

# CURRENT DEVELOPMENTS

## EUROPEAN UNION LAW

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#### I. INTELLECTUAL PROPERTY

##### A. Introduction

Community activity in this field is extensive. There are significant developments in high-level policy matters, and a continuing explosion of case law offering detailed interpretation of the wide range of harmonizing measures. Yet more is promised. Following requests from the European Council, in 2008 the Commission intends to present a comprehensive intellectual property rights (IPR) strategy communication, addressing the main outstanding non-legislative and horizontal issues in all fields of intellectual property including trade marks, designs, copyright, geographical indications, patents and enforcement.

A Directive on the enforcement of IP rights confined to civil matters is now in force.<sup>1</sup> The Commission has also brought forward a highly controversial proposal for a directive on criminal measures aimed at the enforcement of IP rights, with a view to stepping up the fight against counterfeiting and piracy.<sup>2</sup> It has passed a first reading by the European Parliament in amended form. If enacted—which is far from being a certainty, it would be the first EU legislation to harmonize criminal law.

##### B. Copyright

The economic significance of copyright in the EU is considerable. The copyright sector already represents more than 5 per cent of European gross domestic product (GDP), and provides employment for more than 3 per cent of the workforce. In 2000, copyright industries contributed more than €1,200 billion to the EU economy, produced value added of €450 billion, and employed 5.2 million people.<sup>3</sup> Within the European Commission, the Internal Market Directorate General has been renamed DG Internal Market and Services, to indicate 'that the department is taking the knowledge economy as its principal focus and aiming to make services, including services supplied across EU borders, the main driver for economic growth and future prosperity'.<sup>4</sup> The copyright and

<sup>1</sup> Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights [2004] OJ L195/16.

<sup>2</sup> Amended proposal for a Directive on criminal measures aimed at ensuring the enforcement of intellectual property rights COM(2006) 168. See also Presidency note on the amended proposed Directive: <<http://register.consilium.europa.eu/pdf/en/06/st10/st10329.en06.pdf>>.

<sup>3</sup> 'Copyright at the crossroads?' in *Single Market News* (May 2005): <[http://ec.europa.eu/internal\\_market/smn/smn37/docs/special-feature\\_en.pdf](http://ec.europa.eu/internal_market/smn/smn37/docs/special-feature_en.pdf)>.

<sup>4</sup> Tilman Lueder (Acting Head of the Copyright Unit, DG Internal Market and Services),

neighbouring rights unit has accordingly been rebaptized, and now deals with ‘copyright and the knowledge economy’.

### *1. Copyright in the information society: further policy initiatives*

The Information Society Directive was the first step to providing a more harmonized framework for copyright and related rights in the information society.<sup>5</sup> It provided for the harmonization of three important rights; the rights of reproduction, communication to the public/‘making available’ (covering ‘on-demand’ services), and distribution.<sup>6</sup> It also harmonized the list of exceptions, in the rather limited sense that it provides an exhaustive list of 20 permissible exceptions, and a single mandatory exception (for certain transient or incidental copies made as an inevitable result of digital technology).<sup>7</sup> The Directive requires Member States to provide adequate legal protection against the circumvention of Technological Protection Measures (TPMs), used by right holders to prevent unauthorized acts, and is supportive of the use of Digital Rights Management (DRM) Technologies.<sup>8</sup> Laudable though the Directive’s harmonizing aims may have been, in many important areas these have not been realized. Its requirements are framed in broad terms, leaving Member States considerable discretion in their implementation. This has contributed neither to harmonization nor to legal certainty. In 2004 the Commission launched consultations on simplifying existing EU legislation on copyright and related rights.<sup>9</sup> The consultations were based on a Commission working paper which concluded that there was no need for root and branch revision of the existing Directives but that fine-tuning was necessary to ensure that definitions—for example of the reproduction right—were consistent. However, responses to the working paper indicated that the online environment was putting serious pressure on traditional business models.

Consumers have readily embraced the technical advances which allow easy electronic dissemination of copyright works. There is a growing demand for interactive and on-demand services. To ensure that the market for online delivery is as efficient and flexible as possible, some changes may be needed. For example, the rules on webcasting and simulcasting are not entirely harmonized by the Information Society Directive, and they remain governed by national rules on neighbouring rights. This acts as a disincentive to enter certain sectors of the market. Similarly, the ‘making available’ right will be of only limited benefit if jurisdictional differences make it difficult for right holders to grant multi-territorial licences. Even an apparently straightforward decision to offer a single music download will involve many right holders, and thus separate licences from various collective rights managers. Separate licences may also have to be acquired for each form

‘Legislative and Policy Developments in the European Union’ (April 2005): <[http://ec.europa.eu/internal\\_market/copyright/docs/docs/fordham2005\\_en.pdf](http://ec.europa.eu/internal_market/copyright/docs/docs/fordham2005_en.pdf)>.

<sup>5</sup> Directive 2001/29 on Copyright and Related Rights in the Information Society [2001] OJ L1767/10 (implementation date Dec 2002).

<sup>6</sup> Articles 2, 3, and 4. The ECJ has given its first ruling on the right of communication to the public: Case C-306/05 *Sociedad General de Autores y Editores de España (SGAE) v Rafael Hoteles SL* [2007] ECDR 2. A hotel received TV signals via its main aerial, and distributed them to the rooms of individual guests. This constitutes communication to the public within the meaning of Art 3(1) of the Directive, even though hotel rooms are in some sense private.

<sup>7</sup> Art 5.

<sup>8</sup> Arts 6 and 7.

<sup>9</sup> For the working paper, SEC(2004) 995, see: <[http://ec.europa.eu/internal\\_market/copyright/docs/review/sec-2004-995\\_en.pdf](http://ec.europa.eu/internal_market/copyright/docs/review/sec-2004-995_en.pdf)>.

of exploitation. The management and clearance of intellectual property rights has traditionally been organized along national lines. For online operators, rights clearance in 27 Member States becomes a great burden and, again, a disincentive. This reaches beyond the simple harmonization of laws, and implies a shift towards management and licensing at EU level.

In addition, the new digital rights management (DRM) technologies facilitate identification and tracking of the use of works. Traditionally, collective management of copyright and related rights has provided a reasonably successful solution for the offline environment, in which right holders are unable to control effectively the uses of their works. DRM technologies have the potential to allow right holders to control the licensing of online uses much more tightly and directly, and to take on the collection and distribution of royalties. This has put pressure on the existing collective rights management organizations to justify the cost of their operations, and to defend the efficiency of multiple national bodies against calls for EU-wide licensing through one rights manager.<sup>10</sup>

The European Commission has therefore adopted a recommendation on the management of online rights in musical works, intended to improve the EU-wide licensing of copyright for online services. It proposes the elimination of territorial restrictions and customer allocation provisions in existing licensing contracts, while leaving right holders the possibility of tendering their repertoire for EU-wide direct licensing. The recommendation also includes provisions on governance, transparency, dispute settlement and accountability of collective rights managers.<sup>11</sup> It is of course important that any changes in practice do not undermine the value of copyright and neighbouring rights. The new policy aims to strike a balance between rewarding creators and market entry, rather than starting a 'race to the bottom' in terms of IP protection. EU-wide online licensing is being promoted as way of disseminating different cultures and their repertoires across the EU, and it is hoped that the creative community will perceive these new online licences as an opportunity and not as a threat. However, Commissioner Charlie McCreevy has made it clear that if the soft-law, soft-touch approach does not deliver 'results', a binding legislative measure will be considered.<sup>12</sup> It also seems clear that, in the first instance, the Commission will favour the light-touch methodology—impact studies, evaluation reports and recommendations—as it attempts to foster new business models for the digital environment. The European Parliament, although its preliminary position is one of agreement with the Commission's policy goals, has expressed concern that the use of a Recommendation circumvents the democratic process.<sup>13</sup> The Commission has launched a further public consultation to assess the development of Europe's online music sector, in the light of its Recommendation.<sup>14</sup>

<sup>10</sup> See Commission Communication to the Council, the European Parliament and the European Economic and Social Committee on the Management of Copyright and Related Rights in the Internal Market, COM (2004) 261 final, para 4.12.

<sup>11</sup> Commission Recommendation of 18 October 2005 (2005/737/EC) on collective cross-border management of copyright and related rights for legitimate on-line music services OJ L 276, 21/10/2005.

<sup>12</sup> Charlie McCreevy, Music copyright: Commission recommendation on management of online rights in musical works (SPEECH/05/588 7 Oct 2005).

<sup>13</sup> Working document on the Commission recommendation of 18 May 2005 on collective cross-border management of copyright and related rights for legitimate online music services (recom 2005/737/EC) (Committee on Legal Affairs): <[http://www.europarl.europa.eu/meetdocs/2004\\_2009/documents/dt/609/609817/609817en.pdf](http://www.europarl.europa.eu/meetdocs/2004_2009/documents/dt/609/609817/609817en.pdf)>.

<sup>14</sup> <[http://ec.europa.eu/internal\\_market/copyright/docs/management/monitoring\\_en.pdf](http://ec.europa.eu/internal_market/copyright/docs/management/monitoring_en.pdf)>.

## 2. Copyright levies—reform stalled

The Commission has also engaged in a consultation process regarding copyright levies, imposed by many other countries on recording hardware and/or blank recording media. Levies offer a form of indirect remuneration for right holders, justified on the basis that it is not practical to license individual acts of private copying. Copyright levies were first introduced in the analogue environment, and are somewhat crude instruments. They do not reflect the number of copies actually made, and cannot be remitted to right holders accurately. Copyright levies are now increasingly applied to digital equipment and media as a form of compensation for right holders whose works are subject to private copying (an approach permitted by the Information Society Directive, Article 5(2)). The Commission is concerned that due account is not being given to the impact of new technologies and equipment, particularly DRM technologies, which can provide alternative ways of compensating right holders. It is also concerned by the lack of transparency in the application, collection and distribution of the copyright levies. A questionnaire was distributed, and the replies have been published.<sup>15</sup> There are very strong views on both sides, and the Commission has decided to postpone action.

## 3. Other copyright matters

Another area of copyright law which has generated considerable publicity is the term of protection for recorded music, currently 50 years. There have been calls to extend the term of this neighbouring right, and align it to the authorial copyright term (the author's life plus 70 years), on the grounds that performances are similarly creative.<sup>16</sup> It has also been argued that the term should be aligned with the newly extended US term for sound recordings (95 years), to prevent the European music industry being disadvantaged as compared to its US counterpart. High-profile submissions from performing artists such as Sir Cliff Richard and U2 brought the issue to the attention of the mainstream media. However, the Commission was not persuaded of the need for change, noting that practically all developed countries, with the exception of the USA, have adopted the 50-year term. The term is already harmonized in the Community and has been incorporated by the 10 new Member States. Moreover, the Commission observed, 'it seems that public opinion and political realities in the EU are such as not to support an extension in the term of protection'.<sup>17</sup>

It should also be noted that codified versions of the Term Directive and the Rental Directive have been adopted.<sup>18</sup>

<sup>15</sup> Stakeholder consultation on copyright levies in a changing world (June 2006): <[http://ec.europa.eu/internal\\_market/copyright/docs/levy\\_reform/stakeholder\\_consultation\\_en.pdf](http://ec.europa.eu/internal_market/copyright/docs/levy_reform/stakeholder_consultation_en.pdf)>. Replies at: <[http://circa.europa.eu/Public/irc/markt/markt\\_consultations/library?l=/copyright\\_neighbouring/copyright\\_reform&vm=detailed&sb=Title](http://circa.europa.eu/Public/irc/markt/markt_consultations/library?l=/copyright_neighbouring/copyright_reform&vm=detailed&sb=Title)>.

<sup>16</sup> 'It seems that performers are regarded by some people as mere "interpreters" of the works which they record. But making recordings is not simply a mechanical process. It is a creative process in its own right. Surely the creativity of the artists whose performances breathe life into the authors' works is worthy of recognition for at least the same period?': Submission by Sir Cliff Richard to the European Commission on working paper SEC (2004) 995 (19 July 2004).

<sup>17</sup> Commission staff working paper on the review of the EC legal framework in the field of copyright and related rights, SEC(2004) 995 (19 July 2004) para 2.2.3.2.

<sup>18</sup> Directive 2006/116/EC of the European Parliament and of the Council of 12 December 2006 on the term of protection of copyright and certain related rights (codified version) [2006] OJ

*C. Patents and Know-How**1. The Community Patent—further delays*

The last update on this subject noted that the Community had made significant progress towards the implementation of the Community Patent. This assessment proved to be premature. At least in theory, a centralized Community patent system would offer attractive benefits; notably, lower costs, legal uniformity and certainty, efficiency and the elimination of forum-shopping. However, Member States have been reluctant to cede control for a number of reasons, including fear of the effects on their own national patent systems. Discussions have dragged on for over 30 years and a solution seems no nearer than it ever has. In the meantime, the costs of obtaining a patent in the EU continues to be much greater than in the United States or Japan, with an inevitable effect on competitiveness.

In 2000, the Commission proposed a Community Patent Regulation, stressing the views of the Lisbon and Feira European Councils that a Community Patent was essential as part of Europe's efforts to harness the results of research to new scientific and technological developments, and to ensure a competitive, knowledge-based economy in Europe. The proposal remained extremely controversial, particularly with respect to translations and jurisdictional arrangements. Nevertheless, political agreement was reached in March 2003. However, in spite of great efforts, in March 2004 the Competitiveness Council failed to agree on the text of the Regulation. Aspects of the translation requirements proved an insuperable stumbling block.

In spite of this setback, the Commission regarded the issues as too important to ignore. In 2006 it launched a public consultation on patent policy, emphasizing that the Community Patent remained central to its policy. Over 2,500 replies were received. Respondents agreed strongly on the need to develop a comprehensive innovation policy in Europe, to respond to challenges from the US, Japan and emerging economic powers such as China and India. Although the idea of a Community Patent was on the whole supported, stakeholders were unequivocal in rejecting the 2003 Common Political Approach, particularly its language regime and jurisdictional provisions. The translation problem appears utterly intractable. Possibilities range between two extremes, from single language grant to full translations into all EU languages immediately on grant, with shades in between. Nevertheless, it is clear that to compete with the European Patent Convention (EPC) regime the result must be unitary, affordable and offer legal certainty.

Other more limited solutions have been proposed, outside the framework of the EU. One of these is the draft European Patent Litigation Agreement (EPLA), a proposed patent law agreement aimed at creating an 'optional protocol to the EPC which would commit its signatory states to an integrated judicial system, including uniform rules of procedure and a common appeal court.' This too is a long way from delivery. The Commission had regarded the EPLA as compatible with the Community Patent, and was willing to pursue both as part of its wider patent policy. After discussion at a public hearing in July 2006, the consensus was generally positive.<sup>19</sup> However, in October 2006 the

L372/12 (formerly Council Directive 93/98/EEC). Directive 2006/115/EC of the European Parliament and of the Council of 12 December 2006 on rental right and lending right and on certain rights related to copyright in the field of intellectual property (codified version) [2006] OJ L372/28 (formerly Council Directive 92/100/EEC).

<sup>19</sup> Public Hearing on Future Patent Policy in Europe: <[http://ec.europa.eu/internal\\_market/indprop/patent/hearing\\_en.htm](http://ec.europa.eu/internal_market/indprop/patent/hearing_en.htm)>.

European Parliament adopted a resolution postponing any decision on the EPLA, calling for 'significant improvements' in the proposed text, to address concerns about democratic control, judicial independence, litigation costs and Rules of Procedure of the EPLA Court. In addition, it asked its Legal Service to provide an interim legal opinion on a potential overlap with the *acquis communautaire*.<sup>20</sup> This was published unofficially and came to the view that Member States could not conclude the EPLA on their own, although the Community would be competent to do so.<sup>21</sup>

Although there are many competing proposals, there is as yet little consensus, and Commissioner Charlie McCreevy has questioned whether Member States have the will to find a solution at EU level, since this will inevitably require concessions of national interests. A recent Commission Communication has put forward a compromise solution, based on an integrated approach which combines features of the EPLA and, additionally, a Community jurisdiction. The aim would be a single court system with a unified and specialized patent judiciary competent to litigate on both European patents and future Community patents, though still respecting the ECJ as the final arbiter in matters of EU law, including questions related to the *acquis communautaire* and to the validity of future Community patents. The Commission believes that if there is adequate political will, the current differences between the Member States can be overcome and an appropriate architecture for a unified and integrated EU-wide patent jurisdiction could be established.<sup>22</sup> Nevertheless, its first ambition is merely to build consensus around this approach, so it seems likely that agreement on the Community Patent is still a considerable distance away.

## 2. Computer-related inventions

Although ordinary computer programmes will normally be unpatentable, many computer-related inventions have been granted patents. As computer technology spreads, more and more patent applications have a software element. Although a computer programme per se remains unpatentable in European Patent Convention Member States, applications which contain a computer programme are prima facie patentable if the invention as a whole makes a technical contribution to the art.<sup>23</sup> Given that the United States has shown itself to be comparatively friendly to such patents, there is continuing pressure for Europe to react similarly and, particularly, for the Community to offer a harmonized approach. But there is little agreement on the appropriate way forward. The revision of the EPC in 2000 brought no change, delegates electing to maintain the status quo pending the outcome of the Commission's initiatives. In 2002 the Commission published a draft Directive on the Patentability of Computer-Implemented Inventions, with the intention of harmonizing national approaches.<sup>24</sup> The aim was to find a middle

<sup>20</sup> European Parliament resolution on future patent policy in Europe (12 October 2006) P6\_TA(2006)0416.

<sup>21</sup> <[http://www.ipeg.com/\\_UPLOAD%20BLOG/Interim%20Legal%20Opinions%20Legal%20Service%20EP%20Feb%201%202007.pdf](http://www.ipeg.com/_UPLOAD%20BLOG/Interim%20Legal%20Opinions%20Legal%20Service%20EP%20Feb%201%202007.pdf)>.

<sup>22</sup> Communication from the Commission to the European Parliament and the Council—Enhancing the patent system in Europe COM(2007)0165: <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52007DC0165:EN:NOT>>.

<sup>23</sup> European Patent Convention, Art 52(2)(c). T208/84, *VICOM/Computer-Related Invention* [1987] *EPOR* 74.

<sup>24</sup> Proposal for a Directive of the European Parliament and of the Council on the patentability of computer-implemented inventions COM(2002) 92.

ground, seeking to foster innovation without stifling competition or preventing the development of interoperable software. It nevertheless sought to maintain the distinction between computer programs as such, and those which made a technical contribution. However, there were strong objections from those opposed to software patents, and a campaign of opposition was organized. After a battle of wills between the Commission and the European Parliament, in July 2005 the Council's common position was rejected by the Parliament, bringing to an end the Commission's initiative.<sup>25</sup> Although some see the Community Patent as offering a possible route to a solution, this must be considered a very long-term prospect.<sup>26</sup>

#### D. Other

##### 1. Designs

Applications for the Registered Community Design (RCD) have been accepted since April 2003, and it has proved popular. Over 200,000 applications had been registered by the end of 2006.<sup>27</sup> The RCD has effect throughout the EU and is intended to offer enhanced, more accessible and cost-effective protection for industrial designs. There is no substantive examination of applications, and opponents must instead apply to the Office for Harmonization in the Internal Market (OHIM) for a declaration of invalidity once the design is registered. Normally this would be granted on the grounds that the RCD does not fulfil the substantive requirements of novelty and/or 'individual character' when compared to previously published designs, or that it conflicts with an earlier RCD or national-registered design. Around 200 invalidity decisions have now been published, and a considerable proportion of challenges have been successful. A stumbling block for many is the requirement that the overall impression which the design produces on the informed user is different from that produced by the prior design.<sup>28</sup>

##### 2. Databases

There have been four important and controversial decisions on the Database Directive from the ECJ, providing guidance on central concepts.<sup>29</sup> All involved databases of sport-

<sup>25</sup> Parliament's recommendation for second reading, A6-0207/2005. European Parliament legislative resolution on the Council common position with a view to the adoption of a directive of the European Parliament and of the Council on the patentability of computer-implemented inventions, P6\_TA(2005)0275.

<sup>26</sup> See Commissioner's statement: <<http://www.europarl.europa.eu/sides/getDoc.do?language=EN&pubRef=-//EP//TEXT+CRE+20050706+ITEM-007+DOC+XML+V0//EN&query=INTERV&detail=3-100>>. For more detail see D Booton, 'The patentability of computer-implemented inventions in Europe' [2007] IPQ 92-116.

<sup>27</sup> <[http://oami.europa.eu/pdf/office/SSC007-Statistics\\_of\\_Community\\_Designs\\_2006.pdf](http://oami.europa.eu/pdf/office/SSC007-Statistics_of_Community_Designs_2006.pdf)>.

<sup>28</sup> <<http://oami.europa.eu/en/design/decispending.htm>>. For discussion see JJ Izquierdo, 'Registered Community Design: First Two-Year Balance from an Insider's Perspective' [2006] EIPR 146-58; R Bird, 'Registered Community Design: Early Decisions of the OHIM Invalidity Division' [2006] EIPR 297-99.

<sup>29</sup> Case C-338/02, *Fixtures Marketing Ltd v Svenska AB* [2004] ECR I-10497, [2005] ECDR 4; Case C-444/02, *Fixtures Marketing Ltd v Organismos Prognostikon Agonon Podosfairou EG* [2004] ECR I-10549, [2005] ECDR 3; Case C-46/02, *Fixtures Marketing Ltd v Oy Veikkaus Ab* ECR I-10365, [2005] ECDR 2; C-203/02, *British Horseracing Board Ltd v William Hill Organization Ltd* [2004] ECR 10,415, [2005] ECDR 1.

ing information. In the *British Horseracing Board (BHB)* case, the claimants maintained a considerable database of information about horses, their owners, trainers and jockeys, and full details of all race meetings. It was claimed that the database cost £4 million per year to maintain. The defendant betting company used some of this information to supply race details to its clients. The ECJ held that this did not amount to infringement. The *sui generis* database right is reserved for databases in which there has been, qualitatively or quantitatively, a substantial investment in the obtaining, verification or presentation of content.<sup>30</sup> However, the concept of ‘investment’ refers to resources used to seek out existing materials, collect them, verify them and present them in a database. It does not cover resources used for the creation of the materials which make up the contents of the database. In relation to works, such as fixture lists, the obtaining and collection of data which makes up the list, and even subsequent verification, does not require any particular effort over and above the creation of the data itself, to which it is inextricably linked. Thus, BHB’s activities did not require investment which was independent of the resources used by them to create that data in the first instance. This tough approach is an endorsement of the ‘spin-off’ doctrine, which is based on the premise that the *sui generis* right was intended to promote investment in European databases, not to protect material which is assembled as a side-effect of other activities. The ECJ also offered guidance on infringement, which requires unauthorized extraction or reutilization of a ‘substantial part’ of a database. Both quantitative and qualitative tests must be used. In assessing quality, both the purpose of the third party’s use of the data and the intrinsic value of the data are irrelevant. This is extremely significant, because it denies protection to minimal takings which are very valuable to the defendant. Instead, an important factor is the scale of the investment (whether human, technical, or financial) in that part of the database.<sup>31</sup>

The Commission is as yet unconvinced that the *sui generis* right is necessary for a thriving database industry, although the publishing industry considers it crucial.<sup>32</sup> There is also considerable concern that key provisions remain poorly understood and difficult for national courts to apply. A wide range of policy options are being evaluated, including repeal of the entire Database Directive and withdrawal or amendment of the *sui generis* right. Responses to stakeholder consultations are currently being considered.

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<sup>30</sup> Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases, Art 7, [1996] OJ L 77/20.

<sup>31</sup> For more see Davison & Hugenholz, ‘Football Fixtures, Horseraces and Spin-offs: The ECJ Domesticates the Database Right’ [2005] EIPR 113-118; Masson, ‘Creation of Database or Creation of Data: Crucial Choices in the Matter of Database Protection’ [2006] EIPR 261-267.

<sup>32</sup> DG Internal Market and Services working paper, First evaluation of Directive 96/9/EC on the legal protection of databases: [http://ec.europa.eu/internal\\_market/copyright/docs/databases/evaluation\\_report\\_en.pdf](http://ec.europa.eu/internal_market/copyright/docs/databases/evaluation_report_en.pdf).

\* Newnham College, May 2007. Part II of this contribution on developments in the area of trade marks will appear in the next Current Developments section on European Union law.