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Antitrust

European Union

Nespresso offers improved commitments to open up the market for coffee capsules

By Gabriele Accardo

Last 4 September the French Competition Authority (“AdIC”) made legally binding the improved [commitments](#) Nespresso offered to open up the market for coffee capsules to competitors in France and beyond.

As it may be recalled (see [Newsletter 2/2014](#), p. 16, for additional background) the AdIC found that Nespresso held a dominant position in the market for single portion coffee machines as well as in the market for coffee capsules compatible with Nespresso machines, whereas the company incentivised consumers to only use Nespresso-brand capsules with Nespresso machines. This, according to the AdIC, was arguably in breach Art. 102 of the Treaty on the Functioning of the European Union, which prohibits the abuse of a dominant position.

In particular, the AdIC took issue with the following practices: i) frequent changes of capsules design, ii) information provided to

consumers that proper functioning of the coffee machines depended on using only Nespresso capsules, and iii) encouraging consumers to only use Nespresso capsules.

Based on the set of commitments offered last April, Nespresso’s warranty conditions will be applicable to compatible capsules. It will also refrain from making any comment about competitors’ capsules.

However, following the market test, Nespresso has significantly improved its commitment relating to its communication to competitors of information regarding any technical modifications made to the machines which are liable to affect their interaction with the capsules.

In particular, Nespresso will first notify its competitors of any such changes and provide them with the relevant information at the time the order is given to put the new machines into production. In any event, competitors will have the information at least four months before the machines are released onto the market. Nespresso will also provide some 15 prototypes of the new machines, so that competitors will be able to carry out compatibility tests with the capsules.

To avoid any transfer of confidential information between the competitors and itself, Nespresso will use a “monitoring trustee”, that is a third party who will play the role of intermediary in the information transfer.

Nespresso will also inform the AdIC of the

general objectives underlying the technical changes it intends to implement on the machines.

Finally, Nespresso will also implement a competition compliance program within its organization for the duration of the commitments, which will last for seven years.

Antitrust

European Union

European Commission fines pharmaceutical companies in pay-to-delay case

By Gabriele Accardo

Last 9 July the European Commission (“Commission”) fined (see press releases [here](#) and [here](#)) French pharmaceutical company Servier and five generics manufacturers (Niche/Unichem, Matrix (now part of Mylan), Teva, Krka and Lupin) for breaches of the rules on restrictive agreements (Article 101 of the Treaty on the Functioning of the European Union or “TFEU”) and on abuse of a dominant position (Article 102 TFEU). The fines imposed totaled Euro 427.7 million, of which Euro 330 million were imposed on Servier.

In particular, according to the Commission, through a technology acquisition in 2004 and a series of patent settlements between 2005 and 2007, Servier implemented a strategy aimed at keeping cheaper medicines from the market and ultimately protecting Servier’s bestselling blood pressure medicine, perindopril, from price competition to the detriment of public budgets and patients in breach of EU

antitrust rules.

While “pay-for-delay” agreements, between originator drug companies and generics companies, may delay market entry of generic medicines have been already investigated in the past, this is the first instance where the Commission also pursued such a behavior under Art. 102 TFEU, i.e. as a potentially abusive (unilateral) conduct by a dominant company. According to the Commission, Servier held significant market power in the market for the perindopril molecule.

Following the expiry of the perindopril molecule patent in 2003, generics manufacturers were intensively preparing their market entry, and accordingly were seeking access to patent-free products or challenged Servier’s “secondary” patents relating to processes and use that they believed were unduly blocking them.

In 2004 Servier acquired a non-protected technology, which however was never put to use, and as a result a number of generic projects were forced to stop, delaying their entry. This prompted the generics manufacturers to challenge Servier’s patents before courts. Yet, between 2005 and 2007, virtually each time a generic company came close to entering the market, Servier and the company in question settled the challenge.

While the Commission acknowledges that it is legitimate – and desirable – to apply for patents, including so-called “process” patents, to enforce them, to transfer technologies and to settle litigation, however, Servier misused such legitimate

tools to gain the certainty that the generic producers would stay out of the national markets and refrain from legal challenges for the duration of the agreements.

The anticompetitive nature of such “patent settlements” was also specifically confirmed by the generics manufacturers: one of them acknowledged that it was being “*bought out of perindopril*”, while another insisted that “*any settlement will have to be for significant sums*”, to which it also referred as a “*pile of cash*”.

Interestingly, in 2007, prices of generic perindopril dropped on average by 90% compared to Servier’s previous price level in the UK. This occurred when the only remaining legal challenger in the UK obtained the annulment of Servier’s then most important patent. In internal documents, Servier however commented proudly on their “*great success = 4 years won*”, referring to the expiry of the perindopril molecule patent back in 2003.

Antitrust

European Union

UK Court quashes decision accepting the commitments by OTAs and hotel chain in the online booking sector

By Gabriele Accardo

Last 26 September, following an appeal by meta-search site Skyscanner, the UK Competition Appeal Tribunal (“CAT”) [quashed](#) the decision of the Office of Fair Trading (the “OFT”) to accept commitments to remove certain discounting restrictions for online travel agents (“OTA”) following the OFT investigation into the online supply of room-only hotel accommodation by OTAs.

As it may be recalled, last January 2014 the OFT accepted commitments from online travel agents, Booking.com B.V. (“Booking.com”, and its ultimate parent company Priceline.com Incorporated) and Expedia Inc (“Expedia”), together with InterContinental Hotels Group plc (“IHG”) (see [Newsletter 1/2014](#), [Newsletter 5-6/2013](#) and [Newsletter No. 4-5/2012](#) for additional background).

Based on the commitments, all OTAs and hotels that deal with Booking.com, Expedia

and IHG, would be able to offer in UK hotels discounts off headline room-only rates, up to the level of their commission or margin, so long as customers:

- Sign up to the membership scheme of an OTA or hotel to be able to view specific discounts (i.e. become members of so-called “closed groups” to whom discounts are offered), and
- Make one undiscounted booking with the OTA or hotel in question to be eligible for future discounts.

Under the commitments, OTAs cannot publicize information about the specific level or extent of discounts outside the closed group.

Skyscanner’s appeal related primarily to this latter publicity restriction, claiming that the OFT did not duly consider the possible effect of the proposed commitments on price transparency, and on meta-search websites. Skyscanner operates a “meta-search” site that displays prices offered by third parties, and thereby assists consumers to compare pricing.

In fact, among the ways in which a consumer could book a room at Hotel Inter-Continental London Limited, other than the IHG website and the OTAs, the OFT appears to have limited itself to have only considered search engines such as Google, whereas meta-search sites were not referred to.

According to the CAT, if a consultation response, such as that from Skyscanner, raises an important and obvious point of

principle, it is for the authority to examine it further, particularly so where the authority has not carried out an analysis of the economic effects of the practices which it proposes to address with its commitments decision and where that decision itself may generate its own economic effects within the market.

Interestingly, the CAT noted that *“by pursuing its investigation on the basis that it had identified restrictions ‘by object’ the OFT may have deprived itself of the ability properly to appreciate the significance of the role of operators such as Skyscanner, even though it had initially acknowledged the importance of price transparency as a force for competition and was aware, at least, that meta-search operators existed.”* The CAT appears to have qualified, albeit indirectly, the practice in issue as a restriction by “effect” rather than “by object”.

Accordingly, in failing to investigate such a plausible point further, the CAT found that the OFT acted unfairly, and that the process by which it subsequently reached its decision was procedurally improper.

Similarly, the CAT held that the OFT acted unreasonably in coming to a decision that effectively ignored the point Skyscanner and others had raised in relation to the potential impact of the publicity restriction on meta-search and competition more generally. The OFT failed to inform itself about the possible impact on price transparency of an obvious and clear restriction on disclosure of price information. In doing so, it failed to take account of a matter of which it ought to

have taken account and acted as no reasonable authority should act. The Tribunal concluded that the decision was therefore irrational.

Accordingly the CAT remitted the case to the OFT’s successor, the Competition and Markets Authority, with a direction to reconsider the matter in accordance with the Judgment.

Intellectual property

United States

For the 7th Circuit, the Fourth Factor is the Most Important Fair Use Factor

By Marie-Andrée Weiss

The U.S. Court of Appeals for the Seventh Circuit [made it clear](#) on September 15, 2014 that it disagrees with the Second Circuit's interpretation of the fair use section of the Copyright Act, even though it affirmed a magistrate judge who had granted the defendants summary judgment on their fair use defense. The case is *Kienitz v. Sconnie Nation*, No. 13-304.

Plaintiff-Appellant Michael Kienitz is professional photographer. He regularly licenses his photographs for a fee, which is contingent on their intended use because Plaintiff wants control over the way his photos are used. He has denied requests for licenses several times because he did not approve of the intended use of the photograph.

Plaintiff photographed Paul Soglin, the mayor of Madison, Wisconsin, at the mayoral inauguration ceremony in April 2011. The mayor then contacted Plaintiff to ask permission to use a photograph in connection with his political activities and for noncommercial uses. The photograph,

featuring a close-up of Soglin's face, was featured on the mayor's website and Facebook page, credited to Plaintiff.

Soglin was quoted by *The New York Times* in September 2011 as wanting to put a stop to the Mifflin Street Block Party, an annual event in Madison which had started in May 1969 as part of the student protest movement on the U-W-Madison campus. Ironically, Soglin participated to the first Block Party in 1969 and was even arrested then.

That irony was not lost on Defendants-Appellees Sconnie Nation and Underground Printing-Wisconsin, which produce novelty items and tee-shirts. In March 2012, they decided to produce tee-shirts featuring the phrase "Sorry for Partying" over Plaintiff's photograph of Soglin. The photograph was altered and the mayor's face was printed in lime green against a black background with "Sorry for Partying" written in lime, pink and blue. They sold these tee-shirts from April 2, 2012 to May 6, 2012, stopping the day after the 2012 Mifflin Street Block Party.

Soglin informed Plaintiff about the tee-shirts. Plaintiff then registered the photograph with the Copyright Office on May 1, 2012 and filed a copyright infringement suit against Defendants. Both parties moved for summary judgment on the issue of fair use. In August 15, 2013, magistrate judge Crocker from the Western District Court of Wisconsin [found](#) Defendants entitled to summary judgment, holding that their use of the photograph was fair. Plaintiff appealed to the Seventh

Circuit.

What is Fair Use?

Fair use is an affirmative defense to copyright infringement, and is codified by Section 107 of the Copyright Act, which sets forth four non-exclusive factors that courts must consider when determining whether a particular use of a copyrighted work is a fair:

1. The purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
2. The nature of the copyrighted work;
3. The amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
4. The effect of the use upon the potential market for or value of the copyrighted work.

Is Transformative Use Enough to Find Fair Use?

When analyzing the first factor, the magistrate judge had focused on whether a particular use is transformative, quoting the Supreme Court *Campbell v. Acuff-Rose Music* case, where the Court explained that a particular use is transformative if it adds something new and alters the original work while adding a new expression or message, instead of merely superseding the original work.

The magistrate judge found the use of the photograph to be transformative, also

quoting the Second Circuit *Cariou v. Prince* case, where the Court of Appeals found the use by Richard Prince of photographs taken by Patrick Cariou to be transformative, as Prince's paintings added something new to the Cariou's photographs by "present[ing] images with a fundamentally different aesthetic."

The Seventh Circuit stated that it was "skeptical" of this interpretation of §107, because focusing exclusively on transformative use "could override 17 U.S.C. §106(2), which protects derivative works." Indeed, 17 U.S.C. §106(2) gives the author the exclusive right to prepare derivative works. The Seventh Circuit reasoned that fair use has to be more than being merely transformative, as every derivative work is by essence transformative and thus every derivative work would be considered fair use and would deny authors their exclusive rights under §106(2).

Parody and Fair Use

Plaintiff argued in front of the magistrate judge that the tee-shirt was a derivative work and that "*the concept of transformative use is most apt in cases where the defendant is making a commentary on the very work that is copied, such as with parody.*" But the magistrate judge was not convinced, noting that even though the tee-shirts did not aim at parodying the photograph itself, "*the garishness of Soglin's re-colored visage could be viewed as mocking the gravitas and rectitude with which [Plaintiff]'s... portrait imbues the mayor*" and that the Supreme Court, in *Campbell*, held that "[a] parody that more

loosely targets an original... may still be sufficiently aimed at an original work to come within our analysis of parody.”

The magistrate judge also cited *Cariou*, where the Second Circuit held that “[t]he law imposes no requirement that a work comment on the original or its author to be considered transformative” and concluded that “parody is only one type of fair use.”

The Seventh Circuit Affirmed But...

For the Seventh Circuit, “the most important [factor] usually is the fourth (market effect).” This is not the opinion of the Second Circuit in *Cariou*, for which the first factor is “the heart of the first use inquiry” (quoting its *Blanch v. Koons* case). For the Seventh Circuit, a use which is a complement to the protected work is allowed, while a substitute use is prohibited. The Seventh Circuit compared Plaintiff’s original work with the tee-shirts and found that Defendants removed so much from the original that only the outline of the mayor’s face remained and this cannot be copyrighted. It therefore affirmed the magistrate judge’s order, but added that:

“There is no good reason why defendants should be allowed to appropriate someone else’s copyrighted efforts as the starting point of their lampoon, when so many non-copyrighted alternatives (including snapshots they could have taken themselves) were available. The fair-use privilege under §107 is not designed to protect lazy appropriators. Its goal instead is to facilitate a class of uses that would not be possible if users always had to

negotiate with copyright proprietors.”

This is surprising, as using an official picture to comment on the mayor’s change of opinion over the block party is certainly an important aspect of the work, as a mere snapshot would not be as efficient a material than an official photograph. Defendants wanted to use a picture of “Soglin as Mayor,” not merely “Soglin” and, as such, were not merely “lazy appropriators.”

Also, it should be noted that fair use should not be used as a way to censor speech. It can be argued that these tee-shirts were political speech, and, as such, protected by the First Amendment. This case also shows how moral rights could be used to censor speech. If the U.S. would grant comprehensive moral rights, as in the E.U., Plaintiff would have likely invoked them as he was careful to state that he does not license a photograph if he does not approve of its use.

The Supreme Court did not grant certiorari in the *Cariou* case, but if there should be a recurrent split on how to interpret §107, another case may become an opportunity for the Supreme Court to reaffirm, or modify, its fair use doctrine. Could this case be the one?

Intellectual property

United States

FOX v. TVEyes: a new US decision widening further the legal doctrine of fair use.

By Béatrice Martinet Farano

On 9 September 2014, the US District Court for the Southern District of New York issued a landmark decision in [Fox v. TVEyes](#), adding a further rider to the doctrine of fair use.

TVEyes is a media-monitoring service that enables its subscribers – including the US Army, the White House, local and state polices and numerous members of the US Congress - to track the news coverage of a particular event, through a search using certain keywords or phrases. To do this, TVEyes permanently records the content of more than 1,400 television and radio stations – including Fox News – and creates a searchable database of that content. Subscribers can save, archive, edit and download to their personal computers an unlimited number of clips generated by their searches. The clips, however, are limited to ten minutes and a majority of the clips are shorter than two minutes.

Fox News is an international news organization headquartered in New York. It

makes revenues by charging fees to cable companies and third party websites (including Yahoo, Hulu and Youtube) which are willing to broadcast its content. It also offers a limited portion of its programs (16%) directly on its website, making advertisement revenue from the pre-reel ads that are aired before each program.

Believing that the systematic recording and offering of its news clips to TVEyes subscribers infringed the copyright it owned over those clips, Fox News started a copyright infringement action against TVEyes before the Southern District of New York. Since there was no issue that Fox News clips were protected by copyright and had been reproduced without authorization, TVNews decided to play the card of fair use. The court mostly followed their reasoning, concluding, after assessing TVEyes' services in view of the four traditional fair use factors, that its activity was mostly protected under the US fair use doctrine under 17 USC § 107.

Purpose & character of the use

The Court first analyzed the activity of TVEyes under the preamble and the first factor of fair use and concluded that in this instance, the analysis weighted in favor of fair use.

The Court first reasoned that this media monitoring service qualified under the preamble as a use “*for purpose such as criticism, comment, news reporting, teaching or research*” which definitely weigh in favor of fair use.

As for the first factor itself, i.e. the purpose

and character of the use, the Court found that while there was no issue that this service was provided for money and therefore had a “commercial purpose” under the first factor, the main issue the Court had to consider was whether this service “*merely superseded the objects of the original creation or instead added something new, with a further purpose or different character, altering the first with new expression, meaning or message*”. To reach this decision, the Court extensively relied upon its prior decision in [Authors Guild Inc. v. Google](#) (SDNY 2013) (see [TTLF Newsletter No 5-6/2013](#) p.17) in which Google’s systematic scanning of more than 20 million books without permission from the copyright holder was found to be fair use based on the “transformative use” and different purpose for which Google books’ users were using this service (research and reference) as opposed to users of the original work (reading).

In this regard, the Court rejected Fox News arguments that TVEyes service was akin to Meltwater’s online monitoring service - which was held infringing by the same Court in [Associated Press v. Meltwater decision](#) (SDNY, 2013) (see [TTLF Newsletter No 2/2013 p.7-8](#)), stressing that, differently from Meltwater, TVEyes added commentary and insights to its news report so that its use could be held transformative. The Court concluded that TVEyes’s search engine together with its display or result clips was transformative and served a new and different function from the original work rather than serve as a mere substitute for it.

Nature of the copyrighted work

The Court also found that the second factor – i.e. the nature of the copyrighted work, did not weigh for or against a finding of fair use. Indeed, while the court acknowledged that there was no question that Fox News’ clips were copyrighted content, the Court, quoting the famous decision in *Cariou v. Prince* (2nd Cir. 2013), reaffirmed that there was “greater leeway” for a determination of fair use when the work was – as news content usually is - factual or largely informational.

Amount and substantiality of the portion used

While the third factor – *amount and substantiality of the portion used in relation to the copyrighted work as a whole* – undoubtedly weigh against fair use since TVEyes had copied all of Fox News’ content, the Court insisted on the fact that more than a mere quantitative comparison, the third factor required to assess whether the copying was *excessive in relation to any valid purpose asserted under the first factor*. Stressing that in this instance, the essential value of TVEyes’ service depended on its all-inclusive nature and that the copying of all this content was necessary to achieve the valid purpose mentioned above, the Court concluded that this factor weighs neither in favor of nor against fair use.

The effect of the use upon the potential market for or value of the copyrighted work

The Court finally analyzed TVEyes activity

in relation to the fourth and often more important factor, i.e. the effect of the use upon the potential market for or value of the copyrighted work. Here, although Fox News was asserting some damages in terms of diverted consumers or loss of license fees, the Court stressed that the only type of economic injury it was interested in was the harm that resulted from the fact that the secondary use served as a substitute for the original work. The Court then observed that the average length of play of Fox's clips on TVEyes was of 53 seconds, with 85.5% of the clips being played for less than a minute. The court added that in a typical month, fewer than 1% of TVEyes' users actually played a video clip that resulted from a keyword search of its watch terms. The Court concluded that no reasonable juror could find that people were using TVEyes as a substitute for watching Fox News broadcast on television. Paired with the benefit the public derived from this service – news comments, criticizing and monitoring among others – the Court concluded that this factor weighted in favor of fair use, regardless of the “small financial harm potentially suffered by Fox as a result of the loss of this potential derivative source of revenue”

The Court only remanded this case with regard to the service's feature of letting subscribers download, archive, email and share clips via social media as well as the service's allowance of searches by date and time instead of keywords.

As a whole, this decision was a clear victory for TVEyes and for the partisan of

fair use.

Intellectual property

United States

Amazon is not vicariously liable for copyright infringement based on the conduct of its associate vendors

By Béatrice Martinet Farano

In an unpublished decision issued on September 10, 2014, [Sandy Routt v. Amazon](#), the 9th Circuit held that Amazon was not vicariously liable for copyright infringement based on the conduct of its associate vendors.

In this case, Sandy Routt, a designer of jewelry, apparel and collectibles, sued Amazon for copyright infringement and false designation of origin after noticing that certain “Amazon Associates”, participants in Amazon’s affiliate-marketing program, used her copyrighted photographs on their websites without her permission on the theory that Amazon should be held vicariously liable for the conduct of its Associates.

The 9th circuit first restated that to state a claim for vicarious copyright infringement, a plaintiff must allege that the defendant has (1) the right and ability to supervise the infringing conduct and (2) a direct financial

interest in the infringing activity.

The 9th circuit then ruled that although Amazon’s relationships with its associates was governed by an operating agreement, notably prohibiting Associates from infringing on another’s copyright or trademark and giving Amazon the right to monitor, crawl, investigate and eventually terminate noncompliant Associates, this operating agreement did not give Amazon the right and ability to supervise and control the infringement.

The Court went on to consider that for Amazon to have *control* over its associates’ website, it should have had the ability to put an end to that conduct.

The Court distinguished this case from its prior decisions in [Fonovisa \(9th Cir. 1996\)](#) and [Napster \(9th Cir. 2001\)](#) where the operator of a swap meet and a software operator were respectively held liable for the infringing activity conducted by their users on the grounds that they had the power and ability to put an immediate end to their infringing activity (by excluding them from the swap meet in the case of Fonovisa or blocking their access to the peer-to-peer software in the case of Napster).

Here, differently from Fonovisa or Napster, the Court held that the infringing conduct occurred on third party websites and nothing suggested that an infringing Associate could not “*continue to reproduce, display and distribute its infringing copies after its participation in the Amazon Associates program has ended*”. Therefore, Amazon could not be

considered as having “control” over its partner. The Court reasoned that Amazon’s relation with its partners was more akin to Google’s relation with its AdSense customers or to Visa’s relation with third party websites using its payment services, where, albeit the existence of a contractual relationship with their customers giving Google or Visa the power to monitor and even terminate their services in case of copyright infringement, Google and Visa were not found to exercise any control over their customers likely to engage in liability under a theory of vicarious liability (see [Perfect 10 v. Amazon](#) and [Perfect 10 v. Visa](#), 9th Circuit 2007).

Elliot v. Google Inc. (No. CV-12-1072-PHX-SMM, 2014 U.S. Dist. LEXIS 127352 (D. Ariz. Sept. 10, 2014))

By Irene Calboli

In September 2014, Google emerged victorious from a dispute in which the plaintiff argued that the GOOGLE mark had become generic. A certainly “expected” case due to the notoriety of the GOGGLE mark and the widespread use of the wording “google” (or “to google”) by the general public, this case is relevant in (re)defining the existing judicial boundaries applied to the concepts of trademark distinctiveness and genericness. Undoubtedly, the ruling was welcomed by Google and, in turn, the owners of widely used famous trademarks.¹

Notably, in *Elliot v. Google Inc.*,² plaintiff David Elliot sought cancellation of two incontestable U.S. trademark registrations for the word mark GOOGLE following an adverse decision by a Uniform Domain Name Dispute Resolution Policy (UDRP) panel which ordered the plaintiff to transfer to Google 763 domain names with the word “google” based, *inter alia*, on the

¹ See generally Deven R. Desai & Sandra L. Rierson, *Confronting the Genericism Conundrum*, 28 CARDOZO L. REV. 1789 (2007) (discussing the distinctions in genericism where a brand is used generically but maintains its source identifying function and where it does not).

² *Elliot v. Google Inc.*, No. CV-12-1072-PHX-SMM, 2014 U.S. Dist. LEXIS 127352 (D. Ariz. Sept. 10, 2014).

confusing similarity to and the valid registration of the GOOGLE mark.³ Against this decision, the plaintiff argued that the GOOGLE mark had become generic, and therefore invalid, leaving Google with no rights under which to request transfer of the domain names with the word “google.”⁴ Both parties moved for summary judgment as to the validity of the GOOGLE mark and ultimately the court found that the GOOGLE mark is valid and not generic.

In supporting his claim, David Elliot contended that the GOOGLE mark had become generic because the public frequently uses the wording “google” as a verb.⁵ The court, however, clarified that using a mark as a verb does not necessarily renders the mark generic as long as the mark continues to perform its statutory function—that of distinguishing a product or service from those of others and to indicate the product’s or service’s source. More specifically, the court noted that a mark can be used as a verb in both a discriminate (referring to an activity with a particular product or service—performing its statutory function) *and* an indiscriminate (referring to a category of activity in general—not performing its statutory function) sense simultaneously, but this dual function does not render a mark generic.⁶ The court pointed out that, even if a mark is used as a verb *exclusively* in the indiscriminate sense, the mark has still not become generic if a majority of the consuming public continues to use the mark to distinguish the product or service

³ *Id.* at *3–5.

⁴ *Id.*

⁵ *Id.* at *6–7.

⁶ *Id.* at *8–10.

of choice from those offered by competitors.⁷

In general, the court elaborated that the proper test to follow to assess whether a mark has become generic is the “Primary Significance Test.”⁸ Under this test, a mark is considered to be generic if the *principal* significance of the mark—not *some* significance—is to identify the nature or class of a product, rather than of its origin. In this context, the use of a trademark in its verb form may indicate the enduring fame of the mark rather than the fact that the mark has become generic, especially when the mark is arbitrary or fanciful.⁹

By applying this test, the court concluded the majority of the public who performs searches on the Internet continues to refer to the wording “google” as the GOOGLE search engine as opposed to a descriptive term for search engines in general. Notably, the court reasoned that the wording “google” only had four possible meanings: “(1) a trademark designating the Google search engine; (2) a verb referring to the act of searching on the internet using the Google search engine; (3) a verb referring to the act of searching on the internet using *any* search engine; and (4) a common descriptive term for search engines in general.”¹⁰ In particular, the court stated that the marks would be subject to cancellation *only* if the fourth meaning was the *primary* significance of the word “google” to a majority of the consuming public.¹¹

⁷ *Id.* at *11.

⁸ *Id.* at *8.

⁹ *Id.* at *13 (citing Laura A. Heymann, *The Grammar of Trademarks*, 14 LEWIS & CLARK L. REV. 1313, 1348 (2010)).

¹⁰ *Id.* at *42.

¹¹ *Id.*

Consumer survey evidence also showed that well over 90% of the consuming public understood the word “google” as designating not a common name, but a particular brand with respect to Internet search engines.¹² Additionally, Google’s survey expert conducted a consumer survey in which almost 94% of the relevant consumers identified GOOGLE as a brand name and 5.25% identified GOOGLE as a common name.¹³ In contrast, the plaintiffs’ admissible evidence included a survey that tested whether people who access the internet at least once a week regard GOOGLE in its verb form to be generic by asking: “if you were going to ask a friend to search for something on the Internet, what word or phrase would you use to tell him/her what you want him/her to do?”¹⁴ 51% of answers contained the word “google.”¹⁵ In the court’s eyes, this survey failed to test the primary significance of the GOOGLE mark and only provided evidence establishing, at most, that a majority of the public uses the word “google” as a verb in the indiscriminate sense to mean search on the internet.¹⁶ Moreover, even though 51% of the public may use the wording “google” as a verb (the third meaning in the court’s reasoning), Google’s survey evidence proved that the first meaning is more significant and coexists with the third.¹⁷

As to other evidence relevant to the primary significance inquiry (i.e., dictionary usage, mark-holder usage, competitor usage, and media usage), even though the GOOGLE mark is used in other domain

¹² *Id.* at *44.

¹³ *Id.* at *20–21.

¹⁴ *Id.* at *28.

¹⁵ *Id.* at *40.

¹⁶ *Id.* at *40–41.

¹⁷ *Id.* at *44.

names that plaintiffs did not purchase, the court found that Google did enough to disprove non-enforcement of the mark. Moreover, the court rejected plaintiffs' request for a minimum percentage of enforcement expenditure to prevent genericide. In this respect the court found that this would diminish the economic value of a mark to the mark-holder by inflating enforcement costs according to some arbitrary fraction of mark valuation, which would be contrary to the goals of trademark law.¹⁸

Finally the court found that the mark GOOGLE was not generic because competitors could accurately describe their goods or services using a short and simple descriptive term—"internet search engines"—and not "google."¹⁹ In particular, the court held that because the plaintiffs did not present any evidence that the primary significance of the word "google" to a majority of the consuming public is a common descriptive term for search engines and because Google's mark registration entitled them to a presumption of validity and non genericness, Google had met its burden of demonstrating that the genericness of the mark did not raise a genuine issue of material fact, and therefore, the GOOGLE marks remain valid and not generic.²⁰

¹⁸ *Id.* at *32–41.

¹⁹ *Id.* at *38.

²⁰ *Id.* at *46–47.

Intellectual property

United States

Is it possible to transfer digital goods, during one's lifetime, or after one's death?

By Marie-Andrée Weiss

The issue of the transfer of digital goods, whether during or after one's lifetime, has been debated lately in the U.S. While the European Union (EU) has addressed the issue of resale of software programs, it has not yet addressed the issue of *post mortem* transmission of digital goods. Alternatively, the U.S. still does not recognize the right to resell digital goods, but some U.S. States may recognize the right to bequeath digital goods to one's heirs.

Is it possible to resell digital goods?

Under the first sale doctrine, the copyright holder owns the exclusive right of the first public distribution, but it does not own its subsequent distributions, such as a resale, as the first sale exhausts the right to distribute the work.

In the U.S., the first sale doctrine is codified in 17 U.S.C. § 109(a), but the issue of whether the digital sale doctrine applies to digital goods is still debated. In [Vernon v. Autodesk](#), the 9th Circuit held in 2010 that a software manufacturer had only licensed a particular software to the

first buyer, and thus sales of those copies on eBay by plaintiff, who had purchased them from the first buyer, were not protected by the first sale doctrine and therefore infringed software manufacturer's exclusive distribution right.

The *Vernon* decision was about licensed software and thus does not apply to licensed music or licensed books, and reselling digital music is not legal in the U.S., even though ReDigi, a company aiming at creating a virtual marketplace for pre-owned digital music, tried to change that. But it was sued for copyright infringement by Capitol Records, a recording label. In [Capitol Records LLC v. ReDigi Inc.](#), the Southern District of New York granted Plaintiff summary judgment in March 2013, thus putting an end to ReDigi's project and discouraging entrepreneurs who may want to start similar companies.

This may change with the recent introduction by U.S. Representative Blake Farenthold (R-TX) of H.R. 5586, the [You Own Devices Act](#) (YODA). YODA would amend the Copyright Act "to provide that the first sale doctrine applies to any computer program that enables a machine or other product to operate."

YODA states that:

"Notwithstanding section 106 or section 117, if a computer program enables any part of a machine or other product to operate, the owner of the machine or other product is entitled to transfer an authorized copy of the computer program, or the right to obtain such copy, when the owner sells,

leases, or otherwise transfers the machine or other product to another person. The right to transfer provided under this subsection may not be waived by any agreement.”

Rep. Farenthold explained on his website that the purpose of YODA is to make sure that the first sale doctrine will not impinge the development of the Internet of Things, as the goods which will be connected to the internet will all be software-enabled. Indeed, the law would only apply when a consumer wants to resell a particular “machine.”

Therefore, if enacted, YODA would not overrule *Vernon* or *Capitol Records*. But such a bill may lead the way to other bills further amending the first sale doctrine.

Is it possible to bequeath digital goods to one’s heir?

The issue of the legality of ownership transfer of digital music does not only interest start-ups and copyright attorneys, but also estate and wills attorneys, since many people now own large digital libraries and wish to make sure that their heirs will be able to enjoy them.

However, Apple’s iTunes’ rules forbid users to reveal account information to a third party, and so it is not possible for a testator to reveal even his account information to his heirs in his will. iTunes first opened its store in 2003 and so the size of digital music libraries may still be relatively small, but as years pass, thousands and thousands of digital music files, bought over decades, may have to be relinquished

upon death if the law does not change.

However, U.S. states may pass digital estate laws soon, as the National Conference of Commissioners (UCL) introduced the [Uniform Fiduciary Access to Digital Assets Act](#) (FADA) in the summer of 2014. FADA is a model draft law which may be used as a guide by states wishing to enact a digital asset act. It gives executors of estates the ability to access the decedent’s electronic communications and also “*any other digital asset in which the decedent at death had a right or interest.*” The definition is broad enough to include a license. It is not clear, however, if the Terms of Services (ToS) would have to yield to the law. As of now, only Delaware has adopted such a law.

But *Yahoo!* does not seem to find such estate laws pertinent. A [blog post](#) penned by Bill Ashworth, Senior Legal Director for Public Policy for the company argues that FADA “*does not ensure the privacy of sensitive or confidential information shared by the decedent or third parties [and that] the ULC’s proposal is based on the faulty presumption that the decedent would have wanted the trustee to have access to his or her communications.*” The blog post argues further that *Yahoo!* “*honor[s] the initial agreement that a user made with us*” in order to protect the user’s privacy, and that its ToS forbids the transfer of a deceased *Yahoo!* user’s account and personal communication upon death.

Mr. Ashworth’s concludes that “*account holders and individuals—not legislators—should determine what happens to a person’s digital archives at the time of their*

death.” But executors act upon the ultimate expression of one’s personal will, the testament. Also, *Yahoo!* is not merely an email provider, but also owns the popular photo-sharing site *Flickr*. If the deceased uploaded all kind of family pictures on the site over the years, shouldn’t the heirs have a way to access the account?

However, one can also understand the position taken by *Yahoo!*, as laws following the FADA model would direct intermediaries to comply with the executor of the estate, and this may be a source of both additional work and liabilities. Just imagine if a bookstore would have to confirm that books bought there by the deceased are indeed in his estate.

The EU has not addressed the issue of digital goods and estate law yet, but as more goods are now digital and even connected with one another, this issue and the issue of the legality of exhaustion of their first sale will need to be settled on both sides of the Atlantic.

Intellectual Property

European Union

CJEU in TU Darmstadt v. Eugen Ulmer: Books' digitization by public libraries is fine but printing and storing can be restricted

By Béatrice Martinet Farano

In a landmark decision issued on September 11, 2014 in case C-117/13 [Technische Universität Darmstadt v. Eugen Ulmer KG](#), the CJEU clarified the scope of the copyright exception for the purpose of research or private study under article 5(3)(n) of Directive 2001/29 (the research or private study exception), thereby upholding the practice of book digitization by public libraries in Europe.

Technische Universität Darmstadt ("Darmstadt") operates a regional and academic library in which it installs electronic reading points that allow the public not only to consult online works contained in the collection of that library, but also to make partial or full paper copies and/or store such copies on USB sticks. Amongst the books digitized by this library was a scientific textbook written by M. Schulze and published by Ulmer, which was part of this library collection but for

which the library had refused Ulmer's offer to purchase the e-books version of his work.

Under the research and private study exception, a public library can, for the purpose of research or private study, **communicate or make available** to its users, via dedicated terminals on its premises, copyrighted works contained in their collection, **provided these works are not subject to purchase or licensing terms.**

Ulmer argued that the digitization of his book was not covered by the exception since it had offered the library to purchase the e-book version of his work and the library had declined to accept his offer. The library, on the other hand argued that the digitization was covered by the exception since Ulmer's unilateral offer to conclude a license agreement on the digital version of his book did not amount to contractual terms.

The CJEU was therefore asked to determine whether **the research and private study exception applied:**

- (1) to the digitization of a book even where the right holder had offered the library to purchase the digital rights over his work,
- (2) to the *reproduction* involved in the digitization of a book, rather than merely the *communication* rights of a right holder, as mentioned in the exception,
- (3) to the printing and storage of a work on a USB key by libraries users without the author's authorization.

The Court answered the two first questions in the affirmative and the third in the negative.

A mere contractual offer to conclude a licensing agreement does not amount to purchase or licensing terms

With regard to the first question, the Court first held that a mere contractual offer to conclude a licensing agreement did not amount to purchase or licensing terms. The Court observed that if any author could rule out this exception by means of a “unilateral and essentially discretionary action” (e.g. unilaterally submitting a licensing agreement), this would actually go against the aim of this exception, which is to promote the public interest through the dissemination of knowledge, a core mission of publicly accessible libraries. Absent express contractual terms to the contrary, the author or the publisher could therefore not deny the digitization of their work by the library.

Public libraries are authorized to digitize books under the research and private study exception

The Court was then asked whether public libraries were authorized to digitize books under the research and private study exception, knowing that this exception only refers to the “communication” and “making available” (rather than *reproduction*) right of the author.

The Court first observed that the digitization of a work, which essentially involves the conversion of the work from an analogue format into a digital one, did

constitute an act of reproduction of the work.

The Court however observed that according to the first sentence of article 5(3) of the copyright Directive, the exceptions and limitations set out under this section relate to both the reproduction and communication rights of the author. The Court further noted that libraries do have a reproduction right under article 5(2) (c) of the Copyright Directive and finally observed that the right of communication of works recognized to libraries would be rendered meaningless or ineffective if they did not have an “ancillary right” to digitize the works. The court concluded that under a combined application of article 5(3) and 5(2)(c) of the copyright Directive, member states could grant to public libraries the right to digitize the works contained in their collection, if such act of reproduction was necessary for the purpose of making those works available to users by means of dedicated terminals, within those establishments.

Printing and storing, on the other hand, may be restricted

The Court finally answered the question as to whether libraries were entitled to allow individuals to print the works on paper and/or store them on USB sticks.

Here, the Court ruled that such acts – which clearly involved the reproduction of the works – were not covered by the research and private study exception since they did not appear “*necessary for the purpose of making the work available to the users of that work, by dedicated*

terminals". The Court therefore concluded that these acts were not covered under the research and private study exception and could therefore be restricted. The Court however observed that these acts may be authorized under the reprography and private copy exceptions under 5(2) (a) or (b) of the copyright Directive, provided a fair compensation was paid to the right holder.

This EU case, which have major implications for copyright law in the digital area, is particularly interesting to read and contrast with the decision issued in the US in [Authors Guild Inc v. Google](#) (SDNY 2013) (see [TTLF Newsletter No 5-6/2013](#) p.17), where the Court of New York reached a similar finding that Google's massive scanning of millions of books did not need any authorization from the right holders, but this time under the US doctrine of fair use.

Intellectual Property

European Union

European Court of Justice Defines Parody

By Marie-Andrée Weiss

On September 3, the European Court of Justice (ECJ) published its judgment in the [Deckmyn v. Vandersteen](#) case, C-201/13 where it defined what a parody is under European Union (EU) law. The ECJ also stated that copyright holders have a “*legitimate interest*” to ensure that their work is not associated with a discriminatory parody, but stopped short at giving copyright holders an absolute right to strike down discriminatory parodies.

The ECJ had been asked by the Brussels Court of Appeals for a preliminary ruling in the interpretation of article 5.3(k) of [Directive 2001/29/EC on the harmonization of certain aspects of copyright and related rights in the information society](#) (the “Information Society Directive”), which gives Member States the option to provide an exception to copyright infringement if the infringing work has been used “*for the purpose of caricature, parody or pastiche.*”

In that case, the heirs of Willebrod Vandersteen, the author of the *Suske en Wiske* comic books, and the holders of the intellectual property rights associated with these works, had sued Johan Deckmyn

and the Vrijheisfonds VZW, a non-profit association whose sole purpose is to support financially the Belgium nationalist political party Vlaams Belang, to which Deckmyn belongs. Deckmyn had distributed in January 2011 a calendar inspired by a cover of the *Suske en Wiske*’s album ‘De Wilde Weldoener’ (The Compulsive Benefactor) at a New Year reception in Ghent. While the cover of the original album showed a middle-aged man wearing a bowler hat, business shoes and a toga, throwing coins at people while flying in the air, the calendar showed a caricature of the mayor of Ghent, wearing a toga and the black, yellow and red belt which is the attribute of mayors in Belgium, flying in the air while distributing money to “*people wearing veils and people of colour*” (at 9).

The heirs sued for copyright infringement and won in the court of first instance. Defendants appealed and raised a parody defense under point (6) of Article 22(1) of the June 30, 1994 Belgium copyright law, asserting that a parody must be itself original, and that it must be humorous and seeking to ridicule the original work. The heirs disputed that definition of a parody. In order to decide the case, the Brussels Court of Appeals asked several preliminary questions of the ECJ. It asked whether a parody is an autonomous concept of European Union law, if a parody must be original, if a parody must be such that it cannot be reasonably attributed to the author of the original work, if a parody must seek to be humorous, whether it must mock the original work or not, and finally if a parody must mention the source of the

parodied work.

The concept of parody is an autonomous concept of EU law

Pedro Cruz Villalón, Advocate General (AG) of the ECJ, published his opinion on the case on May 22, 2014. An AG publishes an opinion to guide the ECJ, but the court is not obliged to follow it. In AG Villalón's opinion, parody is an autonomous concept of the EU law. The ECJ followed its AG's opinion and held that the concept of parody is indeed an autonomous concept of EU law. As such, it must be interpreted uniformly throughout the European Union.

What is a Parody?

However, the Information Society Directive does not define what a parody is. Therefore, the meaning and scope of this legal concept "*must be determined by considering its usual meaning in every day language, while also taking into account the context in which it occurs and the purposes of the rules of which it is part*" (paragraph 19).

In his Opinion, AG Villalón undertook to define what a parody is. He quoted the definition of parody given by dictionaries in several languages, among them the definition provided by the Shorter Oxford English Dictionary, «*A prose, verse or (occasionally) other artistic composition in which the characteristic themes and the style of a particular work, author, etc. are exaggerated or applied to an inappropriate subject, especially for the purposes of ridicule (...)*» AG Villalón explained that

parody is "*in its most summary statement structurally an "imitation" and functionally "burlesque"*" (AG Opinion, at 48).

The ECJ provided a somewhat different definition of a parody, as it stated that a parody's essential characteristics are (1) "*to evoke an existing work, while being noticeably different from it*" and (2) "*to constitute an expression of humour and mockery.*" The parody, however, does not have to display an original character of its own, but it must display "*noticeable differences*" with the original work, and "*it could reasonably be attributed to a person other than the author of the original work itself, that it should relate to the original work itself or mention the source of the parodied work*" (at 33).

Parody and Freedom of Expression

The right to parody is, however, not absolute. The ECJ noted that, in this case, the parody conveyed a discriminatory message, and that the EU has adopted the principle of non-discrimination based on race, color, or ethnic origin, as defined by the Council Directive 2000/43/EC of June 29, 2000. As such, copyrights holders have "*a legitimate interest in ensuring that the work protected by copyright is not associated with such a [discriminatory] message*" (at 31). AG Villalón had asked in his opinion "*[t]o what extent the interpretation by the civil courts of the scope of the parody exception may be conditioned by fundamental rights?*" (Opinion at 76). He concluded that if the message conveyed by the parody is "*radically contrary to the deepest convictions of society,*" then the parody

exception to copyright infringement should not apply. For AG Villalón, the Member States would have to determine, on a case to case basis, if a particular parody reaches this extreme level.

But the ECJ did not go as far, merely stating that the courts must balance the rights of the copyright owners with the right of freedom of expression of the parodist, and to do so, it must take all the circumstances of the case into account to preserve such fair balance, without adding that the threshold would be whether a particular parody is “*radically contrary to the deepest convictions of society.*”

Intellectual Property

European Union

Online copyright jurisdiction in the EU: Is dematerialisation the answer?

By Mark Owen (with grateful thanks to Adam Rendle and Dominik Thompson, respectively of Taylor Wessing's London and Vienna offices)

A thorny issue which courts around the world have grappled with over the last decade has been the question of Courts' jurisdiction over online activities, including IP infringements. These problems have been magnified within the EU where there is free movement of goods and services between different Member States but the laws and enforcement mechanisms differ to some extent from one Member State to another.

When infringing content is made available to users within the EU, which country's law should apply to that infringement? The EU Jurisdiction Regulation (44/2001) allows the rights-owner to sue where the infringer is domiciled or where the harmful event occurs. Recent cases have debated how one determines "where" the harmful event occurs. The most recent contribution to the debate, an Advocate General's opinion in the *Pez Hejduk* case (Case C-441/13), suggests that previous approaches have

been wrong and the answer in fact lies in the concept of "dematerialisation".

The *Pinckney* test

As the most recent decision of the EU Court of Justice on the topic, *Pinckney* (Case C-170/12) was thought to be the last word on the subject. In that case the CJEU considered which country had jurisdiction when a copyright infringing CD made by a company in Austria was sold by UK companies on a website accessible in France. Could the copyright owner sue the Austrian company in France? The CJEU said it could: the harmful event may occur in a jurisdiction where it is possible to obtain a reproduction of the copyright work from a website accessible in that jurisdiction. It was up to the local court to decide if there had been infringement there, though it could only rule on damage suffered in France.

Pinckney was regarded as a generous finding for rights-owners as it made it relatively straightforward to establish jurisdiction in any Member State when the alleged copyright infringement took place on or through a generally accessible website.

The background facts

Ms Hedjuk is a professional photographer who specialises in architectural photography and lives in Austria. During her career, she created several photographic works about buildings by the Austrian architect Georg W. Reinberg. In 2004, Mr Reinberg publicly displayed some of these photographic works when giving a

lecture at an event organized by EnergieAgentur.NRW GmbH, a German energy think tank. Later on, EnergieAgentur published the same photographs on their own website, which had a German top level domain (.de). While Ms Hejduk had given consent to the use of these photographic works at the lecture, she did not consent to their publication on the Internet.

Ms Hedjuk brought an action against EnergieAgentur.NRW at the Commercial Court of Vienna, seeking compensation. EnergieAgentur.NRW challenged the jurisdiction of the Austrian court, arguing that only a German court could hear the case. The case was referred to the CJEU.

The Advocate General's Opinion

Advocate General Cruz Villalón (the "AG") opined that Ms Hejduk must bring the action in Germany, because this is the place where the harmful event occurred. He distinguished online publication of a photograph from the online sale of a physical product (as in *Pinckney*), saying online publication is fundamentally different because it usually will not be possible to say in which place or places damage done by it materialises. As a result, the damage, in the AG's words, is "dematerialised", has become diffuse and can be said to have "shifted" or become "delocalised".

The AG disagreed with applying the *Pinckney* approach "automatically" because it was not always possible to determine the place(s) where the damage occurred. In such a case of "delocalised" damage, the objectives of the Jurisdiction

Regulation were best met by resorting to the place where the event occurred which gave rise to the damage. It would be very difficult for the claimant to produce evidence indicating the amount of damage which occurred in the single Member State where she brought the action and it would be unfair for a defendant potentially facing actions in a number of Member States.

Likely impact

The AG's opinion, if followed by the CJEU, would reduce claimants' choice as to where to sue for online copyright infringement, compared to the position following *Pinckney*. If suing in the Member State where the infringer is located is not attractive, claimants would have to go to the source of the infringement. In most cases, these places will be the same, but not always.

In an earlier CJEU ruling on the location of online infringement of the making available right in the database context, it was held that the right is infringed at least in the Member State where the communication is targeted. As the AG did not find such a targeting in this case, he did not consider this question. The opinion may therefore need to be confined to its facts, applying only to circumstances where damage is "delocalised" – the AG himself said that his solution may be distinguished further. It remains to be seen what the CJEU will make of this.

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