E.U. Treaty. As a result of a different line of developments, culminating in the European Economic Area, much of formerly E.C. and now E.U. law has been extended beyond Member States to other European countries.

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19 Act concerning the Conditions of Accession and the Adjustments to the Treaties--Accession to the European Communities of the Kingdom of Spain and the Portuguese Republic, O.J. 1985 No. L 302.

20 Act concerning the Conditions of Accession and the Adjustments to the Treaties--Accession to the Treaties upon which the European Union is based of the Kingdom of Sweden and the Finnish and Austrian Republics, O.J. 1995 No. L 1.


23 An application for accession by Morocco was rejected in 1986. Currently, applications are pending for Montenegro, Albania, Croatia, Macedonia, Turkey and Iceland.

24 See § 1[1][b][ii] in fine infra.


26 See § 1[1][b][i] infra.

27 See § 1[1][b][iii] infra.
[i]--From the Community to the Union. Initially in conjunction with the former E.C. Treaty discussed above, the following instruments have developed the basis for the European Union:

+ **The Single European Act:** In June of 1985, an intergovernmental conference to amend the former E.C. Treaty concluded the Single European Act, which entered into force on July 1, 1987. To start, the Single European Act provided for the establishment, before January 1, 1993, of the Internal Market, which it defined as "an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured." The Single European Act, *inter alia*, made changes in European decision-making institutions, notably strengthening the role of the Parliament in the legislative process.

+ **Maastricht Treaty:** The E.U. Treaty, negotiated at Maastricht in December of 1991, was signed on February 7, 1992, and came into force on November 1, 1993. It instituted the European Union, which was based on three pillars: first, at its core, the former European Community; second, cooperation in the field of common foreign and security policy; and, third, police and judicial cooperation in the field of criminal law. In many cases, decisions under this last pair of headings, basically covering *intergovernmental* cooperation, were so closely linked with what were formerly E.C. instruments that they could interact with *supranational* European decision-making procedures.

+ **Amsterdam Treaty:** In October of 1997, the Amsterdam Treaty was signed, amending the Maastricht Treaty, *inter alia*, to make institutional structures and decision-making more

28 See § 1[1][a] *supra*.


30 The term “Common Market,” originally used in the E.E.C. Treaty as concluded in Rome, was superseded by that of an “Internal Market” under the Single European Market. Except where “Common Market” appears in quoted matter, “Internal Market” will here be used in all historical contexts.

31 On these institutions, see § 1[1][c] *infra*.


33 *i.e.*, the first pillar included what were previously the European Economic Community and the European Atomic Energy Community. On these two Communities, see § 1[1][a] *supra*.

34 For an illustration of a possible interface between the first and third pillars, see the issue of cybercrime discussed in § 4[3][b][iv] *infra*. 
efficient with a view to extending the European Union to new Member States.\textsuperscript{35} It also provided a system of rights, political powers for its citizens, and policies at the European level aimed at addressing citizens’ main concerns in such areas as employment, environment, consumer protection, public health and safety, freedom of movement, security, and immigration.\textsuperscript{36}

+ \textit{Nice Treaty:} In February of 2001, the Nice Treaty was signed, further amending the Maastricht Treaty.\textsuperscript{37} The Nice Treaty, effective February 1, 2003, dealt with institutional issues that had arisen in enlarging the European Union. These include, \textit{inter alia}, the allocation of powers and responsibilities within E.U. institutions and the increased protection of human rights. On the occasion of the signing of the Nice Treaty, the Member States outlined the process for convening a new Intergovernmental Conference, which was held in 2004 to revise the E.U. Treaty fundamentally.\textsuperscript{38}

[ii]--The Community Replaced by the Union. The Treaty signed in Lisbon on December 13, 2007, proposed neither to repeal nor to replace prior treaty texts, but to change their texts on a number of points.\textsuperscript{39} As already indicated, this Treaty of Lisbon went into

\textsuperscript{35} O.J. 1997 No. C 340.

\textsuperscript{36} For commentary, see P. Craig and G. de Bürca (eds.), \textit{The Evolution of E.U. Law} (Oxford Univ. Press, 1999).


effect on December 1, 2009, amending both the E.U. Treaty and the former E.C. Treaty, while renaming the latter as the F.E.U. Treaty. Both the E.U. and the F.E.U. Treaties are to “have the same legal value,” and the Union is to “replace and succeed the European Community.”

As a result of this institutional shift, freedoms of commerce and competition, established under the former E.C. Treaty and essential to the operation of the Internal Market, were not significantly changed. However, the E.U. Treaty confirms that E.U. objectives now go well beyond the economic goals of the Internal Market: they encompass, inter alia, improving welfare, enriching culture and advancing science and technology, and assuring freedom, basic rights, and justice. The achievements of the harmonization of national copyright and related rights, previously undertaken under the aegis of the former Community, were not impacted. Rather, such legislative initiatives may now be further pursued within the Union in the light of its larger aims.

[iii]--The European Economic Area. On January 1, 1994, the Agreement Establishing a European Economic Area entered into force. It had the objective of creating a free trade area between the former European Community, now the European Union, and those countries which belonged to the European Free Trade Association at the time. As explained above, on January 1, 1995, three of these countries became full Member States of the former Community, now the Union, namely Austria, Finland, and Sweden. As of 1995,


40 See § 1[1] supra.


42 On the impact of such freedoms in the field of copyright, see §§ 2 and 3 infra.


44 On such harmonization, see § 4 infra.


46 The European Economic Area is sometimes hereinafter abbreviated as E.E.A. and the European Free Trade Area as EFTA. N.b., the E.E.A. Agreement failed to reach approval in a referendum in Switzerland, one of the seven EFTA States as of 1994.
the remaining EFTA countries in the European Economic Area are then Iceland, Liechtenstein, and Norway.

The E.E.A. Agreement thus widened the scope of application of E.C. law, now of E.U. law. It assures the free movement of goods, services, persons, and capital within an Internal Market of thirty Member States. Further, it coordinates a system of competition law, one similar to that of the former Community, with the E.U. system. In addition, it provides for close cooperation in a wide range of fields, for example, environmental policy and research and development. As indicated below, a number of institutions control the application of E.E.A. law within the E.E.A.

[c]--Institutions and Instruments. The Council and the Parliament are the main actors in E.U. legislative processes, while the Commission has executive powers in specified areas. The Court of Justice of the European Union is the chief, but not the only, E.U. court.

Under the E.U. and F.E.U. Treaties, each institution, either in itself or in tandem with others, is granted specific powers, sometimes called attributed or conferred powers. These are powers to make decisions that are legally binding on an E.U. institution, a Member State, or private parties. The following principles govern the exercise of these powers:

+ The principle of attributed powers applies if an E.U. action proves necessary to attain an E.U. objective, but neither the E.U. nor the F.E.U. Treaty has expressly provided any E.U. institution with any specific power to take such action: in that event, procedures exist for adopting appropriate measures.

47 See § 1[1][a] supra.
48 See § 2[2][d] infra.
49 See § 3[1][d] infra.
50 See § 1[1][c][v] infra.
51 The E.U. Treaty, in Article 13, enumerates the following E.U. institutions: the European Parliament, the European Council, the Council, the European Commission, the Court of Justice of the European Union, the European Central Bank, and the Court of Auditors.
52 See E.U. Treaty, Arts. 13 et seq. [inter alia, former E.C. Treaty, Arts. 7-8, and 189 et seq. passim], and F.E.U. Treaty, Arts. 288 et seq. [former E.C. Treaty, Arts. 249 et seq.].
From the **principle of effectiveness** (*effet utile*), it follows that a power must be implied as included in any power that has been explicitly conferred in any E.U. or F.E.U. Treaty provision if, absent such an implied power, the provision would not make sense or would not lend itself to reasonable application.

According to the **principle of subsidiarity**, the Union may take action only if, and insofar as, the objectives of the proposed action cannot be sufficiently achieved by the Member States and can therefore, by reason of the scale or effects of the proposed action, be better achieved at the E.U. level.\(^55\)

Finally, there is the **principle of proportionality**: any action by the Union may not go beyond what is necessary to achieve E.U. objectives.\(^56\)

Accordingly, the E.U. and F.E.U. Treaties empower each institution, respectively, to adopt specific legislative instruments that are generically called *secondary* legislation and subordinated to the E.U. and F.E.U. Treaties, which are treated as *primary* legislation. Such secondary legislation may not restrict the application of either of these treaties, so that, whenever a rule of secondary legislation conflicts with any of their provisions, the Court of Justice will refuse to give it legal effect.\(^57\) Articles 288 *et seq.* of the F.E.U. Treaty\(^58\) define the following categories of secondary legislation:

* **Regulations**, issued by the Council, the Parliament, or the Commission, depending on the case, have general application, are binding in their entirety, and directly applicable in all Member States, without further implementation in national law. The Court of Justice has repeatedly stated that a regulation, once issued, enters into force to dispose of claims between private parties, independently of any measure by any Member State to implement or incorporate it in national law.\(^59\)

* **Directives** are adopted by the Council and the Parliament or the Commission, according to procedures that vary with the field. Member States have to conform their laws to directives, so that national laws must have the legal effects specified in any directive,

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\(^{55}\) See E.U. Treaty, Art. 5(3) [former E.C. Treaty, Art. 5].

\(^{56}\) See E.U. Treaty, Art. 5(4) [former E.C. Treaty, Art. 5].


\(^{58}\) Corresponding to former E.C. Treaty, Art. 249.

thus achieving its underlying policy. Directives, in principle, are not directly applicable within the national laws of the Member States, and national courts have to look first to the national laws implementing directives in adjudicating private claims. Nonetheless, a national court is under an obligation to interpret national law as much as possible in accordance with any directive that is relevant in a given case.

+ Decisions, handed down by the Council, the Parliament, or the Commission, are addressed specifically to, and bind, particular Member States or private parties, such as companies or individuals.

+ Recommendations and Opinions of the institutions are not binding. Likewise, Resolutions, Declarations, Communications, Notices, White and Green Papers, and Policy Statements set out non-binding guidelines for institutions, Member States, or private parties. They normally encourage desirable, but not strictly enforceable practices throughout the Union.

At present, the following basic relationships apply between E.U. institutions and instruments:

60 For directives in the field of copyright and related rights, see § 4[2] and, for case law construing national laws to assure such conformity, see § 5 infra.


62 See Judgment of 5 April 1990, Case C-106/89, Marleasing SA v. La Comercial Internacional de Alimentación SA, [1990] E.C.R. I-4135. Normally, the national law to be interpreted implements the directive invoked. However, the Member State may incur liability if its implementation is so inadequate that interpretation cannot bring it up to directive standards. Compare Judgment of 19 Nov. 1991, Cases C-6/90 and C-9/90, Frankovich and Bonifacci v. Italy, [1991] E.C.R. I-5357 (private party may have a right to claim damages "vertically" against a state for national failure to implement a directive), with Judgment of 14 July 1994, Case C-91/92, Dorì v. Racreb SRL, [1994] E.C.R. I-3325 (in a case where there failed to be a timely national implementation of a directive provision, private party could not invoke that provision "horizontally" against other private parties).

63 For further discussion, see § 3[1][c][iii] infra.

64 For further discussion, see § 3[1][c][i] infra.

Article 15(1) of the E.U. Treaty sets out the tasks of the European Council to “provide the Union with the necessary impetus for its development” and to “define the general political directions and priorities thereof”; however, the European Council may “not exercise legislative functions.” The heads of Member States or of their governments, the President of the European Council itself, and the Commission President, assisted by the High Representative of the Union for Foreign Affairs and Security Policy, meet in the European Council at least twice a semester.

Article 16(1) of the E.U. Treaty sets out the powers of the Council, as distinct from the European Council. The Council is to “carry out policy-making and coordinating functions as laid down in the Treaties” and, as well, “jointly with the European Parliament,” to “exercise legislative and budgetary functions.” The government of each Member State has one seat on the Council; however, Council meetings may consist of ministers responsible for specific matters at national levels, for example, finance, agricultural, and other ministers, depending on the matter at hand. Unless the E.U. or F.E.U. Treaty provides otherwise, the Council acts by qualified majority, which takes account of the varying populations of Member States.

[ii]--The Parliament. Article 14 of the E.U. Treaty provides that the European Parliament, jointly with the Council, is to exercise legislative and budgetary functions. Within the institutional framework of the Union, the Parliament is the only directly elected body.

The F.E.U. Treaty governs how the Parliament is to coordinate with the Council in enacting legislation. These codecision procedures may vary with the field in which pending

65 Corresponding to prior E.U. Treaty, Arts. 4, 9, 255, and 286, and to former E.C. Treaty, Arts. 202 et seq. passim.

66 Neither of these Councils should be confused with the Council of Europe, an international organization in Strasbourg which brings together 47 countries of Europe to promote democracy and protect basic rights. Under the aegis of the Council of Europe, the European Court of Human Rights adjudicates complaints against governments of members of the Council of Europe, notably for violations of basic rights.


68 Corresponding to prior E.U. Treaty, Art. 9, and former E.C. Treaty, Arts. 189 et seq. passim.

69 See F.E.U. Treaty, Arts. 223 et seq. [former E.C. Treaty, Arts. 190 et seq. passim].
legislation is to apply: for example, “the European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall establish measures for the creation of European intellectual property rights to provide uniform protection of intellectual property rights throughout the Union.”

The Parliament may request the Commission, to submit legislative and other appropriate proposals to achieve E.U. objectives. The Parliament may put written and oral Questions to the Commission which, as explained below, may itself initiate legislative proposals. The Parliament's assent is necessary to adopting the Union's annual budget, as well as for concluding certain treaties with third countries. The Parliament has the right of inquiry into any alleged misadministration of E.U. law brought to its attention through various means, including the Ombudsman it elects.

[iii]--The Commission. Article 17 of the E.U. Treaty governs the functions of the Commission. The role and responsibilities of the Commission place it firmly at the heart of the E.U. administrative and policy-making processes.

The Commission’s executive powers are wide. It is the guardian of the E.U. and F.E.U. Treaties, responsible for the correct and full implementation of their terms, for overseeing the correct application of E.U. law, and for managing the E.U. budget. It has delegated powers to make rules filling in the details of legislation: for example, as explained below, it enforces the E.U. competition rules and regulates mergers and acquisitions above a certain size. Furthermore, it has an important role to play as the Union’s negotiator of certain treaties, such as trade and cooperation agreements with third countries.

The Commission is charged with proposing secondary legislation, notably regulations and directives. Thus the Commission has the "right of initiative," that is, the discretionary

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70 F.E.U. Treaty, Art. 118.

71 See § 1[1][c][iii] infra.

72 On the E.U. treaty-making power, see § 1[2][d][ii] infra.

73 Corresponding to prior E.U. Treaty, Art. 9 and former E.C. Treaty, Arts. 211 et seq. passim.

74 See, e.g., F.E.U. Treaty, Arts. 258-260 [former E.C. Treaty, Arts. 226-228] (empowering the Commission to take action against a Member State which does not comply with its E.U. or F.E.U. Treaty obligations, for example, to implement directives made pursuant to their terms).

75 See § 3[1][c] infra.

76 For examples, see § 4 infra.
power whether and when to introduce a proposal, at least to the extent that the E.U. or F.E.U. Treaties do not set limits on this power.

The President of the Commission is elected by the Parliament upon the proposal of the European Council which, subject to the Parliament’s approval, selects commissioners. Commissioners are independent and serve the interest of the Union as a whole and may not seek or accept instructions from national governments.

**[iv]--The Court of Justice.** Article 19 of the E.U. Treaty 77 sets out the responsibility of the Court of Justice of the European Union, which sits in Luxembourg, to “ensure that in the interpretation and application of the Treaties the law is observed.” 78

Under the aegis of the Court of Justice of the European Union, the E.U. and F.E.U. Treaties 79 now distinguish between the Court of Justice, 80 the General Court, 81 and specialized courts. 82 Along with the Statute of the Court of Justice of the European Union, the F.E.U. Treaty governs jurisdiction and procedure within these courts. 83 Advocates General submit opinions to the courts on pending cases, making recommendations that the courts may, but need not, follow.

The Court of Justice interprets the E.U. and F.E.U. Treaties, as well as E.U. acts that, in most cases, it may subject to judicial review. It may, for example, review the legality of

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77 Corresponding to prior E.U. Treaty, Art. 9, and former E.C. Treaty, Arts. 220 *et seq.*


80 Hereinafter the Court of Justice or, quite simply, the Court. All case law cited here is this Court’s unless otherwise indicated.

81 *I.e.*, previously, the Court of First Instance. By the decision of the Council in 1988, the Court of First Instance was instituted in September of 1989 to relieve the Court of Justice of its increasing workload.

82 See F.E.U. Treaty, Art. 257 [former E.C. Treaty, Art. 225] (“The European Parliament and the Council, acting in accordance with the ordinary legislative procedure, may establish specialised courts attached to the General Court to hear and determine at first instance certain classes of action or proceeding brought in specific areas.”).

83 See F.E.U. Treaty, Arts. 251 *et seq.* [former E.C. Treaty, Arts. 221 *et seq.*].
secondary E.U. legislation in an action for annulment or, upon the referral of questions by national courts, give preliminary rulings instructing these courts on how to construe national laws as subject to E.U. law. The Court also exercises jurisdiction in many other types of cases, including those brought against Member States for failing to implement E.U. law.

Depending on the case, proceedings may be instituted by the Council, the Commission, a Member State, or by any natural or legal person with the requisite interest in the matter. If a Member State fails to take the necessary measures to fulfill obligations under E.U. law, the Court of Justice may, usually on a case brought by the Commission, subject the state to monetary penalties.

[v]--E.E.A. Institutions. The E.E.A. Agreement has established various institutions. The EFTA Surveillance Authority ensures application of E.E.A. rules in the non-E.U. members of the E.E.A. At the request of domestic courts in the EFTA States party to the E.E.A. Agreement, the EFTA Court may give advisory opinions on the interpretation of that agreement.

The Joint Parliamentary Committee adopts resolutions, opinions, and recommendations intended for the E.E.A. Joint Committee, which is composed of representatives of the parties to the E.E.A. Agreement. It is to ensure the effective implementation and operation of the E.E.A. Agreement. To this end, it carries out exchanges of views and makes decisions.


89 On the E.E.A. and EFTA countries generally, see § 1[1][b][iii] supra.

90 For special E.E.A. bodies competent in competition matters, see § 3[1][d] infra.
Finally, the E.E.A. Council consists of the members of the Council, members of the Commission, and one member of the government of each of the EFTA States which are party to the E.E.A. Agreement. It is responsible for giving the political impetus in the implementation of the Agreement and laying down guidelines for the E.E.A. Joint Committee.

[2]--Application of E.U. Law to Copyright

[a]--E.U. Law as Supranational Law. The E.U. and F.E.U. Treaties, as well as secondary legislation made pursuant to their terms, take precedence in cases of conflict with national laws. This principle has been applied to cases of such conflicts as have repeatedly arisen between the former E.C. Treaty and national laws of intellectual property.\(^91\)

To indicate this precedence, E.U. law has been characterized as "supranational" law. That is, E.U. supranational law binds Member States directly, and their national courts must apply certain of its provisions directly to claims between private parties.\(^92\) Such law may be contrasted with private international law that guides national courts in their choice of substantive law, for example, in determining which laws apply to cases in which foreign authors, or holders of rights in works of foreign origin, claim protection in a national jurisdiction outside their own.\(^93\)

The Court of Justice, in the case of *Costa v. ENEL*, confirmed the direct effect of such supranational law.\(^94\) It based its judgment in this case on the second paragraph of Article 10 of the former E.C. Treaty,\(^95\) which made clear that Member States "shall abstain from any

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\(^{91}\) For a key example, see § 2[1][c] *infra*.

\(^{92}\) As a corollary, Member States may not subject E.U.-derived law to judicial review under national law. For example, the French Constitutional Council declared that it had no jurisdiction to decide whether a national law implementing the Electronic-Commerce Directive was compatible with the French Constitution, but that implementing such a directive was a constitutional requirement (*exigence constitutionnelle*): Decision No. 2004-496 DC, Conseil constitutionnel (France), 10 June 2004.

\(^{93}\) In this regard, E.U. law, though based on the E.U. and F.E.U. Treaties, is altogether distinct in type from law made pursuant to the Berne Convention or to other treaties in the field of international copyright. For further analysis in the context of international copyright, see P. Geller, "International Copyright: The Introduction," herein, at §§ 3[3][a][ii], 4[3][a][i][C], 5[1][c], and 6[1][a] (hereinafter "Introduction").


\(^{95}\) Replaced in Article 4(3) *in fine* of the current E.U. Treaty ("The Member States shall facilitate the achievement of the Union's tasks and refrain from any measure which could jeopardise the attainment of the Union's objectives.").
measure, which could jeopardize the attainment of the objectives of this Treaty." As we shall see, "any measure" has been construed to include the enforcement of national law in private suits which the former E.C. Treaty, now the F.E.U. Treaty, in specific cases of conflict, has been held to preclude.\(96\)

E.U. law will be discussed below in its relationship to treaty provisions binding the Union, or any Member State, and any third country.\(97\)

[b]--Relevant E.U. Treaty Provisions. As indicated above, E.U. objectives now go well beyond the economic goals of the Internal Market.\(98\) The F.E.U. Treaty recodifies these goals that, in their prior form in the former E.C. Treaty, had already been applied to intellectual property and, specifically, to copyright and related rights.\(99\) The following groups of rules may be distinguished:

+ **Freedom of movement of goods:** Articles 34 and 35 of the F.E.U. Treaty\(100\) respectively prohibit “[q]uantitative restrictions” on “imports” and “exports” and “all measures having equivalent effect ... between Member States.” However, Article 36 of the F.E.U. Treaty\(101\) sets out caveats to the resulting freedom of movement of goods if, *inter alia*, “the protection of industrial and commercial property” is put into question. Corresponding provisions in the former E.C. Treaty provided the bases for decisions of the Court of Justice concerning parallel imports of copies between Member States.\(102\)

+ **Freedom to provide services:** Article 56 of the F.E.U. Treaty\(103\) recognizes the E.U.-wide freedom to provide services. This freedom, as set out in the former E.C. Treaty, has been

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\(96\) For examples of such a "Eurodefense," see § 2[2] *infra.*

\(97\) See § 1[2][d][ii] *infra.*

\(98\) See § 1[1][b][ii] *in fine supra.*

\(99\) The former E.C. Treaty, in Article 3(1), (a), (c), (g), and (h), most generally set out the goals in question.

\(100\) Corresponding to former E.C. Treaty, Arts. 28 and 29.

\(101\) Corresponding to former E.C. Treaty, Art. 30.


\(103\) Corresponding to former E.C. Treaty, Art. 49.
invoked in the context of copyright actions, for example, for the unauthorized retransmission of television broadcasts by cable between Member States.\footnote{104}{See § 2[3] \textit{infra}.}

+ \textit{Competition law}: Articles 101 and 102 of the F.E.U. Treaty\footnote{105}{Corresponding to former E.C. Treaty, Arts. 81 and 82.} codify the rules intended to prevent the distortion of competition and the abuse of dominant market positions in the Internal Market. Applying such rules, the Court of Justice and the Commission have ruled on licenses of intellectual property, as well as on the abuse of dominant market positions by enterprises and royalty-collecting societies in the field of copyright.\footnote{106}{See § 3 \textit{infra}.}

+ \textit{Harmonization}: Articles 114 \textit{et seq.} of the F.E.U. Treaty\footnote{107}{Corresponding to former E.C. Treaty, Arts. 94 \textit{et seq.}} govern the "approximation" of national laws. Comparable rules in the former E.C. Treaty have guided the harmonization of copyright laws.\footnote{108}{See § 4 \textit{infra}.} Article 118 of the F.E.U. Treaty contemplates measures “to provide uniform protection of intellectual property rights throughout the Union.”

[c]--\textbf{May Private Claimants Invoke E.U. Provisions?} May a citizen of a Member State invoke any of the provisions just reviewed\footnote{109}{See § 1[2][b] \textit{supra}.} as dispositive law in litigation with other private parties before a national court? It is now well established in the case law that national courts in legal disputes between private parties can directly apply these provisions. However, this conclusion was not initially taken for granted.

The question was colorably raised with regard to the free movement of goods. It had been argued that the provisions on point must be seen in the context of the chapter of the former E.C. Treaty entitled the "Elimination of quantitative restrictions between Member States": thus understood, these provisions would not be addressed to individual parties, but to Member States. This position was, as we shall see, rejected in the case law, in which private parties successfully defended themselves against national copyright claims by invoking the free movement of goods in the Internal Market.\footnote{110}{See § 2[2] \textit{infra}.}
Competition law had not raised such questions. Articles 81 and 82 of the former E.C. Treaty, now replaced by Articles 101 and 102 of the F.E.U. Treaty, have left little doubt about their applicability to private claims, since they are intended to apply to private “undertakings,” that is, to private enterprises. Further, in its very first ruling on intellectual property, in 1966, the Court of Justice affirmed the direct applicability of the pertinent provisions. This premise has indeed been confirmed throughout subsequent case law.

[d]--Copyright Subject to the E.U. Treaty Provisions. Distinct issues arise here: May E.U. law itself control the application of national copyright laws within Member States? May the Union enter into international treaties that in turn impact on copyright within Member States?

[i]--Copyright Within the European Union. Nowhere in the former E.C. Treaty, now replaced by the F.E.U. Treaty, was the word “copyright” to be found. The crucial Article 30 of the former E.C. Treaty, now Article 36 of the F.E.U. Treaty, restricted itself to the term “industrial and commercial property.” Nonetheless, the case law has clearly established that copyright and related rights fall within the scope of this phrase.

The three first Judgments of the Court of Justice in the field of intellectual property concerned trademarks and patents. However, in subsequent Judgments, the Court dissipated all doubts about the applicability of the former E.C. Treaty to copyright. Its fourth Judgment in the field, the *Deutsche Grammophon* case, already dealt with a neighboring right related to copyright: the right of the producer of sound recordings.

Furthermore, in the *Coditel I* case, the Court handed down its first judgment on copyright proper, simply replacing the term “industrial and commercial property” with the all-encompassing “intellectual property.” Most explicitly, in its next copyright decision, the *Membran/K-tel* case, the Court affirmed that copyright “comprises other rights, notably the


112 See §§ 3[2], 3[3], and 3[4] infra.


right to exploit commercially the marketing of the protected work, particularly in the form of licenses granted in return for payment of royalties” and concluded that “there is no reason to make a distinction between copyright and other industrial and commercial property rights.”\textsuperscript{116} E.U. precedents reached in industrial property cases will here be touched on as relevant to copyright law.

As explained in detail below, directives, sometimes prompted by decisions of the Court of Justice, have harmonized national copyright laws.\textsuperscript{117} Article 118 of the F.E.U. Treaty contemplates measures “to provide uniform protection of intellectual property rights throughout the Union.”

[ii]--E.U. Role in International Copyright. Distinct questions arise under this heading: Does the Union have the power to conclude copyright treaties that bind Member States \textit{vis-à-vis} third countries? What impact do obligations under international treaties have on Member States? What impact do they have on E.U. law itself?\textsuperscript{118}

The E.U. Treaty contemplates that the Union may now act, with legal personality, “on the international scene”: in particular it is to “develop relations and build partnerships with third countries, and international, regional or global organisations.”\textsuperscript{119} Furthermore, the Union has powers to legislate uniformly for all Member-States in the fields of intellectual property and of commerce, and it may conclude “agreements with one or more third countries or international organisations.”\textsuperscript{120} Accordingly, a prior Opinion of the Court of Justice, which ruled that the former Community only shared powers with the Member States to bind

\begin{footnotesize}

\textsuperscript{117} See § 4 infra.

\textsuperscript{118} For further analysis, see "Introduction," herein, at § 5[1][c].

\textsuperscript{119} E.U. Treaty, Art. 21. See also E.U. Treaty, Art. 47 (“The Union shall have legal personality”); F.E.U. Treaty, Art. 3 (Union’s “exclusive competence” in, \textit{inter alia}, “common commercial policy” and “for the conclusion of an international agreement when its conclusion is provided for in a legislative act of the Union or is necessary to enable the Union to exercise its internal competence, or in so far as its conclusion may affect common rules or alter their scope”).

\textsuperscript{120} F.E.U. Treaty, Arts. 118, 207(3)-(4), and 218.
\end{footnotesize}
themselves by the W.T.O. Agreements, including the TRIPs Agreement, need not now apply to the Union.\footnote{Opinion 1/94 of 15 Nov. 1994, [1994] E.C.R. I-5267. The Court reasoned that any such exclusive E.C. power to conclude treaties would by-pass voting rules in the Council which, with the Treaty of Lisbon, are changed and newly coordinated with Parliamentary powers. \textit{See} § 1[2][c] \textit{supra}.}

This brings us to the second question, to which Article 351 of the F.E.U. Treaty\footnote{Corresponding to former E.C. Treaty, Art. 307.} responds, at least with regard to Member States’ prior treaties with non-E.U. countries. Its first paragraph preserves “rights and obligations arising from agreements concluded before 1 January 1958 or, for acceding States, before the date of their accession, between one or more Member States on the one hand, and one or more third countries on the other.” Its subsequent paragraphs, however, contemplate that Member States “take all appropriate steps to eliminate [any] incompatibilities” between such agreements and the E.U. or F.E.U. Treaties in the light of “a common attitude” that takes account of the reciprocal enjoyment of advantages by the Member States under the E.U. and F.E.U. Treaties.

However, the Court has since held that a claimant in proceedings before a national court may not rely on the argument that E.C. law, now E.U. law, is incompatible with W.T.O. rules, even where relevant legislation has been declared incompatible with those rules in a W.T.O. dispute settlement.\textsuperscript{126}

More generally, the Court has been reluctant to allow treaty obligations, either of the Member States or of the Community, now the Union, to take priority over the latter’s law as applied to a Member State.\textsuperscript{127} Indeed, the Court noted that the lawfulness of an E.C., now an E.U., instrument cannot “be assessed in the light of instruments of international law which, like the W.T.O. Agreement and the TRIPs and T.B.T. agreements which are part of it, are not in principle, having regard to their nature and structure, among the rules in the light of which the Court is to review the lawfulness of measures adopted by the Community [now Union] institutions.”\textsuperscript{128}


**[iii]--E.U. Initiatives in International Copyright.** The former Community had undertaken a number of initiatives in the field of international copyright.\(^{129}\) It is contemplated that the Commission will negotiate agreements between the Union and third countries in the field.\(^{130}\) The Union is a member of, and participates in, the World Trade Organization and, accordingly, in the TRIPs Council.\(^{131}\)

Furthermore, on December 14, 2009, the Union, as a full Contracting Party, along with Member States, ratified the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty, effective March 14, 2010.\(^{132}\)

**[e]--Non-Discrimination Against E.U. Nationals.** Article 18 of the F.E.U. Treaty\(^{133}\) sets out a basic principle: Within the scope of application of the E.U. and F.E.U. Treaties, any discrimination on the grounds of nationality is prohibited.

**[i]--The Phil Collins Case.** On the basis of this principle of nondiscrimination, the Court of Justice faced a basic question of international copyright and neighboring rights in the *Phil Collins* case and in a companion case: May a national of one Member State obtain the same protection, effectively unconditional national treatment with regard to such rights, as do nationals of another Member State in that latter state?

In both cases, the German Copyright Act did not permit British musical performers to prohibit the unauthorized sales in Germany of recordings of their performances bootlegged in

129 The Council had issued a Resolution, according to which the Member States, to the extent they have not already done so, undertake to become parties to the Paris Act of the Berne Convention and to the Rome Convention before January 1, 1995, and to assure that their domestic laws effectively comply with both treaties: Council Resolution of the European Communities 92/C 138/01, 14 May 1992, O.J. 1992 No. C 138. This Resolution was withdrawn after its deadline: O.J. 1997 No. C 2.

130 On E.U. treaty-making powers in the field of copyright, see § 1[2][d][ii] *supra*. On international implications, see "Introduction," herein, at § 5[1][c][ii]. On agreements with Eastern European countries touching on copyright, see M. Ficsor, "Hungary," herein, at § 6[3][c]; J. Barta and R. Markiewicz, "Poland," herein, at § 6[3][a].

131 On TRIPs, see "Introduction," herein, at § 5[5][b][i].


133 Corresponding to former E.C. Treaty, Art. 12.
the United States. They were refused German neighboring rights to this effect because the performances did not have connecting factors entitling them to protection under the Rome Convention of 1961, which assures such rights and to which Germany belongs. In particular, the Rome Convention protects performances made in countries adhering to it, but the performances at issue had taken place in the United States, which is not a Rome country.

Both performers, E.C. nationals at the time, invoked the principle of non-discrimination under the former E.C. Treaty. The performers claimed that they had been discriminated against in that they had not been treated on a par with German performers who were protected by the German Copyright Act irrespective of the country where their performances took place. On the basis of the non-discrimination principle, the Court of Justice ruled that each Member State must accord neighboring rights and, by extension, copyright to all nationals of other Member States on the same conditions as they do to their own nationals.

[ii]--Effects in Time and in the E.E.A. The Phil Collins precedent has applied more broadly in time and space than might have been initially expected. Consider claims arising before the date of the decision, as well as claims relative to E.E.A. countries or asserted by E.E.A. nationals.

How far back in time should the Phil Collins ruling apply? Ostensibly, it has effect in the original six Member States relative to all transactions subsequent to January 1, 1958, when these states adhered to the original E.E.C. Treaty, as well as for each other Member State as of the date of its accession to that or to the subsequent E.C. Treaty, now the F.E.U. Treaty.

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134 On the German context for these cases, see A. Dietz, "Germany," herein, at § 6[1][d][ii] (hereinafter "Germany").

135 On Rome coverage and connecting factors, see "Introduction," herein, at §§ 4[1][c][ii] and 4[2].

136 I.e., under the prior E.C. Treaty, Art. 7, subsequently moved to Art. 12, and now found in F.E.U. Treaty, Art. 18.


139 For these dates, see § 1[1][a] supra. See, e.g., the Rolling Stones decision, BGH (Federal Court of Justice) (Germany), 21 April 1994, [1994] GRUR 794, [1995] GRUR Int. 65 (German national treatment applied ex tunc, as of the date of the operative facts of the
However, the German Federal Court of Justice (Bundesgerichtshof) faced copyright claims raised in the works of the Italian composer Puccini, who had died in 1924, notably works which the German Federal Court had, prior to the Phil Collins decision, found to have fallen into the German public domain by applying the Berne rule of the shorter term.\textsuperscript{140} Then, in a subsequent case, the German Federal Court, confronted with the claim that the Phil Collins decision precluded such application, asked the Court of Justice this question: Should the non-discrimination principle be applied in favor of an author who was already dead by the time the original E.E.C. Treaty entered into force in the Member State of which he was a national and in the Member State where protection was claimed?\textsuperscript{141} The court answered this question in the affirmative: thus, for example, Puccini, an Italian national long dead before January 1, 1958, when the original E.E.C. Treaty went into effect between Italy and Germany, is entitled to non-discrimination in Germany, which may not apply the rule of the shorter term to his works.\textsuperscript{142}

What about the E.E.A. countries? Does the Phil Collins decision also apply to them? To start, a provision identical to that applied in this decision is found in Article 4 of the E.E.A. Agreement. Further, Article 6 of the E.E.A. Agreement provides that its provisions, in so far as they are identical in substance to corresponding rules of the former E.C. Treaty, that is, now of the F.E.U. Treaty, are to be interpreted and applied in conformity with the relevant rulings of the Court of Justice given prior to the date of signature of the Agreement.\textsuperscript{143} It could also be argued that the non-discrimination principle is so fundamental to both the F.E.U. and E.E.A. Treaties that Article 4 of the E.E.A. Agreement simply cannot be interpreted any differently than the applicable provision was in the Phil Collins decision.

\section*{[iii]--Effects in International Copyright.} The principle of non-discrimination, as applied in the Phil Collins decision, has been construed to preclude the application of some so-called rules of material reciprocity among E.U. States, as well as EFTA States party case, pursuant to the Phil Collins decision) (case discussed in "Germany," herein, at §§ 6[1][c][i] and 6[1][d][iii]).

\textsuperscript{140} The Puccini decision, BGH, 1 July 1985, [1986] GRUR Int. 802 (also discussed in "Introduction," herein, at §§ 4[3][a][i][A] and 4[3][a][i][C]).

\textsuperscript{141} The Puccini II decision, BGH, 30 March 2000, [2000] GRUR 1020, [2001] GRUR Int. 75.


\textsuperscript{143} On the E.E.A. Agreement and the EFTA States, see § 1[1][b][iii] supra.
to the E.E.A. Agreement, even though treaties of international copyright allow for specific forms of such rules.\textsuperscript{144}

The Berne Convention expressly allows for a number of such rules that are often invoked to limit national treatment. These rules include, most notably, the rule of the shorter term and the rule allowing limited national treatment for \textit{droit de suite}.\textsuperscript{145} With regard to works of applied art, the Berne Convention allows Berne members to cut back on copyright protection in certain cases where copyright is not available in such a work in its country of origin.\textsuperscript{146}

Subsequent to the \textit{Phil Collins} decision, the Court of Justice ruled that Germany could no longer apply the Berne rule of the shorter term to works of the Italian author Puccini who, under \textit{Phil Collins}, should have enjoyed copyright protection in Germany for life plus 70 years, even when the applicable Italian term had been shorter and even though Puccini died before the original E.E.C. Treaty, compelling non-discrimination, went into effect between Germany and Italy.\textsuperscript{147}

Turn to the Berne rule with regard to industrial designs. Despite German and Dutch decisions following the \textit{Phil Collins} judgment on point,\textsuperscript{148} French case law had continued to consider applying Article 2(7) of the Berne Convention to deny copyright in a design work

\textsuperscript{144} See also "Introduction," herein, at § 3[3][a][ii] (analyzing the E.C. Treaty, now the F.E.U. Treaty, as a ground of protection of copyright and neighboring rights); § 4[3][a][i][C] (analyzing results for recouping works out of the public domain in international context); §§ 5[1][c][ii], 5[4][c][ii], and 5[5][b][i] (analyzing implications for most-favored-nation treatment among W.T.O. members).

\textsuperscript{145} Berne Convention, Arts. 7(8) and 14\textit{ter} (Paris Act). See "Introduction," herein, at §§ 5[2] and 5[4][b][ii].

\textsuperscript{146} Berne Convention, Art. 2(7) (Paris Act). See "Introduction," herein, at § 4[1][c][i][A].

\textsuperscript{147} Judgment of 6 June 2002, Case C-360/00, Land Hessen v. Ricordi & Co. Bühnen- und Musikverlag GmbH, [2002] E.C.R. I-5089 (also discussed in § 1[2][e][ii] \textit{supra}). See also "Germany," herein, at §§ 3[2][b][i] and 3[3][c][ii] (further analyzing consequences relative to German terms generally longer before the Term Directive went into effect).

without regard to creation by an author from another Member State. The Court of Justice held that such application would lead to impermissible “indirect discrimination on grounds of nationality.” Furthermore, it found no “objective circumstance” justifying the reciprocity otherwise allowed by Article 2(7) of the Berne Convention.

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§ 2 E.U. Freedoms of Commerce

[1]--E.U. Law and National Frameworks of Rights

The Court of Justice has had to reconcile conflicts between E.C., now E.U., freedoms of movement of goods and services, on the one hand, and nationally granted rights of intellectual property, on the other. In certain cases, notably of parallel imports of copies and products within the Internal Market, the Court’s decisions have precluded the exercise of national distribution rights: the rights are, to that extent, said to be “exhausted.”

In the field of copyright, the resulting European exhaustion doctrine has been most recently codified in Article 4(2) of the Information-Society Directive, in the following double-pronged rule: on the one hand, the “distribution right” is exhausted “where the first sale or other transfer of ownership in the Community,” now the Union, of “the original or copies of the work” is “made by the rightholder or with his consent”; on the other, it “shall not be exhausted within the Community,” now the Union, by other such dispositions, notably abroad. To understand when and how this rule applies, even in hard cases, we have to return to the premises of the free movement of goods and services within the Internal Market as it has entered into tension with the territoriality of national copyright laws.

[a]--E.U. Treaty Provisions on Point. Let us recapitulate the relevant provisions of the F.E.U. Treaty which, as broached above, now form the bases for the European exhaustion doctrine:

+ **Freedom of movement of goods:** Articles 34 and 35 of the F.E.U. Treaty\(^4\) respectively prohibit “[q]uantitative restrictions” on “imports” and “exports” and “all measures having equivalent effect ... between Member States.”\(^5\)

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1. On this directive, see § 4[2][g] infra. On the specific codifications concerning software, rental rights and related rights, and databases, respectively, see §§ 4[2][b][i], 4[2][c] and 4[2][f] infra.

2. *N.b.*, however, the rule applies upon any first sale or other disposition within the European Economic Area, which includes the Union. *See* § 2[2][d] infra.


5. To form the Internal Market, Article 3(1)(a) of the former E.C. Treaty had required "the elimination, as between Member States, of customs duties and of quantitative restrictions on the import and export of goods, and of all other measures having equivalent effect."
Caveat regarding intellectual property: Article 36 of the F.E.U. Treaty further provides that these prohibitions of restrictions to the movement of goods do not necessarily apply, inter alia, to “prohibitions or restrictions on imports, exports or goods in transit justified on grounds of ... the protection of industrial and commercial property” which, we have seen, has been held to include copyright. However, the second sentence of this Article 36 of the F.E.U. Treaty contains what one commentator has called “a sting in its tail,” stating: "Such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States."

Freedom to provide services: Article 56 of the F.E.U. Treaty recognizes the freedom to provide services among Member States and thus across borders between them. On the basis of these provisions, a pair of questions has been raised in the case law: On the one hand, once a rightholder, or a party acting with his consent, sells or otherwise disposes of ownership of an embodiment of a protected work or media production, notably a hard copy, in one Member State, may this claimant stop the copy from being further sold or disposed of in other Member States? On the other hand, may a rightholder or a party acting with his consent, exercising rights over the unauthorized recommunication of protected works or media productions from one Member State to another, but without commerce in hard copies, stop such recommunication? To date, the former, but not the latter, question has been answered in the negative.

6 Corresponding to former E.C. Treaty, Art. 30.


8 Corresponding to former E.C. Treaty, Art. 30.


10 Corresponding to former E.C. Treaty, Art. 49.

11 To form the Internal Market, Article 3(1)(c) of the former E.C. Treaty had required “the abolition, as between Member States, of obstacles to the freedom of movement for persons, services and capital.”


[b]--The Problem of Nationally Territorial Rights. A basic concept is indispensable to understanding the problem that the Court has had to resolve in deciding such questions in the case law: the principle of territoriality. The Court of Justice has defined territoriality as follows: "This principle of territoriality, which is recognized under international treaty law, means that it is the law of the country where protection . . . is sought which determines the condition of that protection. Moreover, national law can only provide relief in respect of acts performed in the national territory in question."\textsuperscript{14}

For example, a Dutch author has a copyright at home both limited to the territory of the Netherlands and enforced according to Dutch law. However, this copyright is of no help to the Dutch author in obtaining relief against infringement taking place outside the Netherlands; nor can the author invoke any "international copyright" abroad. Rather, largely by virtue of Dutch adherence to copyright treaties, most importantly the Berne Convention and the TRIPs Agreement, the Dutch author has a bundle of more than a hundred national copyrights in each of over one hundred foreign countries, which are parties to the conventions. Each respective copyright is confined to the national territory of each such foreign protecting country.

In theory, this principle provides the necessary line of demarcation between national jurisdictions throughout the whole field of intellectual property law. In practice, though, this principle is also applied at the level of facts: all too often facts forming the bases for asserting rights or defenses in any given jurisdiction also tend to be viewed as occurrences territorially isolated within that jurisdiction. For instance, according to the principle of territoriality, one course of conduct, ostensibly infringing copyright in several countries at once, will be analyzed into geographically discrete sets of infringing acts, with each such set isolated in each protecting country when considered as a basis for an infringement suit under the copyright law of that country.\textsuperscript{15}

First-sale or exhaustion doctrines or rules, as found in national laws, are illustrative here. As to copyright, they generally limit a copyright owner's right to control the further distribution of a given embodiment, usually a hard copy, of a work once it is "first" sold. The distribution right in that one copy is then, in the parlance of many national laws, said to be to some degree "exhausted." That is, the holder of the distribution right can no longer control the fate of the first-sold copy which, after having lawfully entered the relevant market, may


\textsuperscript{15} See also "Introduction," herein, at § 3[1][b][ii] (territorial application of national laws subject to convention framework, especially in cases of border-crossing infringement).
be freely resold over and over again.\textsuperscript{16} Doctrinally, first-sale or exhaustion rules are often said to coordinate intangible property in the text, sounds, images, etc., to be enjoyed in a work or other media production, on the one hand, and tangible property in the embodiments of such protected contents, on the other. But what is the relevant market in which an embodiment of a copyright-protected work is "first" sold or otherwise disposed of and in which the distribution right is then "exhausted" in that embodiment? Under exclusively national law, one tends to view, not only the exhaustion of a right, but the fact of a first sale or other transaction triggering that exhaustion, as occurring in but one country at a time. To that extent the relevant market is all too easily seen as a national one exclusively.

Curiously enough, territorial limitations to national first-sale or exhaustion doctrines or rules differ from right to right and country to country. While such limitations are universally accepted in patent law, they vary in effect in trademark and copyright laws from jurisdiction to jurisdiction.\textsuperscript{17} In any event, such territorial limitations, especially when used to compartmentalize national markets, seemed to be at odds with the former E.C. Treaty, now the F.E.U. Treaty, which aimed at uniting long-established national markets into one Internal Market.

[c]--Balancing the Rationales of E.U. and National Laws. As just noted, the F.E.U. Treaty reaffirms the principle of free movement of goods and services within the Internal Market,\textsuperscript{18} but the territoriality of intellectual property allows for restricting such movement across borders.\textsuperscript{19} The Court of Justice has attempted to resolve this tension in its case law by applying a number of theoretical devices, but not without taking some practical account of the economic implications of its decisions.

[i]--Doctrine: Existence or Specific Aims, vs. Exercise, of Rights. The Court of Justice has formulated distinctions to guide sorting out “justified” from objectionable attempts to enforce intellectual property by controlling first sales from territory to territory. To start, it distinguished between the national "grant" of intellectual property rights, in itself inviolable, and the "exercise" of such rights, which may be limited as necessary to effectuate

\textsuperscript{16} \textit{N.b.}, in some jurisdictions, the first sale of a copy does not "exhaust" all rights to control its fate, for example, rights to profit from its rental or related uses. \textit{See} § 2[2][b][ii] \textit{infra}.

\textsuperscript{17} \textit{See}, \textit{e.g.}, Sherman, "Australia," herein, at §§ 8[1][a][ii], 8[1][b][i][B], and 8[1][b][iii] (subject to complex rules, the importation of specified goods, otherwise subject to copyright, is allowed without the consent of the copyright owner if the item being imported has been first sold with such consent abroad).

\textsuperscript{18} \textit{See} § 2[1][a] \textit{supra}.

\textsuperscript{19} \textit{See} § 2[1][b] \textit{supra}.
the objectives of the Internal Market. It attempted to refine this distinction by speaking in terms of the "existence" of intellectual property rights versus the "exercise" of such rights, which might at times have to yield to E.C., now E.U., law. Such distinctions received faint praise in commentary that found them at best vague.

The Court then introduced another criterion, which it initially designated in French with the notion of the objet spécifique of a right. This criterion was to help decide whether or not the exercise of a given right “may nevertheless fall within the prohibitions” of the E.C., now the F.E.U., Treaty. This notion, sometimes translated into English as the “specific subject-matter” of a right, might be better encapsulated as the specific aim of the right in question, that is, the “policy reason” motivating it. This reading seems supported by language which the Court used in subsequent case law where it shifted to terms like "the essential function" or "the precise scope" of the intellectual property right in question. The Court thus sets itself the task of avoiding the curbing of the aim of the right asserted, while not allowing the right to be used, most notably, as "a means of arbitrary discrimination or a disguised restriction on trade between Member States."

What is the objective or aim specific to copyright and related rights, especially of the right of distribution asserted in the cases under consideration? Responses by the Court of Justice to this question raised for intellectual property generally suggest that it has been

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24 See G. Tritton, et al., Intellectual Property in Europe, 649 (Sweet & Maxwell, 3rd ed., 2008); also Valentine Korah, Intellectual Property Rights and the EC Competition Rules, 6 (Hart Publ., 2006) (“It is clear, however, that ‘the specific subject matter’ includes both the nature of the right ... and the reason the law grants it ...”).


developing “a fluid concept, which is defined and refined on a case-by-case basis.”

For example, in the Membran/K-tel case, the Court spoke of copyright as allowing its owner “to exploit commercially the marketing of the protected work, particularly . . . in return for payment of royalties.” In the Phil Collins case, the Court spoke of the aims of both moral and economic rights under copyright and neighboring rights, and it glossed economic rights with the language such as that just cited. In the Premier League case which dealt with broadcasts, the Court reformulated the aims as enabling rightholders “to exploit” their works or other productions “commercially,” notably “in return for payment of remuneration” that is “reasonable in relation to the economic value of the service provided.”

[ii]--Economic Considerations in Limiting the Exercise of Rights. Once the Court of Justice started to formulate aims specific to rights of intellectual property, such as that of obtaining economic returns, it opened the way to balancing such economic aims with goals of the Internal Market. Such goals as the free movement of goods and services and the achievement of undistorted competition effectively presuppose criteria for the optimal functioning of the marketplace that could guide decision-making and legislation in the light of economic analysis. Admittedly, such considerations might take us outside the letter of the exhaustion rule as it is now codified in E.U. directives, but they may remain pertinent in hard cases.

31 The European Commission has had economic studies made on point. See, e.g., National Economic Research Associates (economic consultants) and S.J. Berwin & Co. (solicitors), “The economic consequences of the choice of regime of exhaustion in the area of trademarks,” 8 Feb. 1999 (arguing that exhaustion not only bears on prices, but also on product quality, product availability, after-sale services, employment, distribution agreements, and market segmentation and that the impact of a change in the existing exhaustion rule would be minimal in certain sectors, while it could have more significant effects in others).
In such cases, the Court of Justice may move on to economic analysis such as is pursued in competition law. For example, the Court suggested that the criterion of “arbitrary discrimination or a disguised restriction on trade between Member States,” which, under Article 30 of the former E.C. Treaty, would have helped the Court to assess attempts to stop parallel imports, may be applied by asking whether there is “hindrance to effective market access.” As a further example, in a case in which Yves Saint Laurent Parfums attempted contractually to prohibit direct sales of specified products within Member States, the Court proposed a market-power test, as an arguable analog to the exhaustion rule, to disqualify such attempts insofar as they might have “an appreciable effect on the pattern of trade between the Member States as to undermine attainment of the objectives of the common market.”

Another case also illustrates how exhaustion issues can shift to competition issues. The French company Micro Leader had complained against Microsoft for preventing imports of French-language copies of its products from Quebec into France. The Commission had rejected the complaint because the Software Directive made clear that the copyright owner's right of distribution is not exhausted by imports from outside the Internal Market. The Court of First Instance, now the General Court, noted that, while such a restriction on imports does not in itself violate exhaustion or competition law within the Internal Market, it may, in exceptional circumstances, breach such competition law. The case was remanded to the Commission for it to determine whether the price differential between sales of the relevant products in Quebec and in France did not call for conditioning Microsoft's exercise of its distribution rights in the Internal Market.

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32 For E.U. competition law directly applied to the field of copyright, see § 3 infra.

33 Replaced by F.E.U. Treaty, Art. 36.


[2]--Distribution Right Exhausted Upon First Sale in the Internal Market

The Court of Justice has had to consider the consequences of first sale of copies or products. In all these cases, the Court has no longer isolated within any one national territory the relevant market in which any such first sale might "exhaust" the right to control further distribution. Rather, the entire Internal Market has become the relevant market.

[a]--Parallel Imports Between Member States. The clearest case is one in which a plaintiff sues to prevent items first sold by him or with his consent in one Member State from being marketed in another such state, whose law ostensibly assures him of exclusive distribution rights. The defendant may successfully invoke the Eurodefense of exhaustion of these rights throughout the Internal Market in such a case. 38

In the Deutsche Grammophon case, the Court of Justice first applied the European exhaustion doctrine to copyright-related rights. In this case, the plaintiff, a German record producer, had sold sound recordings within Germany and exclusively licensed their distribution in other Member States. Some of these sound recordings, first sold outside Germany but within the Internal Market by plaintiff's French subsidiary, were resold by third parties, ultimately to the defendant who started to market them in Germany, undercutting plaintiff's current price on the home market. Upon plaintiff's suit there, a German trial court issued a temporary injunction against defendant's sales on the grounds that they infringed plaintiff's exclusive distribution right under the German Copyright Act. When defendants questioned whether this order was consistent with the former E.C. Treaty, 39 the Court of Justice held the right to be exhausted if the sound recordings at issue had been "marketed by the owner of the right or with his agreement in the territory of another Member State." It thus disallowed the injunction because it would have resulted in "the isolation of national markets." 40


This pattern has been repeated in patent, unfair competition, and trademark cases. For example, in the Dior case, an unofficial Dutch retailer of Dior perfumes had obtained bottles of the perfume through unauthorized parallel imports, and Dior sued the retailer for trademark and copyright infringement when he put a picture of Dior packaging into his sales flyer. The Court held that, once an owner of rights exhausts them by voluntarily marketing a product, as Dior had done, it may no longer assert its trademark or copyright to stop "normal" advertising of the product to the public.

In subsequent cases concerning trademarked products, the Court has clearly stated that "putting on the market" means selling. Therefore, if a product is supplied free of charge and marked "not for resale," the exhaustion principle does not apply. The Court would most likely apply this ruling by analogy in a situation involving only copyright works.

[b]--Disparities Between National Rights or Markets. The Court of Justice has had to consider whether to preclude exercising national rights affecting the distribution of copies from one national market into another in a variety of cases where disparities existed between rights in these markets.

41 See, e.g., Judgment of 31 Oct. 1974, Case 15/74, Centrafarm v. Sterling Drug, [1974] E.C.R. 1147, para. 7 (holding that patent may not be exercised in one "Member State to prohibit the marketing" of a patented product that had been voluntarily "put on the market in another Member State by such patentee or with his consent"); Judgment of 22 Jan. 1981, Case 58/80, Dansk Supermarked v. Imerco, [1981] E.C.R. 181 (reasoning that copyright or a trademark may not be asserted to prohibit such marketing in one Member State "of a product . . . lawfully marketed on the territory of another Member State by the proprietor of such rights or with his consent").

42 Judgment of 4 Nov. 1997, Case C-337/95, Parfums Christian Dior SA v. Evora BV, [1998] 1 C.M.L.R. 737. See also Judgment of 23 Feb. 1999, Case C-63/97, BMW v. Deenik, [1999] E.C.R. I-968 (confirming this approach by requiring something more than the bare assertion of an intellectual property right to stop advertising of the product protected, for example, statements in advertisements that might unfairly create the impression that the reseller belongs to the rightholder's distribution network); Judgment of 8 July 2010, Case C-558/08, Portakabin Ltd. and Portakabin BV v. Primakabin BV (similarly in relation to the use of a sign identical with, or similar to, a trade mark as a keyword for an internet referencing service).

[i]--Royalty Rates. A rightholder, though no longer able to control the further distribution of nationally protected copies after their first sale in one Member State, might still want to exact royalties upon their sale or use in a second Member State. The rightholder would then try to obtain additional amounts or kinds of royalties payable in the second country, which were not available in the first one. Would such an exercise of a stronger national position after first sale conflict with the freedom of movement of goods in the Internal Market? The Court of Justice has narrowed and resolved this issue differently in different cases.

This issue was raised in a rather specific form in the Membran/K-tel case. The German royalty-collecting society GEMA sought damages for copyright infringement by two importers of sound recordings and music cassettes. These sound recordings had been manufactured and marketed in the United Kingdom with the consent of the copyright owners against the royalty rate of 6.25% of the retail-selling price. This rate was the practical result of the British Copyright Act, which then prescribed this percentage for compulsory licenses with regard to sound recordings, in effect putting a ceiling on any contractually agreed remuneration due to the rightholder. In Germany, however, the freely negotiated rate was 8%, and GEMA claimed the difference of 1.75% from the importers. The royalty-collecting society argued that it was not petitioning the Court for the prohibition or restriction of the marketing of the sound recordings at issue on German territory, but rather only asserting a claim for equality in the royalties paid for any distribution of the recordings on the German market. So defined, it argued, its claim would not contravene the former E.C. Treaty.

In the Deutsche Grammophon case, the Court of Justice had held that an injunction prohibiting a sale of parallel imports, after first sale in the Internal Market, was in conflict with freedom of movement of goods in that market. Here, in Membran/K-tel, where GEMA sought damages for such imports, thus seeking to "exercise" its right to obtain a different remedy, the Court found an equally irreconcilable conflict with relevant treaty provisions and objectives. This it made clear in its opinion:

". . . no provision of national legislation may permit an undertaking which is responsible for the management of copyrights and has a monopoly on the territory of a Member State by virtue of that management to charge a levy on products imported from another Member State where they were put into circulation by or with the consent of the copyright owner and thereby cause the Common Market to be partitioned. Such a


45 I.e., former E.C. Treaty, Arts. 28 and 29, now replaced by F.E.U. Treaty, Arts. 34 and 35.

practice would amount to allowing a private undertaking to impose a charge on the importation of sound recordings which are already in free circulation in the Common Market on account of their crossing a frontier; it would therefore have the effect of entrenching the isolation of national markets which the Treaty seeks to abolish.\footnote{Judgment of 20 Jan. 1981, Joined Cases 55/80 and 57/80, Musik-Vertrieb Membran GmbH and K-tel International v. GEMA, \cite{1981} E.C.R. 147.}

The Court, in Membran/K-tel, rejected another argument, which seemed to go to the "substance" of the right being asserted there. GEMA had also claimed that the owner of a copyright in a recorded musical work has a legitimate interest in receiving and retaining the benefit of the intellectual or artistic effort embodied in the work regardless of the extent to which it is distributed. It specifically maintained that the owner should not lose the right to claim royalties equal to those normally paid in the country in which the recorded work is marketed. The Court dryly commented in response “that in a common market distinguished by free movement of goods and freedom to provide services, an author, acting directly or through his publisher, is free to choose the place, in any of the Member States, in which to put his work into circulation” by taking account of factors such as relative levels of remuneration and marketing opportunities. It then concluded that “[i]n those circumstances, a copyright management society may not be permitted to claim, on the importation of sound recordings into another Member State, payment of additional fees based on the difference in the rates of remuneration existing in the various Member States.”\footnote{Id., para. 25. More generally, the Court found to be completely unacceptable GEMA's ostensible aim "to neutralize the price differences arising from the conditions existing in the United Kingdom and thereby eliminate the economic advantage accruing to the importers of the sound recordings from the establishment of the Common Market." \textit{Id.}, para. 23.}

In its Basset Judgment, however, the Court dealt with a rather different set of disparities between national copyright laws where the use at issue was limited to one national territory. A challenge was raised to the practice of a national collecting society which claimed a complementary royalty--one doctrinally based on a combined reproduction and distribution right--above and beyond a royalty for licenses of the performance right proper.\footnote{For the doctrinal basis of this right, see "France," herein, at § 8[1][b][i].} The collecting society SACEM imposed both the complementary and the performance royalties in France for publicly playing musical works from sound recordings there, even from recordings lawfully marketed in another Member State. The Court found the claim to the complementary royalty permissible in France although no such entitlement existed in the other Member States.\footnote{Judgment of 9 April 1987, Case 402/85, G. Basset v. Société des Auteurs, Compositeurs et Editeurs de Musique (SACEM), \cite{1987} E.C.R. 1747 (also discussed in § 3[4][a][iv] \textit{infra}.}
[ii]--Rental Rights. In its Warner-Metronome Judgment, the Court had to decide whether the former E.C. Treaty\textsuperscript{51} precluded the exercise in Denmark of domestic rental rights. Video cassettes legally first sold in the United Kingdom had been imported into Denmark and offered for rent there: the copyright owner, who would not have had any rental right in the United Kingdom, sued to stop rental of the videocassettes in Denmark, where the legislation entitled him to submit the rental in Denmark to his authorization. The Court was of the opinion that the Danish right to prohibit the rental of the videocassette was susceptible of influencing trade in videocassettes in Denmark and hence, indirectly, of affecting trade in the Internal Market in those products.\textsuperscript{52} However, the Court declined to preclude the exercise of the rental right, given that “the Danish legislation applies without distinction to videocassettes produced \textit{in situ} and video-cassettes imported from another Member State.” It then found no “arbitrary discrimination in trade between Member States.”\textsuperscript{53}

Before concluding, the Court had to consider the following argument: The Danish importer pointed to the \textit{Dansk Supermarked} and \textit{Membran} cases,\textsuperscript{54} arguing that it was up to the owner of rights to freely choose the most advantageous national market as the place for his first marketing, taking into account that some laws do, and others do not, grant rental rights. Under the theory of this defense, the author or other owner of rights who has chosen as the country of first marketing, in this case the United Kingdom, which recognizes no rental rights, must accept the consequences of this choice, that is, the exhaustion of his copyright throughout the Internal Market. The Court rejected this reasoning and instead concluded that, if a legislation recognizes rental rights, this right would lose its substance if the owner would not be able to authorize the rental. Earlier in its analysis, the Court had found this substance in the legitimate legislative attempt to provide “makers of films a remuneration . . . which secures for them a satisfactory share of the rental market.” It then refused to rely on the absence of rental rights in one Member State as a reason for precluding their exercise in those Member States where they are instituted. The holder of the Danish rental right, the Court

\textsuperscript{51} \textit{I.e.}, former E.C. Treaty, Arts. 28 and 30, now replaced by F.E.U. Treaty, Arts. 34 and 36.

\textsuperscript{52} On the subsequent E.U. harmonization of rental rights, see § 4[2][c][i] \textit{infra}.


held, could then control whether videocassettes first sold in the United Kingdom could be rented in Denmark.\textsuperscript{55}

\begin{itemize}
  \item [(iii)] \textbf{-Term of Rights.} In the \textit{EMI Electrola} case, the Court of Justice had to decide whether the former E.C. Treaty\textsuperscript{56} had to be construed to allow the holder of subsisting German rights in recordings to stop the distribution of these recordings in Germany when the recordings had been legally first sold without consent in Denmark, where the term of rights in them had lapsed. This first sale, the Court noted, had been “due, not to an act or the consent of the copyright owner or his licensee, but to the expiry of the protection period provided for by the legislation of that Member State.”\textsuperscript{57} The Court, however, stressed “that in the present state of Community law, which is characterized by a lack of harmonization or approximation of legislation governing the protection of literary and artistic property, it is for the national legislatures to determine the conditions and detailed rules for such protection.”\textsuperscript{58} It then held that resulting restrictions of trade in the Internal Market were justified if they resulted from “differences between the rules governing the period of protection . . . inseparably linked to the very existence of the exclusive rights.”\textsuperscript{59} Thus a German injunction of sale of the recordings was allowable.\textsuperscript{60}

  \item [(c)] \textbf{-Compulsory Licenses.} Should the disposition of ownership interests in a copy or product, other than a voluntary sale by a rightholder or with his consent, trigger the exhaustion rule? This issue may arise, \textit{inter alia}, when a compulsory license, common under national patent as well as copyright statutes, comes into play. For example, in the \textit{Membran/K-tel} case, discussed above, the compulsory license had hung in the background

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\textsuperscript{56} \textit{i.e.}, former E.C. Treaty, Arts. 28 and 30, now replaced by F.E.U. Treaty, Arts. 34 and 36.


\textsuperscript{58} \textit{Id.}, para. 11. On the subsequent E.U. harmonization of terms of copyright and of related rights, see § 4[2][e] infra.


\textsuperscript{60} \textit{Id.}, para. 14.
when the owner of rights gave his initial "consent" to licensing the recordings at issue there. The Court of Justice has declined to apply the exhaustion rule where a compulsory license clearly forces the placing into commerce of a copy or product otherwise subject to a right of intellectual property.

This question has so far only come up in a patent case. In the Pharmon decision, a patent owner in the Netherlands had tried to prevent imports from the United Kingdom where a compulsory license had been issued with respect to his parallel English patent. The Court started by recalling that it had consistently held that the former E.C. Treaty, now the F.E.U. Treaty, precluded the application of national provisions which enable a patent owner to prevent the importation and marketing of a product already lawfully marketed in another Member State by the rightholder, a related party, or a licensee. The Court, however, refused to apply this rule to a case where a product thus imported and offered for sale had been manufactured in the exporting Member State by the holder of a compulsory license granted with respect to a parallel patent.

In distinguishing the two situations, the Court stressed the fact that, when subject to a compulsory license, the patentee cannot be deemed to have consented to the operation of the licensee. The compulsory license, in effect, deprives the patent owner of his right to determine freely the conditions under which he markets his products. The Court concluded:

"As the Court held most recently in its judgment of 14 July 1981, the substance of a patent right lies essentially in according the inventor an exclusive right of first placing the product on the market so as to allow him to obtain the reward for his creative effort. It is therefore necessary to allow the patent proprietor to prevent the importation and marketing of products manufactured under a compulsory license in order to protect the substance of his exclusive rights under his patent."

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64 Id., para. 25.


[d]--Exhaustion Applicable Only Between Member States. What if a parallel import is made from the Internal Market or into it? On the one hand, there are the cases of imports between E.U. and E.E.A. Member States. On the other hand, there are the cases of imports from a country belonging neither to the Union nor to the European Economic Area. In the former case, exhaustion applies; in the latter, it does not.

At the threshold, it should be noted that the E.E.A. Agreement extends exhaustion rules throughout the European Economic Area.\(^67\) By virtue of Article 2 of Protocol 28 to the E.E.A. Agreement, the EFTA countries are obligated to introduce such rules imposing the exhaustion of rights as exist in E.U. law. As a result, owners and licensees of intellectual property rights will not be able to rely on rights of distribution to prevent the importation of goods into one E.E.A. state when these goods have been put on the market in another E.E.A. state by the owner of the rights or with his consent.\(^68\)

An early trademark case of imports from outside any Member State was not found appropriate for applying the European exhaustion doctrine. EMI Records and the U.S. firm CBS Inc., both used identical Columbia trademarks, which historically had a common origin. EMI Records maintained that the importation and sale of CBS sound recordings bearing the Columbia trademark into the United Kingdom, Denmark, and Germany infringed the rights which EMI owned in that trademark in those Member States, as well as in the Internal Market as a whole. CBS, which owned the Columbia trademark in the United States, asserted the Eurodefense that the principles of E.C. law, now of E.U. law, especially the provisions on the free movement of goods,\(^69\) prevented plaintiff from exercising the national rights in the mark which it claimed in the United Kingdom, Denmark, and Germany. The Court of Justice, however, pointing out that these provisions expressly use the words "between Member States," ruled that "the exercise of a trademark right in order to prevent the marketing of products coming from a third country under an identical mark, even if this constitutes a measure having an effect equivalent to a quantitative restriction, does not affect the free

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\(^67\) See E.E.A. Agreement, Arts. 1(2), 6, 10-12, and 36. On the E.E.A. Agreement and EFTA, see § 1[1][b][iii] supra.

\(^68\) See, generally, EFTA Court, Advisory Opinion of 24 Nov. 1998, Case E-1/98, [1999] GRUR Int. 198 (confirming the validity of this rule and explicitly ruling that the exercise of a copyright can constitute a measure of equivalent effect to a quantitative restriction within the meaning of Article 11 of the E.E.A. Agreement, which corresponds to Article 34 of the F.E.U. Treaty [Article 28 of the former E.C. Treaty]).

\(^69\) Notably former E.C. Treaty, Arts. 28 and 30, now replaced by F.E.U. Treaty, Arts. 34 and 36.
movement of goods between Member States,” nor does it “in fact jeopardize the unity of the Common Market.”

The Polydor case was a more difficult one, but with a comparable decision. It concerned unauthorized parallel imports of sound recordings from Portugal into the United Kingdom. At the time Portugal was not yet an E.C. member, but there did exist an agreement between Portugal and the former Community which aimed at consolidating and extending their economic relations. Articles 14(2) and 23 of this agreement tracked the language of the relevant provisions of the former E.C. treaty quite closely. The importer then argued that the well-established case law of the Court concerning these provisions should apply to this case as well. The Court rejected this argument, reasoning that the similarity of treaty terms was not a sufficient reason for applying that case law, developed for the Internal Market, outside its borders. The Court stated: "The scope of that case law must indeed be determined in the light of the Community's objectives and activities . . . by establishing a common market and progressively approximating the economic policies of the Member States, [the Treaty] seeks to unite national markets into a single market having the characteristics of a domestic market.” However, since that rationale did not motivate an agreement with a third country, the exhaustion rule was not triggered by a sale in that country.

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[e]--No Exhaustion After First Sale Outside Internal Market. While judgments of the Court of Justice broadened the exhaustion of copyright and of neighboring rights inside the Internal Market, directive provisions later enacted by the Council and Parliament reaffirm this rule and also preclude applying the exhaustion rule upon the sale of copies outside the Internal Market.

Directives now limit the application of such international exhaustion. In the field of copyright, although less frequently than in trademark law, some form of international

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72 I.e., former E.C. Treaty, Arts. 28 and 30, now replaced by F.E.U. Treaty, Arts. 34 and 36.


exhaustion had once occasionally applied in some countries. That is, once a hard copy or product had been sold anywhere in the world, the rightholder could no longer prevent its importation and distribution inside such countries. Article 4(c) of the Software Directive, Article 9(2) of the Rental Directive, Article 5(c) of the Database Directive, and Article 4(2) of the Information-Society Directive, have progressively restricted the scope of the possible international exhaustion of rights relative to copies of works and other protected media productions entering the Internal Market.

There had been much debate about how to construe such directive provisions. Some opinions would have still left Member States free to choose international exhaustion, thus minimizing barriers to cross-border trade in copies and goods. However, official glosses and other commentators have supported a much broader reading of these provisions. It is argued that, if a Member State allowed for international exhaustion in cases within the scope of the pertinent directives, the functioning of the Internal Market could be subject to negative effects. In particular, rightholders could run the risk that copies lawfully sold abroad and then freely imported into some Member States, but not into others, might undercut their markets for the copies in some parts of the Internal Market. Therefore, some commentators and nearly all the courts have favored limiting exhaustion to the Internal Market for all copies of protected works and media productions that come under the directives.

The Silhouette decision now confirms a construction precluding international exhaustion with regard to subject matters of pertinent directives. The Austrian firm Silhouette

75 On this point, see § 2[1][b] in fine supra.

76 On these directives, respectively, see §§ 4[2][b], 4[2][c], 4[2][f] and 4[2][g] infra. The Trademark Directive and Regulation have also similarly limited the exhaustion of trademark rights. See Trademark Directive of 21 Dec. 1988, Art. 7(1), O.J. 1989 No. L 40; Regulation of 20 Dec. 1993 on the Community trademark, Art. 13(1), O.J. 1994 No. L 11.


79 Judgment of 16 July 1998, Case C-335/96, Silhouette International Schmied GmbH & Co. KG v. Hartlauer Handelsgesellschaft mbH, [1998] E.C.R. I-4799. See also Judgment of 1 July 1999, Case C-173/98, Sebago Inc. v. G.B.-Unic, [1999] E.C.R. I-4103 (clarifying scope of Silhouette ruling in holding that the trademark owner’s consent must relate to each individual item of the product in respect of which exhaustion is claimed, but that there is no consent whenever similar goods bearing the same trade mark have already been marketed in the E.E.A. with the rightholder’s consent).
produces expensive, high-quality, and fashionable eyeglass frames that are marketed worldwide, while Hartlauer sells cheaper frames widely in Austria. In October of 1995 Silhouette sold 21,000 outmoded eyeglass frames to a Bulgarian company at a discount, but on the condition that these frames only be sold in Bulgaria and ex-Soviet states. In December of 1995, after Hartlauer had bought such eyeglass frames cheaply, Silhouette sought an injunction to restrain Hartlauer from selling the frames at a discount under the Silhouette trademark in Austria. Hartlauer contended that Silhouette’s trademark was internationally exhausted by its sale of the frames in Bulgaria, and Silhouette countered that the Trademark Directive only allowed for E.E.A.-wide exhaustion. That is, trademark rights would be exhausted only when products branded with the trademark at issue have been put on the market in the E.E.A. by the trademark owner or with his consent, while the rights survived a sale outside the E.E.A. The Court indeed decided that Article 7(1) of the Trademark Directive, imposing E.E.A.-wide exhaustion, prohibited national rules to contrary effect, reasoning that only this interpretation fully achieves the directive purpose of safeguarding the Internal Market.80

The Court of Justice has further refined this case law by considering the manner in which the “consent” of the trademark proprietor to marketing within the E.E.A. should be expressed. According to the Court, this intention will normally be gathered from an express statement of consent, but it may in some cases be inferred from facts and circumstances surrounding the placing of the goods on the market outside the E.E.A. However, such circumstances must unequivocally demonstrate that the proprietor has renounced his rights in the E.E.A., and such a waiver may in no event be inferred from mere silence.81 The Commission proposed, inter alia, to infer consent from first marketing in an E.E.A. country, whether or not the goods were covered by a trade mark there. The Commission also wanted to clarify that there was no exhaustion in the case where the rightholder had been obligated


by law to grant a license. However, by ruling in fact-intensive terms, the Court did not accept or reject the Commission’s suggestions or its economic analysis.  

The Court of Justice has further clarified that, where the trademark owner imports his goods “with a view to selling them in the E.E.A. or offers them for sale in the E.E.A.,” he does not put them on the market for the purposes of Article 7(1) of the Directive, since such acts do not transfer to third parties the right to dispose of the goods bearing the trademark, nor do they allow the proprietor to realize the economic value of the trademark. However, at the same time, the Court also made clear that E.E.A.-wide exhaustion may not be precluded by a clause which, appearing in a contract between the trademark owner and the buyer of his goods, subjects the latter’s right to territorial limitations.

In L’Oréal v. eBay, the Court held that when the trademark holder intends items to be sold outside the E.E.A. and the offer for sale of such trademarked products by another trader is targeted at consumers in the E.E.A., where the trade mark right subsists, there is no exhaustion. However, the mere fact that a website is accessible from the territory covered by the trademark in the E.E.A. is not a sufficient basis for concluding that the offers for sale displayed there are targeted at consumers in that territory. The assessment must be done on a case-by-case basis by national courts, a relevant factor being information about the geographic areas to which the seller is willing to dispatch the product.

[f]--Border Controls for Imports. Distribution rights may then be differently exhausted depending on whether the goods are imported from one E.U. Member State through or into another or from outside the Internal Market altogether. E.U. and national laws, pursuant to the TRIPs provisions, may require border controls to stop the importation of infringing copies and products. May such border controls violate the E.U. freedom of commerce by excessively burdening the circulation of goods within the Internal Market?


85 On E.U. law requiring border controls, see § 4[3][d] infra. On TRIPs generally, see "Introduction," herein, at § 5[5][b][i].
The Court of Justice considered this possibility in an action which the Commission brought against France for a declaration that border controls in France violated the former E.C. Treaty.\textsuperscript{86} The French Intellectual Property Code allowed for the detention by customs authorities of possibly infringing goods at the French border irrespective of whether the goods were lawfully manufactured in one Member State and intended, following transit through French territory, to be placed on the market in another Member State. The Court recognized that Article 14 of the Design Directive,\textsuperscript{87} as secondary E.C. law, now secondary E.U. law, authorizes Member States to maintain their legislation relating to the protection of designs of spare parts for automobiles. Nonetheless, that possibility existed only to the extent that the national legislation was compatible with the relevant treaty provisions, that is, with primary E.C., now primary E.U., law.\textsuperscript{88} However, the interdiction of the mere transit of unauthorized copies was found not to form part of the “specific subject-matter” of design rights. The Court accordingly disallowed border controls stopping such copies at the border.\textsuperscript{89}

[3]--Communication Right Subject to Fact-Intensive Case Law

As seen above, in the Internal Market, Articles 34 through 36 of the F.E.U. Treaty\textsuperscript{90} assure the freedom of cross-border commerce in goods, while Article 56 of the F.E.U. Treaty\textsuperscript{91} assures the freedom of such commerce in services.\textsuperscript{92} Perhaps fortuitously, this distinction between goods and services seems to mirror the distinction which copyright laws draw between exploitation in material and immaterial forms, for example, between marketing hard copies and communicating works or media productions, for example, via broadcasts, cable, or online. Rather than apply the exhaustion rule rather categorically as it has in cases of hard copies, the Court has varied in its approaches to cases of such communication to the public across borders in the Internal Market.\textsuperscript{93}

\textsuperscript{86} \textit{I.e.}, former E.C. Treaty, Arts. 28 and 30, now replaced by F.E.U. Treaty, Arts. 34 and 36.

\textsuperscript{87} On this directive, see § 4[3][c] infra.

\textsuperscript{88} \textit{I.e.}, former E.C. Treaty, Arts. 28 and 30, now replaced by F.E.U. Treaty, Arts. 34 and 36.


\textsuperscript{90} Corresponding to former E.C. Treaty, Arts. 3(1)(a) and 28-30.

\textsuperscript{91} Corresponding to former E.C. Treaty, Arts. 3(1)(c) and 49.

\textsuperscript{92} See § 2[1][a] supra.

\textsuperscript{93} See, generally, Valentine Korah, \textit{Intellectual Property Rights and the EC Competition Rules}, 13 (Hart Publ., 2006) (“The distinction between mechanical rights,
[a]--Right Exercisable Against Unauthorized Cablecast. In the Coditel I case, the French film Le Boucher had been licensed, on the one hand, to be televised in Germany and, on the other, to Ciné Vog Films to show the film exclusively in theatrical screenings and, forty months after the first screening, in television broadcasts in Belgium. The Belgian cable company Coditel picked up the German broadcast of the film and retransmitted it to its subscribers in Belgium, thus infringing Belgian copyright in the film. Coditel, however, raised the Eurodefense of its freedom to provide services, arguing that Belgian copyright law ought not preclude it from retransmitting a work released into Belgian territory. The court decided that this freedom did not preclude Ciné Vog, as exclusive licensee of the Belgian copyright, from stopping Coditel’s unauthorized retransmission to the Belgian public.  

In its decision, the Court distinguished between the exploitation of a “cinematographic film . . . by performances which may be infinitely repeated” and the exploitation of “literary and artistic works” placed “at the disposal of the public” in “material form . . . , as in the case of books or records.” The Court went on to emphasize that copyright owners have legitimate interests in calculating the fees due for licensing a film based on the actual or probable number of performances it will have; accordingly, they also have an interest in assuring that the “windows” for theatrical screenings and for television broadcasts do not interfere with each other. Thus, according to the Court, “[t]he right of a copyright owner and his assigns to require fees for any showing of a film is part of the essential function of copyright in this type of literary and artistic work,” the exercise of which it declined to restrain. In concluding, the Court emphasized that there had been no "arbitrary discrimination or a disguised restriction on trade between Member States" in this case where licensing of performances is often limited within "geographical limits" that "coincide with national frontiers."

[b]--Right Not Exercisable Upon Authorized Satellite Relay. The Court was confronted with still-more complex facts in the Premier League case. The Football

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95 Id., para. 12.
96 Id., para. 14.
97 Id., paras. 15-17.
98 For issues raised under competition law in this case, see § 3[2][a][iii] infra; for issues under copyright directives, see §§ 4[3][b][i], 5[2][a], and 5[7] infra).
Association Premier League organizes and films football matches, and it claims copyright in works embedded in the matches and related rights in broadcasts of the matches as filmed. It licenses such broadcasts exclusively in territories of E.U. Member States and contractually requires its licensees to prevent them from being viewed outside their respective territories by encryption and by restricting the sale of decoder cards; however, in this case, defendants had bought decoder cards abroad to show broadcasts in the United Kingdom. To start, the Court applied Article 56 of the F.E.U. Treaty assuring the free provision of services, given that such freedom benefits both providers and beneficiaries of services which, under the facts, were found prominent compared to the supply of decoder cards. The Court distinguished the Coditel I case by noting that, here in the Premier League case, the broadcasts into the Member State in question, the United Kingdom, had been authorized. Indeed, it held that freedom of services precluded the Premier League from contractually restricting access to the broadcasts by limiting purchases of decoder cards, even in another Member State.

This holding had to take account of the settled case law that any Eurodefense of freedom of commerce may not preclude the exercise of any intellectual property right exercised within its specific objective or aim. The Court reconstrued such an objective by noting that, as far as copyright is concerned, it is only supposed to assure rightholders of remuneration that is “reasonable in relation to the economic value of the service provided.” In the case at hand, namely broadcasts, the Court reasoned, this criterion translates into the actual or potential number of people who enjoy or wish to enjoy the broadcasts in the language they wish, of which the Premier League and its licensees took account in an auction in the light of decoder cards sold per territory. The Court concluded that premium prices paid to the rightholders resulted from their territorially exclusive agreements which, contrary to the Treaty, partition the Internal Market, leading to more than appropriate remuneration: accordingly, it found that the restriction on using foreign decoder cards was not justified in light of the objective of intellectual property rights. The Court also dismissed other arguments for such restrictions, notably that they were needed to encourage the public to attend matches especially of lower


100 Id., paras. 119-120.

101 Id., paras. 86-89.

102 See § 2[1][c][i] supra.

103 Id., paras. 108-110.

104 Id., paras. 116-117.
divisions and to avoid purchase of decoder cards on false premises or for commercial purposes.

[c]--Other Cases: Public Performances; Rentals; Internet. The distinction between exploitation in material and immaterial forms has been ensconced in directive provisions that codify the exhaustion rule in the field of copyright and related rights as to hard copies, but not to broadcasting, cablecasting, or making a work accessible online. As seen in this section, the Court of Justice has assured freedom of commerce in goods by limiting the exercise of copyright categorically to exhaust distribution rights after the sale of hard copies in the Internal Market, but it has not thus extended this approach to all cases of rights of communication to the public. For example, the Court of Justice did not preclude a collecting society from imposing royalties both for the reproduction of recordings and for playing them publicly in discotheques. Further hard cases have arisen or might arise.

Rentals constitute a hard case, in which hard copies are disposed of for limited periods of time, effectively to allow showings of works or recordings to members of the public. In a case where the rental of certain videotapes had been authorized in the United Kingdom but not outside it, a Danish association of videogram distributors brought suit against the enterprise Laserdisken which, after importing such video disks from the United Kingdom, offered them for rental in Denmark. The Court of Justice decided that E.C. law, now E.U.

105 Id., paras 122-124. Local rules, the court here noted, could serve that purpose.

106 Id., paras. 126-132. These circumstances, the court here noted, have little impact either on the number of paying users or on the risk of commercial use in any given territory.

107 E.g., Article 4(c) of the Software Directive, Article 9(2) of the Rental and Related-Rights Directive, Article 5(c) of the Database Directive, and Article 4(2) of the Information-Society Directive. On these directives, respectively, see §§ 4[2][b], 4[2][c], 4[2][f] and 4[2][g] infra.

108 Article 3(3) of the Information-Society Directive provides: “The rights referred to in paragraphs 1 and 2 shall not be exhausted by any act of communication to the public or making available to the public as set out in this Article.” On this directive, see § 4[2][g][i] infra.


110 Article 1(4) of the Rental and Related-Rights Directive precludes triggering the exhaustion rule upon rentals in the Internal Market. On this point in this directive, see § 4[2][c][i] infra.
law, including the Rental Directive, allowed rightholders to prohibit copies, authorized for rental in one Member State, from being thus offered for rental in another. It reasoned that the commercial release of copies, say, of a motion picture or sound recording, does not in itself legitimate other unauthorized acts of exploitation of the protected work or production, such as rental. Just like the performance right, the rental right may, by its nature, be exploited repeatedly, in potentially unlimited transactions. It would be rendered meaningless if it were exhausted as soon as an embodiment was first offered for rental.\footnote{\hspace{1em}111}{\hspace{1em}111} It remains to be seen how the Coditel, Premier League, and other judgments here canvassed will apply when, on the Internet, works and other productions are exploited in many Member States at once.\footnote{\hspace{1em}112}{\hspace{1em}112} The Commission has already focused on the conditions under which national collecting societies license such cross-border online commerce.\footnote{\hspace{1em}113}{\hspace{1em}113}


\footnote{\hspace{1em}113}{\hspace{1em}113} On Commission measures in this field, see § 3[4][b] infra.
§ 3  E.U. Competition Law

As pointed out above, the E.C. Treaty aimed, and now the F.E.U. Treaty aims, at achieving undistorted competition in the Internal Market. Accordingly, in addition to assuring the free movement of goods and services, E.C. law, now E.U. law, has developed competition rules that, inter alia, have been adapted and applied to contracts and conduct relative to intellectual property. This section will start by surveying these rules, as well as administrative means for enforcing them, and then consider their application in the field of copyright.

[1]--Basic Considerations

E.U. competition law has a double, but interrelated, purpose. On the one hand, its rules are designed to break down national barriers and create an "integrated" Internal Market where conditions of free competition prevail. On the other, over the long term, these rules should encourage the growth of "efficient" firms and sectors of the Internal Market at the expense of those less able to meet the demands of the open marketplace. Where rights of intellectual property are in question, the relevant effects extend to culture and technology.

See § 1[2][b] supra.


This subsection will broach the basic competition rules set out in Articles 101 and 102 of the F.E.U. Treaty,\(^4\) to which "undertakings," for example, firms, joint ventures, and other enterprises, are subject.\(^5\) It will in turn consider how the Commission may apply these rulings both in general categories of cases and in specific cases arising in the Internal Market. Finally, it will indicate how the Commission works with authorities in Member States, the European Economic Area, and internationally.

[a]--Article 101 of the F.E.U. Treaty. Article 101 of the F.E.U. Treaty,\(^6\) in its first and second paragraphs, provides as follows:

"1. The following shall be prohibited as incompatible with the internal market: all agreements between undertakings,\(^7\) decisions by associations of undertakings and concerted practices\(^8\) which may affect trade between Member States and which have

\(^4\) Corresponding to former E.C. Treaty, Arts. 81 and 82. See also F.E.U. Treaty, Art. 3(1)(b) (providing that "[t]he Union shall have exclusive competence in . . . the establishing of the competition rules necessary for the functioning of the internal market").


\(^6\) Corresponding to former E.C. Treaty, Art. 81.

\(^7\) See, generally, Judgment of 6 Jan. 2004, Case C-2/01 P, Commission v. Bayer, [2004] E.C.R. I-23, affirming Court of First Instance, Judgment of 26 Oct. 2000, Case T-41/96, Bayer v. Commission, [2000] E.C.R. II-3383 (distilling case law regarding the sense of an “agreement” which arises whenever the market behavior of two or more undertakings conforms to a joint intention, without any necessarily binding contract, or where a measure of one is shown to have received the tacit acquiescence of the others); Judgment of 11 July 2006, Case P-74/04, Commission v. Volkswagen, [2006] E.C.R. I-6585 (clarifying further the notion of "agreement" in the presence of seemingly "unilateral" measures by a supplier).

\(^8\) See, generally, Judgment of 7 Jan. 2004, Joined Cases C-204/00 P, C-205/00 P, C-211/00 P, C-213/00 P, C-217 P, C-219 P, [2004] E.C.R. I-123, affirming Court of First Instance, Judgment of 15 March 2000, Joined Cases T-25, 26, 30-32, 34-39, 42-46, 48, 50-56, 68-71, 87, 88, 103, 104-105, Cement cartel cases, [2000] E.C.R. II-0491 (resuming the case law on point: a concerted practice is supposed to involve reciprocal contracts between competitors, notably where the disclosure by a competitor to another of future intentions or conduct on the market has been sought or, at least, accepted by the other competitor).
as their object or effect the prevention, restriction\(^9\) or distortion of competition within the internal market, and in particular those which:

“(a) directly or indirectly fix purchase or selling prices or any other trading conditions;
“(b) limit or control production, markets, technical development, or investment;
“(c) share markets or sources of supply;
“(d) apply dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;
“(e) make the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.”

“2. Any agreements or decisions prohibited pursuant to this Article shall be automatically void.”\(^10\)

The third paragraph of Article 101\(^11\) then limits the scope of its first paragraph by clarifying that its provisions may be “declared inapplicable in” the following categories of cases:\(^12\)

“-- any agreement or category of agreements between undertakings,
“-- any decision or category of decisions by associations of undertakings,
“-- any concerted practice or category of concerted practices, which contributes to improving the production or distribution of goods or to promoting technical or


\(^10\) See, generally, Council Regulation (EC) 1/2003 of 16 December 2002 on the implementation of the rules on competition laid down in Articles 81 and 82 of the Treaty, Art. 1, O.J. 2003 No. L 1 (providing, in its first paragraph, that “[a]greements, decisions and concerted practices caught by Article 81(1) of the Treaty [now Article 101(1) of the F.E.U. Treaty] which do not satisfy the conditions of Article 81(3) of the Treaty [now Article 101(3) of the F.E.U. Treaty] shall be prohibited, no prior decision to that effect being required” and, in its second paragraph, that “[a]greements, decisions and concerted practices caught by Article 81(1) of the Treaty [now Article 101(1) of the F.E.U. Treaty] which satisfy the conditions of Article 81(3) of the Treaty [now Article 101(3) of the F.E.U. Treaty] shall not be prohibited, no prior decision to that effect being required”) (discussed further in § 3[1][c][iii] infra).

\(^11\) Corresponding to former E.C. Treaty, Art. 81.

\(^12\) See Commission, Guidelines on the application of Article 81(3) [now Article 101(3) of the F.E.U. Treaty], O.J. 2004 No. C 101.
economic progress, while allowing consumers a fair share of the resulting benefit, and which does not:
“(a) impose on the undertakings concerned restrictions which are not indispensable to the attainment of these objectives;
“(b) afford such undertakings the possibility of eliminating competition in respect of a substantial part of the products in question.”

[b]-Article 102 of the F.E.U. Treaty. Article 102 of the F.E.U. Treaty\(^\text{13}\) prohibits “[a]ny abuse by one or more undertakings of a dominant position within the internal market or in a substantial part of it shall be prohibited as incompatible with the internal market in so far as it may affect trade between Member States.” It then states that "[s]uch abuse may, in particular, consist in" the following:

“(a) directly or indirectly imposing unfair purchase or selling prices or other unfair trading conditions;
“(b) limiting production, markets or technical development to the prejudice of consumers;
“(c) applying dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;
“(d) making the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.”

According to the Court of Justice, "dominance," for the purposes of this provision relates to "a position of economic strength enjoyed by an undertaking which enables it to prevent effective competition being maintained on the relevant market by affording it the power to behave to an appreciable extent independently of its competitors, customers and ultimately of its consumers."\(^\text{14}\) This definition contains two essential elements: on the one hand, the ability to prevent competition; on the other, the ability to behave independently. As regards the notion of "relevant market," it should be noted that the Commission, as a general rule, bases its analysis on the substitutability of demand: in other words, the relevant market is made up of those products or services which the consumer considers mutually interchangeable in a given area, in particular as regards use and price. Supply-side substitutability may also be taken into account when defining markets in situations where its impact is equivalent to that of demand substitution in terms of effectiveness and immediacy.\(^\text{15}\)

\(^{13}\) Corresponding to former E.C. Treaty, Art. 82.


"Abuse" covers direct and indirect control. Direct control may take place through unfair conduct, for example, where a dominant firm has taken advantage of its market power to exploit those with whom it deals or has dealt. Indirect control may take place through the prohibition of anticompetitive conduct by firms already dominant, and such conduct may make further exploitation possible in the long term.\(^{16}\) The Court of Justice has repeatedly held that the concept of abuse is an objective one: behavior can be abusive even where the dominant undertaking had no intention of infringing the pertinent provisions or of harming the market structure.\(^{17}\)

**[c]--Commission Regulation and Enforcement.** The Commission is responsible for applying Articles 101 and 102 of the F.E.U. Treaty\(^ {18}\) on a E.U.-wide basis.\(^ {19}\) Most notably, with regard to E.U. competition rules, the Commission may grant exemptions, investigate *ex officio* or on complaints, and reach decisions and grant relief.\(^ {20}\)

**[i]--Rule-Making; Guidance.** The Commission has been empowered, since 1962,\(^ {21}\) to exempt *agreements in individual cases* from the application of the first paragraph of Article 81 of the former E.C. Treaty, now Article 101 of the F.E.U. Treaty. Furthermore, subsequent Council Regulations\(^ {22}\) also empower the Commission to declare, in its own


\(^{18}\) Corresponding to former E.C. Treaty, Arts. 81 and 82.

\(^{19}\) As indicated above, private parties may invoke, before judicial instances of the Union and of Member States, Articles 101 and 102 of the F.E.U. Treaty [Articles 81 and 82 of the former E.C. Treaty] as "directly applicable" provisions that confer rights and duties on them. *See* § 1[2][c] *supra*.

\(^{20}\) As indicated below, however, the jurisdiction of the Commission is not fully exclusive, since authorities of the Member States have some, but not all, of its powers on national levels. *See* § 3[1][c][iv] *infra*.


\(^{22}\) For an itemization of critical Council regulations in this regard, see Article 29(1) of Council Regulation (EC) 1/2003 of 16 December 2002 on the implementation of the rules on competition laid down in Articles 81 and 82 of the Treaty, O.J. 2003 No. L 1 (discussed further in § 3[1][c][iii] *infra*).
Regulations, that this paragraph need not apply to certain categories of agreements meeting the criteria of the third paragraph which follows it.\footnote{23}

In addition, the Commission issues communications, notices, and guidelines that, unlike regulations, do not set out legislation as such: notably, they do not set out binding rules. These non-regulatory documents may take different forms and pursue different objectives that, in practice, are not easily distinguishable and often overlap.\footnote{24} These documents may also summarize how the Commission understands judicial decisions interpreting competition law. Often given deference by judicial instances, these non-regulatory documents may vary in their legal effects.\footnote{25}

\textbf{[ii]--Methodology: Block Exemptions.} The Commission has developed a methodology for exempting, \textit{en bloc}, types of agreements from its enforcement of competition rules. This chapter can only broach the types of criteria which the Commission typically uses in such rule-making, without setting out all the complexity of the rules themselves.\footnote{26} Most notably, the scope of the Commission exemptions often turns both on criteria of permissible market shares and on criteria of impermissible contractual language.

In 2001, the Commission revised its \textit{de minimis} Notice, which indicates cases of lesser importance, typically of “[s]mall and medium-sized undertakings,” in which the Commission may not “institute proceedings.”\footnote{27} Reflecting an economic approach, the revised Notice sets out \textit{de minimis} thresholds of market shares below which, absent so-called hardcore restrictions, it need not exercise oversight. Where the aggregate market share is held by actually or potentially competing parties to an agreement, the threshold is 10\% of the relevant market or, for non-competing parties, 15\% of such a market. Where networks of agreements produce any cumulative anticompetitive effect, lower thresholds apply; in any event,

\begin{itemize}
\item For these criteria, see § 3[1][a] \textit{in fine supra}. \footnote{23}
\item An updated survey of these documents can be found at http://ec.europa.eu/competition/antitrust/legislation/legislation.html. \footnote{24}
\item For further analysis, see B. Smulders, "Institutional Aspects of European Commission Guidance in the Area of Antitrust Law," [2009] Competition Policy International 6. \footnote{25}
\item See also § 3[2][b] \textit{infra} (indicating commentary with regard to the Technology Transfer Block Exception Regulation, which concerns the licensing of intellectual property). \footnote{26}
\item Commission Notice on agreements of minor importance which do not appreciably restrict competition under Article 81(1) of the Treaty establishing the European Community, O.J. 2001 No. C 368. \footnote{27}
\end{itemize}
adjustments may be made in the light of the passage of time. However, if an agreement contains any one of a list of hardcore restrictions, notably those concerning horizontal and vertical agreements, it may be subject to Commission enforcement.

This same methodology is used in other Commission instruments. The following examples illustrate the types of criteria with potential relevance to copyright cases:

+ Vertical agreements and concerted practices are exempted between two or more undertakings that take up to a 30% share of the relevant market, subject to limited conditions and to the absence of hardcore restrictions of specified types within contractual terms.

+ Block exemptions may apply: for example, the Technology Transfer Block Exemption Regulation, coupled with accompanying guidelines, creates safe harbors for the licensing of know-how, software copyright, and patents.

+ Guidelines and other non-regulatory documents complete such regulations as are pertinent to licensing intellectual property as well as to research and development.

[iii]-Procedure: Investigations; Decisions; Remedies. On December 16, 2002, the Council of Ministers adopted the Regulation on the implementation of the rules on competition. This Modernization or Enforcement Regulation reduced the administrative burden on the Commission by simplifying and decentralizing the enforcement of competition rules. This Enforcement Regulation is intended to enable the Commission to refocus its activities on serious infringements within the Internal Market and to allocate some

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28 Id., Arts. 7-9.

29 Id., Art. 11.


32 See § 3[1][c][i] supra.

enforcement functions to Member States’ competition authorities. Only the high points of current procedure can be touched upon.

**Initiating proceedings:** The Commission retains the power to commence proceedings to enforce E.U. competition rules, whether acting on its own initiative or on complaints by Member States or by private parties with legitimate interests at stake. It may also withdraw a case from a national competition authority of a Member State, for example, where it disagrees with the authority's decisions or methods of implementation.

**Investigative powers:** The Commission has broad investigative powers. Given specified economic trends, it may conduct inquiry into economic sectors or into particular agreements across such sectors, requiring pertinent information of interested parties who may be subject to penalties for failure to comply. The Commission may conduct searches on business premises and even into the private homes of managers, directors, and employees, but these searches may be subject to judicial oversight.

**Decisions and appeals:** In individual cases before it, the Commission acts by issuing Decisions, from which parties individually affected may appeal to the General Court by virtue of Article 263 of the F.E.U. Treaty. A further appeal can be had to the Court of Justice on points of law only, and the Court may also give rulings when proceedings are started in national courts that, at their discretion, may request the Court of Justice for a

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34 On the decentralization of enforcement functions to Member-State authorities, see § 3[1][c][iv] *infra.*


36 *See* Enforcement Regulation, Art. 7.

37 *See id.,* Art. 11(6).

38 *See id.,* Arts. 17-18.

39 *See id.,* Arts. 20-21.

40 Previously, the Court of First Instance.

41 Corresponding to former E.C. Treaty, Art. 230.
ruling under Article 267 of the F.E.U. Treaty. Thus a binding interpretation of the F.E.U. Treaty or regulations may be obtained in the case at bar.

Interim and final relief: The Commission has the power to fashion interim and final relief for infringements of E.U. competition rules. In a case where serious and irreparable damage to competition is threatened, the Commission may, on the basis of a prima facie finding of infringement, impose interim measures for a specified period of time. Ultimately, the Commission may order the termination of infringements, either through relief compelling changes of behavior or the restructuring of undertakings, although behavioral remedies are favored over structural remedies where they can achieve equivalent effects without imposing greater burdens on the parties. The Commission continues to have the power to impose fines and periodic penalties on parties who violate competition rules. It has published notices specifying the conditions under which such sanctions may be avoided or attenuated.

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42 Corresponding to former E.C. Treaty, Art. 234.


44 See Enforcement Regulation, Art. 8. See, e.g., § 3[2][c][iii] infra (discussing the I.M.S. case, in which an interim order, ultimately withdrawn, was made to compel licensing).

45 See Enforcement Regulation, Art. 7.

46 See id., Arts. 23 and 24. See, e.g., § 3[2][c][iv] infra (discussing the Microsoft case, in which significant fines and penalties were imposed). See also Commission Green Paper, Damages actions for breach of Articles 81 and 82 EC, 19 Dec. 2005, COM(2005) 672, at http://ec.europa.eu/comm/competition/antitrust/actionsdamages/documents.html (identifying the principal obstacles to a more effective system of damage claims and to set out different options to facilitate such claims for breaches of E.C., now E.U., antitrust law).

47 See, e.g., E.C. Commission, Leniency Notice, O.J. 2006 No. C 298 (seeking to encourage cartel participants to cooperate with the Commission by disclosing information regarding illegal agreements as soon as possible in order to obtain a reduction in their likely fines).

48 See § 3[1][d][iii] supra.
competition rules *ex post* in most cases. The fact that national courts and authorities may apply Article 101 of the F.E.U. Treaty should accelerate the convergence of national laws and E.U. law on point and thus simplify the task of enterprises in determining commercial strategy.

The European Community, now the Union, and the United States concluded two agreements in relation to their respective competition laws: one in 1991, the so-called Co-operation Agreement, as amended in 1995; and another in 1998, the so-called Positive Comity Agreement. The agreements provide for the exchange of information between the respective competition authorities, the notification to the other party of the cases handled by each competition authority, and rules on negative and positive comity. In cases of negative comity, when one of the parties is adversely affected by anticompetitive activities impermissible in the territory of the other, the party adversely affected may request the other’s competition authority to take action.

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Corresponding to former E.C. Treaty, Art. 81.

See Enforcement Regulation, Art. 3 (rules governing the interface between Articles 101 and 102 of the F.E.U. Treaty [Articles 81 and 82 of the former E.C. Treaty], on the one hand, and national competition laws, on the other).

O.J. 1995 No. L 95.


For an overview of the implementation of both agreements, see Commission, Thirtieth Report on Competition Policy (2000), pp. 291-297.

On the E.E.A. Agreement generally, see § 1[1][b][iii] *supra*.

Corresponding to former E.C. Treaty, Arts. 81 and 82.
language of these provisions, with changes merely applying that language to "trade between Contracting Parties" and competition "within the territory covered by this Agreement."  

Thus equivalent competition rules apply across the territories of the E.U. Member States and of the EFTA States party to the E.E.A. Agreement, resulting in a significant strengthening of the competition rules applicable in those EFTA states. The E.E.A. Agreement effectively extends the application of the E.U. competition rules to all agreements and practices that affect cross-border trade anywhere within the territory of the countries which make up the European Economic Area. Indeed, the relevant provisions of the E.E.A. Agreement contain rules which mirror, almost word for word, the provisions of E.U. law.  

To assist in the implementation and enforcement of the E.E.A. rules, a competition authority has been established by the EFTA States: the EFTA Surveillance Authority. Complex rules in the E.E.A. Agreement allocate jurisdiction between the Commission and the EFTA Surveillance Authority, and they generally reserve the jurisdiction that the Commission exercises under E.U. competition rules. The EFTA Surveillance Authority is responsible when there is an effect on trade only between EFTA states; other cases are allocated between the two authorities on the basis of a turnover test set out in the Agreement. The EFTA Surveillance Authority and the Commission are to have powers and functions equivalent to those which the Commission has for the application and enforcement of the E.U. competition rules. The Agreement provides for consultation and cooperation between the two authorities on levels ranging from general policy matters to specific cases.  

[2]--Articles 101 and 102 Applied  

Articles 81 and 82 of the E.C. Treaty, now Articles 101 and 102 of the F.E.U. Treaty, were initially applied to agreements and practices concerning rights of intellectual property in distinct types of cases. On the one hand, the Court of Justice applied the first paragraph of Article 81 of the former E.C. Treaty, now Article 101 of the F.E.U. Treaty, to anticompetitive agreements and concerted practices concerning such rights. On the other,  

57 For the relevant provisions, see § 3[1][b] supra.  


59 On these powers and functions, see § 3[1][c] supra.  

60 For the relevant provisions, see § 3[1][a] supra.  

61 See, e.g., Judgment of 13 July 1966, Joined Cases 56/64 and 58/64, Consten and Grundig v. Commission, [1966] E.C.R. 299 (holding that that the exercise of rights of intellectual property may violate Article 81(1) [now Article 101(1) of the F.E.U. Treaty] if they are the object, the means, or the result of a cartel).
Article 82 of the former E.C. Treaty, now Article 102 of the F.E.U. Treaty,\(^{62}\) has been applied to abuses of dominant positions tending to obstruct trade, notably to refusals to license rights.\(^{63}\) As already indicated, the Commission investigates such cases and exempts some agreements.\(^{64}\)

**[a]--Exclusive Licensing.** Is the owner of an intellectual property right, such as copyright, or his authorized licensee, particularly an exclusive one, in a given national or otherwise delimited territory of the Internal Market, entitled to bring an infringement action against direct imports of another licensee from another territory, especially another Member State, on the ground that the importer had been granted only a territorially limited permission to exploit the relevant right?

In this context, there exists a close connection between the application of Articles 34 and 35 of the F.E.U. Treaty,\(^{65}\) on the one hand, and Article 101 of the F.E.U. Treaty,\(^{66}\) on the other.\(^{67}\) A contractual prohibition against exports in a licensing agreement in favor of the owner of the right or other authorized licensees might be considered as no more than a reflection of the legal powers they enjoy anyway. Further, the license may be viewed, notwithstanding such an export ban, as opening competition in any event. The Court of Justice has shed light on this question in several important cases.

**[i]--The Maize Seed Case.** The first case on point concerned the licensing of a plant-breeder's right. The Court of Justice there held that, under certain circumstances, an exclusive license of a plant-breeder's right would not come under the scope of the first paragraph of Article 81 of the former E.C. Treaty, now Article 101 of the F.E.U. Treaty, as a prohibited restrictive agreement, this to the extent that it could be regarded as an "open" exclusive license. The court considered an open exclusive license as one which merely involved an obligation on the part of the licensor not to compete himself on the licensed territory and not to grant additional licenses for that territory.\(^{68}\)

\(^{62}\) For the relevant provisions, see § 3[1][b] *supra*.

\(^{63}\) For examples, see § 3[2][b] *infra*.

\(^{64}\) *See* § 3[1][c] *supra*.

\(^{65}\) Corresponding to former E.C. Treaty, Arts. 28 and 29.

\(^{66}\) Corresponding to former E.C. Treaty, Art. 81.

\(^{67}\) *See* § 2[1][b][ii] *supra*.

By parity of reasoning, if the license at issue combined exclusivity with absolute territorial protection, that is, if it precluded other competition by parallel importers or by licensees for other territories, it would be a "closed" exclusive license and would fall under the first paragraph of Article 81 of the former E.C. Treaty, now Article 101 of the F.E.U. Treaty. Accordingly, it can be argued that this provision does not leave all open exclusive licenses untouched, but only those for products fulfilling three criteria: products (1) with special characteristics, (2) considerable research and development costs, and (3) which are new on the market in question and unfamiliar to consumers.

[ii]--The Coditel II case. The judgment of the Court in the Coditel II case also dealt with the question of exclusive licenses, this time with copyright licenses. The Supreme Court of Belgium applied to the Court of Justice for a ruling on the question whether the exclusive license granted to Ciné Vog violated the first paragraph of Article 81 of the former E.C. Treaty, now Article 101 of the F.E.U. Treaty. The Court replied that, given the characteristics of the cinematographic industry and its market in the Community, now the Union, this provision need not have the effect of prohibiting an agreement whereby the owner of copyright in a film grants an exclusive right to exhibit that film for a specific period in the territory of a Member State.\(^{69}\)

As to further cases, however, the Court reserved the following question: Is the exclusive right conferred by the contract, under the economic or legal circumstances at issue, so exercised as to have the object or effect of preventing or restricting the distribution of films or to distort competition on the cinematographic market, all due regard being paid to the specific characteristics of that market? The Court indicated three criteria, which must be examined before finding such exercise to be in conflict with Article 81 of the former E.C. Treaty, now Article 101 of the F.E.U. Treaty:\(^{70}\)

+ whether the exercise of the exclusive right to exhibit a cinematographic film creates barriers which are artificial and unjustifiable in view of the needs of the cinematographic industry;
+ whether there is a possibility of charging fees which exceed a fair return on investment;
+ whether, in general, such exercise within a given geographic area is such as to prevent, restrict, or distort competition within the Internal Market.


[iii]--The State of the Law. Both the *Maize Seed* and *Coditel II* cases therefore suggest that there are circumstances in which the grant of an exclusive license for a specific territory may conflict with Article 101 of the F.E.U. Treaty.\(^71\) The issue has been considered with regard to diverse factors that have included, *inter alia*, the degree of territorial exclusivity imposed and the circumstances arguably justifying such exclusivity, such as the needs to offset considerable investment costs and to persuade the licensee to take the license.

The issue was raised in the *Premier League* case.\(^72\) The national court asked the Court of Justice whether competition was unduly restricted by a clause in an exclusive license which obligated broadcasters to preclude the supply of decoder cards to access encrypted broadcasts of football matches, as well as works embedded in these matches, outside the territory covered by the license agreement. While upholding the *Coditel II* decision, the Court returned to its other case law; according to that case law, agreements which tend to reinstate divisions between national markets must in principle be regarded as having the object of restricting competition. The license in the case granted absolute territorial exclusivity to each broadcaster in its respective territory, thus suppressing competition between them in the Internal Market. Absent circumstances justifying such a restriction on competition, the Court concluded that Article 101(1) of the F.E.U. Treaty precluded it within the licenses at issue.\(^73\)

Restrictions on exclusively licensing media productions for a specific area were loosened in the *Ladbroke* case. In this case, the license had authorized showing films of French horse races in Austria and in the then pre-reunified Federal Republic Germany. The Commission decided that the first paragraph of Article 81 of the former E.C. Treaty, now Article 101 of the F.E.U. Treaty, would not allow an exclusive license to be thus limited to part of a given territory.\(^74\) Nevertheless, referring to *Coditel II*, the Court of First Instance confirmed that this provision may still allow such an exclusive license of performing rights, even though it was limited territorially to part of one Member State and even if the effects of the limitation are appreciable. It therefore annulled the Commission Decision on the ground that, following

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\(^71\) Corresponding to former E.C. Treaty, Art. 81.


\(^73\) *Id.*, paras. 134-146.

the complaint, the Commission had failed to inquire into whether the ten French associations organizing the horse-races had agreed to refuse a license to one of their competitors.\textsuperscript{75}

Building on \textit{Coditel II} and a number of other precedents, in 1998 the Commission published a document outlining its general policy with regard to competition law and broadcasting sports events.\textsuperscript{76} While the Commission acknowledged that exclusivity is an accepted commercial practice in the broadcasting sector, it also pointed out that each case must be examined according to its individual circumstances. A balance must be struck between the detrimental effect on competition which may arise as a result of a prolonged and extensive arrangement to exclude competing broadcasters and the possible inefficiencies occasioned by frequent variations in the broadcasting arrangements for an event or series of events.\textsuperscript{77}

\textbf{[b]--Anticompetitive Clauses; Block Exemptions.} As explained above, the Commission may exempt agreements, including licenses of intellectual property, if the parties and the contractual language in question meet certain criteria.\textsuperscript{78}

 Nonetheless, Commission rulings on point are subject to judicial review. For example, the Court of First Instance, now the General Court, refused to accept the Commission's view that agreements merely aimed at restricting parallel trade automatically violated the first paragraph of Article 81 of the former E.C. Treaty, now Article 101 of the F.E.U. Treaty. At issue was the differentiation of prices of pharmaceutical products that Spanish wholesalers were charged, depending on whether a product was consumed in Spain or abroad. The Court agreed with the Commission that this scheme could have anticompetitive effects on consumer welfare; however, it found that the Commission had not sufficiently considered whether the dual price scheme might have contributed to innovation in the pharmaceutical sector.\textsuperscript{79}

\begin{itemize}
\item \textsuperscript{75} Court of First Instance, Judgment of 12 June 1997, Case T-504/93, Tiercé Ladbroke v. Commission, [1997] E.C.R. II-923 (also discussed at § 3[2][c][ii] infra).
\item \textsuperscript{78} See § 3[1][c] supra.
\end{itemize}
appeal, the Court of Justice upheld the this ruling, obligating the Commission to reconsider whether Glaxo’s general sales conditions in Spain may be exempted.

Most notably, the Commission has set out block exemptions for technology-transfer agreements. This chapter cannot treat the complexities of the resulting Technology Transfer Block Exemption Regulation. Generally speaking, this regulation provides for a regulatory safe harbor: if agreements conform to its criteria, they need not undergo Commission enforcement under E.U. competition rules. It cumulatively applies the typical criteria of such instruments: market-share thresholds and hard-core restrictions. Enterprises may not be caught by its terms when their market-share threshold is below 20% of the relevant technology and product market if the parties are competitors, and below 30% if they are not. However, even then, agreements may not be exempted if they include hardcore restrictions such as price fixing, output limitations, market and customer allocations, and resale-price maintenance.

The Commission has also adopted guidelines setting out the principles for the individual assessment of licensing agreements falling outside the safe harbors of the Technology Transfer Block Exemption Regulation, for example, copyright licenses. Upon Commission review, for example, leading suppliers of videogame consoles redrafted their license

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83 On this methodology, see § 3[1][c][ii] supra.

agreements with independent software companies that develop and publish videogames compatible with their consoles.  

Another case based on a breach of Article 81 of the former E.C. Treaty, now 101 of the F.E.U. Treaty, is the Apple iTunes case. Vertical distribution agreements between Apple and record producers contained territorial restrictions that could limit consumers to buying music downloads from the iTunes online store in their respective countries of residence. Such restrictions might preclude consumers from accessing music not locally available, from benefiting from lower prices abroad, or even from buying music online where iTunes did not have a store. The Commission accordingly sent a Statement of Objections to Apple and to a number of major record producers. However, the Commission closed the case following Apple's unilateral announcement to equalize prices for downloads from its iTunes online stores throughout the European Union. The Commission saw no need to scrutinize Apple’s proprietary digital-rights-management system for interoperability issues.

[c]--Refusals to License; Tying. Article 102 of the F.E.U. Treaty prohibits abuses of dominant positions tending to obstruct trade within the Internal Market. A party already in a dominant position in a given market might attempt to corner that market further by diverse licensing practices, for example, the refusal to license copyrights or related rights. The Court of Justice has considered outright refusals to license copyright or related rights on reasonable terms in a number of cases, albeit with mixed results that are outlined in this


88 Corresponding to former E.C. Treaty, Art. 82.

89 For the relevant provisions, see § 3[1][b] supra.

subsection.\textsuperscript{91} In one significant case, tying the sale of one copyright-protected product with another also called for relief, as discussed below.\textsuperscript{92}

[i]--\textit{Industrial Designs}. In its \textit{Volvo} Judgment, the Court of Justice spelled out the criteria for permissible refusals to license design rights. It observed that the prerogative of preventing third parties from manufacturing or marketing products incorporating a design constitutes the core of any design right that national law may legitimately grant. Accordingly, compelling the right-owner to grant a license to third parties, even in return for a royalty, would deprive the owner of the substance of that exclusive right, and therefore refusal to grant such a license cannot in itself constitute an abuse of a dominant position.\textsuperscript{93}

However, under Article 82 of the former E.C. Treaty, now Article 102 of the F.E.U. Treaty, the exercise of such a right may constitute abusive conduct. The Court cited as examples of such abusive conduct any arbitrary refusal to supply spare parts, the fixing of prices for spare parts at unfair levels, or decisions to stop producing spare parts for cars which are still in circulation. The Swedish car manufacturer Volvo should therefore have the right to refuse licenses to independent producers wishing to supply parts to which Volvo holds the registered designs, as long as Volvo does not abuse this prerogative.\textsuperscript{94}

[ii]--\textit{The Magill Case and Progeny}. In a somewhat tortured history, the case law has addressed the question: When might a refusal to license data abuse a dominant position that is reinforced by copyright or related rights?\textsuperscript{95} The \textit{Magill} case set an initial, and

\textsuperscript{91} For other analyses, see D.A. Latham and F. Geissmar (eds.), "Should competition law be used to compel the grant by owners of intellectual property rights of licences in respect of their creations?," Report, International League of Competition Law, [1995] International Review of Competition Law 7; F. Fine, \textit{The EC Competition Law on Technology Licensing} (Sweet & Maxwell, 2006).

\textsuperscript{92} See § 3[2][c][iv] \textit{supra}.


stringent, precedent concerning such refusals to license data: the Court of Justice confirmed that holders of copyrights in listings of television programs abused dominant market positions in refusing to license the publication of this data. 96 It seemed that this case turned on the risk that such a refusal might exclude a party offering a new service from the relevant market. Subsequent holdings have set the stage for more complex criteria.

The Magill history bears retelling in some detail. The telecasters B.B.C., R.T.E., and I.T.P. respectively published their own weekly guides to programs on their own television channels in the United Kingdom and Ireland. Magill, an Irish company, tried to publish a comprehensive weekly T.V. guide, but all these other companies refused to grant any license to publish their listings in that format. Indeed, the companies sued for copyright infringement to restrain Magill from publishing the listings at issue. The Commission found that, by refusing to license their listings, these companies had, under Article 82 of the former E.C. Treaty, now Article 102 of the F.E.U. Treaty, abused their dominant positions in the markets for their weekly television program listings. 97 It required them to supply other parties, upon request, with advance program listings and to license the publication of these listings, all on a non-discriminatory basis, for reasonable royalties, and on terms necessary to assure comprehensive weekly T.V. guides to programs receivable in Ireland and Northern Ireland.

The Court of First Instance upheld this Commission decision on the basis that the B.B.C., R.T.E., and I.T.P. were in positions to, and did, hinder the emergence of any effective competition in the market for information on television programs. 98 The Court of Justice rejected R.T.E.'s and I.T.P.'s appeals in the Magill case. 99 Its rulings may be analyzed in terms of the following issues of dominant position and of abuse, respectively:


It found that basic data—the channel, day, time, and title of programs—necessarily results from programming by broadcasters. These organizations are thus the only source of such information for an enterprise like Magill, which wishes to publish it together with commentaries or pictures. Enjoying a de facto monopoly, the broadcasters are in a position to stifle competition in the market in comprehensive weekly T.V. guides.

The Court then held that the broadcasting organizations' refusal to provide basic information, coupled with its enforcement of national copyright laws to preclude use of that information in other publications, prevented the appearance of a new product, a comprehensive weekly T.V. guide, which they did not offer and for which there was potential consumer demand. In effect, they reserved to themselves a secondary market by excluding all competition on that market, thus abusing their dominant position.

Evidently, the Court premised a low threshold at which consumers might be prejudiced when enterprises in a dominant position try to prevent the appearance of new products by invoking their copyrights. The conflict might become acute where copyright is asserted in functional products or texts: for example, if copyright protected code constituting a computer interface, then it could be invoked to prevent competitors from developing compatible products. Furthermore, this case dealt with a copyright in listings of television programs, but copyright law in most Member States was, at the time, not likely to protect mere listings. Thus the facts, as well as the copyright asserted, in the Magill case are so unusual that this precedent called out for clarification in future litigation, notably with regard to other types of intellectual property.

Subsequent decisions have retrenched on the Magill analysis. 100 In the Ladbroke case, the Court of First Instance held that, where a market is national and rightholders are not operating in that market, a refusal to provide a license to a competitor there is not discriminatory since the refusal would not reduce competition even if the rightholders were dominant. The Court of First Instance reasoned, first, that the refusal to provide the license did not prevent the supply of a new product for which there was a demand and, second, that the availability of the license was not "essential" to the competitor's services. 101 By contrast, in the ITT Promedia case, the Belgian subsidiary of a U.S. firm, I.T.T. World Directories, accused Belgacom, the Belgian telecommunications service, of imposing abusive prices for


access to listing data for telephone directories. The Commission considered that, since
directory publishers were dependent on telephone services, access to the data should be
allowed at a non-discriminatory price calculated on the basis of the data service’s own costs
of compiling the data.\footnote{See Commission, Twenty-seventh Report on Competition Policy (1997), p. 67. The
Court of First Instance upheld the Commission in rejecting ITT Promedia’s complaint that
Belgacom had abusively sued it for restitution of the data under the parties' contracts, since
Belgacom could legitimately assert rights to that effect under Belgian law: Judgment of 17
analysis, see S. Preece, “ITT Promedia v. E.C. Commission: establishing an abuse of preda
tory litigation,” [1999] E.C.L.R. 118.}

\[iii\]--The I.M.S. Health Case. I.M.S. Health, in cooperation with a working
group composed of representatives of the pharmaceutical industry, developed a so-called
brick-structure database concerning German regional markets in pharmaceutical products.
Though enjoying a 90% share of the relevant pharmaceutical markets, I.M.S. refused to
license access to this brick-structure database to competing providers of regional
pharmaceutical sales-data services, in particular, to N.D.C. However, it allowed free use of
the structure by providers of other services to the pharmaceutical industry and by
pharmaceutical enterprises themselves, so that the structure became a common standard in
the sector. I.M.S. asserted copyright in the structure.

In response to N.D.C.’s complaint, the Commission ordered I.M.S., on an interim basis,
to license the structure to its competitors. The Commission reasoned that the structure was a
standard indispensable for participation in the German markets and that it was, \textit{prima facie},
an abuse of a dominant position for I.M.S. to refuse access to the structure without any
contribution of the industry working group to the development of the standard, on the high
costs of switching to another standard, on the loss of interoperability with related services,
and on the wide scope of German copyright, notably of the right to control using derivative
works. For diverse reasons, this decision was withdrawn; nonetheless, in simultaneous national proceedings brought by I.M.S. against N.D.C. for breach of its copyright in the brick structure, the Frankfurt Court of Appeal asked the Court of Justice for a preliminary ruling.

In its Magill judgment, the Court had disallowed a refusal to license copyright which threatened to stop the use of materials indispensable for the exercise of a derivative economic activity. Recalling this case law, the Court stated that such a refusal constitutes an abuse if three conditions are satisfied: (1) the refusal prevents the appearance of a new product or service for which there is a potential demand; (2) the refusal excludes all competition in some related market; and (3) no objective justification exists for the refusal. The Court clarified that the first condition, requiring a new product or service, arises from the necessary balancing of intellectual property rights and consumer interests, so that the refusal to license will only be abusive where the enterprise seeking a license does not intend to confine itself to reproducing products or services already offered on the derivative market by the rightholder.

104 See Court of First Instance, Order of the President of 26 Oct. 2001, Case T-184/01 R, [2001] E.C.R. II-3193, confirmed, Court of Justice, Order of the President of 11 April 2002, [2002] GRUR Int. 852 (suspending the Commission orders); Commission, Decision of 13 Aug. 2003, O.J. 2003 No. L 268 (withdrawing the orders because one competitor had disappeared from the market and N.D.C. was no longer in imminent danger of exiting the market, probably due to an intervening German court judgment which, as indicated in the following footnote, narrowed the scope of protection of the brick structure); Court of First Instance, Order of 10 March 2005, O.J. 2005 No. C 155 (ruling that there was no need to render a judgment in Case T-184/01 any more).


The Court also relied on its *Bronner* Judgment to explain, in relation to the second condition, that it is necessary to identify an upstream market for the indispensable materials, access to which is refused, and a derivative downstream market, which may be a mere potential market for the new product or service.\(^\text{108}\)

This landmark case seems to clarify, at least, the following points:

+ For a refusal to license to be abusive, it must result in some form of harm to consumers, for example, an unsatisfied demand for a new product or service in the same or related market as that in which the copyright owner is operating. It remains unclear how differentiated the new product must be from the copyright owner’s product or service.

+ For a refusal to license to be disallowed, there must be an absence of competition on the market in which the copyright owner is operating, which will be rectified by the imposition of a non-voluntary license.

+ The copyright owner will be entitled to remuneration for the grant of such a license.

\[\text{[iv]}\]--The Microsoft Case. The Commission has conducted its inquiries into various Microsoft practices for over a decade.\(^\text{109}\) In a breakthrough antitrust decision in 2004, the Commission issued complex findings and holdings and fashioned complex remedies.\(^\text{110}\) Only the highlights of this decision, and subsequent developments largely confirming it, will be outlined here.\(^\text{111}\)

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The Commission found, inter alia, that Microsoft held a position of superdominance in the market for personal-computer operating systems, effectively over 90% market share for years, and that this position was reinforced by network effects that created barriers to entry. The Commission then held that, in violation of Article 82 of the former E.C. Treaty, now Article 102 of the F.E.U. Treaty, Microsoft had abused its dominant market position, notably by refusing to license or otherwise to provide interoperability information necessary for other enterprises to compete effectively in the market for workgroup-server operating systems and by tying its Windows Media Player with its Windows operating system. The Commission imposed a fine of €497 million on Microsoft and ordered it to cease these infringements, notably by providing the interoperability information to interested parties and by offering the public a version of the Windows operating system without the Windows Media Player. The 2004 Decision also contemplated setting up a monitoring mechanism, with a trustee, to assist the Commission in overseeing Microsoft's compliance.

Microsoft filed applications to annul the 2004 Decision and to suspend the implementation of pending remedies. The Court of First Instance, now the General Court, rejected these applications with some caveats. Following the Commission’s analysis, the Court presumed, for the sake of simplicity, that intellectual property, including copyright, protected some of the interoperability information at issue. The Court revisited the criteria for showing an abusive refusal to license subject matters protected by intellectual property, as these criteria had been clarified in the I.M.S. case by the Court of Justice.

First, it held that it is not necessary to demonstrate that all competition on the market would be eliminated; it is sufficient that the refusal is likely to eliminate all competition on the relevant market. Second, the Court held that Article 82(b) of the E.C. Treaty, now Article 102(b) of the F.E.U. Treaty, may be violated if “a refusal to license an intellectual property right is capable of causing prejudice to consumers,” not only “where there is a limitation . . . of production or

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markets, but also of technical development.” Accordingly, the Court upheld the 2004 Commission Decision to the effect that Microsoft had abusively refused to license the information at issue and abusively tied the Windows operating system and Media Player. However, it ruled that the monitoring mechanism contemplated in the 2004 Decision would have improperly delegated the Commission’s powers of investigation to a trustee.\(^{117}\)

Since then, the Commission, following input from its technical advisors, has repeatedly found that Microsoft has not fully complied with its obligations pursuant to the 2004 Decision, especially by failing to disclose interoperability information.\(^{118}\) Furthermore, in January of 2008, new complaints were sent to the European Commission which are still under investigation regarding, once again, Microsoft’s failure to disclose interoperability information and its tying its browser and other products with its operating system. Almost exactly a year later, the Commission sent a Statement of Objections to Microsoft relating to the tying, and Microsoft then promised in the main to install a mechanism so that computer manufacturers preinstalling Windows can turn Internet Explorer on and off and to allow such manufacturers to pre-install any web browser of their choice. In December of 2009, the Commission accepted these commitments, to which Microsoft is bound for five years.\(^{119}\) In July of 2009, Microsoft also informally undertook to improve interoperability between its products and third-party products. The Commission will monitor these measures and take their impact into account in its ongoing investigation.

\(^{116}\) *Id.*, para. 647.


[3]--Mergers.  To prevent the acquisition of market power and therefore potential abuses of dominant positions, E.U. law subjects mergers to oversight and to certain conditions. The relevant legislative instruments are the Merger Regulation, which contains the rules for the assessment of concentrations, and the Implementing Regulation, which lays down the procedural rules.\(^{120}\) These rules apply, for example, if copyright holders which are enterprises decide to merge.

[a]--The Universal/BMG Merger.  In 2007, the Commission assessed Universal's takeover of BMG's music publishing business.\(^{121}\) The Commission found that the proposed merger, as initially notified, risked negative effects on competition in the market for music publishing rights for online usage. Indeed, in the context of a new environment where publishers are withdrawing their rights from collecting societies, pricing power is shifting from the collecting societies to the publishers. The market investigation showed that, after its projected merger, Universal would control 50% or more of the chart hits in some Member States: repertoire would have become a must-have product for online music providers in those territories. The possibilities for online music providers to circumvent Universal would have decreased significantly due to the merger. In response, Universal committed to divest itself of a number of important catalogs. On that condition, the Commission cleared the merger.

However, before the Court of First Instance, now the General Court, Impala, an international association of independent music-production companies, successfully challenged this clearance as vitiated by manifest factual and legal errors.\(^{122}\) On appeal, the Court of Justice overturned this judgment, holding that the lower court had misconstrued the criteria of the market dominance that might arise out of the tacit coordination of the parties to the merger at issue.\(^{123}\) The Court of Justice remanded the case for rulings on issues that, though raised by Impala, had not yet been disposed of.


[b]--The Oracle/Sun Merger. In September of 2009, the European Commission launched an examination of the proposed acquisition by Oracle of Sun Microsystems, both U.S. software companies, and in January of 2010 it approved the merger. The Commission’s main concern was for the database software market which is highly concentrated. Oracle pledged to keep its main database software as open-source software, and there is at least one other credible open-source database software on the market. Notably on those bases, the Commission concluded that the merger would not significantly impede effective competition in the internal market.

[4]--Copyright-Management Organizations

This subsection will outline how E.C. and now E.U. competition law has been and is being applied, first, to societies that have nationally collected royalties for copyright and related uses and, second, to groups of such organizations that are now making cross-border arrangements to manage copyrights and related rights in online environments.

[a]--Case Law on Collecting Societies. Collecting societies have traditionally operated by virtue of being mandated by rightholders, and sometimes by statutes, to collect royalties for entire national markets. As the following cases illustrate, they may thus occupy dominant positions in these markets and risk falling afoul of both Articles 101 and 102 of the F.E.U. Treaty.

[i]--The GEMA Decisions. The Commission scrutinized the organizational structure of the German collecting society GEMA and found that, contrary to Article 82 of the former E.C. Treaty, now Article 102 of the F.E.U. Treaty, a number of GEMA’s restrictive rules and practices constituted an abuse of its dominant market position. The following aspects of GEMA’s internal rules were particularly criticized:

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125 For laws of Member States on point, see the national chapters herein, respectively, at § 9[2].

+ **Restrictions of members’ freedom to join other societies:** The Commission disapproved of rules limiting members’ ability to express dissatisfaction with their national society by joining the society of another Member State and benefiting from whatever advantages it offered its members.

+ **Overbroad transfers of rights to the society:** As licensor, not only of performing rights, but also of the mechanical right to record music, GEMA required a transfer of exclusive rights of all aspects of copyright, at home and abroad. It accordingly had a strong interest in preventing individual authors from being drawn out of membership and into direct relationship with a user such as a record company. The Commission, however, insisted that members should not be obliged to assign rights for territories in which GEMA did not act directly; nor should it take over all aspects of copyright in the territories in which it did so operate. Likewise it ought to be possible for a member to resign at the end of any period of three consecutive years.

+ **Overrestrictive criteria of membership:** GEMA had prevented record companies from acquiring influence by excluding them from membership as publishers. To this the Commission also objected, while recognizing that it would be proper to restrict the voting rights of such members when they had a conflict of interests.

+ **Discriminatory market practices:** A number of GEMA’s commercial practices were also characterized as abusive: for example, the tariff on the mechanical right was found to discriminate in favor of German-produced records, and that on recording equipment in favor of German manufacturers.

+ **Collecting on rights not managed:** It was improper for the mechanical-right fee in effect to require payments for works not under the society's control.

[ii]--**Greenwich Films v. SACEM.** In the *Greenwich Films* case, the Court considered the assertion of rights in markets outside France where the collecting society SACEM normally operated. SACEM required payment of royalties for public showings in third countries of two films produced by Greenwich Films, for which members of SACEM had composed the music. Greenwich Films refused to pay and instead complained that, by requiring members to assign to SACEM all their rights for the whole world and for a very long period, SACEM abused its dominant position within the meaning of Article 82 of the former E.C. Treaty, now Article 102 of the F.E.U. Treaty. The Court, in its judgment, ruled that the fact that, in a particular case, a dominant position is being abused relative to performances in non-member countries does not in itself prevent this provision, intended for the Internal Market, from being applicable. It remained up to the national court to determine any abuse, notably one tending to partition the Internal Market, whether directly or indirectly.\(^{127}\)

[iii]--G.V.L. v. Commission. In the G.V.L. case, the Court had to assess whether a dominant position was present, as well as abused by restrictions on membership. G.V.L., the only collecting society in Germany managing the "secondary exploitation" of performers' rights through the dissemination of previously recorded works, contended that it did not have a dominant position in that it was not the only trading partner of performing artists, since they could always exploit their rights of primary exploitation by exchanging services directly with, for example, promoters or manufacturers of sound recordings. However, the Court agreed with the Commission that the relevant market was not the whole field of exchange of services in the performance of artistic works, but rather that of services relating to the management of secondary exploitation rights in Germany. It was this field in which G.V.L. had a dominant position relative to a substantial part of the Internal Market, namely Germany, but G.V.L. refused to enter into management agreements with foreign artists who were not resident in Germany. Given such a dominant position, the Court found that such refusal could constitute an abuse under Article 82 of the former E.C. Treaty, now Article 102 of the F.E.U. Treaty. It was critical that foreign artists were prevented from benefiting from rights of secondary exploitation in Germany even if they could show that they held such rights.\textsuperscript{128}

[v]--Basset v. SACEM. Here the Court faced a question of excessive royalties. It was asked: Did Article 82 of the former E.C. Treaty, now Article 102 of the F.E.U. Treaty, preclude the French collecting society SACEM from charging users such as discotheques, not merely a royalty for public performance, but a supplementary royalty based on the reproduction and distribution right,\textsuperscript{129} for playing works from the repertoires of these other societies on sound recordings already freely marketed in the Internal Market? It was stressed, on the one hand, that the law of the Member State, namely France, where the sound recordings were used authorized this royalty but, on the other, that the law of the Member State from which the recordings had been imported did not.\textsuperscript{130} The Court held that charging such a royalty, thus taking advantage of the opportunities available under the legislation of the Member State where the recordings were used, did not in itself constitute a forbidden monopolistic abuse.\textsuperscript{131} The Court left it up to the national Court to assess whether such royalty charges were excessive.\textsuperscript{132}


\textsuperscript{129} For the doctrinal basis of this right, see "France," herein, at § 8[1][b][i].

\textsuperscript{130} For further discussion of this aspect of the case, see § 2[2][b][i] in fine supra.


**SACEM Discotheque Cases.** Comparable questions arose when French discotheques brought charges that, *inter alia*, SACEM imposed excessive royalties and other restrictive conditions on using its repertoire. Confronted with these charges, French courts referred to the Court of Justice a number of questions which turned on the interpretation of, *inter alia*, Articles 81 and 82 of the former E.C. Treaty, now Articles 101 and 102 of the F.E.U. Treaty. The Court of Justice then ruled as follows,\(^{133}\)

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+ **Reciprocal representation agreements**: The Court stated that reciprocal representation contracts between different national societies, tending to make each the sole licensing agent for the others’ repertoires in its home territory, did not in themselves violate Article 81 of the former E.C. Treaty, now Article 101 of the F.E.U. Treaty.

+ **Exclusive dealings through concerted practices**: The Court noted that such parallel behaviors as the societies displayed might evidence concerted practices if these behaviors led to abnormal conditions of competition, but it refused to presume such concerted practices if the behaviors at issue could be explained by other reasons, for example, relating to organizing systems of management to control the exploitation of rights abroad.

+ **Refusals to authorize local users**: The Court stated that, in imposing contracts on users to safeguard the interests of their members in recorded music, the societies could not be considered to restrict competition within the meaning of Article 81 of the former E.C. Treaty, now Article 101 of the F.E.U. Treaty, unless the practice at issue exceeded the limits necessary to attain such goals as controlling collection costs and monitoring uses of musical works.

+ **Criteria of abuse of dominant position**: The Court stated that, where a society in a dominant position imposed rates for its services appreciably higher than those applied in the other Member States, as compared on a uniform basis, that difference would indicate an abuse of the dominant position. The society itself, here SACEM, had to justify any such difference on the basis of objective disparities between its situation and those in all other Member States.

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\(^{133}\) Gyselen, "Abuse of Monopoly Power within the Meaning of Article 86 of the EEC Treaty: Recent Developments," *id.* at 606.

National courts then have to make appropriate findings pursuant to that analysis. The Commission itself, on October 20, 1992, rejected complaints against SACEM, given the difficulties of comparing royalties charged in different Member States. The discotheque operators lodged an appeal with the Court of First Instance, now the General Court, which annulled the Commission's Decision because it had provided insufficiently reasoned grounds for rejecting applicants' allegation that the Internal Market had been partitioned as a result of an alleged agreement between SACEM and other E.U. collecting societies.

[vi]--Kanal 5 and TV 4 v. STIM. The Swedish Market Court asked whether, under Article 82 of the former E.C. Treaty, now Article 102 of the F.E.U. Treaty, a collecting society would abuse its dominant position by applying a certain remuneration model. This model assessed royalties partly by looking to the revenues of commercial television channels; royalties were differently measured for comparable uses, for example, when they were required of public-service organizations without advertising or subscription revenues. The Court of Justice emphasized that such a model should result in royalties proportional to the actual or likely broadcasts of protected musical works, unless another method enabled monitoring uses and audiences more precisely without disproportionately increasing management costs. The Court interpreted Article 82 of the former E.C. Treaty, now Article 102 of the F.E.U. Treaty, to mean that an abuse is likely to arise out of a model that calculates royalties differently for commercial companies than for other organizations if these distinct undertakings provide equivalent services. In that event, applying the model to one, but not to the other, could put the former at a competitive disadvantage relative to the latter. Only an objective justification, such as cutting costs, could excuse the differential treatment.

[b]--Collective Management for New Media. The Commission has begun to apply basic principles for the procompetitive operation of collecting societies, now increasingly

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134 See, e.g., Ruling (Avis) 93-A-05, French Conseil de la Concurrence, 20 April 1993 (holding, inter alia, that certain of SACEM's conditions were indeed discriminatory); also "France," herein, at § 9[2][a] (explaining case law on point).


136 See Karnell, "Sweden," herein, at § 9[2].

called rights-management organizations, in the field of copyright. In particular, there is a need for the collective management of copyright and neighboring rights to be adapted to new media, especially to online uses that tend to straddle European, and indeed worldwide, borders.  

[i]--The Simulcast Agreement. On October 8, 2002, the Commission granted an exemption under the third paragraph of Article 81 of the former E.C. Treaty, now Article 101 of the F.E.U. Treaty, for a model reciprocal agreement that record-producers’ collecting societies, under the auspices of the International Federation of the Phonographic Industry (IFPI), had proposed to govern the licensing of “simulcasting.” Simulcasting is the simultaneous transmission by radio and television stations, over the Internet, of sound recordings included in their broadcasts. This Simulcast Agreement is intended to facilitate the grants of international licenses to stations that wish to engage in simulcasting.

Following the Commission’s observations, the parties agreed to amend the agreement to ensure that broadcasters can obtain a single “one-stop-shop” license from the collecting societies to cover Internet broadcasts across the E.E.A., except for Spain and France. Thus, rather than being forced to obtain a license from the local collecting society in every country in which their Internet transmissions are accessed, broadcasters whose signals originate in an E.E.A. Member State will be able to approach any E.E.A.-based collecting society of their choice for the simulcast license. Parties also undertook to ensure a minimum of transparency with regard to the fees charged for such a license, thus enabling broadcasters to identify the best licensing terms. This model provision should allow for competition among E.E.A. collecting societies as each strives to be the one to grant these multi-territorial licenses.

[ii]--Commission Principles and Studies. In April of 2004, the Commission set out principles for overseeing the collective management of copyright and neighboring

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rights, with particular emphasis on new media. From a competition perspective, a number of key issues have to be kept in mind:

+ Territorial restrictions must not stand in the way of creating new “one-stop-shop” arrangements to make E.U.-wide and even global licensing more efficient.

+ Under competition law, the Commission will look favorably at such arrangements and the related reciprocal agreements between rights-management systems.

+ The Commission cannot allow perpetuating past restrictions where they are no longer indispensable.

+ Right-owners must be able to determine themselves the proper mix between the individual and collective management of their music rights.

+ Right-owners must be able to use the new digital rights-management techniques individually where they so choose.

+ Arrangements must not unnecessarily bundle rights-management offerings.

On October 12, 2005, the Commission adopted a formal recommendation for this field. Here the Commission puts forward non-binding measures for improving the licensing of copyright and neighboring rights for a variety of innovative online services, such as webcasting and “on-demand” music downloads. Stressing the need for “a licensing policy that corresponds to the ubiquity of the online environment and which is multi-territorial,” the Commission recommends, inter alia, the elimination both of territorial restrictions and of provisions for customer allocation, as found in existing licensing contracts. Further, it proposes allowing rightholders, notably those who wish to opt out of such contracts, the possibility of tendering their repertoires for direct E.U.-wide licensing. The recommendation also includes provisions on the governance, transparency, dispute settlement, and accountability of collective-management organizations.

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[iii]—The CISAC Model Agreement. On July 16, 2008, following complaints of the broadcaster Radio Télévision Luxembourg (R.T.L.) and the online company Music Choice, the Commission decided against the International Confederation of Societies of Authors and Composers (CISAC) and its E.E.A. members. It required CISAC to cease applying specified provisions of its model contract, as well as the implementation of corresponding agreements at bilateral levels by CISAC members in the E.E.A. In particular, each of these members may no longer enforce the membership clause, which prevented an author from choosing or moving to another collecting society. Nor may each enforce any territorial restriction which, coupled with an exclusivity clause, could prevent it from offering licenses to commercial users outside its domestic territory and, rather, obligate it to authorize another collecting society to administer its repertoire on a given territory.144

The Commission found these arrangements to constitute a concerted practice among the CISAC members that resulted in the segmentation of the Internal Market on a country-by-country basis. Effectively, a commercial user who wants to offer a pan-European media service, such as R.T.L. or Music Choice, cannot receive a license from any CISAC member to provide that service, but has to negotiate with each national collecting society. Citing the former Santiago Agreement of CISAC concerning multi-territorial and multi-repertoire licensing, the Commission rejected any necessary connection between the objet spécifique of copyright or related rights and the territorial exclusivities that the CISAC members were attempting to impose contractually, thus exempting their practice from Commission scrutiny.145 Some of the CISAC members have applied to the Court of First Instance, now the General Court, for annulment of the Commission decision.146

[v]—The Cannes Agreement: Central Licensing. The Commission obtained a pair of commitments concerning the Cannes Agreement147 between five major music publishers148 and thirteen European collecting societies.149 This agreement allows for central licensing, in which a record company can obtain, for all or part of the E.E.A., a copyright license for the combined repertories of all the collecting societies.


145 Id., para. 160. On balancing such a specific aim of copyright with E.C. policies, see § 2[1][c][i] infra.

146 Court of First Instance, Cases T-398/08, T-410/08, and T-432/08 (pending).


148 I.e., BMG, EMI, Sony, Universal, and Warner.

149 I.e., AEPI, AustroMechana, GEMA, MCPS, MCPSI, NCB, SABAM, SDRM, SGAE, SIAE, STEMRA and SUISA.
The commitments concerned two clauses of these agreements on which the Commission had expressed concerns. The first commitment ensures that collecting societies may continue to give rebates to record companies out of the administrative fees they retain. The second commitment consists in the removal of a no-competition clause, which would have prevented collecting societies from ever entering either the music publishing or the record production market. If the parties to the Cannes Agreement were to break their commitments, the Commission could impose a fine of up to 10% of their total turnover without having to prove any violation of the E.U. competition rules.

[5]--Commission Policy on Standardization

The Commission has considered distinct issues with regard to standardization. First, does the constitution and operation of any standard-setting body violate Articles 81 or 82 of the former E.C. Treaty, now Articles 101 or 102 of the F.E.U. Treaty? Second, do refusals to grant licenses to use an intellectual property right in connection with a standard, or the terms and conditions of such licenses, violate either or both of these provisions?¹⁵⁰

Standard-making bodies must be mindful of the requirements regarding the fixing of royalty rates or other trading conditions concerning standards they make available. They must also avoid creating opportunities for the exchange of competitively sensitive information or for restrictive practices relating to quantities and prices, as well as to customer and territory sharing.

No decision of the Court of Justice has applied E.U. competition law to standard-setting as such, so its case law, discussed above, can only provide general criteria of abuse.¹⁵¹ That said, E.U. policy concerning research and development must be taken into account. Even if no other viable technology were available, the standard-making body, or potential users of the standard, would not necessarily be placed at a competitive disadvantage vis-à-vis the owner of rights in the technology in question by the fact that no standard could be made in a given area or that the standard adopted was less than optimally efficient.


¹⁵¹ For example, on refusals to license, see § 3[2][c] supra.
§ 4 Harmonization Directives

[1]—Background and Prospects of Harmonization. The main purpose of the former E.C. Treaty had been, and a core purpose of the current E.U. and F.E.U. Treaties remains, the development of the Internal Market in Europe. However, this purpose could not be fully attained with respect to copyright and related rights as long as national laws differed substantially in this field. For this reason, harmonization directives have been imposed in this field, and the Court of Justice has begun to interpret these directives in a growing case law.3

[a]—The Aim and Treaty Basis of Harmonization. We have seen the Court of Justice remove obstacles to harmonization in limiting the territoriality of certain rights to assure freedom of commerce in the Internal Market. Nonetheless, judicial measures alone could not avoid all negative side effects that resulted from differences between national copyright laws. For example, confronted by disparities between national laws and royalty rates, the Court of Justice responded: "Such disparities must be abolished by the means provided for to that end by the Treaty, and in particular through the harmonization of laws."5

Articles 94 and 95 of the former E.C. Treaty had provided the former European Community, as Articles 115 and 114 of the F.E.U. Treaty now provide the European Union, with powers to harmonize national laws. The word "harmonize" here means to bring legislation in the respective Member States more in line with each other, thus reducing discrepancies that work against the purposes of the Union, notably the development of an

1 See § 1[1][b][ii] in fine supra.


3 For this case law, see § 5 infra.


Many directives have been issued to this end in the field of copyright, not to replace national statutes with any uniform European legal text, but rather to harmonize national laws.

Recall the distinction between regulations and directives in this regard. Regulations are directly applicable within national legal orders, and for private parties they can be a source of rights and obligations. Directives represent different legal instruments: they are addressed to Member States only, and they need to be implemented in national laws. Directives set compulsory standards for all matters they cover, and these standards are to be followed in implementing and interpreting national statutes, albeit with varying margins of discretion. Indeed, the E.U. principles of subsidiarity and proportionality imply that Member States are to act in fields where they best achieve E.U. objectives, while the Union is to act only to the extent necessary to achieve its objectives. Nonetheless, as national courts increasingly turn to it with questions on point, the Court of Justice has been specifically construing copyright directives with an eye to giving them uniform meanings across the European Union.

[b]--Pending Initiatives: Directive on Orphan Works. It has been argued that the harmonization initiatives that have been undertaken to date to create an Internal Market for copyright and related rights have been inspired by the maxim "more is better." It is true that, in the mid 1990s, the Community engaged in a vast program of legislative harmonization, which resulted in a high level of protection for rightholders, not only of copyright and of neighboring rights, but of a new related right in databases. However, there has been a shift in perspective moving into the new millennium.

Debate has been engaged on how to improve the exploitation of copyright and related rights across the Internal Market, notably in the digital sphere. The Commission has opened

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7 See, e.g., Judgment of 5 Oct. 2000, Case C-376/98, Germany v. Council and Parliament, [2000] E.C.R. I-8419 (holding that former E.C. Treaty, Art. 95, authorized only such measures as improve the conditions for the establishment and functioning of the Internal Market, but did not grant a general power in the Union legislature to regulate the Internal Market).

8 See § 1[1][c] supra.


10 See § 5 infra.

inquiry into the impact of copyright on the information society, notably on how knowledge for research, science, and education can be best disseminated in the online environment.\textsuperscript{13} The Commission has also issued a "blueprint" for future initiatives in the field of intellectual property, notably including E.U.-wide licensing in the digital market, as well as facilitating user-generated content and access to cultural resources.\textsuperscript{14} All such initiatives have to be seen against the horizon set by the E.U. power to “provide uniform protection of intellectual property rights throughout the Union.”\textsuperscript{15}

At present, the Commission has turned its attention to orphan works.\textsuperscript{16} It has proposed a directive on certain permitted uses of orphan works.\textsuperscript{17} The Directive would apply to any work or other protected production that, first published or broadcast in a Member State, is an “orphan” in that its rightholder is not identified or, even if identified, is not locatable after a diligent search has been carried out, as each Member State defines such a search, with results recorded in a publicly accessible database. Publicly accessible libraries, educational establishments, museums and archives, and film-heritage institutions, as well as public service broadcasting organizations, would be entitled to reproduce and make available orphan

\begin{itemize}
\item \textsuperscript{12} Compare P.B. Hugenholtz, "Codes of Conduct and Copyright--Pragmatism versus Principle," 29 I.I.C. 635 (2008) (arguing that the European Commission tends to encourage self-regulatory solutions given that "legislation is increasingly difficult and deregulation the name of the game"), with G. Mazziotti, \textit{EU Digital Copyright and the End-User}, chap. 9 (Springer, 2008) (arguing for far-reaching legislative reforms of Union copyright law to create a legal infrastructure of user rights that would counterbalance broad rights and technological safeguards of digital content).
\item \textsuperscript{14} Commission, A Single Market for Intellectual Property Rights: Boosting creativity and innovation to provide economic growth, high quality jobs and first class products and services in Europe; Brussels, 24 May 2011, COM(2011), part 3.3.
\item \textsuperscript{15} F.E.U. Treaty, Art. 118. \textit{See} § 1[1][b][ii] \textit{in fine supra}.
\item \textsuperscript{16} \textit{See} Memorandum of Understanding: Key Principles on the Digitization and Making Available of Out-of-Commerce Works, 20 Sept. 2011 (non-binding instrument initiated by the Commission to facilitate voluntary licensing agreements by publishers, authors, and collecting societies with libraries and similar institutions to enable the latter to digitize and make available online out-of-commerce books and learned journals).
\end{itemize}
works and productions, but only for their purposes in the public interest, such as preservation, restoration, and the provision of cultural and educational access to their collections. Member States may authorize further uses of orphan works subject to conditions that the Directive would set.\footnote{18}

[2]--Binding Directives in the Field of Copyright

As explained above, when a directive is adopted, it binds Member States to conform specific laws to it by whatever deadline the directive sets out.\footnote{19} Accordingly, as adopted, implemented, and applied, it becomes part of established E.U. law, traditionally referred to as the \textit{acquis communautaire}. Indeed, directives in the field of copyright and related rights have been implemented by Member States in their domestic legal orders. The Commission, charged with overseeing such implementation, has also issued reports on the advisability of revising or expanding existing directives.\footnote{20}

This process initially progressed timidly in the field of copyright. By contrast, the Trademark Directive\footnote{21} and the Design Directive, coupled with the Design Regulation,\footnote{22} govern their respective fields of law rather systematically. However, directives in the field of copyright and related rights initially restricted themselves to specific subject matters and rights, such as software and rental rights, and to terms of protection. Still, sometimes, broad issues basic to this entire field unavoidably have to be tackled, giving rise to so-called horizontal provisions: such provisions have effects that, to varied extents, cut across the entire field of copyright and related rights.\footnote{23} For example, in many directives, the notion of "originality" is defined in terms of "the author's own intellectual creation," and another

\footnote{18}{For commentary, see K. de la Durantaye, “How to Build an Orphanage, and Why,” [2011] JIPITEC 226.}

\footnote{19}{\textit{N.b.}, as explained in § 1[1][c] \textit{supra}, private parties may claim rights directly under a sufficiently unconditional and precise directive. \textit{See also} K. Jorna and M. Martin-Prat, "New Rules for the Game in the European Copyright Field and Their Impact on Existing Situations," [1994] E.I.P.R. 145 (especially analyzing consequences of the Rental, Satellite and Broadcasting, and Term Directives in transitional cases).}

\footnote{20}{For these reports, texts of the directives, and background materials, go to http://ec.europa.eu/internal_market/copyright/documents/documents_en.htm.}


\footnote{22}{On this directive and regulation, see § 4[3][c] \textit{infra}.}

horizontal provision treats the principal director of an audiovisual work as at least one of the authors of that work. With increasing use of such horizontal provisions, the directives in this field began to constitute an increasingly dense network of legal texts that have slowly moved toward one unitary European copyright law. The Information-Society Directive edged a bit closer to this goal which, still unachieved, Article 118 of the F.E.U. Treaty now authorizes making law to reach. To complicate the matter further, a number of directives and regulations adopted in other related fields may have horizontal effects on copyright and neighboring rights.

24 On the criterion of protection, see Art. 1(3) of the Software Directive, Art. 6 and Recital 17 of the Term Directive, Art. 3(1) of the Database Directive. On the status of audiovisual directors, see Art. 2(2) of the Rental and Related Rights Directive, Art. 1(5) of the Satellite and Cable Directive, and Art. 2(1) of the Term Directive. All these directives are explained in the following subsections.

25 On this directive, see § 4[2][g] infra. A regulation could achieve a unitary law applicable throughout the European Union in the field of copyright, as such instruments have done in the fields of trademark and design. On Article 118 of the F.E.U. Treaty, authorizing such lawmaking, see § 1[2][b] in fine supra. For a scholarly anticipation of the eventual tenor of an E.U. copyright code, see the Wittem Group, European Copyright Code (26 April 2010), at http://www.copyrightcode.eu/.

26 On such instruments, notably the Design Regulation, see § 4[3] infra.


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[a]--Designs of Integrated Circuits. On December 16, 1986, the Council adopted its Directive on the protection of topographies of semiconductor products, that is, of designs of integrated circuits. Article 2 of this directive states: "Member States shall protect the topographies of semiconductor products by adopting legislative provisions conferring exclusive rights in accordance with the provisions of the Directive."

Initiatives by the United States prompted this directive. The Commission responded with a burst of activity to the U.S. Semiconductor Chip Protection Act of 1984. Under Sections 902 and 914 of the U.S. Act, U.S. protection of the designs of integrated circuits by so-called chip rights may be extended to citizens of a foreign nation by presidential proclamation. Such a proclamation could issue upon an executive finding of reciprocal protection by a foreign country of U.S. designs of integrated circuits or, provisionally, of efforts and progress made by that country toward enacting legislation to that effect.
These provisions prompted Member States to petition for such an extension of U.S. chip rights and, ultimately, the Commission to file such a petition for all Member States. In this petition, the Commission expressed its intent to issue a "Council Directive on the creation of a legal framework for the protection of the topographies [circuitry designs] of semiconductor products in all Member States." Upon this petition the U.S. indeed extended interim protection to the nationals of the remaining Member States. The Directive, which the Council did issue, follows the U.S. Act closely. Insofar as a provision would be incompatible with a national system of copyright, it is only optional.  

After the U.S. Government and the Council engaged in ad hoc reciprocal extensions of interim protection in the field, the Commission asserted itself internationally in the Diplomatic Conference which was held in May of 1989 in Washington, D.C., to conclude the Treaty on the Protection of Intellectual Property in Respect of Integrated Circuits. It is noteworthy that the Commission represented the governments of the Member States in this conference, whose traditional powers of international representation had devolved on the Community by virtue of its Directive on the matter. Ultimately, the resulting Washington treaty was incorporated into the TRIPs Agreement.  

[b]--Protection of Computer Programs. After lengthy and difficult preparation, the Council finally adopted, on May 14, 1991, the Directive on the copyright protection of computer programs, often also called the Software Directive. Debates concerning how to draft this directive have now given way to lively discussion concerning the meaning of its ultimate language.

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Subject Matter and Rights. The Software Directive, in Article 1(1), obligates Member States to "protect computer programs, by copyright, as literary works within the meaning of the Berne Convention."

Article 1(2) specifies that this protection "shall apply to the expression in any form of a computer program," but not to "[i]deas and principles which underlie any element of a computer program, including those which underlie its interfaces." Article 1(3) sets out the requirement that a program be "original in the sense that it is the author's own intellectual creation" but specifies that "[n]o other criteria shall be applied to determine its eligibility for protection." 34

Article 2(1) defines the author of a computer program as "the natural person or group of natural persons who has created the program or, where the legislation of the Member State permits, the legal person designated as the rightholder." Article 2(3) further provides that, "[w]here a computer program is created by an employee in the execution of his duties or following the instructions given by his employer, the employer exclusively shall be entitled to exercise all economic rights in the program so created, unless otherwise provided by contract." Article 3 extends protection to all claimants "eligible under national copyright legislation as applied to literary works."

The Directive, in Article 4, defines "restricted acts" which rightholders have "the right to do or to authorize." Article 4(a) starts with the restricted act of "the permanent or temporary reproduction of a computer program" and specifies that, "[i]nsofar as loading, displaying, running, transmission or storage of the computer program necessitate such reproduction, such acts shall be subject to authorization by the rightholder." Article 4(b) and (c) further enumerates the following restricted acts: "translation, adaptation, arrangement and any other alteration of a computer program, and the reproduction of the results thereof"; and, as well, "any form of distribution to the public, including the rental, of the original computer program or of copies thereof." It also indicates that "[t]he first sale in the Community [now the Union] of a copy of a program by the rightholder or with his consent shall exhaust the distribution right within the Community [now the Union] of that copy, with the exception of the right to control further rental." 35

Protection: Can Europe Learn from American Case Law?," [2000] E.I.P.R. 7 (part I) and 56 (part II).

34 For the impact on German case law construing the standard of protection for computer programs, see "Germany," herein, at § 2[4][d].

The Directive, in Article 7, requires "appropriate remedies" against (a) "putting into circulation a copy of a computer program" or (b) "the possession for commercial purposes" of a copy—in either event while "knowing, or having reason to believe, that it is an infringing copy." Article 7(1)(c) also requires remedies for such acts relative to "any means the sole intended purpose of which is to facilitate the unauthorized removal or circumvention of any technical device which may have been applied to protect a computer program."

The subsequently issued Term Directive has since superseded the provisions which this Software Directive set out concerning the term of copyright in computer programs. The Member States are now obligated to extend their copyright protection to the author’s life plus 70 years.36

[ii]--Exceptions to Restricted Acts. The exceptions to the "restricted acts" the Directive defines, that is, effectively, limitations to the rights it assures, were hotly debated amid pressures from industry. In particular, the resulting provisions try to strike a balance between exceptions, which may, and those, which may not, be contractually waived.

To start, Article 5(1) provides that, "[i]n the absence of specific contractual provisions," the acts mentioned in Article 4(a) and (b) "shall not require authorization by the rightholder where they are necessary for the use of the computer program by the lawful acquirer in accordance with its intended purpose, including for error protection." Article 5(2) prohibits preventing "by contract" the "making of a back-up copy by a person having a right to use the computer program . . . insofar as it is necessary for that use." Article 5(3) entitles such a person to "observe, study or test the functioning of the program in order to determine the ideas and principles, which underlie any element of the program." It requires, however, that this person do any such exempted acts "while performing any of the acts of loading, displaying, running, transmitting or storing the program which he is entitled to do."

The Directive also makes decompilation possible under specific conditions which Article 6 sets out in some detail.37 Article 6(1) allows a party entitled to use a program to decompile it "to obtain the information necessary to achieve the interoperability of an independently created computer program with other programs" under three conditions. The decompilation must be done (a) by "the licensee or by another person having a right to use a copy of the program" or the agent of either. It is permissible (b) to obtain only "information necessary to achieve interoperability [that] has not previously been readily available" to these persons.

36 See § 4[2][d][i] infra.

37 Decompilation is often necessary to access the "ideas and principles" that Article 1(2) excludes from protection and that Article 5(3) allows a legitimate user to ascertain. Further, "contractual provisions contrary to Article 6 or to the exceptions provided for in Article 5(2) and (3)" shall, under Article 9(1), "be null and void." For commentary, see K.J. Koelman, "An Exceptio Standardis: Do We Need an IP Exemption for Standards?," 10 I.I.C. 823, 826 (2006).
And it must be (c) "confined to the parts of the original program which are necessary to achieve interoperability."

Article 6(2) precludes Article 6(1) from allowing information obtained by decompilation (a) to be used for "goals other than to achieve the interoperability" as already defined, (b) "to be given to others, except when necessary for [such] interoperability," and (c) to be used for "the development, production or marketing of a computer program substantially similar in its expression, or for any other act which infringes copyright." Finally, Article 6(3) closes by incorporating language of the Berne Convention, so that the entire Article "may not be interpreted in such a way as to allow its application to be used in a manner which unreasonably prejudices the rightholder's legitimate interests or conflicts with a normal exploitation of the computer program."

[c]--Rental and Lending Rights; Related Rights. On November 19, 1992, the Council adopted the Directive on the rental right and lending right and on copyright-related rights. According to its Article 15, the Member States had to implement this directive by July 1, 1994. Article 13 provides for transitional rules concerning both substantive law and preexisting contracts.

[i]--Rental and Public Lending Rights. The Court of Justice had opened the way for the Rental Directive by recognizing the fact that, before this directive, some national laws had recognized rental rights and some had not, while only a few countries had provided for lending rights. The Court, while finding such disparities to affect trade in cassettes within the Internal Market, declined to prohibit the exercise of rental rights in one country. It was left to a directive to harmonize national laws on point.


39 Full implementation of this directive has not always been timely. The Court of Justice issued judgments for failures to implement it against the following Member States: in 2003, Belgium (Case C-433/02); in 2006, Luxembourg (Case C-180/05), Portugal (Case C-53/05), Italy (case C-198/05), and Spain (Case C-36/05); and, in 2007, Ireland (Case C-175/05).


Article 1(2) of the Directive defines "rental" as "making available for use, for a limited period of time and for direct or indirect economic or commercial advantage." Article 1(3) defines "lending" as "making available for use, for a limited period of time and not for direct or indirect economic or commercial advantage, when it is made through establishments which are accessible to the public." According to Article 1(4), any sale or other act of distribution does not exhaust rental and lending rights.42

Article 1(1) states that "Member States shall provide a right to authorize or prohibit the rental and lending" of objects which Article 2 goes on to specify.43 Article 2(1) states that these rights vest in "the author in respect of the original and copies of his work," in "the performer in respect of fixations of his performance," in "the phonogram producer in respect of his phonograms," and in "the producer of the first fixation of a film in respect of the original and copies of his film." According to Article 2(2), "the principal director of a cinematographic or audiovisual work shall be considered as its author or one of its authors. Member States may provide for others to be considered as its co-authors."

The rights referred to in Article 2(1) may be transferred or contractually assigned or licensed. If performing artists contract with a producer to participate in the production of a film, they shall be presumed, subject to contractual clauses to the contrary, to have transferred their rental rights,44 while Member States may institute comparable presumptions for authors of film works. All such contractual presumptions--and, indeed, all transfers--are subject to Article 4, which provides for a very special, and originally controversial, protection of authors and performing artists vis-à-vis their producers. Where an author or performing artist has transferred or assigned his rental right concerning a phonogram or a film to a phonogram or film producer, that author or performing artist retains an unwaivable right to obtain an equitable remuneration for the rental.45 The administration of this right may be entrusted to collecting societies representing authors or performing artists.


43 Article 2(3) excludes "buildings and works of applied art." Article 3 reserves the provisions of the Software Directive. On this directive, see § 4[2][b] supra.

44 Member States may, in the alternative, provide that such a contract has the effect of authorizing rentals.

45 According to Recital 16 of the Directive, the equitable remuneration may be paid on the basis of one or several payments at any time on or after the conclusion of the contract. For a critical analysis, see P.E. Geller, "The Proposed E.C. Rental Right: Avoiding Some Berne Incompatibilities," [1992] E.I.P.R. 4.
Under Article 5, Member States may derogate from the exclusive right of public lending, provided that at least authors obtain remuneration for such lending. This right may be further diluted, since "Member States shall be free to determine this remuneration taking account of their cultural promotion objectives." Nonetheless, for at least the public lending of films, phonograms, and computer programs, authors must still obtain some remuneration. On top of these limitations, Member States may exempt certain categories of establishments publicly lending works from paying remuneration.

[ii]--Rights in Performances, Recordings, and Broadcasts. Chapter II of the Directive is devoted to "Rights related to copyright." These include the neighboring rights of the three classes of rightholders, which the Rome Convention protects: performers, producers of sound recordings, and broadcasting organizations. The Directive goes further by recognizing rights of a fourth category: audiovisual producers.

According to Article 7, Member States are to grant performing artists and broadcasting organizations the exclusive right to authorize or prohibit the fixation of their performances or broadcasts. Article 9(1) provides all four classes of rightholders with a distribution right for their fixations, phonograms, or films. According to Article 9(2), the distribution right in any such fixation, phonogram, or film is not exhausted "except" in one case, namely first sale in the Internal Market by the rightholder or with his consent. It is implied that exhaustion only applies in the case where a copy, phonogram, or film is first sold in the E.E.A. with the consent of the rightholder, but not in any other situation, such as first sale outside the E.E.A. even with such consent. As already explained, read in conjunction with comparable provisions in other directives, this exception precludes wider international exhaustion.

Article 8(1) provides performing artists with the right to control broadcasting and other communications to the public, except where the performance is itself already a broadcast performance or made from a fixation of the performance, for example, a sound or audiovisual recording. Article 8(3) grants broadcasting organizations the right to control the re-broadcasting of their broadcasts, as well as the communication of their broadcasts in places accessible to the public against the payment of an entrance fee.

Article 8(2) is very important, requiring Member States to ensure that the user of a commercially published phonogram when it, or a reproduction made of it pays a single

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46 N.b., Article 11(1)(a) of the Information-Society Directive deleted the old Article 7 here, which assured these two classes of rightholders, as well as phonogram and film producers, of reproduction rights. On the Information-Society Directive, see § 4[2][g] infra.


48 See § 2[2][e] supra.
equitable remuneration, is played for broadcasting or any other communication to the public. This remuneration is to be shared between the performing artists and phonogram producers.

Member States may provide for limitations to the rights referred to in Chapter II with regard to private use, reporting of current events, ephemeral fixation by broadcasting organizations and use solely for the purposes of teaching or scientific research, and other limitations for which any Member State provides in connection with copyright. Compulsory licenses may be provided for only to the extent to which they are compatible with the Rome Convention.

The subsequently issued Term Directive has since superseded the provisions which this Rental Directive set out concerning the terms of neighboring rights.49

[d]--Satellite Broadcasting and Cable Retransmission. On September 27, 1993, the Council adopted its Directive concerning satellite broadcasting and cable retransmission.50 This directive has to be seen in context: it had been preceded by the Directive "Television without Frontiers" on October 3, 1989,51 and was followed by a pair of directives that, as explained below, allow for technologically controlling transmissions.52

The Satellite and Cable Directive breaks down into distinct chapters, each governing the exploitation of copyright and neighboring rights in different media. Article 2 leading off its Chapter II allows for exploiting contractually communication by satellite, and Article 8 leading off its Chapter III governs comparable points concerning retransmission by cable. Article 1 of the Directive defines a number of terms, including "satellite," "cable retransmission," and "collecting society."53

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49 See § 4[2][e][i] infra.


51 Directive 89/552/EEC, O.J. 1989 No. L 298. This directive, intended to promote telecommunications activities in the Internal Market, largely avoided controversial copyright issues, although it does govern advertising breaks that interrupt the televising of works such as feature films. For an example of its application, see A. Musso, "Italy," herein, at § 7[1][b] (hereinafter "Italy").

52 See § 4[3][b][i] infra.

53 On this and other horizontal provisions in copyright directives, see § 4[2] supra.
Satellite Broadcasting. Chapter II of the Directive, containing its Articles 2 through 7, is devoted to the broadcasting of programs by satellite.

Article 1(2) of the Directive defines the act of communication to the public by satellite as taking place “solely in the Member State, where, under the control and responsibility of the broadcasting organization, the program-carrying signals are introduced” to be uplinked to a satellite. As Recital 14 of the Directive explains, "such a definition is necessary to avoid the cumulative application of several national laws to one single act of broadcasting." Recital 16 acknowledges that the principle of contractual freedom makes "it possible to continue limiting the exploitation of these rights, especially as far as certain technical means of transmission or language versions are concerned." Recital 17 recognizes that payment for the right to communicate by satellite should take account, inter alia, of actual and potential audiences and language versions.

Article 2 provides that the Member States are to provide an exclusive right for the author to authorize the communication to the public by satellite of copyright works, subject to the further provisions of this chapter. Article 3(1) contains the clarion call: "Member States shall ensure that the authorization referred to in Article 2 may be acquired only by agreement." Article 3(2), referring to collective agreements between a collecting society and a broadcasting organization, provides for the extension of their terms to rightholders not represented by the collecting society, but this provision will not apply to cinematographic works. Article 4 clarifies that the prior Directive concerning the neighboring rights of performers, recording producers, and broadcasting organizations continues to apply to satellite communication.

Article 7 contains some transitional provisions. Agreements concerning the exploitation of works and other protected subject matters which are in force on January 1, 1995, the due date for compliance with the Directive, are to be subject to the main provisions of the Directive only as of January 1, 2000, if those agreements expire after that date. Article 7(3) contains a specific transitional rule for international co-production agreements.

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54 N.b., this definition is subject to complex "safeguard rules" applicable in the case of transmissions from any non-Member State which does not provide the specified level of protection: if the uplink is from a Member State or if the commissioner of the broadcast is in a Member State, the act is deemed to take place in that state.


56 On this directive, see § 4[2][c][ii] infra.
[ii]--Cable Retransmission of Broadcasts. Chapter III of the Directive deals with cable retransmission. Article 8 obligates the Member States to ensure that, when programs from other Member States are retransmitted by cable in their respective territories, the applicable copyright and related rights are observed. Such retransmission should only take place on the basis of collective or individual contractual agreements. Denmark could nonetheless retain its statutory license for cable retransmission until December 31, 1997.

Collective agreements are imposed on all rightholders except broadcast organizations. Article 9(1) provides that only collecting societies may exercise rights to authorize, or refuse authorization, to retransmit a work or other media production by cable. Of course, the collecting societies in this field do not have authorizations from all rightholders to exercise their rights in works that cable Operators may want to retransmit. Article 9(2) purports to solve these outsiders' problem: a collecting society, which manages rights of a given category, is deemed authorized to manage the outsiders' rights in this category. Article 10 provides that Article 9 does not apply to broadcasting organizations with regard to authorizing the cable retransmission of their own transmissions. It makes no difference whether or not a broadcasting organization itself acquires the rights in the contents of these transmissions by contract.

Articles 11 through 12 provide for measures in cases where no agreement can be reached to allow for cable retransmission. Rather than the compulsory licenses the Commission proposed in its first initiatives, Article 11 contemplates non-binding, impartial mediation in cases where no agreement is reached. Article 12 requires Member States to ensure that the parties negotiate in good faith, without unjustifiably preventing or hindering negotiations.

[e]--Term of Protection of Copyright and Related Rights. On October 29, 1993, the Council adopted its Directive harmonizing the term of copyright and certain related rights, and this directive was codified in 2006. The general deadline for compliance was July 1, 1995, subject to complex transitional provisions discussed below. This directive was effectively amended in the Term-Amendment Directive in 2011, once again subject to complex transitional provisions.

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58 See § 4[2][e][ii] infra.

The Term Directive followed a signal of the Court of Justice which highlighted differences in national terms of copyright and neighboring rights that raised barriers to the free movement of goods. In drafting the Directive, the Commission chose not to harmonize down to the Berne minimum term of copyright—that is, life plus 50 years, the term shared by ten Member States at the time—but rather to harmonize upwards to the German copyright term of life plus 70 years. The Commission reasoned, inter alia, that harmonizing downwards, and thereby cutting short existing terms, would run counter to holdings of the Court of Justice that preclude "the retroactive withdrawal of . . . individual rights or similar benefits."

[i]--Substantive Provisions. The Term Directive sets out terms of copyright in original works and of related rights in other media productions.

Article 8 of the Term Directive contains the generally applied provision that all these terms are to be calculated from the first day of January of the year following the triggering event upon which they are calculated, for example, the first of January after the year of death of the author or after the year of publication, as the case may be. Article 9 explicitly provides that the Directive does not prejudice the different provisions of the Member States governing the term of moral rights.

[A]--Copyright. The Directive, in Article 1(1), provides for a general term of the life of the author plus 70 years, irrespective of when the work was lawfully made available to the public.

Article 1(2) provides that, for works of joint authorship, the term is to be calculated from the death of the last surviving author, but this rule is modified for audiovisual works. The Term-Amendment Directive harmonizes the term of copyright in coauthored musical compositions, so that this term expires 70 years after the death of the last surviving coauthor, whether of lyrics or music. However, this rule only applies when “both contributions were specifically created for the respective musical composition with words.”

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Article 2 compromises between different national approaches to cinematographic and audiovisual works, starting with the horizontal provision that the principal director of such a work is to be deemed at least one of its authors, while leaving Member States free to designate other co-authors. In any event, the term of copyright in audiovisual works expires 70 years after the death of the last of the four following persons to survive, whether or not that person is nationally designated as a co-author: the principal director, the author of the screenplay, the author of the dialog, or the composer of the film music.

According to Article 1(3), the term of protection of anonymous or pseudonymous works will run for 70 years after being lawfully made available to the public. Article 1(4) provides that, in Member States which provide for particular terms for collective works or works initially owned by legal entities, the term is to be 70 years after publication, but that the term of life plus 70 years applies where the natural persons creating a work are identified. According to Article 1(5), when the term runs from publication of works published in parts, installments, episodes, or issues, it is to run for each item separately. Article 1(6) provides that, where a work is not made lawfully available to the public, and the term is not counted from the author's death, protection is to terminate 70 years after creation.

To end the diversity within the Internal Market with respect to copyright in photographs, Article 6 applies the terms set out in Article 1 to all "original" photographs. Recital 17 of the Directive further clarifies the horizontal definition of originality, stating that "a photographic work within the meaning of the Berne Convention is to be considered original if it is the author's own intellectual creation reflecting his personality [emphasis added], no other criteria such as merit or purpose being taken into account." Finally, Article 6 leaves Member States free to protect non-original photographs, for example, by related rights, ostensibly for terms comparable to those for other related rights explained immediately below.

[B]--Related Rights. Article 3, as amended by the Term-Amendment Directive, sets the terms of protection of the traditional neighboring rights for performances, recordings, and broadcasts—and other provisions institute and set terms for further related rights—as follows:

+ Performances live and recorded other than in a phonogram: Performers obtain 50 years after the performance; however, in the case where a fixation of the performance

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63 According to Article 10(4) of the Term Directive, Member States need not apply the provisions of Article 2(1) on the authorship of cinematographic or audiovisual works to those works created before July 1, 1994.

64 On this and other horizontal provisions in copyright directives, see § 4[2] supra.

65 On substantive directive provisions concerning neighboring rights, see § 4[2][c] supra.
otherwise than in a phonogram has been lawfully published or communicated to the public within this period, the rights expire 50 years from such publication or communication, whichever is the earlier.

+ **Performances recorded in phonograms:** However, for a fixation of the performance in a phonogram, the term is longer. If it is lawfully published or lawfully communicated to the public within this period, the rights shall expire 70 years from the date of the first such publication or the first such communication to the public, whichever is the earlier.\(^{66}\)

+ **Phonograms:** The rights of producers of phonograms last 70 years after fixation; however, in the case where a fixation of the performance has been lawfully published, the rights expire 70 years from such publication or, absent such publication but given lawful communication to the public, 70 years from such communication.\(^{67}\)

+ **Audiovisual recordings:** The rights of producers of first fixations of films—that is, cinematographic or audiovisual works or moving images, whether or not accompanied by sound—last 50 years after fixation, with an extension, identical to the provision for performers' rights, for cases of lawful publication or communication to the public.

+ **Broadcast programs:** The rights of broadcasting organizations expire 50 years after the first transmission of the broadcast.

+ **Editions of public-domain works:** Article 4 instituted a related right which protects any person who, after copyright lapses in a previously unpublished work, lawfully publishes the work or lawfully communicates it to the public. This "editor" benefits from protection equivalent to the author's economic rights in the work, but only during a term of 25 years from first publication or communication to the public. Article 5 allows Member States to protect critical and scientific publications of works that have fallen into the public domain for 30 years from publication.

  **[ii]--International and Transitional Provisions.** The initial Term Directive of 1993, as well as the Term-Amendment Directive, introduced often-new terms into rather complex legal situations both outside and inside the European Community.\(^{68}\) As a result, careful consideration must be given to its international and transitional provisions. The Term-Amendment Directive contains further transitional and contractual provisions.

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\(^{66}\) Term Directive, Art. 3(1), as amended in 2011. Previously, the provision called only for a term of 50 years. On transitional provisions, see § 4[2][e][ii] infra.

\(^{67}\) Term Directive, Art. 3(2), as amended in 2011. Previously, the provision called only for a term of 50 years. On transitional provisions, see § 4[2][e][ii] infra.

\(^{68}\) Articles 1 through 11 of the Term Directive were to be implemented by July 1, 1995; the Term-Amendment Directive, by November 1, 2013.
[A]--Rule of the Shorter Term; E.U. Revival of Rights. Specific provisions deal with the possibility that, across both E.U. and other borders, the rule of the shorter may apply with regard to terms lengthened in many E.U. Member States.\(^{69}\) The rule is indeed applied systematically to works and productions originating outside the Community, subject to prior treaty obligations, but it is not applied to those originating inside. Rather, rights may be revived in such works and productions otherwise fallen into the public domain in any Member State.

Article 7 of the Directive obligates the Member States to apply its rule of the shorter term to foreign works. These are works not authored by a "Community [now an E.U.] national" but with a "country of origin," as defined by the Berne Convention,\(^ {70}\) that is not an E.U. Member State. Protection of such a work is to lapse in the Member State upon "the date of expiry of the protection granted" in its country of origin if protection has not already lapsed under the national law of the Member State.\(^ {71}\) Article 7(2) sets out the rule of the shorter term with respect to neighboring or related rights, but the comparison takes place by looking at the "expiry of the protection granted" in the country "of which the rightholder is a national."\(^ {72}\) Article 7(3) applies to Member States which, on October 29, 1993, are bound by international obligations, for example, under a bilateral treaty, to grant a longer term of protection than that which would result from the E.C., now the E.U., rule of the shorter term. They may maintain this longer term pending the conclusion of other international agreements on the term of protection.\(^ {73}\)

Article 10(1) provides that if, in a Member State, a term of protection still running on July 1, 1995, is longer than the corresponding term provided by the Directive, this term, one

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\(^{69}\) On the rule of the shorter term, see “Introduction,” herein, at § 5[2].

\(^{70}\) On applying the Berne notion of "country of origin," which can have shifting meanings from case to case, see “Introduction,” herein, at § 4[3][b][ii].

\(^{71}\) Relative to the Paris Act of the Berne Convention, the Directive adopts the language of "expiry of the term" found in Article 18(1) rather than that of "the term fixed in the country of origin" in Article 7(8) \textit{in fine}. For further analysis of this and other issues of applying the E.U. rule of the shorter term between E.U. and non-E.U. Member States, see "Introduction," herein, at § 5[2][b][ii].

\(^{72}\) Note that Article 7(3) applies this rule "without prejudice to the international obligations of the Member States" that the Rome Convention determines in many cases of neighboring rights, but without providing for any categorical rule of the shorter term.

\(^{73}\) For examples of Member States subject to such agreements with the United States, see "Germany," herein, at § 3[3][b]; "Italy," herein, at § 3[3][b]. For further analysis, see "Introduction," herein, at §§ 5[1][c][ii] and 5[2][b][ii].
effectively subject to acquired rights, will not be shortened. Most importantly, Article 10(2) states: "The terms of protection provided for in this Directive shall apply to all works and subject matter which are protected in at least one Member State" on July 1, 1995 "pursuant to national provisions on copyright or related rights or which meet the criteria for protection under" the Directive which provides for the protection of performances, phonograms and videograms, and broadcasts. For example, copyright in all works still protected by Germany on July 1, 1995, because Germany already had the long term of life plus 70 years, but which had fallen into the public domain in other Member States because of a prior shorter term, would be revived in those other Member States.

The Phil Collins decision of 1993, discussed above, gave an unexpected twist to the effect of Article 10(2) of the Term Directive, its revival provision. The rationale of this decision precludes any Member State from applying the rule of the shorter term to any work by a national of another Member State. Consider a work protected in Germany which, under the Phil Collins decision, could not have had the German copyright term of life plus 70 years cut back to any shorter term previously in effect in another Member State. Article 10(2) of the Directive then allows the author to invoke this longer German copyright in his work, if it still subsists on July 1, 1995, as a basis for obtaining the longer term under the Directive in other Member States. This argument would apply if the work at issue had fallen into the public domain in these other countries because of a prior expiry of term under their respective national laws. As a result, it could require reviving copyright in the work.

[B]--Reliance and Contractual Provisions. The revival of lapsed rights calls for taking account of the reliance interests of third parties. Such parties, before any relevant effective date, may have already started exploitation of works or productions that they could have then legitimately regarded as having fallen into the public domain. Therefore, transitional provisions are provided both in the Term Directive and in the Term-Amendment Directive. The Term Directive, in Article 10(3), provides that it shall not prejudice any acts of exploitation performed before July 1, 1995. Furthermore, Member States are to adopt provisions necessary to protect rights acquired by third parties.

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74 On this directive, see § 4[2][c][ii] supra.

75 On the Phil Collins decision, see § 1[2][e][i] supra.

76 N.b. this effect holds even for works created before the E.C. Treaty went into effect between the protecting country and the Member State of which the author was a national. Such was the ruling, for example, in a case of the works of Puccini, long dead before the E.C. Treaty went into effect between Germany and Italy. On the Puccini decision, see §§ 1[2][e][ii] and 1[2][e][iii] supra.

77 For further analysis, see "Introduction," herein, at § 4[3][a][i][C].
The Term-Amendment Directive amends the Term Directive by adding further transitional provisions, as well as contractual provisions safeguarding performers’ interests in the extended terms of their rights, as follows:  

+ **Joint musical works with words:** Article 10(6) of the Term Directive provides that Article 1(7) shall apply to musical compositions with words of which at least the musical composition or the lyrics are protected in at least one Member State on November 1, 2013, and, of course, also to musical compositions with words which come into being after that date. However, acts of exploitation that occurred before that date, as well as rights that third parties may have acquired before that date, remain untouched.

+ **Performances and phonograms:** Article 10(5) of the Term Directive provides that if the prior 50-year term of a related right in a phonogram, whether benefiting any performer or phonogram producer, is still running up to October 31, 2011, then the term extended to 70 years under the Term-Amendment Directive shall subsequently apply “as at” November 1, 2013. Ostensibly, if the old term were running on October 31, 2011, the newly extended term would start running in a Member State on the date when that State implemented the extension, which it should do no later than November 1, 2013. Of course, phonograms made after the implementation date will be protected for the extended term of 70 years.

+ **Performers’ termination of contract; further remuneration:** The Term-Amendment Directive adds, to the Term Directive, Articles 2a through 2e, which strengthen performers’ entitlements vis-à-vis recording producers. To start, where a record producer does not market a phonogram within 50 years as prescribed, a performer has an unwaivable right to terminate his contract with the producer. Further, where a performer’s contract provides for lump-sum remuneration, the performer has an unwaivable right to obtain annual supplementary remuneration, amounting to 20% of revenues from each prior year, from the phonogram producer following the 50th year after publication or lawful communication to the public of the phonogram: this performer’s right must be administered by collecting societies. Finally, where a performer’s contract provides for recurring payments, neither advance payments nor contractually defined deductions are to be deducted after the 50th year of publication or public communication.

+ **Contracts extended for new terms:** Article 10a is added, providing that contracts or transfers concluded prior to November 1, 2013, will continue in their effects even if, according to the old term of 50 years, the performer’s protection would have expired, provided that there are no clear contractual indications to the contrary. Article 10a gives

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78 November 1, 2013, is the deadline for implementing the Term-Amendment Directive. *Quaere* whether, where these provisions give that date, one should read the date of implementation of the Term-Amendment Directive in a given Member State. *Quaere*, as well, what happens if a Member State is tardy in implementation.
the option to Member States to provide that contracts which, if they had been concluded before November 1, 2013, and entitled a performer to recurring payments, may be modified following the 50th year after the phonogram was lawfully published or, if it was never published, in the 50th year after it was lawfully communicated to the public.

[Databases: Copyright and Related Rights. After successive proposals and a common position, the Council of Ministers adopted a Directive on the legal protection of databases on March 11, 1996. This directive, in addition to harmonizing copyright in databases, established a new related right in database contents.]

The reasons for the Directive are twofold. First, it is intended to eliminate differences in national laws with direct, negative effects on the Internal Market as regards databases. Second, a stable and uniform legal regime is supposed to stimulate investment in modern systems of information storage and retrieval, vital tools in the development of an information market. In early 1991, during the elaboration of the Directive, the Dutch Grote Van Dale decision and the U.S. Feist decision, brought attention back to one basic requirement for copyright protection: Works must possess a modicum of creativity or personal character, which database contents do not necessarily display. The Commission then proposed protecting databases by copyright or, absent creativity, by a sui generis right in database contents.

The Directive provides in its Article 1(1): "This Directive concerns the legal protection of databases in any form." After some hesitation in its preparatory stages, it thus includes data compilations printed and published on paper as well as electronic databases accessible online and on hard copies such as CD-ROMs. Article 1(2) then gives a wide definition: the term "database" means a collection of works, data, or other independent materials arranged in a systematic or methodical way and individually accessible by electronic or other means.

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80 For general commentary, see J. Gaster, Der Rechtsschutz von Databanken (Cologne, 1999); V. Bensinger, Sui generis Schutz für Databanken, die EG-Datenbank Richtlinie vor dem Hintergrund des nordischen Rechts (Munich, 1999); M. Leistner, Der Rechtsschutz von Datenbanken im deutschen und europäischen Recht, Eine Untersuchung zur Rechtlinie 96/9/EG und zu ihrer Umsetzung in das deutsche Urheberrechtsgesetz (Munich, 2000); M. Davison, The Legal Protection of Databases (Cambridge, 2003); A.-M. Beunen, The European Database Directive and its effects in the Netherlands, France and the United Kingdom (Nijmegen, 2007); E. Derclaye, The Legal Protection of Databases, A Comparative Analysis (Cheltenham, 2008).

81 On these decisions, respectively, see H. Cohen Jehoram, "Netherlands," herein, at § 2[3][b]; "United States," herein, at § 2[3][c].
Protection may also apply to the materials necessary for the operation or consultation of certain databases, such as the thesaurus and indexing systems. However, the Database Directive is to apply without prejudice to the prior Software, Rental, and Term Directives.  

A transitional provision governs the application of laws implementing the Database Directive with regard to copyrights and to *sui generis* rights in database contents. Under Article 14, databases which (1) exist at the date the Directive is implemented, (2) were protected by copyright law in a Member State at that time, but (3) do not fulfill the new eligibility criteria remain protected for the full preexisting copyright term, while *sui generis* rights are available in databases fulfilling requirements for such rights and made not more than 15 years before January 1, 1998.

[i]--Copyright in Databases. Articles 3 through 6 of the Directive provide for the copyright protection of databases that, by reason only of the selection or arrangement of their contents, constitute the author's own intellectual creation.

Copyright protection covers the structure of the database, which results from the selection or arrangement of its contents or both. But this copyright protection does not extend to its contents themselves, without prejudice to any rights that might exist in those contents, whether copyrights in component works or *sui generis* rights in raw data. Copyright in the database allows the copyright owner to control the following restricted acts: (a) temporary or permanent reproduction; (b) translation, adaptation, arrangement, or any other alteration; (c) distribution to the public of the database or of copies, subject, however, to exhaustion of this right by the first sale in the Internal Market; (d) communication, display, or performance to the public. Any translation, adaptation, arrangement, or other alteration, mentioned in the second item, is subject to the restricted acts mentioned in the other items.

The lawful user of a database may perform any of these restricted acts if necessary for the purposes of access and normal use of the database. Where the lawful user is authorized to use only part of the database, the right to perform these acts applies only to that part. Member States have the option of providing further, specific limitations to this copyright, on the condition that such limitations do not unreasonably prejudice the rightholder's legitimate interests or conflict with the normal exploitation of the database.

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82 On the Software Directive applicable here, see § 4[2][b] *supra*.

83 On this "horizontal" definition of originality in the directives, see § 4[2] *supra*.

84 On this right, see § 4[2][f][ii] *infra*.

85 On such exhaustion, see § 2[2] *supra*. 
Chapter III of the Directive institutes a *sui generis right* in the contents of a database, alongside any copyright protection possibly available in the structure of the database.

The rationale for this innovative and experimental right lies in related concerns. To start, neither all databases nor their contents fulfill the requirements for copyright protection. Furthermore, the increasing use of digital recording technology enables the copying and rearranging of data from a first database to such an extent that any resulting second database could have identical contents as the first, but without infringing copyright in that first one.

Article 7(1) sets out the new right, which protects, not the results of originality or creativity, but only *substantial* investment, which may consist in expending financial resources as well as time, effort, and energy. Recital 19 mentions the compilation of several recordings of musical performances as an example of insufficient investment to result in the applicability of the *sui generis* right. Article 7(1) should be quoted *in extenso* here:

"Member States shall provide for a right for the maker of a database which shows that there has been qualitatively and/or quantitatively a substantial investment in either the obtaining, verification or presentation of the contents, to prevent acts of extraction and/or reutilization of the whole of or a substantial part, evaluated qualitatively and/or quantitatively, of the contents of that database."

Two restricted acts are defined in Article 7 to protect the results of investment: extraction and reutilization. The term "extraction" means the permanent or temporary transfer of all or a substantial part of the contents of a database to another medium by any means or in any form. The term "re-utilization" means any form of making available to the public of all, or a substantial part, of the contents of a database by the distribution of copies, by renting, or by online or other forms of transmission.

The *sui generis* right of the maker of a database in its contents may be contractually transferred, assigned, or licensed. The *sui generis* right may not be given effect so as to prejudice other rights, like copyrights, relative to the contents of a given database. The rightholders remain free to decide whether or in what manner they will allow their works, other media productions, or the results of other services to be included in a database. No provision is to be found on rights in databases made by employees.

According to Article 8, a lawful user of a database made available to the public may not be prevented from extracting or reutilizing *insubstantial* parts of its contents. Article 9 gives Member States the options of providing specific exceptions to the *sui generis* right to the benefit of lawful users of a database made available to the public, for private purposes, for the purposes of illustration for technical or scientific research or public security, or the proper performance of an administrative or judicial procedure. Nonetheless, national laws may not

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*On exhaustion of the distribution right, see § 2[2] supra.*
permit such repeated and systematic extraction or reutilization of insubstantial parts of the
contents of a database as would unreasonably prejudice the legitimate interests of the maker
or conflict with the normal exploitation of the database, nor other acts of a lawful user with
such effects.  

The term of protection, under Article 10, expires 15 years from January 1 of the year
following the date of completion. If a database is made available to the public in that period,
then the 15 years run from the end of the year of that initial making available. Article 10(3)
addresses databases that are continually being updated: any substantial change to the contents
of a database triggers a new term. It suffices for the changed database to represent a
substantial new investment, even if it results from the accumulation of successive additions,
deletions, or alterations.

Article 11 reserves the sui generis protection to E.C., now E.U., nationals or residents, as
well as to firms established under the laws of a Member State and with their registered office,
administration, or principal place of business within the former Community, now the Union.
The Council may conclude agreements extending the right to databases that are made in third
countries and that the Directive does not otherwise protect.

Copyright in the Information Society. The Information-Society Directive went through many phases of preparation. The most broadly sweeping of the harmonization
directives in the field of copyright, the Directive was finally adopted on April 9, 2001, but
not without provoking much critical analysis both before and after adoption.  

87 The projected provision for compulsory licenses to avoid abuses of dominant
positions disappeared from the final version. On this and other points, see Commission, First

88 See, inter alia, Commission, Proposal for a Directive on the harmonization of
certain aspects of copyright and related rights in the information society, 10 Dec. 1997,

harmonisation of certain aspects of copyright and related rights in the information society,
O.J. 2001 No. L 167, p. 10. For the text of this directive, see Appendix 7 hereto; for a
correction, go to http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32001L0029R%2801%29:EN:HTM.

90 For critical commentaries, see B. Hugenholtz, “Why the Copyright Directive is
aktuelle Problematik beim On-Demand-Vertrieb von Tonträgern im Lichte der Richtlinie zur
Informationsgesellschaft” (Exhaustion Online--Present Issues Concerning Online Commerce
The deadline for implementing the Directive, under Article 13(1), was December 22, 2002. Article 10 applies the Directive to all subject matters protected by copyright or related rights on that date, but without prejudice to rights acquired before that date. Article 1(2) makes clear that this Information-Society Directive does not affect prior directives in the field. Article 9 clarifies that other intellectual property rights apply cumulatively with the rights that the Directive assures.

An important goal of the Directive is to guide Member States in implementing their obligations under the WIPO Copyright Treaty and the WIPO Performers and Phonograms Treaty. However, as these WIPO Treaties only provide for minimum standards, the Directive does not literally track all their terms but, at some points, goes beyond their standards. Indeed, on December 14, 2009, the European Union, as a full Contracting Party, along with Member States, ratified the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty, effective March 14, 2010.

This directive joins a number of others that complement each other in applying to digital transmissions and uses. Article 8 of this Information-Society Directive obligates Member States to assure "effective, proportionate and dissuasive" remedies for rights and entitlements for which the Directive provides. These remedies are to include seizures and injunctions, even against intermediaries, for example, Internet services, used by third parties to infringe copyright or related rights. However, Recital 16 of this directive confirms that monetary liability for network activities concerns, not only such rights, but also other areas such as

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91 The Commission sued Sweden, Finland, Spain, Belgium, France, and the United Kingdom for failures to implement this directive, and the Court of Justice decided against those countries in 2004. Actions are still pending against the Czech Republic and Luxembourg.

92 Subject to Article 11, which amended certain provisions of prior directives, as indicated at appropriate spots above.


94 On the Advanced-Television and Conditional-Access Directives, see § 4[3][b][i] infra.
defamation, misleading advertising, trademarks, etc. The issue of such liability is addressed horizontally in the Electronic-Commerce Directive. The issue of such liability is addressed horizontally in the Electronic-Commerce Directive.95 Further remedies are confirmed in the Directive concerning remedies for intellectual property, including border controls.96

[i]--Rights and Exceptions. The Information-Society Directive harmonizes the following rights and exceptions:

+ Article 2 assures the right of reproduction for authors, performing artists, phonogram producers, film and other audiovisual producers, and broadcasting and cable-casting organizations. It extends this right to direct or indirect, temporary or permanent reproduction by any means and in any form, in whole or in part.97

+ Article 3 assures the right of communication to the public for authors and the right of making available to the public for the other rightholders just named. It clarifies that these rights extend control over making works and other protected media productions accessible to members of the public in any place and time that these members individually choose, for example, on-demand in the digital environment.

+ Article 4 subjects the right of distribution of authors to exhaustion in the Internal Market, but not internationally. Recital 29 makes it clear that the question of exhaustion does not arise in the case of services, notably online services. Nor does it extend to any material copy made by a user of such a service with the consent of the rightholder, nor to the rental or lending of copies.98

Article 5(1) sets out the only mandatory exception, allowing for temporary acts of reproduction that are "transient or incidental," "an integral and essential part of a technological process," and have the "sole purpose to enable" network transmission by an intermediary or a lawful use. Otherwise, Article 5 lists twenty optional limitations and exceptions exhaustively, thus precluding Member States from providing any others. Five of these may limit the rights of reproduction and distribution; fifteen may limit these rights as well as the right of communication or making available to the public. While private copying


96 On the Enforcement Directive, see § 4[3][d] infra.

97 It remains undecided how far this right extends, given the complex limitations and exceptions to which it is subject. For one analysis, see Christophe Geiger, "Legal or Illegal? That is the Question! Private Copying and Downloading from the Internet," 39 I.I.C. 597 (2008).

generally calls for "fair compensation" of the rightholders, different institutional uses are treated differently depending on their purposes and expected impacts. Other traditional exceptions, such as for quotation, parody, and news uses, are also recognized.

In accordance with the principle of subsidiarity, Member States will be free to choose to apply any, some, or all of these limitations or exceptions, subject to the Berne/TRIPs three-step test which is enshrined in Article 5(5) of the Directive: limitations and exceptions should be confined to special cases that neither conflict with normal exploitation nor unreasonably prejudice the rightholder's legitimate interests. Calls have been made for further harmonizing the entire set of E.U. limitations and exceptions, albeit flexibly.

[ii]--Anticircumvention; Rights Data. The WIPO Treaties introduce new remedies for rightholders in the digital environment. The Information-Society Directive requires that such remedies be implemented while coordinating the provisions on point with its other provisions.

Article 6(1) requires Member States to provide "adequate legal protection against the circumvention" of effective technological measures, for example, of copy control, encryption, etc., where such circumvention is carried on knowingly or with reason to know. Article 6(2) further requires protection against the manufacture and commercialization of devices, products, components, and services that are marketed "for the purpose of circumvention," have only a "limited commercially significant purpose or use" other than to circumvent, or are "primarily" designed, made, offered, or fit for such purposes.

99 On this principle, see §§ 1[1][c] and 4[1][a] supra.


Such technological measures as copy control, encryption, etc., can be used to block access to public-domain materials, as well as to materials otherwise subject to exceptions or limitations that the Directive itself allows. Accordingly, Article 6(4) of the Directive instructs Member States to take “appropriate measures” to ensure that rightholders make available "means" to use materials that, although blocked, fall under exceptions and limitations that include private copying and a variety of institutional uses. These "means" to access the technologically blocked materials are only to be extended to the "beneficiaries" of the specified exceptions and limitations. Nonetheless, it is contemplated that such access may be governed by "voluntary measures" taken by rightholders or "agreements" with these beneficiaries.

Article 7(1) requires Member States to provide "adequate legal protection against any person" who, without authority but "knowingly" or with grounds to know, removes or alters electronic rights-management information. It also requires such protection against anyone who thus commercializes, or otherwise makes available to the public, works or other protected subject matters from which, without authority, such information has been removed or on which it has been altered.

[h]--Resale Right: Droit de Suite. On September 27, 2001, the Directive on the resale right, that is, the right commonly known under the French term droit de suite, was finally adopted, following an intense conciliation procedure between the Parliament and the Council. The deadline for implementation was January 1, 2006.

Prior to implementation of this directive, a majority of Member States provided for resale rights or droit de suite. At that time, however, such laws, where they existed,

104 These include: private copying on paper and like media; non-commercial copying by public libraries, educational institutions, museums, or archives; ephemeral recordings by broadcasters; recording broadcasts made by social institutions; use for illustration for teaching or research; use for the benefit of disabled people; use for public security or in certain government proceedings.


displayed certain differences, notably as regards the works they covered and the rates they set for royalties, and there were gaps of coverage relative to Member States that did not provide for resale rights.\textsuperscript{108} Such disparities had negative impacts on the proper functioning of the Internal Market in embodiments of works of art; hence, the need for a legislative instrument. Moreover, the Directive will give the Union a basis on which to promote the international recognition of resale rights. Article 14\textit{ter} of the Paris Act of the Berne Convention only makes such a right optional internationally. Recital 7 of the Directive contemplates efforts to make it compulsory.

Time limits, a contentious topic, are subject to a complex compromise. The resale right, under Article 8(1), lasts as long as economic copyright. Under Article 6(1), the right devolves on an author's heirs upon his death. In principle, under Articles 10 and 12, Member States must implement the Directive in national law by January 1, 2006. However, under Article 8(2), Member States may opt to apply resale rights only to living artists during a further four years, that is, until January 1, 2010. In addition, if a Member State requests, this further deadline of 2010 may be extended for another two years, subject to a consultation and transparency mechanism in which the Commission will play a part.\textsuperscript{109} However, this long period for implementation must be considered as exceptional.\textsuperscript{110}

\textbf{[i]--Subject Matter and Rights.} The subject matter of the resale right is the physical embodiment of a work of art protected by copyright, effectively the art object. Article 2(1) of the Directive gives this list of examples: "works of graphic or plastic art such as pictures, collages, paintings, drawings, engravings, prints, lithographs, sculptures, tapestries, ceramics, glassware and photographs, provided they are made by the artist himself" or "are copies considered to be original works of art" or original "copies." Article 2(2) defines such copies as those "which have been made in limited numbers by the artist himself or under his authority" and indicates that such prints, sculptures from molds, etc., "will normally have been numbered, signed or otherwise duly authorised by the artist."

The resale right itself, according to Article 1(1) of the Directive, is "an inalienable right, which cannot be waived, even in advance, to receive a royalty based on the sale price obtained for any resale of the work, subsequent to the first transfer of the work by the

\textsuperscript{108} See, e.g., the \textit{Joseph Beuys} decision, BGH (Federal Court of Justice) (Germany), 16 June 1994, [1994] GRUR 798, [1994] GRUR Int. 1044, in English in 26 I.I.C. 573 (1995) (refusing relief to German artist under German law of \textit{droit de suite} where sales were completed in the United Kingdom, which did not provide for resale royalties).

\textsuperscript{109} The United Kingdom has taken advantage of this derogation. See L. Bently, “United Kingdom,” herein, at § 4[3][e] (hereinafter "United Kingdom").

author." Thus the right represents an economic interest in receiving remuneration, that is, the resale royalty, from successive sales of each qualifying embodiment, and its aim is to allow artists and their heirs and other successors on death to share in the sellers’ profits that accrue from the increased value of such embodiments, thus restoring some balance between the economic situation of artists and that of other creators who can exploit their works several times over. Under Article 1, the resale right is to apply to all acts of resale by art dealers, including sellers or buyers or intermediaries who are art-market professionals, such as salesrooms and art galleries.111

According to Article 7 of the Directive, Member States may treat habitual residents as their nationals for purposes of according resale rights. Member States only need accord this right to non-E.E.A. claimants on the basis of treaty obligations, notably Article 14ter of the Paris Act of the Berne Convention, or simple reciprocity. The Commission is to keep a declarative list of such third countries as fulfill Berne or other reciprocity conditions for their nationals to enjoy the right. However, the Phil Collins decision112 compels E.E.A. states to provide for national treatment for all E.E.A. nationals with regard to the resale right.

[ii]--Royalty Rates; Administration. Schedules for royalty rates and implementation were controversial. Under Article 3 of the Directive, resale rights will apply to any sale where the price exceeds € 3,000.113 Works of art that are not sold at prices above this threshold—for example, some sketches, engravings, and photographs—may not be covered. Paintings and sculptures are likely to give rise more often to the payment of resale royalties. Even so, the effect of this restriction is tempered by the option given to Member States of applying resale rights to sales of less than € 3,000. In these cases Article 4(3) provides for a resale right of not less than 4% of the selling price.

The European art markets find their main competitor for the sale of modern and contemporary works in New York City. The U.S. does not federally recognize resale rights;114 nor does Switzerland. Art-market professionals feared that, upon the imposition of an E.C. and now an E.U.-wide resale right, sales of art objects will shift to the U.S. or Switzerland. Precaution has been taken in the Directive to prevent any such shift from taking

111 Member States may exceptionally provide that one of the natural or legal persons subject to the right, other than the seller, may be liable, or be jointly and severally liable with the seller, for payment of the royalty.


113 Member States may exceptionally provide that the right not apply to a resale where the seller has acquired the work directly from the author less than three years before the resale in question and where the resale price does not exceed € 10,000.

114 California has such a scheme. See "United States," herein, at § 4[3][f].
place. To ensure that there is no incentive to move sales of art in the highest price-brackets outside the Internal Market, Articles 4 and 5 of the Directive introduce the principle of a tapering scale of rates. The maximum that an artist can receive as resale royalties on a single sale is limited to €12,500. Otherwise, under Article 4, artists will receive a percentage of the resale price of their works ranging from 4% to 0.25% in five levels of selling price:

+ 4%--or 5%, at Member States’ discretion--for the threshold price of €3,000 up to €50,000;
+ 3% from €50,000 to €200,000;
+ 1% from €200,000 to €350,000;
+ 0.5% from €350,000 to €500,000;
+ 0.25% over €500,000.

Under Article 6(2), Member States may provide for compulsory or optional collective management of the royalties deriving from the resale right. Under Article 9, parties obligated to pay such royalties are also obligated to provide claimants with information regarding any pertinent sale for three years after that sale.

In December 2011, the Commission issued its first and long-overdue report evaluating this directive.\(^\text{115}\)

[3]--Related Directives, Regulations, and Other Instruments

[a]--Jurisdiction and Choice of Law. The Union has an arsenal of instruments for governing jurisdiction and choice of law in cross-border cases. Such issues become increasingly more frequent as trade increases in the Internal Market, especially with the advent of the Internet.

Effective March 1, 2002, the Regulation on jurisdiction and enforcement of judgments in civil and commercial matters superseded the 1968 Brussels Convention as between most E.C. and now E.U. Member States.\(^\text{116}\) Thus, if the conditions of this Brussels I Regulation are


\(^{116}\) Council Regulation (EC) 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (Brussels I Regulation), O.J. 2001 No. L 12. \textit{N.b.}, while the Brussels I Regulation parallels the Brussels Convention, its provisions are numbered differently, and not all Member States are bound by it.
satisfied, as construed by a growing case law, a judgment or an interim order obtained in one Member State with regard to the infringement of intellectual property will be enforceable in another.\(^{117}\) Under the prior Brussels Convention, the Court of Justice had already disallowed objections to such enforcement even when European public policy, freedoms of commerce, and competition law were invoked.\(^{118}\)

The Lugano Convention still applies to jurisdiction and to the enforcement of judgments, \textit{inter alia}, as between E.U. Member States and E.E.A. countries.\(^{119}\) However, on October 30, 2007, the European Community, now the European Union, and Iceland, Norway, and Switzerland signed the new Lugano Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters.\(^{120}\) This new Lugano Convention takes account of the Brussels I Regulation in many regards.\(^{121}\)

On July 11, 2007, the European Parliament and the Council adopted the Regulation on the law applicable to non-contractual obligations.\(^{122}\) Article 8(1) of this Rome II Regulation provides that law applicable to an infringement of an intellectual property right is to be the law of the country for which protection is claimed.\(^{123}\)

\(^{117}\) For an overview relative to copyright, see "Introduction," herein, at § 6[1][a].


\(^{120}\) For the text, go to http://www.ofj.admin.ch/etc/medialib/data/wirtschaft/iplpr.Par.002.File.tmp/260307_entw_lugano_convention-e.pdf.


\(^{123}\) For analysis relative to copyright, see "Introduction," herein, at § 3[1][a].
On June 6, 2008, the Regulation on the law applicable to contractual obligations was adopted. Article 3(1) of this Rome I Regulation starts with the principle of contractual freedom: “A contract shall be governed by the law chosen by the parties.” Subsequent provisions govern contracts where the parties have not made such a choice of law, as well as exceptions to the basic principle of contractual freedom. This regulation does not address issues that may arise in copyright cases because of inalienable author’s rights.

[b]--Related Internet Directives and Proposals. A number of directives, as they take effect together, influence the legal environment for the online exploitation of copyright and related rights in the European marketplace.

[i]--Television and Conditional-Access Directives. The Council adopted the Directive “Television without Frontiers” on October 3, 1989, which dealt with promoting E.C.-wide, thus now E.U.-wide, activities in the field of telecommunications, but which carefully avoided controversial copyright issues. Since then, it has adopted a pair of further directives in this field with increasing impact on just such issues.

The Advanced-Television Standards Directive had diverse goals. One, of many, was to provide a measured balance between the objective of encouraging investment in digital-television services and protecting consumers’ interests by promoting eventual competition. Indeed, there has been concern that the use of proprietary technology in this context could, if

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125 For further analysis, see "Introduction," herein, at §§ 6[2] and 6[3].


127 Council Directive 89/552/EEC of 3 October 1989 on the coordination of certain provisions laid down by Law, Regulation or Administrative Action in Member States concerning the pursuit of television broadcasting activities, O.J. 1989 No. L 298. This directive does govern advertising breaks that interrupt the televising of works such as feature films. For an example of its application, see "Italy," herein, at § 7[1][b].

uncontrolled, lead to the creation and abuse of dominant positions to the detriment of fair competition and user welfare. Article 4 of the Directive therefore requires conditional-access service providers who administer decoders to offer conditional access services to all broadcasters on fair, reasonable and non-discriminatory terms. It also requires that holders of industrial-property rights in relevant devices grant licenses to manufacturers and that procedures are easily available to resolve disputes concerning that application of these provisions.

The Conditional-Access Directive complements this scheme. It aims at ensuring equal treatment of the suppliers of cross-border broadcasts, regardless of their place of establishment. It requires that each Member State prohibit, on its territory, the use of illicit devices, for example, decoders of encrypted broadcasts, that is, equipment or software designed or adapted to give access to television and radio-broadcasting services provided against remuneration and based on conditional access. Member States are also under an obligation to provide for sanctions that are to be effective, dissuasive, and proportionate to the impact of any activity allowing for unauthorized access to such protected broadcasting services. This directive thus constitutes one basis for preventing the circumvention of technical devices blocking access to information services, since the scope of this legislation covers pay television, video-on-demand, and electronic publishing, as well as a wide range of online services. The Information-Society Directive now generically protects technological safeguards against circumvention.

[ii]—The Electronic-Commerce Directive. A few years after the Commission Proposal and the Common Position for an Amended Proposal, the Directive on certain


131 On this directive in this regard, see § 4[2][g][ii] supra.


legal aspects of information society services, in particular electronic commerce, in the Internal Market was adopted on June 8, 2000. Regulations on point are also expected.

The goals of the Directive include, *inter alia*, harmonizing legal regimes among the Member States to facilitate electronic commerce in the Internal Market. The scope of the Directive is determined in part by Article 2, which sets out definitions that effectively cover a large range of electronic services. These include business-to-business and business-to-consumer services, as well as those provided free of charge, for example, those funded by advertising or sponsorship revenues. Article 3(1), read in conjunction with Recital 19, applies the Directive only to service providers established within the former Community, now the Union, while Article 2(c) defines the place of establishment as that where an operator actually pursues an economic activity through a fixed establishment, irrespective of where technological facilities such as web-sites or servers are situated.

Under Article 1, the Directive is to complement other E.C. and now E.U. laws, as well as national laws, protecting consumer interests. Article 3(2) generally precludes each Member State, in matters subject to coordination by the Directive, from restricting the freedom to provide relevant services from another Member State. Under Article 3(4) read in conjunction with Recital 11, Member States will only be allowed to impose proportionate restrictions on such services from another Member State on a case-by-case basis if necessary to protect certain public interests. Article 3(4)(b) establishes procedures for such exceptional measures, including advance notification to the Member State where the service provider is established and to the Commission, which may veto unjustified measures.

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135 This directive does not purport to govern, *inter alia*, jurisdiction and the choice of law. On E.U. law on point, see § 4[3][a] *supra*.

136 These include protecting minors, as well as consumers and investors, assuring public health and security, and restraining hate crimes and speech, as well as offenses to the human dignity of individuals.
Consumers are protected on a number of levels, including online contracting. Articles 5 through 7 require service providers and commercial communications, such as advertising and direct marketing, to provide certain basic information: for example, commercial electronic mail must be clearly identifiable as such. Under Article 9, Member States must legislatively allow for electronic contracts in common fields of commerce, and Article 11 allows consumers to order services by technological means, such as clicking on an icon. Under Article 10, the service provider is obligated to indicate clearly to consumers in what stages any offered contract is to be formed, whether it will be archived by the service, how it can be accessed again, how input errors can be corrected, languages for concluding the contract, and any relevant code of conduct. The service provider has to provide consumers with technical means to correct input errors and to allow them to store and reproduce contracts. The service provider also has to acknowledge receipt of orders electronically and without undue delay. The order and acknowledgment of receipt are deemed received upon access by the addressee.

Intermediary liability is also governed horizontally, that is, not just for a specific field like copyright, but for all subject communications. The Directive acknowledges in its Recital 40 that service providers have a duty to act, in certain circumstances, with a view to preventing or stopping illegal activities. It therefore aims at providing for the development of rapid and reliable procedures for removing and disabling access to illegal information, ostensibly including materials infringing copyright or related rights. That said, Articles 12 through 14 of the Directive define functions, namely acting as “mere conduit,” “caching,” and “hosting,” that service providers may play without incurring monetary liability as long as they maintain passive roles in conveying information from third parties. These exemptions thus cover only cases where, for the sole purpose of making the transmission more efficient, the service provider limits itself to technical processes of operating and giving access to a communication network over which third-party information is transmitted or temporarily stored. According to Recital 42, to benefit from these exemptions, the service provider must have neither knowledge of, nor control over, the information in question.

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138 N.b., some of the contractual requirements indicated here, while ostensibly applicable to consumer contracting on the World Wide Web, do not apply to contracts concluded by electronic mail or equivalent individual communications.

139 Intermediaries may still be subject to injunctions if they are implicated in conveying materials that infringe copyright or related rights.  See § 4[2][g] supra.
[iii]--Privacy and Related Instruments. The privacy of personal data may be endangered online. Human rights protect privacy generally, while directives specifically govern the electronic transmission of potentially private data.140 Of particular importance is the Directive on Privacy and Electronic Communications, which in 2002 amended the prior specific directive on point.141 Case law exploring the impact of such law on the enforcement of copyright and related rights is discussed below.142

Since 1998 the U.S. Department of Commerce has sought to settle on a set of internal “safe harbor” privacy principles, to which U.S. companies would adhere on a voluntary basis and which would provide “adequate protection” of privacy interests pursuant to E.C. and now E.U. standards. Under an agreement adopted by the Commission, compliance by U.S. companies with such European standards would, for the most part, require a combination of dispute-settlement mechanisms and U.S. laws forbidding unfair and deceptive acts.143 The Commission has also adopted standard contractual clauses for the transfer of personal data to any third country that has not been declared by the Commission as providing an adequate level of data protection.144

[iv]--Online Piracy; Notice and Takedown. In May of 2011, the Commission, in association with a number of well-known companies, adopted a code of practice to fight the online commerce in pirated and counterfeit goods, in which copyright, design rights, or trademark rights subsist.145 The so-called code does not bind its signatories, providing only guidelines for them and other stakeholders. The memorandum entered into force on May 5, 2011, effective for one year. After that, the signatories will reassess it and may prolong it.

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142 See § 5[1][b][ii] infra.


These guidelines contemplate, *inter alia*, notice-and-takedown procedures, as well as other proactive and preventive measures, including cooperation with customs and other law-enforcement authorities. Most importantly, internet platforms are to provide easily used and efficient notice-and-takedown procedures accessible by electronic means, and right owners are to assist internet platforms by sending them information to help them identify pirated and counterfeit goods and monitor offers on websites, but internet platforms are not subject to any general obligation to monitor such sites. Both right owners and internet platforms will adopt other measures, including the detection of repeat infringers, and Internet platforms commit to suspend or restrict the accounts of sellers who repeatedly sell counterfeit or pirated goods and prevent their re-registration.

[c]--Design Rights and Copyright. Both industrial property and copyright laws may apply to industrial designs. After long deliberations, a directive was issued to harmonize the interplay between these laws at national levels, along with a regulation to institute a two-tiered system of E.C.-wide, now E.U.-wide, design rights.146

[i]--The Design Directive. The Directive "on the legal protection of designs" of October 13, 1998, was adopted with a deadline for implementation of October 28, 2001.147 This directive harmonizes the substantive provisions on design rights under the Member States' respective national regimes of industrial property, but gives due regard to the interplay of these regimes with national copyright laws. The substantive terms of this directive, which are only outlined here, are repeated word for word in the Design Regulation, which is discussed more fully below.148

These regimes protect a design upon registration but, according to the Directive, only to the extent that it is new and has individual character.149 Novelty is present if no identical design has been made available to the public, and a design has individual character if the overall impression it produces on the informed user differs from that made by an older design. A design right is not to subsist in features of appearance of a product, which are

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148 See § 4[3][c][ii] infra.

149 *Quaere* whether this double requirement is in conformity with Article 25 of the TRIPs Agreement, which requires protection of independently created industrial designs that are new or original.
solely dictated by its technical function; nor is it available for features of appearance subject to the so-called must-fit exclusion. That is, the right does not protect such features as must be reproduced in their exact form and dimensions in order to permit the designed product to be mechanically connected to, or placed in, around, or against another product, so that either product performs its function. An unending battle has been fought over a must-match provision that could have put into question design rights in spare parts the automobile industry wishes to retain.

On September 14, 2004, the Commission adopted a proposal amending the Directive. This amendment is to abolish design protection of visible spare parts, for example, in the case of automobiles, body panels, bumpers, lighting fixtures, or windshields. This measure is intended to give consumers, who need to repair such a component part of a complex product, better choices and value for their money. The proposal also pursues an important industrial policy objective: according to an impact assessment carried out by the Commission, this proposal, if adopted, would stimulate a thriving market for small and medium-sized companies producing spare parts for cars.

The term of protection is five years, which may be renewed up to a total term of 25 years. A design is to be refused registration or be declared invalid if legal requirements have not been met. The registration of a design gives rise to the exclusive right to use the design and to prevent any unauthorized third party from using it. Such use encompasses, in particular, the making, offering, putting on the market, importing or exporting a designed product, as well as stocking such a product for those purposes. The Directive enumerates a number of limitations to the design right, notably with respect to acts done privately and for non-commercial purposes, acts done for experimental purposes, and acts of reproduction for

\[150\] But a design right may subsist in a design serving the purpose of allowing multiple assembly or connection of mutually interchangeable products within a modular system. This exception to the exception was inserted on the insistence of the Danish Lego firm, which produces toy-building elements.

\[151\] On must-fit and must-match exclusions in one E.U. Member State where they have been adjudicated, see “United Kingdom,” herein, at § 2[4][c][ii].

citations or teaching, if these are compatible with fair commercial practices. The design right may not be exercised with respect to equipment on ships and aircraft registered in another country, to spare parts for repairing such craft, and to the execution of repairs on such craft. Article 15 of the Directive imposes E.E.A.-wide exhaustion and precludes the international exhaustion of distribution rights, as discussed above.153

Copyright is also addressed. The Directive, however, fails to resolve the pressing problem of coordinating the protection of designs by diverse legal regimes. In its Article 16, the Directive declares that it does not prejudice any provision of E.C. and now E.U. law or of any national law relating to unregistered design rights, trademarks or other distinctive signs, patents and utility models, typefaces, and civil relief for unfair competition. In previous versions of draft texts, the Commission had at least tried to weed out the most Baroque systems that precluded the cumulating of design rights and copyright in some European countries,154 but all such harmonizing measures proved to be politically unworkable. Article 17 of the Directive, in its first sentence starts out by declaring that design rights and copyright are to protect designs cumulatively, but the second sentence undermines this point by stating: “The extent to which, and the conditions under which, such [copyright] protection is conferred, including the level of originality required, shall be determined by each State.” An important harmonizing purpose of the Directive has thus been missed.155

[iii]--The Design Regulation. On December 12, 2001, the Council finally adopted the Design Regulation.156 Effective March 6, 2002, this regulation established a dual system for protecting designs in the former Community, now in the Union.157 A design may be protected, on the one hand, as a registered design or, on the other, as an unregistered

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155 See Green Paper, Legal Protection of Industrial Design, June 1991, III/F/5131/91, para. 10.2.1 ("As long as design protection under the umbrella of copyright law has not been harmonized, completely satisfactory internal market conditions will not have been fully established, notwithstanding the creation of a Community Design.").


design. Under Article 1(3) of the Regulation, such protection is to have "equal effect throughout the Community," thus now throughout the Union.\textsuperscript{158}

Article 3 defines a "design" as "the appearance of the whole or a part of a product resulting from" features such as "the lines, contours, colours, shape, texture and/or materials of the product itself and/or its ornamentation." A "product" is "any industrial or handicraft item, including . . . packaging, get-up, graphic symbols and typographic typefaces, but excluding computer programs," as well as a part "to be assembled into a complex product," that is, a product composed of multiple, replaceable parts. Article 4 provides that a design is to be protected "to the extent that it is new and has individual character," but a design of "a component part of a complex product" is protected only to the extent that, while "visible during normal use . . . by the end user," it is new and has individual character. Article 8 precludes protection of appearance features of a product that are "solely dictated by the technical function" of the product and of must-fit features of any product that, in fitting with another product, help one product or the other to "perform its function."\textsuperscript{159}

Article 5 of the Regulation provides that a "design shall be considered to be new if no identical design has been made available to the public." Article 6 provides that a "design shall be considered to have individual character if the overall impression it produces on the informed user differs from the overall impression produced on such a user by any design which has been made available to the public." For a registered design, the relevant date for determining novelty and individual character is the date of filing for registration at the Office for Harmonization in the Internal Market (OHIM), based in Alicante, Spain, or, if priority is claimed, the date of priority.\textsuperscript{160} For an unregistered design, the relevant date for determining


\footnotesize\textsuperscript{159} \textit{But cf.} Council Regulation 6/2002, Art. 8(3) (exception for cases of "multiple assembly or connection of mutually interchangeable products within a modular system").

\footnotesize\textsuperscript{160} \textit{N.b.,} under Article 4(C)(1) of the Paris Convention and Articles 41 \textit{et seq.} of the Design Regulation, a claimant who duly files to register a design in a Paris or W.T.O. member has a right of priority for six months from that initial filing in which to file in the OHIM. That is, during those six months, this initial date of filing will count for purposes of establishing novelty and individual character as if the filing were made at the OHIM.
novelty and individual character is the date on which the design has first been made available to the public. In either case, under Article 7, making "available to the public" here means "published following registration or otherwise, or exhibited, used in trade or otherwise disclosed," ostensibly anywhere in the world. However, a disclosure will not count for priority purposes where specialists within the Community, now the Union, could not reasonably have known of such disclosure "in the normal course of business." Article 6(2) clarifies that, in "assessing individual character, the degree of freedom of the designer in developing the design shall be taken into consideration."

Under the regime for registered designs, claimants apply to register eligible designs at the OHIM. Filing for registration starts the term of protection running, under Article 12 of the Regulation, for an initial term of five years from the date of filing; after that, the term may be extended, upon renewal pursuant to Article 13, for successive terms of five years, up to a maximum term of 25 years from the date of filing. Under the regime for unregistered designs, specifically under Article 11, eligible designs are protected for three years running from the date on which the design is made available to the public in the Community, now the Union. Articles 14 through 18 deal with the parties vested with design rights under different circumstances, such as employment, jointly created or team designs, and licenses. Articles 27 through 34 concern transfers, licensing, collateralizing, and related transactions affecting the ownership of design rights. Transfers and related transactions should be duly recorded at the OHIM in Alicante to obtain full effects against third parties.

Rights differ, pursuant to Article 19, under the registered and unregistered design regimes. In both cases, relief is available against use, notably against making, marketing, importing, exporting, or using products made according to the design or stocking them for those purposes. For a registered design, relief is available against both deliberate and unconscious copies: the independent development of a similar design is no defense against infringement. For an unregistered design, by contrast, relief is available "only if the contested use results from copying the protected design," not when "it results from an independent work of creation by a designer who may be reasonably thought not to be familiar with the

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161 Nor will a disclosure made in confidence, for informational purposes, or abusively by a third party. See also Council Regulation 6/2002, Art. 7(2)(b) (granting a grace period for disclosures made during one year before any OHIM or other priority filing).

162 See also Council Regulation 6/2002, Arts. 45-50 (governing registration procedure).

163 See also Council Regulation 6/2002, Art. 11(2) (deeming such making "available to the public" to take place when the design is "published, exhibited, used in trade or otherwise disclosed in such a way that, in the normal course of business, these events could reasonably have become known to the circles specialised in the sector concerned, operating within the Community," but not when the design is disclosed in confidence).
design made available to the public by the holder." Under either regime, according to Article 10, the scope of protection only extends to relief against other designs that produce on the informed user the same "overall impression," with due account taken of the designer's "degree of freedom."

Article 20(1) of the Regulation exempts from such rights: (a) acts done privately and for non-commercial purposes; (b) acts done for experimental purposes; (c) acts of reproduction for making citations or teaching, if these are compatible with fair trade practice and do not unduly prejudice the normal exploitation of the design and mention is made of the source. Article 20(2) exempts the following: (a) equipment on ships and aircraft registered in a third country; (b) the importation into the Community, now the Union, of spare parts and accessories for repairing such craft; and (c) the execution of repairs on such craft. Article 21 provides for the exhaustion of rights upon the first sale in the Community, now the Union, with the rightholder's consent. Article 22 concerns rights of prior use, and Articles 24 through 26 govern invalidation.

This design system coexists with the Member States' national design systems. The prior harmonization of national design systems by the Design Directive ought to have minimized conflicts between the E.C. and now the E.U. design system and national design systems, as well as among these national systems themselves. Nonetheless, full harmonization could not be achieved relative to the issue of whether a component product made according to a protected design may be used in repairing another product which incorporates the component product. The Regulation therefore remains silent on such uses, and the Council is to decide its policy on point in the light of a Commission proposal which is expected within three years.

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164 See also Council Regulation 6/2002, Art. 19(3) (exceptionally applying this defense of independent creation to the case of a registered design "subject to deferment of publication as long as the relevant entries in the register and the file have not been made available to the public" in due fashion).

165 See, e.g., Council Regulation 6/2002, Art. 25(1)(f) (setting out, among the many grounds for invalidation, a use infringing copyright under the law of a Member State).

166 On the relationships between the copyright and design systems under national laws, see the national chapters, herein, at § 2[4][c], respectively.


Article 96 of the Directive confirms that it applies "without prejudice" to other E.C. and now E.U. laws or to Member States' national laws, such as copyright or trademark laws, that may also protect designs. However, consistently with the Design Directive, Member States are free to establish to what extent copyright protects designs and the conditions under which such protection is conferred. This approach leaves untouched the reciprocity provision of the Berne Convention relative to copyright claims in foreign designs. 169

The Regulation does not preclude foreigners from claiming these design rights. However, Articles 77 and 78 apply to a foreign claimant, that is, any natural or legal person without a domicile, a principal place of business, or a real and effective industrial or a commercial establishment in the Community, now the Union. Such a claimant must be represented before the OHIM by a legal practitioner qualified in one of the Member States or by a professional representative whose name is on the list of official representatives in the OHIM.

Rather complex provisions, set out in Articles 79 et seq. of the Design Regulation, govern jurisdiction and procedure before the OHIM, as well as before national courts that are to handle design cases under the Design Regulation.170

On December 22, 2005, the Commission made two proposals to link this European design system with the international WIPO design-registration system.171

[d]--Intellectual Property Remedies, Including Border Controls. The Enforcement Directive harmonizes diverse measures that Member States have taken to implement TRIPs obligations with regard to remedies for infringement.172 The Border-Control Regulation supplements such measures with remedies not foreseen in the TRIPs Agreement.

The Commission proposed a directive on the enforcement of intellectual property rights, including copyright.173 It explained that national disparities in the means of enforcing

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169 For further analysis, see "Introduction," herein, at § 4[1][c][i][A].

170 See P. Mengozzi, “Le contrôle des décisions de l’OHMI par le Tribunal de Première Instance et la Cour de Justice dans le contentieux relatif aux droits de la propriété industrielle” (The Oversight of the Decisions of the OHIM relative to Disputes concerning Industrial Property by the Court of First Instance and the Court of Justice), [2002] Revue du Droit de l’Union Européenne 315.


intellectual property rights, apart from hampering the functioning of the Internal Market, had made it difficult to combat counterfeiting and piracy effectively. This lack of harmony had supposedly led to a loss in confidence in economic circles in the Internal Market and, hence, to a reduction in investment. The Enforcement Directive was finally adopted on April 26, 2004, to be implemented within the following two years.

Article 2 of the Enforcement Directive defines its scope as reaching “any infringement of intellectual property rights as provided for by Community law [now Union law] or by the national law of the Member State concerned,” however, without prejudice to prior E.C. and now E.U. provisions on enforcement or substantive intellectual property rights. Article 3 imposes on Member States a general obligation to provide for measures, procedures, and remedies that are necessary to ensure the enforcement of intellectual property rights, but that shall be “fair and equitable and shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays.”

In particular, the Enforcement Directive includes procedures to assure the discovery and preservation of evidence and for provisional measures such as injunctions and seizure. Article 8 provides for a right of information allowing judges to order certain persons to reveal the names and addresses of those involved in disseminating illicit goods or services, along with details of the quantities and prices involved. Other remedies include the destruction, recall, or permanent removal from the market of illegal goods, as well as other injunctive relief and financial compensation, including damages. It remains controversial what remedies may be permissible for enforcing copyright within and against file-sharing networks, not only under current E.U. case law, but also under provisions in other directives limiting disconnect remedies.


176 Enforcement Directive, Arts. 6, 7, and 9.


178 On such case law, see § 3[3][b][iii][B] supra.
With regard to border controls, this Enforcement Directive complements the Council Regulation of July 22, 2003.\(^{180}\) This regulation provides measures to stop counterfeit and pirated products at the external frontier of the European Union, applying only to movements of suspected counterfeit and pirated goods between third countries and the Union, not to movements within the Union.\(^{181}\) Member States may supplement such border controls within the parameters of E.U. law.\(^{182}\)

**[e]--Exploitation of Public Sector Documents.** On June 5, 2002, the Commission adopted a proposal for a Directive to establish a minimum set of rules on the re-use and commercial exploitation of documents that are both held by public-sector bodies of the Member States and generally accessible.\(^{183}\) The directive was adopted in 2003\(^{184}\) and implemented with some delays.\(^{185}\)

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\(^{182}\) On case law limiting border controls between Member States, notably with regard to parallel imports within the Internal Market, see § 2(2)[f] *supra*.

The goal of the Directive goal is to stimulate the growth of the European information market by allowing re-use of public-sector information, access being already broadly ensured by national laws. The Directive covers all printed, aurally or visually recorded, or electronically accessible documents of public-sector bodies. Article 3, the core provision, states: “Member States shall ensure that, where the re-use of documents held by public sector bodies is allowed, these documents shall be re-usuable for commercial or non-commercial purposes in accordance with the conditions set out in Chapters III and IV. Where possible, documents shall be made available through electronic means.” Member States do not have an obligation to allow re-use as their public sector bodies still retain the right to choose to allow such re-use or not.

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186 PSI Directive, Art. 2 (defining public sector bodies as states, including regional and local authorities and bodies governed by public law). Computer programs are excluded from this definition, and the following documents are otherwise excluded: those in which third parties hold intellectual property rights; those of public-service broadcasters and their subsidiaries; those held by educational, cultural, archival, or research establishments; those excluded by national-access regimes, notably on grounds of national or public security or defense or of statistical or commercial confidentiality.

The second and third chapters of the Directive concern procedures for requesting re-use of such documents. Public-sector bodies must process requests within a reasonable time consistent with that already stated in national-access regimes or, otherwise, within no longer than 20 or 40 days, the latter if the request is complex or extensive; requests and access should, wherever possible, be processed electronically.\textsuperscript{188} If the public sector body refuses, it must state the reason and the means of redress if the applicant wants to appeal the decision.\textsuperscript{189} Where charges are made, the total income from supplying and allowing re-use of documents shall not exceed the cost of collection, production, reproduction, and dissemination, together with a reasonable return on investment.\textsuperscript{190} Article 7 then sets out a transparency requirement according to which public-sector bodies must publish conditions and standard charges for re-use of its documents. However, these conditions should neither be discriminatory for comparable categories of re-use, nor restrict competition; if a public body re-uses its information in competition with private entities, it must apply to itself the same conditions that it applies to these entities. Exclusive agreements are also forbidden, except when they are in the public interest.\textsuperscript{191} Finally, Member States must indicate what their public-sector information is and where it can be found.\textsuperscript{192}

\begin{footnotes}
\item[188] PSI Directive, Arts. 4(1), 4(2) and 5(1).
\item[189] PSI Directive, Arts. 4(3) and 4(4).
\item[190] PSI Directive, Art. 6.
\item[191] PSI Directive, Arts. 8, 10, and 11.
\item[192] PSI Directive, Art. 9.
\end{footnotes}
§ 5 Harmonization Case Law

[1]--Introduction

E.U. directives, intended to harmonize the copyright and related laws of E.U. Member States, have been outlined above.¹ The Court of Justice is now often asked to interpret these directives and related regulations. This section shall outline its growing case law on point.²

[a]--Jurisprudential Method. As explained above, Article 274 of the F.E.U. Treaty governs the jurisdiction of the Court of Justice.³ Article 267 of the F.E.U. Treaty provides for a procedure for preliminary rulings on questions that national courts refer to the Court of Justice with regard to E.U. law.⁴

[i]--References from National Courts. The Court of Justice has, inter alia, the task of overseeing the relations between E.U. laws and national laws.⁵ We have already seen this oversight at work in the field of copyright law with regard to E.C. and now E.U. primary laws, notably treaties.⁶ The Court further engages in it in considering questions referred to it concerning E.U. secondary laws, for example, directives.⁷

Indeed, a national court may be faced with an argument that primary law, notably a provision of the E.U. or F.E.U. Treaty, overrides or requires a certain interpretation of secondary law, notably of a directive provision: at that point, a national court may refer resulting questions to the Court of Justice for a preliminary ruling. In principle, moreover, the legality of secondary law adopted by an E.U. institution may, under Article 263 of the F.E.U.

¹ See § 4 supra.

² For further analysis, see T. Dreier, "The Role of the ECJ for the Development of Copyright in the European Communities," 54 J. Copyright Society USA 183.

³ See § 1[1][c][iv] supra.

⁴ For further analysis, see M. Broberg and N. Fenger, Preliminary references to the European Court of Justice (Oxford Univ. Press, 2010).

⁵ See § 1[1][c] supra.

⁶ See, e.g., § 2 supra (concerning the distribution of copies across borders); § 3 supra (concerning antitrust abuses of rights).

⁷ On average, it takes between one and two years from the date of a reference for the Court of Justice to rule on it.
Treaty, be challenged before the Court of Justice by another such institution or a Member State. Private parties will only be admissible in such an action for annulment if they can demonstrate that the measure is of direct and individual concern to them.

The Court of Justice also hears references asking how to apply directives, *inter alia*, in the field of intellectual property. Most notably, questions may arise before a national court concerning the validity or construction of national law enacted to implement a directive provision, and the national court may refer the questions to the Court of Justice for preliminary rulings in response. In any event, national courts are obligated to refer such questions to the Court of Justice when their decisions would be the last or only judicial remedy in a case and when it is necessary to clarify the point of E.U. law in order for the national court to decide. The exception to this latter rule is when the point of law is *acte clair*: the provision is so clear that there is no reasonable doubt about its application. This chapter will not consider pending references in any detail, but only judgments rendered to respond to them.

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12 National chapters may consider such references to the extent that they are domestically significant. See, e.g., “United Kingdom,” herein, at § 1[3][c] (procedure and examples of references both decided and pending). A list of pending references to the Court of Justice can be consulted on the U.K. Intellectual Property Office web site: [http://www.ipo.gov.uk/pro-policy/policy-information/ecj.htm](http://www.ipo.gov.uk/pro-policy/policy-information/ecj.htm).
The Court of Justice has made clear that its preliminary rulings, such as it renders to respond to referred questions, bind all the national courts in the Union.\textsuperscript{13} It should be borne in mind that this binding effect is not necessarily the same as that of \textit{stare decisis} in the tradition of the common law, especially since the Court’s legal rulings in response to references are not intimately bound up with facts that the Court itself finds. If the national court referring a question is not satisfied with any of the Court of Justice’s answers or finds an answer unclear given the facts of the case before it, it may refer the question back to the Court.\textsuperscript{14}

Over the years, the Court of Justice has predominantly interpreted E.U. treaty and directive provisions by looking to the contexts and goals of the provisions in question. In determining the meaning and scope of such E.U. provisions, the Court seeks to give them autonomous and uniform interpretations throughout the European Union: this method follows from the need to have a uniform application of E.U. law and from the principle of equality.\textsuperscript{15} The case law has begun to explore to what extent the principles of proportionality and subsidiarity may also come into play here.\textsuperscript{16}

\textbf{[b]}--\textbf{Roles of Human Rights.} According to Article 6 of the E.U. Treaty, E.U. institutions and Member States, when they apply or implement E.U. law, must respect fundamental rights, that is, human rights.

\textbf{[i]}--\textbf{Sources in the European Legal Order.} There are three European sources of such rights: E.U. Member States’ constitutional traditions,\textsuperscript{17} the E.U. Charter of


\textsuperscript{14} See, e.g., \textit{Infopaq II}, Case C-302/10 (a reference now pending in a matter already adjudged, as discussed in §§ 5[2][a] and 5[7][a][i] \textit{infra}).


\textsuperscript{16} On these principles, see §§ 1[1][c] and 4[1][a] \textit{supra}. On the role of the principle of proportionality in rulings relative to human rights, see § 5[1][b][ii] \textit{infra} and, relative to protecting reliance interests where rights apply retroactively, § 5[3] \textit{infra}. On the role of the principle of subsidiarity with regard to determining holders of rights, see § 5[4] \textit{infra}.

\textsuperscript{17} See, e.g., “Germany,” herein, at § 8[2][b][ii] (explaining how national constitutional guarantees of freedom of expression, press, etc., compel granting more “leeway” for such uses of copyright materials as parody, artistic quotation, political caricature, etc.). For
Fundamental Rights and Freedoms,\(^{18}\) and the European Convention for the Protection of Human Rights and Freedoms.\(^{19}\) The rights at stake include the rights to “respect for one’s private life” and to “freedom of expression,” as well as the freedom to conduct a business, but account must be taken of the right to respect for one’s “property,” including “intellectual property.”\(^{20}\) Both the Court of Justice and the European Court of Human Rights have confirmed that rights of intellectual property fall within the scope of the right to respect for property.\(^{21}\) However, the right to intellectual property is neither an absolute nor an inviolable right.\(^{22}\)

The European Union is not yet a party to the European Convention for the Protection of Human Rights, but the E.U. Treaty requires it to accede.\(^{23}\) In any case, the Court of Justice scrutinizes E.U. acts in the light of that convention as well as the E.U. sources of human rights; however, it has so far been reluctant to strike down E.U. legislation for failure to respect such rights. Nonetheless, each Member State must, when implementing E.U. commentary, see P.E. Geller, “A German Approach to Fair Use: Test Cases for TRIPs Criteria for Copyright Limitations?,” 57 J. Copyright Society USA 553 (2010).


\(^{19}\) This treaty is sometimes abbreviated as the E.C.H.R., as is the European Court of Human Rights, which will here rather be abbreviated as the E.Ct.H.R. This treaty and court are institutions of the Council of Europe, an international organization in Strasbourg which brings together 47 countries of Europe to promote democracy and protect basic rights.


\(^{22}\) E.U. Treaty, Art. 6(2). Negotiations to this effect started in 2010.
enactments, respect human rights: if it fails to do so, individuals may sue the Member State, but not the Union. A distinction must be drawn between recourse to the Court of Justice and to the European Court of Human Rights to challenge E.U. or national acts for failure to respect human rights. In the European Union, depending on the issue, an E.U. enactment or judgment may bind a state or a private party; judgments of the European Court of Human Rights bind only states.

[ii]--Case Law: Human Rights and Enforcement. The case law has addressed the relationship between human rights, such as rights to privacy and to free speech, on the one hand, and copyright enforcement, on the other. Where tensions have arisen, the Court of Justice has contemplated balancing opposing considerations, subject to the principle of proportionality.24

In the Promusicae case, a collecting society asked a Spanish Court to order an Internet-service provider to disclose the identities of its allegedly file-sharing clients.25 The collecting society claimed that such an order was mandated under the Information-Society, Electronic-Commerce, and Enforcement Directives.26 In its defense, the service provider invoked Spanish law that required it to keep such data confidential and argued that the file sharing at issue was not, under that law, a criminal offense.27 In response, the Court of Justice held that the disclosure sought would be prima facie contrary to the Directive on Privacy and Electronic Communications, which in Article 5 provides that Member States must assure the confidentiality of communications and which in Article 6 subjects the retention and processing of traffic data to restrictive conditions.28 However, the Court noted that some derogation of these provisions may be allowed under Article 15(1) of this directive such that Member States may impose “an obligation to disclose personal data in the context of civil proceedings” to protect “the rights and freedoms of others.”29 Furthermore, the Court invoked the right of "protection of personal data and hence of private life" as recognized both

24 On this principle, see §§ 1[1][c] and 4[1][a] supra.

25 Commercial Court (Juzgado de lo Mercantil), Section 5, Madrid, 13 June 2006 (unreported preliminary ruling) (discussed in Bercovitz, “Spain,” herein, at § 8[4][a][i] (hereinafter "Spain").

26 On these directives, respectively, see §§ 4[2][g], 4[3][b][ii], and 4[3][d] supra.


29 Id., paras. 53-54.
in Articles 7 and 8 of the E.U. Charter of Fundamental Rights and Freedoms and in Article 8 of the European Convention of Human Rights. It stressed the “need to reconcile” such basic rights under E.U. law “and the rights to protection of property and to an effective remedy.” The Court thus recognized that, along with the principle of proportionality, European human rights set parameters for E.U. directives.

Ruling that a mere access provider may be regarded as an "intermediary" in the sense of Articles 5(1)(a) and 8(3) of the Information-Society Directive, the Court of Justice also held that the Directive on Privacy and Electronic Communications did not, in principle, preclude the disclosure of personal electronic-traffic data to private third parties for the purpose of civil proceedings for alleged infringements of copyright. It left it to local courts, guided by the principle of proportionality, to balance the privacy and enforcement interests at stake in each case.

In a file-sharing case, the Court of Justice considered an open-ended order compelling an Internet-service provider to filter all communications that it handles. It held that such an order would not strike a fair balance between basic rights of the service, as well as of its customers, and copyright in works possibly shared.

[2]--Subject Matters; Protectability Criteria

As seen above, certain copyright directives harmonized subject matter and protectability criteria for certain types of copyright works, as well as for one type of subject matter protected by related rights, to wit, database contents. The Court of Justice has begun to generalize some of these criteria.

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30 Id., paras. 63-64.
31 Id., para. 65.
32 Id., para. 68.
34 I.e., the customers’ rights to receive or impart information and to the protection of personal data, as well as the provider’s freedom to conduct its business: Charter of Fundamental Rights of the European Union, Arts. 16, 11, and 8.
36 I.e., the Software Directive, the Term Directive as to copyright in photographs, and the Database Directive as to copyright in databases, respectively discussed in §§ 4[2][b][i], 4[2][e][i], and 4[2][f][i] supra.
Copyright Works. Though specific directives formulated a criterion of originality and thus protectability for specific types of works, namely the criterion of the author’s own intellectual creation, the case law has interpreted the directives broadly to suggest the possibility that all productions, to be protected by copyright as works, might have to meet this criterion. For example, the Court of Justice has opined that football matches are not copyright works because they are “subject to the rules of the game, leaving no room for creative freedom.”

Short Informational Texts. In the Infopaq case, the Court of Justice specifically considered what acts violate the right of reproduction “in whole or in part” of a newspaper article. At the threshold, the Court of Justice asked how the criterion of protection, as it appears in a number of directives, namely the author’s own intellectual creation, may qualify a “part” of a work for copyright protection, thus suggesting that this E.U. criterion of creativity applies “horizontally” to all works. In the case of literary works such as newspaper articles, the Court held that such creativity may be found in the author’s choice, sequencing, and combination of words, but not in any single word.

Graphic Interfaces for Software. In the Softwarová case, the Court of Justice had to consider the protectability of a graphical user interface (GUI) for computer software as it is broadcast. The Court had been asked whether such an interface is a form of expression of the computer program, for which the Software Directive had provided the

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37 On such horizontal effects of directives, see § 4[2] supra.

38 Judgment of 4 Oct. 2011, Joined Cases C-403/08 and C-429/08, Football Association Premier League v. QC Leisure and Karen Murphy v. Media Protection Services, [2012] F.S.R. 1, para. 98 (also discussed in §§ 2[3][b], 3[2][a][iii], and 4[3][b][i] supra and in 5[7] infra). This conclusion, however, would not preclude protecting sporting events by other national legislation, even by related rights, where appropriate.

39 On questions of infringement raised in this case, see § 5[7][a][i] infra.


42 On the question of whether the interface is thus communicated to the public, see § 5[7][a][iv][C] infra.
criterion of “the author's own intellectual creation.” The Court replied in the negative, noting that the interface does not enable the reproduction of the program, but merely constitutes one of its elements by means of which users make use of the program. Nonetheless, the Court admitted that the interface itself might be protectible under the Information-Society Directive as long as it met the criterion of intellectual creation. The Court, while leaving that issue to the national court, opined that, if forms of the interface were “dictated by their technical function,” it might not so qualify.

[iii]--Photographs. In the case of a portrait photograph, the Court of Justice considered that the photographer has more than negligible freedom in creating such photographs. It noted that, during the preparation phase, the photographer can choose the background, the pose, the lighting, the framing, the angle, and the atmosphere and that, in retouching, developing, etc., different techniques, including software, are available. Such choices “can stamp the work created with [the photographer’s] ‘personal touch’” that would have the photograph display enough creativity to attract copyright. Since the copyright directives do not indicate that copyright protection should be less strong for less creative works, the Court held, it should not be weaker for portrait photographs than for other works.

[b]--Performances, Recordings, Broadcasts. As indicated above, the Rental and Related-Rights Directive specifically assures copyright-related rights in performances, sound and audiovisual recordings, and broadcasts. There has not yet been case law addressing the criteria of protection of such media productions.

[c]--Database Contents. Article 7(1) of the Database Directive sets out criteria that a database must meet for the sui generis right to protect the contents of the database. The

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43 On this criterion, see § 4[2][b][i] supra.


45 Id., paras. 45-49 (also citing the Infopaq judgment discussed in § 5[2][a][i] supra).


47 Id., paras. 97-98.

48 On this directive, in pertinent part, see § 4[2][c][ii] supra.
database itself must display “qualitatively and/or quantitatively a substantial investment in either the obtaining, verification or presentation of the contents.” The Court of Justice has interpreted this language so that it does not apply to generating database contents alone, but only to the actual bringing of such contents together into a database itself.

In the British Horseracing (B.H.B.) case, the Court of Justice held that investments made in organizing horse races, and therefore in selecting horses and coordinating other factors in scheduling races, merely generated the data in question, but did not necessarily qualify any database itself at issue for protection. In companion cases, the court similarly held that investments made in determining data such as the dates and times and venues for football matches, so-called sports fixtures, did not in itself qualify any subsequent database for protection. Furthermore, it distinguished between verifying data alone and verifying database contents, for example, in monitoring them, holding only investment at the latter stage to count in meeting the criteria of protectability.

There remains the problem of so-called spin-off databases, which may be analyzed into three separate, but logically interrelated, issues. First, does the investment in creating data which is subsequently spun off into the database at issue qualify as relevant investment in the “obtaining” of data? The Court’s answer, in the cases just discussed, would seem to be negative. Second, is it possible for spun-off data to be covered by the sui generis right anyway, on the basis of separate substantial investment in the obtaining, verification, or presentation of the data in a new database? The Court’s answer appeared to be affirmative on this point. Third, in a case where a particular investment is common to both the creation of

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49 On this directive, in pertinent part, see § 4[2][f][ii] supra.


data and the obtaining, the verification, or presentation of the database, does it qualify as a relevant investment? The answer here was negative.  

[3]--Duration of Protection; Retroactivity; Reliance

The Term Directive harmonizes the terms of copyright and related rights in E.U. Member States. As already explained above, the Term Directive has retroactive effect at least within the European Union, not only because of its provisions, but also because of the principle of non-discrimination against E.U. nationals. The Court of Justice has allowed for discretion in formulating transitional provisions to implement the Term Directive where retroactivity might impinge on reliance interests. It has also clarified that the principle of proportionality limits such discretion.

In the Butterfly Music case, the Court had to consider the validity of the Italian scheme for taking account of reliance interests, that is, so-called acquired rights of third parties, when recouping works out of the public domain. Recordings of the famous Italian singer Mina, made between 1958 and 1962, had entered the public domain under the Italian law which, prior to implementation of the Term Directive, had protected performances for a term of only 30 years. Butterfly Music had compiled such public-domain recordings into a new recording without consent, but faced claims for royalties that, upon the implementation of the Term Directive in Italy, were based on revived rights in the old recordings. Butterfly Music challenged the Italian law implementing the Term Directive, which stipulated that third parties having exploited the work while it was in the public domain were allowed to continue the distribution of recordings for a transitional period of three months following the date the law went into effect. However, the Court of Justice noted that the Directive gave Member States discretion to fashion measures to accommodate the reliance interests in question and accordingly concluded that the Italian legislation met directive requirements in this regard. The Court rejected the argument that this interpretation violated legitimate expectations,


54 On this directive, see § 4[2][e] supra.

55 On the application of this principle, see § 1[2][e] supra.

56 For a case concerning the terms of rights in foreign sound recordings, protected in one E.U. Member State before the Term Directive went into effect, see § 5[6] infra.

which E.C. and now E.U. law protects in principle, citing case law to the effect that such protection may not be so applied to preclude all new legislation.\textsuperscript{58}

Such discretion was, however, limited in a design case where different transitional provisions were asserted. Defendants had sought to market a work of applied art in Italy, namely a lamp made according to a design protectible under Italian copyright law as it had been revised to implement the Design Directive, effective April 19, 2001.\textsuperscript{59} The lamp had ostensibly fallen into the Italian public domain under prior Italian law, and the Italian transitional regime, itself repeatedly revised since the Design Directive had been pending, arguably precluded suit on the copyright which had been revived in the lamp when Italy implemented that directive.\textsuperscript{60} The Court of Justice noted that the Design Directive did not allow for the same margin of discretion as did the Term Directive for fashioning any transitional provision to take account of reliance interests, that is, so-called acquired rights of third parties, that might be prejudiced by rights revived by the effect of the directive.\textsuperscript{61} \textit{Inter alia}, the Court ruled that a transitional provision could not preclude suit on such a revived copyright in a work of applied art for an indefinite or substantial period, for example, the 10 years provided by the Italian legislation. This grace period was found not to conform to the principle of proportionality, because it failed to display a sufficiently reasonable relation to the goal of protecting the legitimate interests of reliance parties.\textsuperscript{62}

\textbf{[4]}--Ownership and Transfers

As seen above, copyright harmonization in relation to ownership and transfers has not been extensive.\textsuperscript{63} In the few cases raising questions on point, the Court of Justice has begun to apply the principle of subsidiarity, distinguishing issues left for national decision makers.

\textbf{[a]}--Initial Ownership. The Court of Justice has ruled that the terms “employer” and “employee,” as used in Article 14(3) of the Design Regulation,\textsuperscript{64} may not be interpreted

\begin{itemize}
\item \textsuperscript{58} \textit{Id.}, para. 25.
\item \textsuperscript{59} On the Design Directive, see § 4[3][c][i] \textit{supra}.
\item \textsuperscript{60} On this implementation, see “Italy,” herein, at § 2[4][c].
\item \textsuperscript{62} \textit{Id.}, paras. 57-65. For further analysis of the interplay between Italian transitional provisions and E.U. parameters, see “Italy,” herein, at § 3[2][c].
\item \textsuperscript{63} See § 4[2] \textit{supra}.
\item \textsuperscript{64} On the Design Regulation, see § 4[3][c][ii] \textit{supra}.
\end{itemize}
broadly. The Court held that this Article 14 applies only to designs made by employees, that is, persons who are subject to master-servant relationships in the course of their employment. Accordingly, Article 14(3) of the Design Regulation does not apply to commissioned designs; rather, national laws regulate the ownership of rights in these designs. This holding may suggest that, under pertinent copyright directives, works for hire and commissioned works may not necessarily be subject to the same rules.

[b]--Transfers and Licenses. None of the few directive provisions concerning the contractual transfer or licensing of rights has yet been subject to judicial inquiry.

[c]--Limitations: Droit de Suite. In the Dalí case, it was asked who may be entitled to receive royalties accruing from droit de suite after an author’s death. In his will, the painter Salvador Dali had appointed the Spanish state as the sole legatee of his rights even though he had several heirs. However, the French law implementing the Resale-Right Directive contains a provision which reserves the benefit of droit de suite exclusively to heirs at law. The society collecting royalties on behalf of the Spanish state sued the French collecting society to have it transfer royalties collected on behalf of Dali’s heirs for the resale right. The French court in turn referred questions to the Court of Justice, asking largely whether Member States may reserve the benefit of the resale right to the artist’s heirs at law alone, to the exclusion of testamentary legatees. As the term “those entitled” to the right in Article 6(1) of the Directive is left undefined, the Court of Justice interpreted it in view of the Directive’s objectives and the principle of subsidiarity. It held that the Directive did not preclude a Member State from reserving the benefit of the resale right to the artist’s heirs at law alone,


66 For example, the issue remains to be decided with regard to provisions in the Software and Database Directives. On these directives, respectively, see §§ 4[2][a] and 4[2][f] supra.

67 But cf. § 5[7][b][iv] infra (criteria of remuneration under involuntary licenses).

68 On this directive, see § 4[2][h] supra.

69 On this principle, see §§ 1[1][c] and 4[1][a] supra.
to the exclusion of testamentary legatees. It also left the resolution of any conflict of laws, and thus the choice of the applicable law, Spain’s or France’s, to the trial court.

[5]--Formal Procedures

E.U. directives in the field of copyright contain no provisions establishing or confirming formalities. The E.U. Member States have long complied with the Berne Convention, according to which neither the enjoyment nor the exercise of copyright may be subject to formalities. Thus the Court of Justice would have no occasion to consider such formalities. Three caveats, however, are in order.

+ **Remuneration schemes:** Formal procedures may help in claiming and collecting remuneration. Case law concerning remuneration schemes, often implemented by collecting societies, is discussed below.

+ **Enforcement requirements:** National laws may call for notices or marks to distinguish licitly used media or copies or otherwise to implement enforcement schemes. In the Schwibbert decision, the Court of Justice questioned whether, under a non-copyright directive, Italy had to notify the European Commission of such a requirement.

+ **Industrial-property regimes:** The law of industrial property, including E.U. design law discussed above, may impose formalities such as registration.

[6]--Protection of Non-E.U. Claims

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71 *Id.*, para. 36 (also as noted in “Introduction,” herein, at § 6[3][c][i]).

72 On this Berne bar to formalities, see “Introduction,” herein, at § 5[3][b].

73 See §§ 5[7][b][iv] and 5[9] infra.

74 Judgment of 8 Nov. 2007, Case C-20/05, Pubblico Ministero v. Schwibbert, [2007] E.C.R. I-9447 (referring to Directive 98/34, as amended by Directive 98/48, requiring information to be furnished to the Commission in the field of technical standards and regulations) (further discussed, along with the national response to the case law, in “Italy,” herein, at § 5[4][b]).

As already explained above, the principle of non-discrimination against E.U. nationals assures national treatment by one E.U. or E.E.A. Member State of the nationals of another. Treaty or national provisions will govern the rights of foreign claimants, from outside the European Union or Economic Area, with regard to copyright or neighboring rights in any Member State, except where E.U. law provides otherwise.

In a German case, protection was sought in Germany for recordings that had been made of the U.S. artist Bob Dylan and originally released in the United States. Before the Term Directive took effect, these recordings had not been protected in Germany, for lack of any treaty grounds for protection, but they were protected in the United Kingdom as of July 1, 1995. The German Federal Court of Justice asked the Court of Justice whether Article 10(2) of the Term Directive compelled protecting such previously unprotected works or media productions with the new terms of protection granted as a result of implementing the Term Directive if such works or media productions met its condition of being protected in at least one Member State on July 1, 1995. The Court of Justice answered in the affirmative, at the same time holding that the fact that the initial rightholders were not nationals of Member States was not relevant for applying Article 10(2) of the Term Directive.

[7]--Rights; Limitations and Exceptions

The harmonization case law relating to rights and exceptions is already quite rich, most certainly because so many harmonizing provisions in the several directives relate to rights and exceptions.

[a]--Economic Rights

[i]--Reproduction. In the Infopaq case, a Danish news aggregator sued for a declaration of the legality of its methods of creating summaries of journalistic articles that it sends to its clients via email. It scans articles, converts them into computer files, enters key words and captures the five words before and after each key word, prints out the resulting eleven-word strings on paper, and finally deletes the computer files manually. Asked whether these several acts constituted actionable reproduction, the Court of Justice interpreted Article

76 See § 1[2][e] supra.

77 For the German position and case law on point, see “Germany,” herein, at § 6[1][c].

2 of the Information-Society Directive\textsuperscript{79} to hold that printing a string of eleven words together may constitute an act subject to the right to control the reproduction “in whole or in part” of a work if such a text is protected by copyright.\textsuperscript{80}

In the \textit{Premier League} case, the Court applied an \textit{Infopaq} holding to the reproduction of copyright works within the memory of a satellite decoder and on a television screen. It held that “the reproduction right extends to transient fragments of the works” within such memory “provided that those fragments contain elements” that together attract copyright.\textsuperscript{81}

\textbf{[ii]--Distribution; Importation.} As explained above, before any copyright directive was passed, the Court of Justice limited national rights of distribution by applying the exhaustion doctrine within the Internal Market.\textsuperscript{82} The Court has construed this right as applicable only upon first sale of an embodiment and confirmed that it is exhausted only upon such a sale within the Internal Market.

The very meaning of "distribution" in the sense of Article 4 of the Information-Society Directive\textsuperscript{83} was put at issue by the German Federal Court of Justice in a case where classic pieces of modern furniture were put at the disposition of clients in the rest areas of clothing stores, but not sold to the public.\textsuperscript{84} In reply, the European Court of Justice held that, under that directive provision, the notion of "distribution" to the public applies only where there is a transfer of the ownership of the embodiment at issue, so that neither allowing the public to

\textsuperscript{79} On this directive, in relevant part, see § 4[2][g][i] \textit{supra}. On the question of protectability, also raised in this case, see § 5[2][a] \textit{supra}. On whether the acts at issue in this case were exempted by the Information-Society Directive as transient or incidental reproductions, see § 5[7][b][iii] \textit{infra}.


\textsuperscript{81} \textit{See} Judgment of 4 Oct. 2011, Joined Cases C-403/08 and C-429/08, Football Association Premier League v. QC Leisure and Karen Murphy v. Media Protection Services, [2012] F.S.R. 1, para. 159 (also discussed in §§ 2[3][b], 3[2][a][iii], 4[3][b][i] and 5[2][a] \textit{supra}).

\textsuperscript{82} \textit{See} § 2[2] \textit{supra}.

\textsuperscript{83} On this directive, see § 4[2][g][i] \textit{supra}.

\textsuperscript{84} The “Le Corbusier Furniture” decision, BGH, 5 Oct. 2006, [2007] GRUR Int. 74 (noted in “Germany,” herein, at § 8[1][b][ii]).
use the furniture nor exhibiting the pieces to the public would constitute distribution triggering exhaustion.\textsuperscript{85}

Territorially, the Court of Justice confirmed that Article 4(2) of the Information-Society Directive legitimately precludes Member States from providing for the exhaustion of the distribution right upon first sale anywhere in the world outside the Internal Market. It found a legal basis for this provision, \textit{inter alia}, in Article 95 of the former E.C. Treaty, now Article 114 of the F.E.U. Treaty, authorizing harmonization directives, and it rejected the argument that Article 4(2) was contrary to the 1960 O.E.C.D. Convention and to the WIPO “Internet” Treaties.\textsuperscript{86}

\textbf{[iii]--Rental and Public Lending.} In principle, if the first sale of a hard copy fully exhausted the distribution right, that copy could subsequently be freely rented or lent to members of the public. However, the Rental Directive has legislatively precluded that consequence by establishing rental and lending rights as self-standing rights.\textsuperscript{87} As discussed above, the Court of Justice has rejected a pair of challenges to the rental right.\textsuperscript{88}

\textbf{[iv]--Communication, Making Available, to Public.} Further judgments have construed the right of communication or making available to members of the public, as E.U. directives assure this right.\textsuperscript{89} Three types of issues have arisen: Where to localize a communication or making available? Which intermediaries handling it are subject to the right? What public must it address for the right to apply?

\textbf{[A]--Localization of Communication.} Communications, often crossing borders, have to be localized to determine which countries' laws apply to them, as well as how to assess royalties. The Court of Justice has approached the issue of localization only in a case in which the cross-border application of the directive scheme for remunerating rightholders for satellite-relayed broadcasts was at issue.\textsuperscript{90}

\begin{itemize}
\item \textsuperscript{87} \textit{See} § 4[2][c][i] \textit{supra}.
\item \textsuperscript{89} On the pertinent directives, see §§ 4[2][d] and 4[2][g][i] \textit{supra}.
\item \textsuperscript{90} On the criteria for such remuneration generally, see § 5[7][b][iv] \textit{infra}.
\end{itemize}
The Satellite Directive localizes the act triggering the right to control such broadcasts at the point of uplinking, while it contemplates assessing remuneration in the light of potential and actual audiences. In the Lagardère case, a French broadcaster was relaying French-language programs by satellite from a transmitter in Germany, and its broadcasts were largely received across the border in France, with some reception in Germany as well. The Court recognized that, since the programs were enjoyed mostly in France, remuneration could be claimed for French reception, although claims could also be made for any German reception, albeit without prejudice to the calculation of remuneration for reception in France.

[B]--Intermediaries Subject to Right. In the course of a communication, various intermediaries might try to facilitate reaching the market and eventually to profit from so doing. In what cases are they subject to the communication or making-available right of holders of rights in works or other media productions communicated or made available?

One type of intermediary offers the public a package of satellite channels that can be enjoyed by subscribers to whom it provides decoders to access encrypted packages. The Court of Justice was asked whether such a package provider must obtain authorization from the holders of rights in works or other productions thus reaching the public. It held that the package provider’s encryption and other reprocessing of broadcast signals were ordinary technical procedures so that the chain of communication was not interrupted. However, the package provider needed authorization from the rightholders because its intervention made protected matters available to a wider public than did any originally authorized broadcast.

[C]--When is Communication Public? Which members of the public must a communication or a making-available reach before it falls under the right in question?

91 On this directive, in pertinent part, see § 4[2][d][i] supra.

92 The German Federal Court of Justice had already decided that German copyright law applied to these broadcasts into France: the Felsberg Transmitter decision, BGH, 7 Nov. 2002, [2003] GRUR Int. 470, [2003] GRUR 328, and in English in 35 I.I.C. 977 (2004) (noted in “Germany,” herein, at § 8[3][a] and in “Introduction,” herein, at § 3[1][b][iii][A]).


95 Id., paras. 76-82.
The Court of Justice has broadly construed the relevant public in this regard, with some caveats.

In a case of programs retransmitted inside a hotel, the Court of Justice ruled that the retransmission at issue fell under the notions that the Satellite and Cable Directive set out of an “act of communication to the public” and of “reception by the public.” The Court subsequently broadened this construction, holding that the right of "communication to the public," as set out in the Information-Society Directive, extends to retransmission into private hotel rooms. It distinguished between, on the one hand, a hotel’s provision of facilities, which did not as such amount to the "communication to the public" at issue, and, on the other, the transmission of protected materials to clients, which did constitute such a "communication." Moreover, the Court clarified that, while clients of a hotel might have privacy claims relative to their respective hotel rooms, the hotel itself, subject to the communication right, did not. The Court later clarified that, by providing hotel rooms with televisions able to pick up broadcasts, a hotel manager makes a communication to the public.

In the *Premier League* case, the Court of Justice applied this case law to a barkeeper’s intentional transmission of broadcasts via television screens and speakers to customers in a bar which was open to the public. In reaching this conclusion, the Court stated, based on Recital 23 of the Information-Society Directive, that the right of communication to the public, harmonized by Article 3(1) of that directive, only includes communication to persons not present at the place where the communication originates: no E.U. directive harmonizes the right of live performance in the presence of a public. However, this was not the case

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98 Order of the Court of 18 March 2010, Case C-136/09, Organismos Sillogikis Diacheirisis Dimiourgon Theatrikon kai Optikoakoustikon Ergon v. Divani Akropolis Anonimi Xenodocheiadaki kai Touristiki Etaireia (distinguishing the distribution of a signal by way of televisions, as a technical intervention of the hotel manager, from the mere sale or rental of televisions which cannot entail a communication to the public).


100 *Id.*, paras. 200-203. See also Judgment of 24 Nov. 2011, Case C-283/10, Circul Globus București v. Uniunea Compozitorilor și Muzicologilor din România--Asociația
where broadcasts, here of football matches taking place elsewhere, were transmitted to customers of the bar, who were more likely to come to the bar to see the matches. The Court then held that, under Article 3(1) of the Information-Society Directive, such transmission was a communication to the public.\(^\text{101}\)

The broadcast of a graphical user interface (GUI) for software alone does not constitute communication to the public of a copyright work for purposes of claiming remuneration for the broadcast.\(^\text{102}\) The Court reasoned that, as it is broadcast, such an interface loses its interactive functions, given that viewers then receive it only passively.\(^\text{103}\)

**[v]--Extraction and Reutilization of Data.** The Court of Justice has had to disentangle criteria of infringement from the definition of *sui generis* rights in database contents.

**[A]--Criteria of Infringement.** Article 7(1) of the Database Directive sets out the *sui generis* right to control the “extraction and/or re-utilization of the whole or of a substantial part, evaluated qualitatively and/or quantitatively, of the contents of that database.”\(^\text{104}\)

In the *British Horseracing (B.H.B.*) and companion cases, the Court of Justice construed these complementary criteria of infringement. First, the qualitative test refers to the scale of the investment in the obtaining, verification, or presentation of particular data in the making of the database at issue, insofar as data are extracted or reutilized from that database, since even a quantitatively negligible part of the contents of a database may in fact represent significant investment.\(^\text{105}\) Second, the quantitative test refers to the volume of the extracted

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\(^\text{102}\) On the question of whether the interface is protected as part of a computer program, see § 5[2][a][ii] *supra*.


\(^\text{104}\) On this directive, in pertinent part, see § 4[2][f][ii] *supra*.

\(^\text{105}\) Recall, however, that the Court ruled that the data taken in the *B.H.B.* and companion cases did not necessarily represent investment contributing specifically to the making of any database itself. On this ruling with regard to the protectability of database contents, see § 5[2][c] *supra*. 
Five years later, in the Bulgarian *Apis* case, the plaintiff, an organizer of “a general legal information system,” sued prior employees for extracting modules of data, some data gathered from non-public and some from public sources, and for reutilizing such data, along with its cross-references, definitions, notes, etc., in another such system. The defendant in response alleged that its system was “the fruit of a substantial, independent investment,” using its own more efficient software and modules of “a fundamentally different structure.” *Inter alia*, the Court held that each module has to be considered as an independent database relative to which substantiality may be assessed. It also noted that infringement may occur as well when data is taken from several modules at once, so that substantiality then has to be analyzed relative to the overall database.107


In the Bulgarian Apis case, the Court had to construe "temporary" and "permanent transfer" for the purpose of determining whether restricted acts of extraction and reutilization had taken place. It held that a transfer will count as a "permanent transfer" only if the data is stored in a permanent manner in a medium other than the database for more than a limited period of time after extraction. Extraction is independent of the objective pursued by the perpetrator of the act at issue, of any modifications that he may make to the contents of the materials transferred, and of any differences in the structural organization of the databases. Furthermore, the fact that the physical and technical characteristics present in the contents of a protected database made by a particular person also appear in the contents of a database made by another person leads to a presumption of extraction. However, the fact that non-publicly available materials have been used by the maker of a database is not sufficient to prove extraction, but may constitute circumstantial evidence of that fact.\(^{109}\)

In a German case, a professor of literature had compiled 1,100 titles of German poems created between 1730 and 1900, and the university employing him claimed the sui generis right in the database constituted by this compilation.\(^ {110}\) In this case, the German Federal Court of Justice asked the Court of Justice whether, under Article 7(2) of the Directive, the concept of "extraction" requires physical copying of the elements of a database or whether it covers also the process of transferring the elements of one database to another database following visual consultation and a selection on the basis of a personal assessment of the person carrying out the operation. The Court held that such manual transfer, upon visual inspection and personal assessment, may fall within the ambit of an actionable "extraction" if it met the qualitative or quantitative tests of infringement.\(^ {111}\)

[b]--Limitations and Exceptions to Economic Rights. While prior directives limited some rights on specific points, the Information-Society Directive unpacked a full range of limitations and exceptions to rights.\(^ {112}\)

[i]--Quotation for Criticism, Review, Etc. In the Painer case, newspapers reproduced a protected photograph depicting a missing person without indicating the photographer’s name.\(^ {113}\) The Court of Justice had to clarify the criteria for applying the


\(^{110}\) The Gedichttitelliste II (List of Poem Titles II) decision, BGH (Federal Court of Justice), 24 May 2007, [2007] GRUR 688 (discussed in “Germany,” herein, at § 9[1][g]).


\(^{112}\) On this directive, in pertinent part, see § 4[2][g][i] supra.

exception that Article 5(3)(d) of the Information-Society Directive allows for quotation, criticism, or review. First, it held that it does not matter which kind of work the quoting work is: Article 5(3)(d) does not require that a quotation be made only within a literary work. Second, if the newspapers received the photograph without the author’s name indicated by the security authority providing it, then the newspapers were required only to indicate the source, not the name of the author.\footnote{Id., paras. 147-148.}

[ii]--Use for Purposes of Public Security. Also in the \textit{Painer} case, the Court ruled that, since the Information-Society Directive does not address the circumstances in which the interests of public security can be invoked, the Member States have a wide margin of discretion in applying exceptions to protect such interests. But in so doing, Member States must respect the principle of proportionality, may not compromise protection that the directive accords to authors and other rightholders, must comply with the need for legal certainty, and must take account of the three-step test for exceptions. Accordingly, the Court held that the media benefit from the exception within the framework of an action taken by a national authority to ensure public security and in agreement and coordination with it.\footnote{Nevertheless, “a specific, current and express appeal, on the part of the security authorities, for publication of a photograph for the purposes of investigation is not, however, necessary.” \textit{Id.}, para. 113.}

[iii]--Transient Reproduction. The Court of Justice has narrowly read Article 5(1) of the Information-Society Directive providing the technical exemption from liability for specified technical acts of reproduction.

In the \textit{Infopaq} case, the Court had to clarify this provision, which exempts “acts of reproduction” that are “transient or incidental [and] an integral and essential part of a technological process” if they are made with the “sole purpose” of enabling either network transmissions by an intermediary or a lawful use with “no independent economic significance.”\footnote{Judgment of 16 July 2009, Case C-5/08, Infopaq International A/S v. Danske Dagblades Forening, [2009] E.C.R. I-6569 (facts outlined and other holdings discussed at §§ 5[2][a][i] and 5[7][a][i] \textit{supra}).} The Court confirmed that the conditions of this exemption are cumulative, noting that any directive provision derogating from a general principle, here any directive right, must be strictly applied. Most notably, it held that an act is transient in the requisite sense “only if its duration is limited to what is necessary for the proper completion of the
technological process in question.” The Danish court, referring the questions, had to decide whether the conditions of the exemption are met by the acts of reproduction at issue.\textsuperscript{117}

The \textit{Premier League} case raised the question: Did acts of reproduction within the memory of a satellite decoder and on a television screen fall within the exception for transient or incidental reproduction? The Court noted that the purpose of this exception is to “allow and ensure the development and operation of new technologies and safeguard a fair balance between the rights and interests of right holders on the one hand, and of users of protected works and productions who wish to use such new technologies, on the other.”\textsuperscript{118} The Court only examined the fourth and fifth conditions of the exception, ruling that the ephemeral acts of reproduction at issue were exempted as they enabled lawful uses such as the reception of broadcasts in private, even with the use of a foreign decoder card.\textsuperscript{119} The temporary acts of reproduction within the memory of the satellite decoder and on the television screen are inseparable from the process of receiving the broadcast, and the receivers have no influence on this process, so that they generate no economic advantage beyond that derived from merely receiving the broadcasts.\textsuperscript{120}

\textbf{[iv]--Non-Voluntary Licenses; Related Schemes.} Directives contemplate or allow some limitations to rights in the form of non-voluntary licenses or of collective-management schemes.\textsuperscript{121} In addition to the issues broached below, issues that have arisen in the application of such regimes to cross-border communication have already been discussed.\textsuperscript{122}

\begin{itemize}
\item \textsuperscript{117} \textit{Id.}, paras. 70-72. On the holding with regard to actionable reproduction, see § 5[7][a][i] \textit{supra}. The Danish court, discontent with the brevity of the answers given by the Court of Justice, has referred questions back to the Court in Case C-302/10, now pending.
\item \textsuperscript{118} Judgment of 4 Oct. 2011, Joined Cases C-403/08 and C-429/08, Football Association Premier League v. QC Leisure and Karen Murphy v. Media Protection Services, [2012] F.S.R. 1, para. 164 (also discussed in §§ 2[3][b], 3[2][a][iii], 4[3][b][i], 5[2][a], and 5[7][a][i] \textit{supra}).
\item \textsuperscript{119} \textit{Id.}, para. 171.
\item \textsuperscript{120} \textit{Id.}, paras. 174-177 (also noting that, if the exception contained in Article 5(1) did not apply in such case, no one could receive such broadcasts through modern television sets without the authorization of rightholders and this would prevent the spread of new technologies).
\item \textsuperscript{121} See, e.g., § 4[2][c] \textit{supra} (remuneration schemes for lending works and for the publication communication of sound recordings); § 4[2][d] \textit{supra} (for satellite relays and for cable retransmission); § 4[2][g][i] \textit{supra} (for private copying).
\item \textsuperscript{122} See § 5[7][a][iv][A] \textit{supra} (the Lagardère case).
\end{itemize}
[A]--Equitable Rates of Remuneration. The Court of Justice has explored the parameters of the discretion with which national regimes may set standards of remuneration that non-voluntary licenses or collective-management schemes generate for rightholders.

For the communication to the public of phonograms, Article 8(2) of the Rental Directive provides for equitable remuneration.123 In the *SENA* case, the Court of Justice ruled that, while the term “equitable remuneration” must be interpreted uniformly in all the Member States, each Member State may determine the most appropriate criteria of “equitable remuneration” in its own territory, subject to limits imposed by E.U. law. Further, it held, Article 8(2) of the Rental Directive does not preclude a model for calculating what constitutes “equitable remuneration” that operates by reference to variable and fixed factors, such as the number of hours and audience densities of broadcasts, the royalty rates fixed by agreement or set by the public-broadcast organizations in the Member States bordering on the Member State concerned, and the amounts paid by commercial stations.124

Public lending, under Article 6(1) of the Rental Directive, calls for remuneration. The Court was asked whether this provision precludes legislation under which remuneration payable to authors for public lending is calculated exclusively according to the number of borrowers registered with public establishments and based on a fixed flat-rate amount per borrower per year.125 As opposed to rental, public lending is not directly or indirectly commercial in nature, so that remuneration cannot be calculated by reference to the value in trade as in the *SENA* case, and the amount of remuneration will also be less than that which corresponds to *equitable* remuneration: accordingly, the Court concluded that it may even be fixed on a flat-rate basis.126 However, to assure remuneration for potential market harm, the criteria used to establish the remuneration must take into account the extent to which the works are made available, namely the number of works made available and the number of borrowers registered with the lending establishment.127

[B]--Who Pays Remuneration. Issues have arisen with regard to the parties obligated to pay or fund remuneration for rightholders.

123 On this directive, in pertinent part, see § 4[2][c][ii] *supra*.


126 *Id.*, paras. 33-34.

Media and devices susceptible of private copying are subject to levies that, under Article 5(2)(b) of the Information-Society Directive, are to fund “fair compensation” to be paid to rightholders. A firm, marketing copying media and devices, refused to pay the levies funding such compensation in Spain, giving rise to questions concerning the indiscriminate application of this compensation regime. The Court reconfirmed that “fair compensation,” as a concept of E.U. law, must be uniformly interpreted in all the Member States and then held that fair compensation must be calculated based on the criterion of the harm caused to rightholders by the private copying subject to the exception. It also required some link between the application of the levies intended to fund fair compensation and the use of products subject to the levies for the purposes of private copying. Accordingly, it barred any indiscriminate application of levies to media or devices not made available to private users or clearly reserved for uses other than private copying.

The private-copying regime has also prompted questions of territorial scope. Opus, a German company, sold blank media via the Internet to Dutch customers, but did not pay the levies on such media either in Germany or in the Netherlands. The Dutch agency recovering the levies sued Opus in the Netherlands for failure to comply with Dutch law calling for levies on blank media. The Court reasoned that, in principle, the end-user who carries out the copying must be responsible for funding the corresponding remuneration, but it admitted that it is often impossible to identify such private users. Accordingly, Member States may establish levies on copying media according to which the persons who make the media available to end-users are responsible for payment since they can then pass the amount of the levies in the price paid by the users. The Dutch agency collecting such levies could sue in this case because the potential harm to be remunerated by the levies arises on the territory of the Member State where the end-users reside, here the Netherlands.

[8]--Enforcement, Liability, and Remedies

[a]--Civil Remedies: Injunctions; Monetary Liability. In an initial pair of cases concerning enforcement, the Court of Justice addressed the question: May an Internet-service provider be judicially compelled to disclose, to rightholders or to collecting societies, the identities of its clients who were allegedly file sharing? As discussed above, the Court

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128 On this directive, in pertinent part, see § 4[2][g][i] supra.


indicated that privacy considerations could entail some constraints on such copyright remedies.\textsuperscript{131}

In one such case, the Court of Justice had to decide whether a pending injunction would comply, most importantly, with the Electronic-Commerce Directive, along with the Enforcement Directive.\textsuperscript{132} However, the injunction pending in a Belgian court would have imposed a filtering system on an Internet-service provider to monitor all data of all its customers on an ongoing basis at its own expense in order to prevent any future infringement of copyright, notably by file sharing. The Court held that such an injunction would violate the Electronic-Commerce Directive which, in Article 15(1), prohibits measures that would generally obligate Internet-service providers to monitor information that they transmit.\textsuperscript{133} The Court noted that such a filtering system would be costly and complicated, would collect users’ IP addresses that identify the users precisely, and could block lawful communications. Accordingly, the injunction risked incompatibility with Article 3 of the Enforcement Directive, which calls for equitable and proportional measures that are not excessively costly.\textsuperscript{134} Furthermore, the Court noted, any such filtering system might not be able to determine whether a communication is lawful or not, especially under one of the exceptions to copyright.\textsuperscript{135} In a subsequent case, the Court reached comparable conclusions, although the service in question, an online social network, was a hosting-service provider rather than, strictly speaking, an online-service provider.\textsuperscript{136}

[b]--Other Relief: Customs; Technological Safeguards. The directives contemplate other types of relief: some are administrative, such as customs controls, and others reinforce self-help measures, such as the use of technological safeguards.

In one customs case, allegedly infringing copyright works were at the border of the E.U. customs territory. The Court of Justice then had to interpret Regulation No. 1383/2003 with regard to the conditions for stopping entry into this territory.\textsuperscript{137} The Court held that, to be


\textsuperscript{132} For these directives, respectively, see §§ 4[3][b][ii] and 4[3][d] supra.


\textsuperscript{134} \textit{Id.}, para. 36.

\textsuperscript{135} \textit{Id.}, paras. 46-52.

\textsuperscript{136} Judgment of 16 Feb. 2012, Case C-360/10, SABAM v. Netlog NV.
subject to procedures stopping such entry of goods allegedly violating intellectual property, it has to be shown that they are intended to be put on sale in the Internal Market.\textsuperscript{138} Such a showing would include, for example, that the copyright work has been sold or offered or advertised for sale to a consumer in that market or evidence in customs documents that such sale is envisaged to consumers in that market.\textsuperscript{139}

In the \textit{Premier League} case, the Court ruled on the issue: When would foreign decoder cards be illicit devices under the Conditional-Access Directive? The term “illicit device” there only refers to “equipment that has been manufactured, manipulated, adapted or readjusted without the authorization of the service provider.”\textsuperscript{140} Therefore, even if the decoder cards are bought in another Member State, are procured or enabled by the provision of a false name and address, or are used in breach of a contractual limitation permitting their use only for private purposes, they are still licit devices according to the directive. The reason is that these cards have been manufactured and placed on the market with the authorization of the service provider, with remuneration paid in the Member State where they were initially sold. However, the Court then ruled that Article 3(2) of the Conditional-Access Directive does not preclude national legislation from preventing the abuse of foreign decoding devices, because such legislation does not fall within the field coordinated by the directive.\textsuperscript{141}

\[9\]---Collective Management

\textsuperscript{137} On this regulation, see § 4[3][d] \textit{supra}.


\textsuperscript{139} \textit{Id.}, para. 61 (indicating, for example, evidence such as “the fact that the destination of the goods is not declared whereas the suspensive procedure requested requires such a declaration, the lack of precise or reliable information as to the identity or address of the manufacturer or consignor of the goods, a lack of cooperation with the customs authorities or the discovery of documents or correspondence concerning the goods in question suggesting that there is liable to be a diversion of those goods to European Union consumers”).

\textsuperscript{140} Judgment of 4 Oct. 2011, Joined Cases C-403/08 and C-429/08, Football Association Premier League v. QC Leisure and Karen Murphy v. Media Protection Services, [2012] F.S.R. 1, para. 64 (also discussed in §§ 2[3][b] \textit{supra} and in §§ 5[2][a] and 5[7][a] \textit{infra}).

\textsuperscript{141} However, the Court did rule against the partition of the Internal Market through contractually restricting commerce in the decoders at issue in the case. See § 3[2][a][iii] \textit{supra}.
In the *Uradex* case, the Court of Justice clarified the scope of the powers conferred by Article 9(2) of the Satellite and Cable Directive on a collecting society mandated to manage the transmission rights of a right-owner who has not yet agreed to such management.\(^{142}\) The Court inferred from the preamble to the Directive that a Member State may have a collecting society conclusively presumed to exercise a rightholder's right to grant or refuse authorization to a cable operator for retransmission. This construction seems to be based on considerations of legal certainty: most notably, the law has to provide assurances to cable operators that they have actually acquired all the rights necessary to retransmit programs. Conversely, third parties holding rights in certain elements of the programs may not challenge contractual arrangements authorizing the retransmission of those programs.\(^{143}\)

\(^{142}\) On this directive, see § 4[2][d] *supra*.