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Gabriele Accardo is a lawyer and scholar who, after nearly twelve years of professional and academic experience, has developed a strong expertise in competition law and other complex areas of law that deal with business and innovation. In the early stages of his career he spent ten years in Brussels (until 2011), where he practiced EU and competition law at two leading international firms, Lovells and WilmerHale. Currently, he practices law in Rome, Italy, as a partner at DANDRIA Studio Legale. In 2009, his passion for research on international technology laws brought him to start collaborating as a Research Fellow at the TTLF. He recently co-founded Innoventually, a start-up that acts as the one-stop-shop for assisting public and private entities and individuals in the creation, management, protection, promotion, development and monetization of innovative solutions. Gabriele is a non-governmental advisor to the Italian Competition Authority in the ICN (Merger working group), and Director for Italy of the European Mediterranean Competition Forum.

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Marie-Andrée Weiss is an attorney admitted in New York, with admission pending in France. Before becoming an attorney, she worked several years in the fashion and cosmetics industry in New York as a buyer and a director of sales and marketing. She graduated from the University of Strasbourg in France with a M.A. in art history, a J.D. in business law, an LL.M. in criminal law, and an LL.M. in multimedia law. She also graduated from the Benjamin N. Cardozo School of Law in New York City with an LL.M. in intellectual property law. She is an attorney in New York and her solo practice focuses on intellectual property, privacy, data protection and social media law. She is a TTLF fellow where her fields of research are freedom of speech on social media sites and the use of consumers' likenesses in marketing and advertising.

Mark Owen is a partner with Taylor Wessing LP in London. He has been an IP litigator and transactional lawyer for some 25 years. He has a particular focus on digital rights, use of data and e-commerce. Mark is an English solicitor and a member of the California Bar. Before joining Taylor Wessing he worked with Clifford Chance, with Brown & Bain in Palo Alto and with Harbottle & Lewis. Mark is a member of the International Trade Mark Association and its internet sub-committee, the Society for Computers and Law, the Law Society's IP Committee and is on the editorial broad of E-Commerce Law Reports. He speaks and writes widely, and teaches IP rights to students on the University of Oxford IP Diploma and to digital media students at Ravensbourne College in London's East End.

Nicole Daniel is an associate with DLA Piper Weiss Tessbach Attorneys at Law, Vienna, where she joined the Litigation & Regulatory Department in 2010. Since 2011, she has been pursuing a Ph.D. degree at the University of Vienna School of Law. She wrote her doctoral thesis on the treatment of regulated networks in EU and U.S. antitrust law. Nicole earned her LL.B. degree from King's College London in "Law and German Law" in 2009. As part of her bachelor's degree, she spent an Erasmus year abroad at Humboldt University in Berlin in 2007-2008. Nicole also enrolled a number of antitrust related courses as part of her LL.M.

degree in "Competition Law" at King's College London in 2010. In 2008, she obtained a Mediator Certificate on "Alternative Dispute Resolution" at the International Summer School organized by Tulane Law School, New Orleans, and Humboldt University, Berlin. Her previous work experience included internships in a bank and several law firms in Vienna, Berlin and London. Nicole became a TTLF Fellow in October 2012.

Antitrust

United States

Two recent victories for Google in the United States

By Nicole Daniel

On 20 February 2015 a federal judge in California dismissed an antitrust lawsuit against Google alleging that it violated antitrust laws by requiring makers of Android tablets and smartphones to designate Google as the default search engine on the aforementioned devices.

The plaintiffs alleged that the Sherman Act, the Clayton Act and California's Cartwright Act were violated by Google by requiring manufacturers such as Samsung, HTC and LG Electronics to sign Mobile Application Distribution Agreements (MADAs) to make Google the default search engine on their devices.

In her ruling US District Judge Beth Labson Freeman held that the plaintiffs had not proven sufficiently enough that they had suffered an antitrust injury under neither federal nor state laws. Also they did not allege enough evidence to prove that Google's conduct prevented mobile device users from choosing freely which search products they want or that competitors were prevented from innovating due to Google's conduct.

Furthermore Judge Labson Freeman wrote that the allegations of hypothetical loss of consumer choice and innovation were "too conclusory and speculative". The plaintiffs mistakenly tried to tie the effects of the alleged anticompetitive MADAs to the relevant alleged markets, i.e. handheld search and general Internet search, thereby trying to show that the MADAs hurt competition in these markets. However no relationship between the two markets and the MADAs was shown by the plaintiffs.

Judge Labson Freemann stated that this was "a close call", but "the court must insist on greater specificity in pleading".

Additionally, the plaintiffs tried to enforce California law even though they do not live on California but in Iowa and Kentucky respectively. The judge allowed the lawyers for the plaintiffs to amend their state claims to add a plaintiff from California.

The second recent success for Google is the state of Ohio's termination of its antitrust investigation into Google's business practice.

The state of Ohio had begun its investigation in May 2011 and notified Google in November 2014 that it has closed the investigation. Together with Texas and Mississippi, Ohio had continued its investigation even after the FTC closed its own probe in January 2013 by finding that there was insufficient evidence that search results were manipulated by Google. In the meantime Texas had also ended its investigation in 2014; Mississippi is therefore left being the only US state with an active antitrust inquiry into Google's business practice.

However, outside of the US, Google is under investigation in Europe, Canada, South America and Asia.

Antitrust

United States

The Department of Justice will not challenge a Proposal to update Patent Policy by a Standards-Setting Organization

By Nicole Daniel

On 2 February 2015 the Department of Justice (DOJ) published a business review letter stating that it will not challenge the update of the patent policy by the Institute of Electrical and Electronics Engineers Standards Association (IEEE-SA).

The Institute of Electrical and Electronics Engineers, Inc. (IEEE) is a non-profit professional technology association and the IEEE-SA is an operating unit within the former that is responsible for developing technical industry standards. The patent policy at issue governs the incorporation in IEEE standards of patented technology and also clarifies the terms under which essential patent holders to IEEE standards can commit to make available licences for use in implementing the IEEE standards.

The IEEE requested from the DOJ's Antitrust Division a business review letter expressing its enforcement intentions with regards to a proposed update of the IEEE-SA's patent policy. Essentially the update revises the provisions on commitments from those parties that hold patent claims which are essential to IEEE-SA standards to license these claims on RAND terms. The update is directed at four areas, namely the definition of a reasonable licensing rate, the production levels to which the commitment applies, the availability of injunctive relief and the permissible requests for reciprocal licensing.

In its business review letter the DOJ stated that it will not challenge the IEEE's adoption of changes to its patent policy. In a related press release the DOJ further stated that the U.S. government does not dictate patent policy choices to private standards settings organisation. Also the DOJ does not believe that the proposed update of the IEEE's patent policy is likely to result in harm to competition.

Nevertheless the DOJ reserved the right to challenge the proposed action under the antitrust rules if anticompetitive effects follow from the update.

Antitrust

United States

Louisiana’s Attorney General sues GlaxoSmithKline over delay of generic nasal spray

By Nicole Daniel

In December 2014 Louisiana’s attorney general (AG) filed a complaint against GlaxoSmithKline (GSK) alleging that GSK engaged in an anticompetitive scheme to delay the entry of a generic version of its Flonase nasal spray.

This is the third time since 2011 that AG James D. “Buddy” Caldwell has filed suit against GSK.

The lawsuit alleges that the state’s antitrust and unfair competition laws were violated by GSK by inter alia filing baseless citizen petitions to the US Food and Drug Administration (FDA) in 2004 and 2005 to delay Roxane Laboratories from receiving the necessary regulatory approval to offer a generic version of Flonase nasal spray. In his lawsuit AG Caldwell states that the citizen petitions were filed as part of a “brand maturation strategy” intended to extend GSK’s monopoly and not because of legitimate concerns regarding the safety of the generic nasal spray.

The so-called “brand maturation strategy” included four tactics, i.e. improperly influencing the bioequivalence guidance process of the FDA, the filing of the aforementioned citizen petitions, drafting a fluticasone propionate monograph to submit to the US Pharmacopeia, which lists the test procedures and acceptance criteria to set the standards for quality, purity, strength and consistency of pharmaceutical ingredients in an approved drug and finally supplementing its original New Drug Application to delay the FDA from approving the Abbreviated New Drug Applications before approving GSK's supplemented original New Drug Application.

The lawsuit alleges that this “brand maturation strategy” resulted in GSK illegally maintaining its monopoly power in the market for fluticasone propionate in the US for a duration of at least 20 months and selling more than a $ 1 billion of Flonase nasal spray during that time. Also the price of Flonase nasal spray was maintained at supra-competitive levels and the state of Louisiana was overcharged by millions of dollars. The state of Louisiana was further deprived of the benefits unrestricted competition offers and of access to less expensive generic versions of Flonase.

The lawsuit seeks restitution and treble damages for an undisclosed amount.

GSK argues that the lawsuit should be moved as it involves a federal agency. This is so since the action centres on alleged conduct of GSK towards a federal agency as well as actions by a federal agency allegedly leading to a delay in approving a generic version of Flonase nasal spray.

Antitrust

European Union

EU Commission approves Facebook's acquisition of WhatsApp

By Anthony Bochon

On 3 October 2014, the European Commission of the European Union (the "Commission") approved the acquisition without any commitments. After the approval of the acquisition of Skype by Microsoft in 2011 and of the acquisition of Nokia by the latter in 2013, this was another occasion for the European Commission to examine competition issues in the consumer communications services sector. It merely confirmed its approach adopted in the Microsoft / Skype case, which was endorsed by the General Court in the Cisco Systems Inc. judgment of 11 December 2013.

As a preliminary remark, it must be pointed out that the acquisition project was notified to the European Commission on the ground that the national competition authorities of at least 3 EU member States would be competent to review this acquisition. In principle, filings are made with the Commission because the two undertakings involved in the operation have a turnover that exceeded the notification threshold. However, Article 4 (5) of Regulation 800/2004 (the "Merger Regulation") provides that any concentration subject to the review of at least three national competition authorities can instead be examined by the European Commission.

A product market definition left open

The Commission first determined that the acquisition concerned consumer communications services which have the double characteristic of allowing users to communicate in real time and which are used to communicate with relatives, friends and other contacts.

The Commission immediately drew a distinction with the professional communication services, as it does with other product markets where the professional-consumer dichotomy still has some significance. In the present case, the Commission's approach could be considered surprising because most current communication services indistinctively provide the same functionalities to any type of user and professional users could, at least, use WhatsApp for professional purposes. This would be less true for Facebook which was, at first, a social media allowing alumni of universities to keep or get back in touch.

The Commission then decided to segment the market concerned by platforms, as WhatsApp is only available on smartphones and did not have any plan to be available on other platforms such as personal computers where Facebook is already available. The relevant product market was therefore defined as only including consumer communications apps for smartphones.

The Commission considered the issue of whether traditional electronic communication services such as voice calls, SMS, MMS and e-mails should be included in the relevant product market. The Commission's findings that substitutability or complementarity between the traditional and the new electronic communications was imperfect were solely speculative. Indeed, the Commission concluded that the inclusion of traditional electronic communication services in the relevant product market would dramatically decrease the market share of Facebook and WhatsApp. As a result, the Commission decided to leave the exact product market definition open, because the acquisition did not raise any concern as to its effects on competition, irrespective of the product market definition.

Plenty of smartphone apps in the European Union

The Commission considered that the regulatory environment of telecommunications in the European Union could, unlike the United States, explain the diversity of smartphone applications. Indeed, the application of roaming and international call charges – despite their decrease over the last decade due to several legislative interventions of the EU institutions – is an incentive for EU consumers to use smartphone apps to communicate rather than via their mobile voice telephony or traditional messaging services. Despite the fact that WhatsApp is subject to subscription fees in some member States and not in others, the Commission was of the opinion that there is no national market and that the geographic market should be European Economic Area wide.

Differences between social networks and consumer communication services

The Commission did not want to define any further the social networking product market suggested by Facebook as being its relevant market, since the acquisition did not raise any concern. The Commission took the view that the consumer communication services market should remain the relevant definition for the purpose of the investigation. It however identified notable differences between Facebook and WhatsApp.

The Commission considered that the user's experience on Facebook is not the same as a WhatsApp user: a Facebook user can communicate to a wider audience and also the rhythm of communication is dissimilar because the comments function on Facebook allows users to respond long after an initial message has been posted. WhatsApp is rather an advanced form of messaging service similar to SMS or MMS. The existence of a messaging service for Facebook – the so-called “Facebook Messenger” – did not retain the Commission's attention. The market investigation showed there was a strong interchangeability between messaging services and that most of the WhatsApp users were already Facebook users.

The issue of advertising in the social media

Facebook provides online advertising services, but not on its Facebook Messenger app. The users' data is currently neither sold nor subject to data analytic services. WhatsApp does not allow any space for advertising. As there was no competition concern, Commission did not consider as necessary to define any further the online advertising product market to know whether advertising on social networking websites has distinctive characteristics. The Commission merely confirmed its findings in the *Google / DoubleClick* and *Microsoft / Yahoo ! Search Business* decisions. The prospective analysis of the Commission also showed that Facebook was a minor player among the users' data collectors with a market share around 6%.

Drivers of competitive interaction between consumer communications apps

The functionalities offered and the underlying network have been identified as the main drivers of competitive interaction between consumer communication apps. In addition, the Commission took into account non-technical factors such as the perceived trendiness and coolness amongst groups of users. Furthermore, the users' price sensitivity has been confirmed during the investigation, as almost all apps do not charge any fee for their use while others only charge a small amount of money.

Market shares and innovation cycles : Microsoft / Skype confirmed

The highest combined market share of Facebook and WhatsApp for social media messaging services would amount to 40%. The Commission concludes at paragraph 99 of its decision that *"Even if the data provided by the Parties were to underestimate the Parties' combined market shares, the Commission notes that the consumer communications sector is a recent and fast-growing sector which is characterised by frequent market entry and short innovation cycles in which large market shares may turn out to be ephemeral. In such a dynamic context, the Commission takes the view that in this market high market shares are not necessarily indicative of market power and, therefore, of lasting damage to competition."*

The Commission underlines that the sector is characterized by short innovation cycles and relies therefore on the assumption that market shares could be ephemeral. The Commission thereby confirms its approach already adopted in its decision of 7 October 2011 authorizing the acquisition of Skype by Microsoft (case M.6281) where, despite of the high percentage of combined market shares, it approved the acquisition for the same reasons. This justification was also endorsed by the General Court of the European Union which dismissed on 11 December 2013 the appeal brought by Cisco Systems Inc. against the Commission's decision approving the Microsoft/Skype acquisition (case T-79/12) (see Newsletter 5-6/2013, p. 7).

The General Court said at paragraph 69 of the judgment that *"[…] the consumer communications sector is a recent and fast-growing sector which is characterised* *by short innovation cycles in which large market shares may turn out to be ephemeral. In such a dynamic context, high market shares are not necessarily indicative of market power and, therefore, of lasting damage to competition which Regulation No 139/2004 seeks to prevent."* Almost all these words have been used by the Commission to justify the acquisition of WhatsApp by Facebook. The General Court's conclusion at paragraph 74 of the Cisco Systems Inc. judgment definitely legitimized the Commission's reasoning: *"It follows that the very high market shares and very high degree of concentration on the narrow market, to which the Commission referred merely as a basis for its analysis, are not indicative of a degree of market power which would enable the new entity to significantly impede effective competition in the internal market."*

This new decision approving an acquisition in a recent information technology sector confirms that the Commission would adopt the same pro-acquisition approach if other acquisitions in recent new technologies sectors would occur, because the short innovation cycle argument is transposable to other sectors, provided that the innovation cycle is short and the sector is too recent to base the economic assessment on data showing the market trends and market shares evolution.

After a comparison of the functionalities of the two instant messaging services, the Commission concluded that Facebook Messenger and WhatsApp were not close competitors and that, with the exception of network effects, users could still switch providers in the market for consumer communications apps.

No IP or interoperability issues

The Commission also concluded that there were neither intellectual property nor interoperability issues. Only Facebook owns some patents on messaging technologies which were irrelevant in terms of standardization. Furthermore, both apps were not pre-installed on smartphones and their downloading did not prevent users from using apps from competitors.

Conclusion

This Commission decision is in line with the decision in Microsoft/Skype and paves the way for future favorable approvals of acquisitions in the emerging technologies sector, as the Commission's assumption that short cycles of innovation exacerbate the instability of market shares can be used as a justification for acquisitions as long as the technologies can be developed by competitors and new entrants on the market.

Antitrust
European Union

European Commission clears acquisition of Belgian media company by Liberty Global subject to commitments

By Gabriele Accardo

Last 24 February the European Commission cleared Liberty Global's acquisition of a controlling stake in the Belgian media company De Vijver Media NV ("De Vijver"), subject to commitments.

The Commission originally opened an in-depth investigation alleging that the transaction would create a close relationship between the largest TV retailer in Flanders, Liberty-controlled Telenet, and two of the region's most popular free-to-air TV channels, Vier and Vijf. In essence, as a result of the transaction, the Commission had concerns that Telenet's actual or potential competitors for selling TV services to consumers in Flanders could be shut out from accessing these channels. This could concern classical competitors as well as so-called 'over-the-top' TV service providers that provide end users access to TV channels via the Internet.

In fact, according to the Commission, TV distributors that compete with Telenet, such as Belgacom and TV Vlaanderen, must have Vier and Vijf in their offer to compete on equal footing with Telenet, while new players, such as Mobistar, would not be able to enter the market at all without Vier and Vijf.

On the other hand, the Commission concluded that Telenet would not have the incentive to remove the channels of Medialaan and VRT (two Flemish broadcasters that compete directly with De Vijver) from its cable platform, as it would make Telenet's offer less attractive and lead to a loss of subscribers, which therefore would not be a profitable strategy. Moreover, Telenet is obliged to carry VRT's channels by law. However, the investigation found that Telenet could disadvantage the channels and programs of Medialaan and VRT in more subtle ways, for instance by displaying their video-on-demand content less prominently than that of De Vijver.

Notwithstanding, during the investigation, De Vijver concluded agreements with some TV distributors to license Vier and Vijf and offered to prolong its agreements with others. Similarly, Telenet amended its agreement with VRT and Medialaan to ensure that their respective content would not be disadvantaged compared to that of De Vijver.

The commitments. To address the Commission's remaining competition concerns, the parties committed –for seven years- to license De Vijver's channels – Vier, Vijf and any other similar channel it may launch – to TV distributors in Belgium under fair, reasonable and non-discriminatory terms. In particular, the parties committed:

- to license the channels Vier and Vijf;
- to license any new basic pay TV channel that De Vijver may launch in the future;
- De Vijver must also license to distributors-linked services such as catch-up TV and PVR (a service that allows users to record programs and view them at a later stage).

The Commission provided an infographic illustrating the commitments.

Antitrust

European Union

National Competition Authorities launch parallel market tests in online hotel booking sector

By Gabriele Accardo

Last 15 December 2014 the European Commission announced the launch of market tests by the French, Swedish and Italian competition authorities in the online hotel booking sector. The Commission is coordinating the national investigations but has not opened its own investigation.

The investigations concern the parity clauses in the contracts between Booking.com and hotels that oblige the hotel to offer Booking.com the same or better room prices that the hotel makes available on all other online and offline distribution channels.

The three national competition authorities have concerns that so-called "parity clauses" in contracts between online travel agent Booking.com and hotels may have anti-competitive effects, in breach of their respective national competition laws as well as Article 101 and/or Article 102 of the Treaty on the Functioning of the European Union (TFEU). In particular, they have concerns that they may restrict competition between Booking.com and other online travel agents ("OTAs") and hinder new booking platforms from entering the market.

To alleviate these concerns, Booking.com has proposed to abandon the parity requirement in respect of prices which the hotel makes available to other OTAs. This would enable hotels to offer different room prices to different OTAs. However, the hotel would still have to offer the same or better room prices to Booking.com as are offered on the hotel's own online and offline booking channels. The commitments (see commitments in France, Italy and Sweden) are intended to apply EEA-wide.

The French, Swedish and Italian competition authorities are continuing their investigations into the parity clauses of other OTAs.

Interested parties could submit comments to the relevant national competition authorities until last 31 January 2015.

As it may be recalled seven competition authorities in Europe (in France, Germany, Sweden, UK, Italy, Austria, Ireland) have opened cases concerning online booking platforms (see, e.g., Newsletter 3/2014, p.12 Newsletter 1/2014, p.15, Newsletter 5-6/2013, p.9 and 11, Newsletter No. 4-5/2012, p. 15, for additional background).

Italian court confirms hefty fines on Novartis and Roche

By Gabriele Accardo

On 2 December 2014, Italy's Tribunale Amministrativo Regionale del Lazio ("TAR Lazio") handed down its ruling (only available in Italian) concerning the alleged anticompetitive agreement between Roche and Novartis in the market for ophthalmic drugs used to treat some serious vascular eyesight conditions, which, in its decision of 27 February 2014, the Italian Competition Authority ("ICA") found to be in breach of article 101 of the Treaty on the Functioning of the European Union ("TFEU"), and imposed fines totaling Euro 92 million and Euro 90,5 million on Novartis and Roche respectively (see Newsletter 2/2014 p. 18 and Newsletter 1/2013, p. 11, for additional background).

It is recalled that, according to the ICA, Roche and Novartis aimed at excluding the ophthalmic use of Roche's Avastin in order to advantage the sales in Italy of Lucentis, which is distributed by Novartis. In particular, the decision found that since 2011 the two companies colluded to create an artificial product differentiation by claiming the use of Avastin for ophthalmic purposes to be more dangerous than in reality, in order to influence the prescriptions of doctors and health services in favor of the more expensive Lucentis. The ICA had found that Roche and Novartis had put into effect a "pervasive and continuous" concerted practice via meetings and exchange of emails.

The TAR Lazio essentially upheld the ICA's findings, notably as to the anticompetitive object of the contacts between the two competitors, based on documentary evidence, such as exchange of written communications as well as companies' internal documents. However, interestingly the court made an important point as to the scope of the assessment in similar matters, ultimately discarding a significant share of arguments put forward by the parties.

In particular, the TAR Lazio held that the scope of the ICA's investigation and therefore of the TAR Lazio's jurisdiction exclusively focuses on the assessment of the allegedly anticompetitive agreement between competing companies concerning the marketing of Avastin and Lucentis. As a result, for the purposes of the decision, all the arguments put forward by the parties in relation to such medical and scientific aspects relating to the products (scientific analysis and safety) go beyond the scope of the ICA's powers, i.e. safeguarding competition, and therefore the protection of patients as consumers of the products at issue.

Likewise, the TAR Lazio further held that pharmacovigilance requirements or even the legitimate contacts between Roche and Novartis, such those relating to the vertical relationship between the two groups owing to their licensing agreement, were also outside the scope of the assessment.

Based on such premise, which resulted in the TAR Lazio discarding the “scientific” arguments put forward by the parties in order to rule out the substitutability between Avastin and Lucentis, the TAR Lazio concluded that Avastin and Lucentis were indeed substitutable and therefore belonged to the same product market based on the wide-spread *off-label* use of Avastin to treat some serious vascular eyesight conditions (as an anti-VEGF, or anti vascular endothelial growth factor), the fact that even in Italy the NHS reimbursed certain drugs used *off-label* and that, with regards to safety, Avastin had been recognized internationally as the only anti-VEGF drug for ophthalmic use.

Clearly, the TAR Lazio’s approach, which is subject to appeal before the Council of State, questions one of the fundamental aspects of competition law assessment, in particular with regards to allegedly anticompetitive agreements, which is that the assessment has to be performed within the legal and economic context in which such agreements may occur. Arguably, the Council of State will tell whether, by discarding as not relevant all the considerations relating to the regulatory framework which is pervasive in the pharmaceutical sector, the ICA and the TAR Lazio may have ultimately gone too far in defining the scope of the relevant factors that have to be assessed in similar cases.

Antitrust

European Union

Germany's Federal Cartel Authority imposes further fines in mattress case

By Gabriele Accardo

Last 6 February Germany's Federal Cartel Authority ("FCA") fined mattress producer Metzeler Schaum Gmbh ("Metzeler") Euro 3.38 million for allegedly imposing resale prices on retailers selling its products, in breach of Article 101 of the Treaty on the Functioning of the European Union ("TFEU"). The alleged anticompetitive conduct took place between 2007 and 2011, wherein the investigation was prompted by undertakings' complaints.

According to the FCA, Metzeler repeatedly told its retailers verbally or in writing that sales prices were fixed prices without any scope for discount and that the products concerned were to be sold as "fixed price goods". In particular, advertising could not contain any price comparisons, discount promises, strike-through prices or similar information in order to maintain a stable sales price. Resale prices were agreed mainly for forthcoming promotional measures to be implemented by the retailers.

As online sales became more important, large specialist shops and also online retailers complained about rival offers on the internet which did not comply with the fixed sales prices and asked for explanation or corrective action. As a result, Metzeler managed to oblige deviating retailers to "properly" advertise sales prices in future.

This is the second case concerning resale price maintenance issues in the mattress market.

In fact, on 21 August 2014 the FCA also fined Recticel Schlafkomfort GmbH ("Recticel") for imposing resale price maintenance on its retailers (see press release),

From July 2005 to December 2009, representatives of Recticel agreed with its retailers that they should not offer certain strategic "Schlaraffia" products below the fixed sales prices.

In particular, Recticel offered selected online dealers the opportunity to advertise themselves as so-called "authorized Schlaraffia online dealers" using Recticel's logo and data provided they offered prices which were not lower than the set minimum sales prices for the strategic product lines.

In case of non-compliance with this requirement, dealers were barred, albeit in exceptional cases, from Google-Adwords or from eBay under eBay's brand protection programme for the unauthorized usage of manufacturers' data. Some retailers were also threatened with delays in supply or with threats of legal action if they did not adjust the price of their offers to the minimum sales prices set by Recticel.

In both investigations against Metzeler and Recticel, the FCA found no indications of anti-competitive horizontal agreements between the mattress manufacturers. Proceedings against two other manufacturers are still ongoing.

Intellectual property

United States

Omega S.A. v. Costco Wholesale Corp., 2015 U.S. App. LEXIS 830 (9th Cir. Cal. Jan. 20, 2015)

By Irene Calboli

The recent decision by the Ninth Circuit Court of Appeals in the case Omega v. Costco[1] continues, and perhaps concludes, litigation that went on for over a decade, including a hearing in front of the Supreme Court.

To briefly recount the facts, the plaintiff, Omega, is a global supplier of luxury watches, some of which were engraved with a design known as the "Omega Globe." Omega obtained a copyright registration for the "Omega Globe" in March 2003, and subsequently began selling the watches with the engraved design through authorized distributors and dealers throughout the world. In 2003, Omega and Costco (defendant and discount warehouse respectively) discussed the possibility of Costco becoming a distributor of Omega watches. The parties, however, did not come to an agreement and Costco never became an authorized Omega retailer.[2] Regardless, Costco purchased 117 Omega watches bearing the "Omega Globe" design from ENE Ltd. (that had purchased the watches from an unidentified third party outside the United States), and sold 43 of them in California.

Omega brought suit against Costco for copyright infringement, claiming that Costco imported its copyrighted work without the copyright holder's permission. Omega reasoned that although it authorized the initial sale of the watches, it did not approve the importation of the watches into the United States or Costco's later sale of the watches.[3]

The district court granted summary judgment to Costco under the first sale doctrine defense.[4] The 9th Circuit reversed the district court and remanded, noting that precedent held the first sale doctrine did not apply to models of copyrighted works produced abroad.[5] The Supreme Court granted certiorari, and a deadlocked court summarily affirmed.[6] On remand, the district court granted summary judgment to Costco again, this time determining that Omega misused its copyright of the Omega Globe "to expand its limited monopoly impermissibly."[7] The court found that the purpose of Omega's lawsuit was to control the unauthorized sale of Omega

[1] Omega S.A. v. Costco Wholesale Corp., 2015 U.S. App. LEXIS 830 (9th Cir. Cal. Jan. 20, 2015) (*Omega II*).

[2] *Id*. at *3.

[3] *Id*.

[4] *Id*. at *4 "(Omega S.A. v. Costco Wholesale Corp., 541 F. 3d 984-85 ("*Omega I*") (explaining that the first sale doctrine, means that once a copyright owner consents to the sale of particular copies of work, that same copyright owner cannot later claim infringement for distribution of those copies).)"

[5] *Id*.; *Omega I*, 541 F.3d at 990.

[6] *Id*.; Costco Wholesale Corp. v. Omega, S.A., 562 U.S. 40 (2010).

[7] *Id*.

watches into the U.S. by taking advantage of section 602 of the Copyright Act, which states that the importation of copyrighted goods without the copyright owner's permission is a violation of the owner's exclusive right to distribute.[8] Omega appealed the district court's copyright misuse judgment.

The Ninth Circuit reviewed the district court's grant of summary judgment de novo[9], in light of the Supreme Court's decision in *Kirtsaeng v. John Wiley & Sons, Inc*.[10] In *Kirtsaeng*, the Court addressed the issue of whether the purchaser of a copyrighted work (lawfully manufactured abroad) could lawfully import the work into the United States under the first sale doctrine.[11] In a landmark decision, the Supreme Court held that the first sale doctrine indeed applies to copies of a copyrighted work regardless of where it was manufactured or first sold worldwide.[12] The Ninth Circuit noted that the *Kirtseng'*s holding would apply to the case at hand,[13] and concluded that Omega had no valid infringement claims against Costco[14] since Omega's right to control the distribution of its copyrighted Omega Globe watches expired after the authorized first sale.[15]

Ultimately, the Ninth Circuit affirmed the district court's judgment in full by also upholding Costco's attorney fees to be paid by Omega.[16]

Besides the majority opinion, Judge Wardlaw wrote an important concurring opinion on the issue of copyright missies. In particular, Judge Wardlaw wrote that the district court properly concluded that, "because Omega placed the Globe Design on its watches at least in part to control the importation and sale of Omega watches in the United States, Omega had misused its copyright."[17] The judge went on to explain that inherent in granting a copyright owner the exclusive right to reproduce his works is the risk that she will abuse her limited monopoly and extend the protection beyond what is intended by copyright law.[18] In the present case, Omega attempted to use the "Omega Globe" copyrighted design to control imports and restrict unauthorized retailers from selling its watches (not copyrightable per se as "useful articles"),[19] and this amounted to copyright misuse.[20] Judge Wardlaw thus concurred that the district court was correct in determining that (1) Omega copyrighted the Globe design on the advice of its legal department to control the importation of its watches into the United States, and (2) Omega told its authorized distributors that the purpose of its lawsuit against Costco was to control the unauthorized importation of its watches into the United States.[21] Omega's objectives were a conspicuous attempt to leverage its copyright ownership to control the market outside of its limited

8 *Id*. at 14.
9 *Id*. (the Ninth Circuit explained that they may affirm the district court on any claims raised in previous proceedings and determined that the first issue sale is properly before the court.).
10 *Id*. at 5; Kirtsaeng v. John Wiley & Sons, Inc., 133 S. Ct. 1351 (U.S. 2013).
11 *Kirstaeng*, 133 S. Ct. 1355.
12 *Id.* at 1355-56.
13 Omega II, *supra* note 1, at 5 (citing *Rivers v. Roadway Express, Inc.*, 511 U.S. 298, 312-13 (1994)).
14 *Id*. at 7 (noting that "Omega conceded that it authorized a first sale of the watches in a foreign jurisdiction.").
15 *Id*.
16 *Id*.
17 *Id*. at 10.
18 *Id*. at 17.
19 *Id*. at 20; 17 U.S.C. §§ 101, 102(a)(5).
20 *Id*. at 27.
21 *Id*. at 21.

monopoly on the design engraved on the watches.[22]

[22] *Id*.

Intellectual property

United States

Fox Broadcasting v. Dish Network: California Court dismiss copyright claim against time and place-shifting Dish's streaming service

By Béatrice Martinet Farano

On 12 January 2015, the Central District of California found that, despite the Supreme Court's recent decision in Aereo, Dish Network's streaming services did not infringe Fox's copyrighted content. However, the Court found that some of these services could have breached the contractual provisions of the retransmission agreements entered into by the parties.

In this case, Fox sued Dish Network for copyright infringement and breach of contract after Dish started offering its subscribers a number of services allowing them to stream and record for later viewing Fox's programming at any location (*Dish Anywhere, Dish Prime Time Anytime* and *Hopper Transfers*), while automatically skipping Fox's Commercials (*AutoHop feature*).

While Fox acknowledged that Dish had a license over its programs and was therefore authorized to broadcast its programs to its subscribers, Fox challenged the ability for Dish to allow its subscribers to copy such programs (for time and/or place shifting purposes) without its express authorization. Particularly, Fox argued that, pursuant to the Supreme Court's recent decision in American Broadcasting Companies, Inc. v. Aereo, Inc. (see TTLF Newsletter No 3/2014 p. 14), such retransmission has to be considered an unauthorized public performance which constitutes copyright infringement.

The Central District of California did not follow this reasoning. First, the Court found that differently from the situation in Aereo, Dish actually had a license over the content that was distributed to its subscribers.

Rather than giving subscribers access to content without authorization (like Aereo), Dish was therefore merely allowing its subscribers to view the content they had already paid for on a different device. Such time and place-shifting authorization, the Court said, could not be analyzed as an unauthorized public performance. Moreover, the Court found that it was Dish's subscribers, rather than Dish, who had copied and transmitted the program. Therefore, Dish could not directly infringe Fox's copyrights. Likewise, the Court found that Dish could not be secondarily liable, since the copying of these programs by Dish subscribers for their own noncommercial use was protected fair use, pursuant to the seminal decision of the Supreme Court in Sony Corp v. Universal (464 US 417 (1984).

With respect to the AutoHop feature - allowing customers to automatically skip commercials while watching pre-recorded content - the court considered that because AutoHop itself did not copy any Fox content, it did not infringe Fox's copyrights.

While the decision was a broad win for Dish on the copyright front, the Court however found that some of these services or feature did breach some of the contractual provisions entered into by the parties including the “no copying” provision of an earlier 2002 Retransmission Consent Agreement and Fox's exclusive reproduction right. Following the court's decision, the parties agreed to stay the case while they attempt to negotiate a settlement.

Intellectual property

United States

Je Suis Charlie, TM?

By Marie-Andrée Weiss

The morning of the January 7, 2015 terrorist attack against French satirical newspaper *Charlie Hebdo*, Joachim Roncin, a French artistic director, created an image featuring a *Je Suis Charlie* slogan printed in white on a black background. He posted it on Twitter to only four hundred or so followers. The image, however, quickly became viral and the #JeSuisCharlie hashtag started to trend around the world. When people took to the streets in France to express their outrage and their sadness over the attacks, many held the image created by Mr. Roncin, and people from around the world, known or unknown, posted on social media photographs or short videos of themselves holding a "*Je Suis Charlie*" sign. George Clooney stated "Je suis Charlie" when accepting an award at the Golden Globes on January 11, and the episode of "*The Simpsons*" which aired the same day, showed Maggie holding a "*Je suis Charlie*" flag.

Mr. Roncin said in an interview with French newspaper *Libération* that he created the "*Je Suis Charlie*" image because the tragedy had left him "*without any words*" and creating the image was a way for him to express his grief. He added: "*My gesture is spontaneous translation of a personal emotion, it is not heroic whatsoever.*" In spite of the worldwide fame of his work, Mr. Roncin did not want to assert it as his own, but posted on Twitter that "[*t*]*he message and image are free for all to use but I would regret any mercantile use*."

However, merchandise bearing the *Je Suis Charlie* image started appearing, almost immediately after the attacks, on e-commerce sites such as eBay. French e-commerce platform Price Minister, however, posted a tweet stating that it had decided not to allow *Je Suis Charlie* merchandise to be sold on its site. Interviewed on French television, Mr. Roncin stated that he found "*noble*" the desire of the public to buy goods bearing "*Je Suis Charlie,*" but added that "*one does not know where the money is going.*" This is the reason he chose to sponsor the use of his work made by non-profit *Reporters Sans Frontières* (Reporters Without Borders), which sells on its web site "*JeSuis Charlie*" merchandise, but donates all the proceeds to *Charlie Hebdo*.

Mr. Roncin did not register a copyright or a trademark for his *Je Suis Charlie* work. He stated in his *Libération* interview that it *"seem[ed] to him odious and incomprehensible that one would even think to transform such message of freedom into a trademark.*" However, many "Je Suis Charlie" trademark applications were filed around the world a few days after the attacks. Is it even possible to register such trademark? The answer, which is negative, is the same on both sides of the Atlantic.

Trademark Applications in the US

Two trademark applications for "*Je Suis Charlie*" trademarks were filed in January 2015 with the United States Patent and Trademark Office (USPTO). A California trust filed on January 9 a "Je Suis Charlie" trademark in class 35, for services described as "*[p]romoting charitable giving that reflects the core values of the donor by providing a method to identify the donor's core values and to select charities that foster those values."* A Florida corporation filed on January 16 a "*Je Suis Charlie*" trademark in class 18, for "*bags, luggage, suitcases, backpacks, key cases, key chains with leather, wallets, brief cases,*" in class 021 for "*mugs, cups, beverage glasses, bowls, dishes, salt and pepper shakers, lunch boxes, porcelain ware, pot holders, serving platters, serving trays, serving dishes, pottery, statues, coasters"* and in class 25 for "*clothing and footwear*."

None of these two applications have yet been assigned to an examining attorney. However, it is unlikely they will ever mature as trademarks because "*Je Suis Charlie*" cannot be registered as a mark, for lack of distinctiveness. The purpose of a trademark is to identify the source of a product or service, and therefore, a trademark must be distinctive. Under 15 U.S.C. §1052(f), the mark an applicant seeks to register must have become distinctive of the applicant's goods in commerce.

It would be hard, if not impossible, to prove this for these two "*Je Suis Charlie*" applications, because "*Je Suis Charlie*" carries a message of support for free speech and for freedom of the press, and does not identify the source of any product or services. It could only be registered as a trademark if it had acquired secondary meaning, that is, if it had become uniquely associated with the goods or services described in the trademark applications. But the notoriety of this famous slogan, known and used by many people around the world, makes it difficult, perhaps impossible, to prove that consumers would understand that it is the source of a particular product or service. In a somewhat similar case, the USPTO refused to register "*Boston Strong*" as a trademark "*because the applied-for mark merely conveys an informational social, political, religious, or similar kind of message; it does not function as a trademark or service mark to indicate the source of applicant's goods and/or services and to identify and distinguish them from others."* The same could be said about the "*Je Suis Charlie*" message.

Trademark Applications in the EU

A trademark application for "*Je Suis Charlie*" was filed on January 8th at the Benelux Office for Intellectual Property, in class 3, which includes perfume, in class 16, which includes paper goods, in class 25, which includes clothing and footwear, in class 28, which includes games, in class 32, which includes beer and mineral water, in class 35, which includes advertising, and in class 8 for telecommunications. The trademark application was later withdrawn.

Almost immediately after the slogan became famous, France's trademark registrar, the *Institut National de Propriété Industrielle* (INPI) received some fifty applications to register "*Je Suis Charlie*"as a trademark. The INPI, however, issued this statement on January 13:

"*Since January 7, INPI has received many applications for "Je Suis Charlie" trademarks, or applications referring to this slogan.*

INPI has decided not to register these trademark applications because they do not meet the distinctiveness criteria.

Indeed, this slogan cannot be monopolized by an economic entity because of its wide use by the community."

Indeed, article L. 711-2 of the French Intellectual Property Code requires a mark to be distinctive. European Union law also requires marks in Member States to be distinctive, as article 3.1.(b) of Directive 2008/95/EC lists as grounds for refusal to register a mark the fact that it is devoid of any distinctive character, and article 7.1(b) of Council Regulation 207/2009/EC requires it for community trademarks (CTMs). The Office for Harmonization in the Internal Market (OHIM), which is the EU agency responsible for registering and administering CTMs, published on January 16 a statement about "*Je Suis Charlie*" trademark applications. The OHIM first noted that:

"*As a general rule, OHIM's policy is not to comment on any individual cases of trade mark or design applications either before examination or at any stage of the application and registration cycle.*

However, the IP issues surrounding the registration of the "Je suis Charlie" mark could be considered to be of overriding public interest."

The OHIM went on by stating that, according to OHIM's Guidelines for Examination on Community Trade Marks (Part B, Section 4), an application for a "*Je suis Charlie"* mark

"*would probably be subject to an objection under Article 7 (1) (f) of the Community Trade Mark Regulation, due to the fact that the registration of such a trade mark could be considered "contrary to public policy or to accepted principles of morality" and also on the basis of Article 7(1)(b) as being devoid of distinctive character*."

Article L.711-3(b) of the French Intellectual Property Code also prevents the registration of a mark contrary to public order or morality. Although the INPI did not mention this article in its press release, it could be argued that registering a "*Je Suis Charlie*" mark in France would stir public unrest, as people may take to the streets to protest the registration, and that allowing the registration would be so uncouth that it would be considered contrary to morality.

Je Suis Charlie.

Intellectual Property
European Union

EU copyright reform: a pirate takes the helm

By Mark Owen

Copyright reform discussions are suddenly proceeding apace in Brussels. Hot on the heels on President Juncker's promise to create a copyright system "fit for the digital age", a deadline for reform is taking shape (see for background Newsletter 6/2014, p. 22). By May 2015 Commissioner Ansip will publish his digital single market plan and in September 2015 Commissioner Oettinger's proposed plan for copyright modernisation will be released.

Recently, another key figure has emerged, Julia Reda, a German member of the European Parliament (MEP) and the only MEP from the anti-copyright Pirate Party. In a surprising move Ms Reda was appointed the MEP responsible for guiding through a parliamentary proposal for copyright reform (as Rapporteur of the Parliament's review of the InfoSoc Directive (2001/29/EC)). Her draft proposals were published in late January and are being debated by the Parliament.

Ms Reda's draft manifesto for reform of EU copyright is very much from a user's perspective. Her suggested end-goals include harmonising mandatory exceptions across the EU, making them technology-neutral and future proof and introducing an "open norm" which would introduce flexibility in the interpretation of exceptions. (These are all discussed in more detail below). She believes that EU copyright is "misadapted" to the increase of cross-border cultural exchange facilitated by the internet. From a digital single market perspective, she wants to bring an end to users seeing notices such as "This content is not available in your country" when trying to access content online.

Reda's exercise is separate to the Commisson's but her proposals echo many of the same themes as advocated by Juncker and his team. As with those, Reda's initial report is long on sweeping aspirations but frustratingly short on concrete proposals for bringing her vision about. Content owners have expressed concern that giving an avowed copyright sceptic a central role in devising copyright reform will inevitably damage their rights, and Ms Reda can expect strong resistance to her proposals. Already other MEPS have tabled some 500 amendments to her proposals, let alone comments from those outside the chamber. In some refreshing openness she has been publishing on her website details of the lobbying visits she has received, they are many from all types of interest.

National silos and a single copyright title

Juncker's mission statement upon his appointment in late 2014 spoke of needing "courage to break down national silos in telecoms regulation, in copyright and data protection legislation, in the management of radio waves and in competition law." Silos of any sort are anathema to this Commission, and this reference to national silos echoes Ansip's geo-blocking concerns whose priorities include "[making] sure consumers have access to content across borders." The concern gives rise to a number of questions and unaddressed consequences. If content has no EU borders the current licensing models and pricing will need to change. Rightsowners will inevitably want to ensure their more lucrative revenue streams remain unaffected. At present, content which may be available at different prices around the EU, more cheaply in countries with lower incomes or where it is less popular, but at premium prices in its main markets. But no borders means a single route of distribution, and a single price. Whatever that price becomes, it will inevitably be more expensive in many places than it is now. This consequence may have been thought through by the Commission, and how it fits with the imperative that content is widely available, but this has not yet been explained.

This is not simple stuff. The consequences of allowing cross-border access to content would need to be considered in detail, from both a legal and an economic perspective. Existing business models which use geoblocking, for example, operate that way for a reason, be it generating appropriate returns, pricing according to local demand, local rights clearance or local funding models. Mandating pan-EU access would interfere with those business interests. The BBC's iPlayer (on demand catch-up service of BBC output, funded by UK viewers) is a tremendous success in the UK but is not available outside the UK. Following the Commission's logic, should it be available across the EU in the same way as it is available in the UK? If so that would mean that UK licence fee payers would be subsidising access to BBC content for residents in the other 27 member states, who do not pay for it. If that subsidy is to be avoided, would some form of geoblocking be permissible? And should the BBC be required to acquire pan-EU licences to enable pan-EU access, when it may not be financially justifiable or feasible to do so?

A related idea floated by the previous EU Commission was that there should be single European title to a copyright work rather than, as at present, separate rights in each territory. This has superficial simplicity but disguises great potential complexity. What happens if rights-owners only have the rights for some EU territories? How would the licensing of these rights separately by territory work, how would it be possible without a complete harmonization of all copyright law across the EU and would it mean that there could be no territorial licensing within the EU at all?

Harmonisation of exceptions

At the moment there is partial harmonisation of copyright exceptions across the EU. There are a number of exceptions which are mandatory for each member state to implement (such as allowing temporary copies) but most exceptions are in a list from which Member States can choose. Over time there is an increasing level of harmonization between Member States but it is not yet complete. For example the UK recently changes its laws so as to maximise use of the available exceptions, which led to the introduction of the exceptions for parody, private copying and quotation. This is perhaps the proposal which is the most likely to be implemented, despite counter-arguments that, as with any legislative change, it would create uncertainty and expense for a period of time during implementation.

Term limits

The term of protection applied to copyright works in the EU is higher than that set out in the Berne Convention in respect of several categories of work. Reda has suggested that all terms should be cut down to the Berne level. This seems very unlikely to succeed. One reason is that the US also has higher terms in many cases than Berne and if one of the objectives is to have a gradually more harmonized approach to copyright worldwide then trying to go further than the US has done to reducing copyright protection will create less harmonisation. Just when a transatlantic trade agreement is being negotiated, any attempt to increase the differences between the EU and the US are likely to fail.

A new norm

Two of the most interesting of Reda's proposals are around a new transformative use exception and what she refers to as the "adoption of an open norm introducing flexibility in the interpretation of exceptions and limitations". The first is that the Berne three step test which underlies the approach to exceptions worldwide should be made more clearly the basis of any exceptions. Nothing should be permitted that does not comply with that test. The second is perhaps a move towards a more US style approach to what sort of things should be permitted and what should not, similar to the US "fair use" doctrine. In other words, there should be a broad right to use copyright works in ways which did not interfere with the rights owners primary rights which would lack more flexibility as technology evolved. This proposal is likely to encounter the strongest resistance of any of those in the paper.

Enforcement

Reda's proposals are silent on enforcement. Aside from passing references to the importance of copyright to creators and creativity, it is unclear whether any detailed consideration has been given to the interests of rights holders in a digital single market. For example, there has been no discussion of how copyright enforcement might work or be facilitated in a single market. To many stakeholders this would be considered the *quid pro quo* to a digital single market: if legislation mandates pan-EU access then pan-EU remedies against infringing content should also be available. If content available in one member state is to be available everywhere in the EU, so an injunction obtained in respect of one member state's copyright should, on this view, be applicable and enforceable everywhere.

The EU Parliament will release its views on copyright, in light of Reda's proposals, in May. It will be a busy summer for EU copyright.

Intellectual Property

European Union

ECJ: No Exhaustion of Distribution Rights if Work Has Undergone Medium Alteration after First Sale

By Marie-Andrée Weiss

On January 22, 2015, the European Court of Justice (ECJ) held that the rights of the copyright holder are not exhausted if a protected work, after having been placed on the market in the European Union (EU), undergoes afterwards an alteration of its medium and is again placed on the market in a new form. The case is *Art & Allposters International BV v. Stichting Pictoright*, C-419-13.

The Exhaustion Rule of the InfoSoc Directive

Recital 28 of the Directive 2001/29/EC on the harmonization of certain aspects of copyright and related rights in the information society (the "InfoSoc" Directive) states that the copyright holder has "*the exclusive right to control distribution of the work incorporated in a tangible article*." Also, under article 4(2) of the InfoSoc Directive, the distribution right of a work protected by copyright is exhausted in the EU "*in respect of the original or copies of the work*" after the first sale or transfer in the EU of ownership of the work, if it is done by the right holder or with his consent. The distribution right has thus been "exhausted" by this first sale or transfer.

Facts of the Case

Allposters is a company marketing and selling reproductions of works, such as posters. Some of these works are still protected by copyright. Allposters transfers some of these posters onto canvasses by applying a synthetic coating to the poster which allows for its complete transfer onto a canvas, which is then stretched over a wooden frame.

Pictoright is a copyright management society representing the interests of some of the right holders of works transferred onto canvas. It asked Allposters to cease this practice, then filed a copyright infringement suit after Allposters refused to comply with this demand.

The Dutch Court of appeals held that the sale of a poster or canvas reproducing a protected work is a publication. It cited a 1979 case, where the Dutch Supreme Court held that, when a copy of a work placed on the market by the right holder is then distributed to the public in another form, it is a new publication if this distribution provides new opportunities for exploitation. In our case, the court of appeals noted that the posters underwent a major alteration which offered Allposters new opportunities for their exploitation and that, therefore, the distribution rights had not been exhausted.

Allposters brought the case to the Dutch Supreme Court, arguing that the copyright owners right of distribution of the posters had indeed been exhausted, within the meaning of article 4(2) of the InfoSoc Directive "*upon distribution of a work incorporated into a tangible object*" offered for sale by the copyright holder or with his consent. Therefore, any subsequent alteration of this tangible object was not subject to the exhaustion of distribution right.

The Dutch cassation Court requested a preliminary ruling, asking the ECJ if the exhaustion rule of article 4(2) of the InfoSoc Directive applies to a protected work which had been distributed in the EU under article 4(2), but the medium of which has been subsequently altered and then placed again on the market. The ECJ responded in the negative.

The Purpose of the Distribution Right

Does the exhaustion of the distribution right only cover the tangible object into which a work or its copy is incorporated, as Allposters claimed?

To answer that question, the ECJ noted that article 4(2) of the InfoSoc Directive refers to the first sale or transfer of ownership "*of that object*" and that recital 28 of the InfoSoc Directive refers to the distribution right "*of the work incorporated in a tangible article*." For the ECJ, that means that the InfoSoc Directive must be interpreted as giving authors an exclusive right of distribution in the EU "*of each tangible object incorporating their intellectual creation*" (at 37) and that "*exhaustion of the distribution right applies to the tangible object into which a protected work or its copy is incorporated if it has been placed onto the market with the copyright holder's consent*" (at 40).

Therefore, for the ECJ, exhaustion of the distribution right only concerns the exhaustion of right over the tangible object embodying the intellectual creation of the author. The right over the intellectual creation itself is not exhausted, and the right holder retains his rights over the reproduction or distribution of new material vehicles of the work.

Subsequent Alterations to the Physical Medium

The ECJ then examined if subsequent alterations to the physical medium of this tangible object has an impact on exhaustion of the distribution right within the meaning of article 4(2).

Allposters argued that transferring the work into a canvas is not a reproduction, but a mere transfer from one medium to another. But for the ECJ, this "*replacement of medium… results in the creation of a new object incorporating the image of the protected work*" and is a new reproduction of the work within the meaning of article 2(a) of the InfoSoc Directive, which gives the authors the exclusive right to authorize or prohibit reproduction of their works (at 43).

The canvas posters are not, physically, the same objects as the paper posters which had been placed on the market with the rightholders' consent. Therefore, it cannot be held that the right holder had consented to the distribution of these new reproductions.

Exhaustion of Distribution Rights of Intangible Goods

This ruling is of particular interest as it can be interpreted, *a contrario*, as meaning that exhaustion of distribution rights does not apply to intangible objects. This may be a hint that the ECJ is not in favor of giving consumers the right to resell their digital goods, even though it held in its 2012 *UsedSoft GmbH v Oracle International Corp.* case that the right of distribution of a copy of a computer program is exhausted if the copyright holder authorized the downloading of that digital copy.

However, *UsedSoft* did not concern the InfoSoc Directive, but article 4(2) of Directive 2009/24/EC on the legal protection of computer programs, under which "[*t]he first sale in the [EU] of a copy of a [computer] program by the rightholder or with his consent… exhaust[s] the distribution right within the [EU] of that copy, with the exception of the right to control further rental of the program or a copy thereof*."

In any case, the exhaustion rule, or the first sale doctrine, is enjoying its moment in the spotlight, as the issue of whether consumers should have the right to resell their electronic goods is debated on both sides of the Atlantic. In the U.S., the You Own Devices Act was reintroduced in Congress on February 11, 2015. In the EU, the Amsterdam Court of appeal was asked whether Tom Kabinet, a company reselling used e-books, has the right to do so. On January 20, 2015, the Court quoted *UsedSoft*, but did not express with certitude that it applied to e-books.

It remains to be seen if the issue of exhaustion of rights in digital goods will be addressed in the EU by a new directive or by a definite ECJ ruling.

Intellectual property

European Union

French Civil Supreme Court: Using Famous Marks as Keywords Not Trademark Infringement

By Marie-Andrée Weiss

The commercial chamber of the *Cour de cassation*, France's highest civil court, held on January 20, 2015, that a search engine which had used famous marks as keywords had not infringed these marks, nor could it be considered an editor and denied the benefit of the safe harbor provided by French law to Internet intermediaries.

The *Société Nationale des Chemins de Fer* Français is a French railroad company known since 1937 by its acronym "SNCF." SNCF is registered as a mark, whether alone or as part of a composite mark, such as "Voyages-SNCF."

SNCF discovered in late 2008 that the lo.st search engine site used SNCF marks as keywords without authorization. When searching for "SNCF", users of lo.st. were led to competitors' sites offering services similar to the ones offered by the SNCF. Such results appeared even ahead of the SNCF's own sites on the lo.st search results page.

The SNCF filed suit against the Eorezo company, which rented the servers hosting lo.st. Eorezo has since changed its name to Tuto4pc. For purpose of clarity, it will be referred to as Tuto4pc throughout this article.

The court of first instance, the *Tribunal de Grande Instance de Paris* (TGI) had found on June 11, 2010, that Tuto4pc infringed the SNCF's marks. Tuto4pc appealed, but the Paris Court of appeals upheld the TGI's decision on October 28, 2011. Tuto4pc took the case to the *Cour de cassation*.

Use of Famous Mark as Key Words is not a Trademark Infringement

Article L. 713-5 of the French Intellectual Property Code prevents the unauthorized use of a famous mark. The TGI and the Court of appeals had found that the SCNF's marks were indeed famous and had been infringed when used as keywords.

But the *Cour de cassation* disagreed, quoting the European Union Court of Justice (ECJ) *Google France v. Louis Vuitton Malletier* 2010 case, also known as the *Adwords* case. The ECJ had explained that an Internet referencing service is indeed storing as keywords signs which are identical to trademarks, so that advertisers may select these signs as keywords, store them and display ads on the basis of these signs. However, this is not a use within the terms of Article 5 of Directive 89/104/EC (the Trademarks

Directive). The ECJ concluded: "[*a*] *referencing service provider allows its clients to use signs which are identical with, or similar to, trademarks, without itself using those signs*" (at 56). As such, the *Cour de cassation* held that the decision of the Court of appeals had violated article 5 of the Trademarks Directive.

Is a Search Engine an Intermediary or a Publisher?

The June 21, 2004 law on confidence in the digital economy (LCEN) implemented article 14 of Directive 2000/31/EC (the E-commerce Directive). Article 6-I-2 of the LCEN provides a safe harbor to hosts and shields them from liability if they are able to show that they acted "expeditiously" to remove illegal information or make its access impossible.

Tuto4pc argued before the TGI that it had a partnership with Google, and that the lo.st site was a search engine in which only "natural results" were shown. Such natural results proceeded exclusively from the flow of data available through its partnership with Google and corresponded to the selection of web pages indexed by Google in response to a particular user query. As such, Tuto4pc claimed it had no power to change the rank or frequency of these links, nor could it add or delete them. As it had no control over the search results, Tuto4pc claimed it was merely a host, not a publisher.

However, this argument had not convinced the TGI, nor the Court of appeals, which both noted that Tuto4pc had failed to prove its partnership with Google. Also, a bailiff report provided as evidence by the SNCF showed that, for the same query search terms using SNCF marks, the search results provided by lo.st and Google were different. Also, the Court of appeals noted that Tuto4pc had deleted the SNCF mark from its main page following the judgment of first instance, which proved that Tuto4pc "*had access and control over the keyword*." The TGI and the Court of appeals found that Tuto4pc could not benefit from the LCEN safe harbor, because it had played an active role in the choice of content displayed online, and, as such, had to be considered an editor.

But for the *Cour de cassation*, the decision of the Court of appeals denying Tuto4pc the benefit of the LCEN safe harbor lacked legal basis, for two reasons. First, merely claiming as SNCF did, that the lo.st search engine and the Google search engine published different results when using the same keywords was not enough evidence to prove that Tuto4pc had knowledge or control of the data stored by the advertisers. Second, the Court of appeals failed to explain why "*inserting a keyword as shortcut, leading users to a result page displayed by the search engine, and its subsequent removal, characterized the active role played byTuto4pc … would give them the knowledge and control of the data stored by advertisers."*

The *Cour de cassation* "broke" the Court of Appeal's decision and sent the case back to the court, albeit composed of different judges. Most of the time, the judges then abide by the decision of the Supreme Court, but not always. It remains to be seen if the Paris Court of appeals will rule this time in favor of lo.st/Tuto4pc.

Intellectual property

European Union

Towards an extension of the Information Technology Agreement?

By Anthony Bochon

On 13 December 1996, the Information Technology Agreement ("ITA") was signed by 14 WTO members, including the European Community whose then 15 member States counted as WTO member. Today, it has 52 signatories, representing 80 WTO members, including the 28 European Union member states, and Liechtenstein which has jointly signed the agreement with Switzerland.

The aim of the ITA was to eliminate all custom duties on information technology products by the year 2000. The products concerned were, including most of their spare parts, computers, telecommunication equipment, semiconductors, software and scientific instruments. Most of the key consumer electronic products were excluded from the annex to the ITA. The establishment of the list of products concerned was subject to intense discussion between the participants to the negotiations until two months before the signature of the ITA. This meant that the negotiators had little time to discuss the procedural aspects of the custom duties decrease to zero. During the negotiations, the European Union was quite reluctant to include some semi-conductors, while the United States wanted to exclude some fiber-optic cables and photocopiers. The ITA basically reflected the interests of the United Stated, the European Union and Japan, while other Asian states failed to protect their domestic production of key consumer products on which the signatories remained free to impose duties.

The particularity of this agreement was that not only its signatories but also other WTO members which were not party to the agreement could benefit of this exemption of custom duties. The ITA represented the first successful attempt to adopt sectoral agreements at the WTO level. For more than 17 years, the ITA committee has been monitoring non-tariff barriers to trade that impact. Today, the signatories to the ITA represent 97% of the world trade of information technology products. Since 1996, the number of these products has dramatically increased and the imposition of duties on the products that did not even exist in 1996 remains a contentious issue, especially between China and the United States.

Negotiations have however started in 2012 to include about 200 additional products to the ITA, notably the new generation medical, communication and data devices. Despite an US-China breakthrough [in November 2014], the negotiators have however admitted on 12 December 2014 that they have failed to agree on an amendment to the ITA. Officials have recognized that the final draft did not satisfy the interests of some negotiators who were still bringing adjustments to it on the last negotiation day. Between the lines, it was understood that the big four information technology producing members, the United States, the European Union, Japan and China, have been unable to overcome their long-lasting differences.

The question is now whether some WTO members will prefer to enter into bilateral agreements rather than to try to revive negotiations to multilateral agreements that have ended in with an impossible compromise.