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Study on the making available right and its relationship with the reproduction right in cross-border digital transmissions

Stéphanie Carre

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STUDY ON THE MAKING AVAILABLE RIGHT AND ITS RELATIONSHIP WITH THE REPRODUCTION RIGHT IN CROSS-BORDER DIGITAL TRANSMISSIONS

By **Sari DEPREEUW** (PhD) and **Jean-Benoît HUBIN**, De Wolf & Partners

Under the supervision of **Jean-Paul TRIAILLE**, partner, De Wolf & Partners, lecturer, University of Namur

The authors thank the following persons for their valued contributions to this report : Stéphanie CARRÉ (Maître de Conférences, CEIPI, Université de Strasbourg), Estelle DERCLAYE (Professor of Intellectual Property Law, Faculty of Social Sciences, University of Nottingham), Jane C. GINSBURG (Morton L. Janklow Professor of Literary and Artistic Property Law, Columbia University), Peter MEZEI (Assistant Professor at University of Szeged), Anna MOSCIBRODA (Center for Law, Science, Technology & Society Studies, Vrije Universiteit Brussel), Marcello MUSTILLI and Alessia SIENA (Attorneys-at-law Bellettini Lazzareschi Mustilli), Sylvie NÉRISSON (Max Planck Institute for Intellectual Property and Competition Law, Munich), Thomas RIIS (Professor at University of Copenhagen, Faculty of Law), Raquel XALABARDER PLANTADA (Vicerectorat d'Ordenació Acadèmica i Professorat Directora Adjunta, Universitat Oberta de Catalunya).

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Terms of Reference

1. The Study MARKT/2012/013/DI/ST/SC on the territoriality of the making available right assessed how to localize the act of making available to the public and its consequences on selected issues such as the rules of enforcement, the provisions on authorship, ownership and transfer of rights, and the impact of that relation with the reproduction right. The Study identified the existence of different acts of reproduction – upstream and downstream – in the process of the act of making available, that may complicate the licensing of works for online use and have an impact in terms of conflicts of laws in case of infringement. However, the Study observed that the InfoSoc Directive does not regulate the relation between the making available right and the reproduction right. Both rights are autonomous and can apply cumulatively, so that a single technical act may simultaneously fall under the making available and the right of reproduction, even if those rights are managed separately. In a second part, the Study analyzed two criteria that could help localizing the making available right (country of origin principle and place of the exploitation of the work) and assessed which consequences they would have on the selected topics. It showed that these localization criteria would not solve the bottlenecks found under the current state of law with regard to the reproduction right, as both the uploader and the end user having access to a work made available online would still face issues regarding the copies made in the course of the technological process used.

The present Study deepens the analysis of the relation between the making available right and the reproduction right. Considering acts of streaming and downloading, it examines whether the copies of works made through the technical process of making them available on the internet fall under the scope of art. 2 of the InfoSoc Directive, and whether these may be exempted under the exception for temporary copy or the exception for private copy provided by art. 5. The Terms of Reference of the Study are the following:

Output 1

1.1 Complement study MARKT/2012/013/DI/ST/SC by providing an assessment of, and a set of recommendations for, possible accompanying legislative measures (in particular with regard to further harmonisation at EU level with regard to authorship and ownership, transfer of rights, enforcement and transitional measures to allow for the adaptation of contracts) that are needed if one of the policy options in study MARKT/2012/013/DI/ST/SC were to be followed. With regard to further harmonization of the rules on authorship and ownership, the primary purpose is to examine which legislative specific measures - if any - would be required to mitigate negative outcomes for rightholders if a country of origin or targeting approach were to be followed. With regard to enforcement, the primary purpose is to examine which specific legislative measures - if any - would be required to mitigate negative outcomes for rightholders with regard to injunctions based on Article 8(3) of Directive 2001/29/EC if a country of origin or targeting approach were to be followed. On transitional measures for the adaptation of contracts, the purpose is to examine whether a solution like the one which has been adopted for satellite transmissions in the SatCab Directive would be desirable, or whether - and if so which - different solutions would be required.

1.2 Complement study MARKT/2012/013/DI/ST/SC by an analysis of the legal situation prevailing in the US and in Canada with regard to the right of making available and the right of reproduction, in particular with regard to the territorial scope of these rights (the localisation of the copyright relevant act in international cross-border situations) and their relationship to each other.

1.3 Examine the implementation and application of the exclusive right of reproduction in a selection of Member States (Germany, France, UK, Italy, Spain, Poland, Denmark, Hungary and the Benelux) to complement study MARKT/2012/013/DI/ST/SC. The study should focus in particular on the implementation and application of Articles 2, 5(1) and 5(2)(b) of Directive 2001/29/EC (the "InfoSoc Directive"). With regard to Article 5 (2) (b) of the InfoSoc Directive, it is not within the Contractor's mission to give a description of its implementation with regard to levy systems and other systems of fair compensation.

This analysis should complement the analysis of the reproduction right in study MARKT/2012/013/DI/ST/SC (identification of reproductions in relation to an act of making available, localised according to the "country of origin" or "targeting approach) and assess in particular the legal status of acts of reproduction located outside the Member State(s) where the act of making available takes place. This analysis involves an assessment of where the act of reproduction takes place (territoriality), whether it is exempted under the national provisions implementing Articles 5(1) or 5(2)(b) of the InfoSoc Directive or whether the right holder's consent is required.

1.4 Complement study MARKT/2012/013/DI/ST/SC by an analysis of the interplay between the right of reproduction and the right of making available to the public, in the Member States mentioned under point 3, in the US and in Canada.

The specificities of different types of services should be duly taken into account, and the following two scenarios should be considered:

- (i) services that are based on streaming and do not involve other end user reproductions than those falling under Article 5(1) of Directive 2001/29/EC; and*
- (ii) services where the end-user makes a reproduction that is not covered by Article 5(1), for example downloads (stored permanently or for a limited period of time, e.g. 24 hours) or print-outs (it being however understood that the reprography exception does not fall within the scope of this study).*

Output 2

The study should assess whether and which legislative changes are required or desirable with regard to the right of reproduction if one of the policy options in Study MARKT/2012/013/DI/ST/SC (in particular the "country of origin" option and the "targeting" option) were to be followed. The assessment of possible legislative changes should not be limited to Directive 2001/29/EC (the "InfoSoc Directive") but also extend to the right of reproduction as provided for in Directive 96/9/EC (the "Database Directive") and Directive 2009/24/EC (the "Software Directive"), insofar as justified by differences in the legal framework (e.g. the exception provided for in Article 5(1) of Directive 2009/24/EC having no equivalent in Directive 2001/29/EC).

The study should also assess whether and to which extent legislative changes are required or desirable with regard to the exceptions and limitations provided for in Articles 5(1) and 5(2)(b) of Directive 2001/29/EC if one of the policy options in Study MARKT/2012/013/DI/ST/SC were to be followed. Such possible legislative changes will be examined only with regard to the issues related to territoriality and the possible solutions thereto. Other possibly desirable changes to these exceptions (but for other reasons) do not fall within the scope of this study.

The assessment should focus on reproductions made by the end-user (the downloading of digital files in the country of destination) and should clearly distinguish these from reproductions made by the service provider (e.g. the uploading of digital files to a central server). The two different scenarios described at the end of Output 1 should be duly taken into account.

The study should provide a range of possible policy options.

The examined policy options should include but, if the Contractor considers that other options are also envisageable, not be limited to:

- (i) the possible "bundling" of the right of making available and the right of reproduction, in the sense that one is incidental to the other and does not require separate authorisation by the rightholder;*
- (ii) the possible extension of a "country of origin" or "targeting" approach to certain reproductions made in the context of licensed digital services (in particular where rightholders licensed the right of making available); and*
- (iii) the possible modification of existing limitations and exceptions, the possible introduction of new limitations and exceptions and/or the application of compulsory licensing to*

reproductions made in the context of licensed digital services (without however dealing with issues related to levies or equitable remuneration).

In addition to the relevant legislation, relevant administrative and judicial decisions and scientific literature on these topics in EU MS, the US or Canada should be analysed. With regard to policy options i) to iii), the contractor should propose and assess possible options to mitigate negative outcomes for rightholders related to

a) the possibility that, for a given work, the holder of the exclusive right of communication to the public (including the right of making available) and the holder of the right of reproduction may not be identical; and

b) injunctions based on Article 8(3) of Directive 2001/29/EC (e.g. options to mitigate negative consequences in terms of enforcement if the act of reproduction would no longer be considered to occur in the country where the download takes place).

2. This report contains the outputs required in the terms of reference and adapted to the Commission's comments. The newly adopted directive of the European Parliament and of the Council on collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online uses in the internal market is beyond the scope of this study and consequently this report does not examine its relation to the making available right and the reproduction right.

This report represents the state of the law as of April 2014.

Part 1 – Complement to the analysis of the making available right

3. The subject-matter of the present Study is to complement the Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society by providing an assessment of, and a set of recommendations for, possible accompanying legislative measures (in particular with regard to further harmonisation at EU level with regard to authorship and ownership, transfer of rights, enforcement and transitional measures to allow for the adaptation of contracts) that are needed if one of the policy options in the Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society were to be followed.

With regard to further harmonisation of the rules on authorship and ownership (sub A), the primary purpose is to examine which legislative specific measures - if any - would be required to mitigate negative outcomes for rightholders if a country of origin or targeting approach were to be followed. With regard to enforcement (sub B), the primary purpose is to examine which specific legislative measures - if any - would be required to mitigate negative outcomes for rightholders with regard to injunctions based on Article 8(3) of Directive 2001/29/EC if a country of origin or targeting approach were to be followed. On transitional measures for the adaptation of contracts (sub C), the purpose is to examine whether a solution like the one which has been adopted for satellite transmissions in the SatCab Directive would be desirable, or whether - and if so which - different solutions would be required.

I. Authorship & ownership

4. In this part of the report, we will describe *sub 1* the current situation (divergent national rules on authorship and initial ownership) and develop the example of authorship of audiovisual and cinematographic works. Then we will describe the situation when the act of making available is localised in a country of origin (sub 2) and in the countries of exploitation (sub 3). Finally we will examine *sub 4* which legislative measures could be considered to remedy the negative consequences of the divergence on authorship and ownership rules.

A. Current situation: impact of the existing disparities

5. **Introduction.** In order to assess the impact of the existing disparities regarding authorship, ownership and transfer of rights, we will first summarise our findings described in the previous Study (MARKT/2012/013/DI/ST/SC).

It has been found that, absent a complete harmonisation of authorship and initial ownership, there are some disparities among the Member States on who is considered the “author” or the “initial copyright owner” of a work. All Member States apply the creator doctrine to some extent, some vest the copyright in another person straightaway, e.g. the employer for works created by an employee in the course of her employment or the person taking the initiative for a collective work. Moreover, different mechanisms exist to operate a transfer of rights from the author to the derived right holder. A more detailed description of the current situation can be found in the previous Study.

It has been concluded that, in theory, the exercise of the making available right in cross-border situations is complicated by the disparity of rules on authorship and initial ownership. Where a work can be accessed on demand by a member of the public in several Member States and where protected acts of making available take place in several Member States, the consent of the owner of the making available right for each of those Member States should be acquired. Because the national rules on authorship and initial ownership vary, each Member State could consider a different person as the author of the work whose consent would be required for that Member State (assuming for now that the rights have not been concentrated in the hands of one person by virtue of contracts).

This situation has been illustrated by an example of a journalist working as an employee for a newspaper publisher and a news aggregator active on the Web. If protected acts are found in several Member States and if the *lex loci protectionis* (transmission and/or reception) is applied to determine initial ownership, then the candidate licensee may have to acquire a licence from different persons (journalist or publisher) – for the same exploitation of the same work. This problem would not arise if the *lex loci originis* of the work alone designates the initial right holder. The *locus originis* of the work is the country where the work has its origin and is invariable: if the authorship is determined according to this law, then the authorship is invariable as well, regardless of whom the *lex loci protectionis* considers as an author of the work.

The divergence on the national rules of authorship and initial ownership does however not seem to pose insurmountable problems in practice since very few conflicts have been reported on this point. This conclusion could however be contradicted in an economic or other empirical study.

6. Cinematographic or audiovisual works. The Commission has requested to illustrate the current situation by the example of authorship, ownership and transfer of rights with regard to cinematographic or audiovisual works. No empirical data have been collected regarding the various professional practices in the audiovisual sectors (film, television and others using various forms of exploitation) of the Member States.

As described in the Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society, the notion of authorship has been partially harmonised for cinematographic or audiovisual works¹. The principal director is thus considered an author or co-author of the audiovisual or cinematographic work. Many other people contribute however to the creation of an audiovisual work and the Member States have different rules to indicate who is or may be a co-author². Some countries have a precise and exhaustive list of whom they treat as authors, some consider the producer of the film an author and others have an illustrative list and a general rule that considers anyone who has made a creative contribution to the work as a co-author³. This means that in some Member States the cameraman, the editor, the sound designer and others may be considered authors but not in other Member States⁴.

Generally, the exploitation rights to the cinematographic or audiovisual work are concentrated in the hands of the film producer⁵. A rebuttable presumption of a transfer of rental rights to the film producer is provided for performers and (optionally) for authors in the Rental and Lending Rights Directive. The Member States also have different mechanisms to achieve this result. Some Member States operated – by law – the transfer of rights in favour of the producer with no possibility for the authors to oppose such transfer. The CJEU has decided that such practice is contrary to several EU directives, which consider at least the principal director as the initial owner of the exploitation rights⁶. Many Member States provide a rebuttable transfer of exploitation rights in favour of the producer, others rely more on complete agreements between the interested parties (for other rights than rental rights). In the Member States where such regulation exists, the exploitation rights of the creator/employee may remain with the creator/employee or may be transferred to the producer/employer for audiovisual works created in the course of the employment. The scope of the rights transferred to the producer may vary as well.

Despite these divergences regarding the initial ownership and the transfer of rights, it seems that these differences do not cause major difficulties in practice, because they are overcome by contractual

¹ In the Rental and Lending Rights Directive (2006/115/EC), the Term Directive (2006/116/EC) and in the Satellite and Cable Directive (93/83/EEC). Furthermore the CJEU has decided in *Luksan* that the principal director should indeed be considered the initial owner of the copyright, hence the automatic transfer by operation of law was regarded contrary to several directives. See CJEU 9 February 2012, Case C-277/10, *Martin Luksan v Petrus van der Let*.

² See for example Commission of the European Communities, Report from the Commission to the Council, the European Parliament and the Economic and Social Committee on the question of authorship of cinematographic or audiovisual works in the Community, COM(2002) 691 final, 12 p.

³ See Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society p. 104 and 2002 Commission report on authorship of cinematographic or audiovisual works, p. 8.

⁴ 2002 Commission report on authorship of cinematographic or audiovisual works, p. 8.

⁵ 2002 Commission report on authorship of cinematographic or audiovisual works, 12; European Commission DG INFSO and DG MARKT, *Creative Content in a European Digital Single Market: Challenges for the Future*, 22 October 2009, 22 p., 7.

⁶ CJEU 9 February 2012, Case C-277/10, *Martin Luksan v Petrus van der Let*.

arrangements⁷. Audiovisual exploitation contracts are not harmonised at the European level. So far, it has been concluded that there is no immediate need to pursue such harmonisation⁸.

7. Example. National copyright laws recognise different people as authors of the audiovisual work, hence there may be consequences for the cross-border on demand exploitation of the audiovisual work, e.g. on the Internet.

By way of example, we will consider the case of a film recorded in the UK and made available on a platform for European films, serving members of the public residing in any Member State of the European Union. Under British law, the principal director and the producer are considered authors of a film⁹. Other persons who have made other creative contributions are not considered co-authors of the film. The British film is made available to the European public and is accessible in all Member States, hence it is assumed that acts of making available can be found in all Member States and that the authors' authorisation should be acquired before the online exploitation can be engaged in.

Authors. The issue is then who should be considered the authors of the audiovisual work: the authors recognised as such under UK law or, for each Member State where the work is made available to the public, the persons considered co-authors of the audiovisual works under that law (regardless of a transfer of rights to the producer)?

Applying the principle *lex loci protectionis* (art. 14bis (2)(a) BC)¹⁰, the authors should be determined in accordance with the law of the country for which protection is claimed, i.e. the countries where an act of making available to the public can be established. This could be interpreted as the country where the transmission starts and/or where the reception of the work takes place (this will ultimately be decided by the court in function of the elements of any particular case). This means that, in theory, the operator of the film platform should verify who is considered a co-author of the British film under the national law of each Member State where a relevant act, protected under the making available right is performed (i.e. transmission and/or reception). Those persons' prior consent should be acquired for the exploitation in that Member State. If the *lex loci protectionis* is understood as a reference to the countries where the work is received, then the platform operator would thus be required to acquire a licence of e.g. the cameramen if it makes the film available in Germany, France, Belgium, Denmark (or any other country where the copyright law does not include an exhaustive list of co-authors and may consider a cameraman an author¹¹) but not in the UK.

Transfer of rights. In practice such cumbersome exercise is avoided. Film producers mostly make sure that they acquire the economic rights of all authors and performers, including the making available rights for all countries where they intend to pursue the exploitation of the work. This can be accomplished by various mechanisms, depending on the national law. Several Member States provide a rebuttable presumption of transfer in favour of the film producers, other rely on contract law (e.g. UK). Realistically, the film producer concludes contracts with all persons participating in the film production¹² and often such contracts contain a specific copyright clause. Absent such specific clause, the existence of such contract may suffice to rely on the presumed transfer of rights. In addition, the film producer may rely under some

⁷ 2002 Commission report on authorship of cinematographic or audiovisual works, p. 11. In a recent CEPS report it was stated that "content owners emphasised that, considering the centralisation of rights that characterises these types of audiovisual content, copyright is not an obstacle for the unification of markets. Under the current legal framework in Europe film and sport events rights holders have the ability to grant national, multi-national and pan-EU basis licences". See G. MAZZIOTTI, *Copyright in the EU digital single market. Report of the CEPS digital forum*, June 2013, available at <http://www.ceps.be/book/copyright-eu-digital-single-market>, 158 p., p. 57.

⁸ See Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society, p. 100 and references there.

⁹ S. 9 UK CPDA : *Authorship of work.*

(1) *In this Part "author", in relation to a work, means the person who creates it.*

(2) *That person shall be taken to be (...)*

(a) *in the case of a film, the producer and the principal director.*

¹⁰ It seems the identity of the author or initial owner cannot be determined in accordance with the *lex loci originis* of the work, since it is explicitly provided for audiovisual works that the *lex loci protectionis* principle applies. Following the *lex loci originis* of the work, the author would be invariably the same person.

¹¹ 2002 Commission report on authorship of cinematographic or audiovisual works, p. 8.

¹² The authors of (pre-existing) musical works are not included, those rights are commonly administered by collecting societies hence these rights must be cleared separately, following the system the collecting societies have set up for the international administration of rights.

national laws on a presumed transfer of economic rights to the audiovisual work (or protected performance) of the authors or performers who have contributed in the course of an employment contract.

It can be supposed that the film producer acquires the economic rights of all people involved and that it is thus free to grant licences for making the film available in several Member States. As explained in the Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society, the transfer of rights in accordance with the law applicable to the contract cannot be questioned under the law of the country where a protected act of making available is performed: the operator has no option but to respect the transfer of rights to the film producer (even if the transfer has not been operated in accordance with the *lex loci protectionis* of the act of making available).

Bottleneck. The identity of the author or initial right owner is of lesser importance when the relevant economic rights have been transferred (to the producer) before the content provider seeks a licence for the cross-border on demand exploitation. Suppose however that the film producer has not acquired the rights of the cameraman (who is not considered a co-author under UK copyright law) and that for some reason the exploitation rights are not presumed to be transferred to the producer.

It is not excluded then that the cameraman claims infringement of her rights where the audiovisual work (including her protected contribution) is made available in Germany, France, Denmark and all other Member States where she would be a co-author of the work. A similar case was recently brought before the French Supreme Court¹³: a French cameraman who had been working for an American broadcaster claimed, when his contract was ended, that he had never transferred his copyright to his employer. One issue was whether this cameraman should be considered an “author”. The Court of Appeal of Paris ruled that this issue was to be solved by reference to the French rules of private international law (which would have led to the applicability of the US Copyright Code, as *lex loci originis*, under which all rights would have been transferred to the producer). The French Supreme Court quashed this decision and decided that the quality of “author” should be determined according to the *lex loci protectionis* since this rule in art. 5(2) BC was applicable to all issues of protection, including the question of authorship and initial ownership. Accordingly, the question whether the cameraman must be considered an author was, insofar as protection is sought in France, to be answered under French substantive law.

While it can be assumed that, in most cases, the film producer acquires the economic rights of all people involved for all Member States of the EU, the above example shows that complications due to differences in the national rules on authorship and ownership cannot be ruled out completely.

B. Country of origin: Authorship, ownership and transfer of rights

8. One scenario considered was the localisation of the act of making available in one country, the country of “origin” of the restricted act (not to be confused with the country of origin of the work). It has been examined in The Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society how the disparity of national rules on authorship and initial ownership has an impact on the position of the right holders when applied to a making available right that is localised in one single Member State (Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society, p. 149-156).

Author or initial owner. Where the act of making available is placed in a unique Member State, the latter is the *locus protectionis* – even if this act has effects in other Member States (where the work will be accessible). In consequence, per act of making available, the authors or initial right owners should be determined in accordance with the law of where the making available is localised, i.e. its Member State of origin. Since the rules on authorship and initial ownership are not completely harmonised, the outcome may vary in function of where the work is made available to the public (creator, employer, initiator of a collective work, others). It matters therefore where the uploader/service provider chooses to make the work available to the public (country of origin), both for the purpose of licensing and for enforcement of the making available right in case of infringement. The content provider (or any other person who makes

¹³ Cass. (fr) 10 April 2013, available at <http://www.legifrance.gouv.fr/affichJuriJudi.do?oldAction=rechJuriJudi&idTexte=JURITEXT000027303750&fastReqId=1024588292&fastPos=1>

works available online) thus has an interest in making the work available from a Member State where fewer persons are considered authors.

Transfer of rights. Where the authors have transferred their rights to a third party (for the exploitation of the work), the licence should be obtained from this derived right holder. It matters not that the transfer of rights between the author or initial right holder and the derived right holder do not comply with the rules of the country of origin where the work is made available to the public. By contrast, if the country of origin designates a person as a co-author who is not considered an author when the derived right holder acquired the making available right (and consequently has not acquired that person's rights), this person may invoke her right of making available in the country of origin against the derived right holder and/or the person who makes the work available in that Member State of origin (content provider).

The content provider who makes the work available in one Member State *de facto* determines the law applicable to the contract operating the transfer of rights for this act of exploitation. The national rules on licence contracts should then be respected. If it appears under the law of the country of origin that a person is considered an author, while the derived right holder has not acquired her rights (because she is not considered an author where the work was produced or first used), then this author can invoke infringement of her making available right in the country of origin. It is in the interest of the service provider (or any other person who makes works available online) to make the work available from a Member State where fewer persons are considered authors.

9. Cinematographic or audiovisual works. The application of the country of origin principle to the making available right is not neutral given the lack of complete harmonisation of the (co-)authorship of cinematographic or audiovisual works¹⁴. It has been described that some Member States have an exhaustive list of co-authors (e.g. UK), while others have a general rule that besides the principal director everyone who has made a creative contribution may be a co-author of the audiovisual work.

Applying the country of origin principle, the online exploitation in all Member States will be analysed in copyright terms as implying an act of making available to the public that is localised in one Member State of origin. According to the *lex loci protectionis*, the law of this Member State of origin determines who is considered an author of the film. When a film is made available in the UK, the service provider will obtain a licence for this exploitation from the authors of the film under British law, i.e. the principal director and the producer. Others will not be considered co-authors of the film. However, when the film is made available in France, the service provider must obtain the consent of many more co-authors of the film in accordance with French law, i.e. the principal director, the authors of the script, the adaptation, the dialogue, music specially composed for the film and others. The service provider has a (theoretical) interest in arranging that the film is made available to the public in the UK.

In practice, the service provider does not need to contact all co-authors individually: they will mostly have transferred their rights to the film producer. The film producer can then grant a licence for the act of making available, localised in the Member State of origin and under the law of that Member State. To the extent that the film producer has acquired the making available rights for all Member States, it matters little where the film is made available. However, if several film producers have divided the making available rights on a territorial basis, they may undermine each other's exploitation and territorial exclusivity. The making available is localised in the Member State of origin but may the film may be accessible in all Member States of the EU and thus undermine the position of the holder of the making available rights for those other Member States. The owners of making available rights on a certain territory will only be able to control the territorial scope of the exploitation if this is arranged on a contractual basis¹⁵.

In theory an infringement could be established when a film is made available in a Member State with higher protection and without the consent of co-authors in that Member State of origin but who are not recognised as such where the film was made. For example, the principal director and the producer are

¹⁴ This policy option was already discussed at the CEPS Digital Forum, see MAZZIOTTI, *Copyright in the EU digital single market*, 61.

¹⁵ It was mentioned at the CEPS Digital Forum that a country of origin principle, applied to audiovisual works, should leave a sufficient degree of "contractual freedom in order to be autonomous and flexible enough in designing, launching and promoting new and economically profitable content offerings and in determining their territorial reach in the context of culturally and linguistically diverse countries". See MAZZIOTTI, *Copyright in the EU digital single market*, 64.

the authors of a British film. When this film is made available in France, it should be verified under French law as the *lex loci protectionis* (i.e. where the work is made available according to the country of origin principle, i.e. France) who is considered as an author. The writer of the screenplay, among others, is an author of the audiovisual work whose consent is required for making the film available in France. If the film producer has not acquired this person's consent (at the production in the UK) and the presumption of a transfer of rights has not been triggered, the screenplay writer can exercise her right of making available against the service provider and negotiate a licence fee or claim infringement (in France).

10. Conclusion. The divergent rules on authorship still affect the exercise of the making available right. The application of the country of origin principle does not solve issues resulting from the disparity of authorship rules. The work is made available in one Member State (with effects in other Member States) and it is verified, in accordance with the *lex loci protectionis* (i.e. the law of the country where the act of making available takes place), who are considered authors of the work. The authorship is thus determined per act of making available to the public and the consent of all author (co-authors) of the audiovisual work should be obtained. Generally, the film producer holds the exploitation rights but, as under the status quo, a tension may arise (in theory) between the authorship rules of the Member State where the work was produced (law of the film production contract) and the law applicable to the making available.

C. Country of exploitation

11. When the work is made accessible to the public across the national borders, relevant acts of making available may occur in several Member States. This situation is essentially similar to the current situation except that the restricted acts may in some cases be localised more precisely and in fewer countries, i.e. where the exploitation takes place or where the public is targeted. One or several acts of making available can thus be identified and localised in one or several Member States.

Given the disparities in the rules on authorship or initial ownership, different persons may be considered authors in different Member States, depending on where a relevant act is found and which national law applies¹⁶. When the *lex loci originis* is applied to determine authorship and initial ownership, the person thus designated is invariable and independent from where the exploitation takes place. If the *lex loci protectionis* is applied, the author and initial right owner are determined according to the law of the country of transmission or reception, which could lead to different natural or legal persons.

Where the author has transferred her rights to a derived right holder, the service provider who intends to make the work available must acquire the making available rights for all Member States where the exploitation of the work will take place from the person that has contractually acquired the rights. The transfer of rights cannot be questioned on the basis of the laws of the Member States where the work will be made available. In order to operate the transfer from the derived right holder to the service provider (candidate licensee) the laws applicable to the contract must be respected.

12. Cinematographic or audiovisual works. The localisation of the act of making available in the Member States of exploitation leads to a situation similar to the current situation (*supra sub A*). It has been described *supra* that the Member States have divergent rules on authorship and initial ownership and on the transfer of rights to the film producer (contract law, presumption, transfer by law).

The online exploitation of a film may entail an act of making available in one Member State (if the exploitation is restricted to one Member State), several Member States (e.g. exploitation per language group who share subtitles) or all Member States of the EU.

In order to determine who are the authors of the work, it is verified in which Member States a protected act can be found and applying the *lex loci protectionis* it is determined who is considered an author of the audiovisual work (this could be the law of the country of transmission and/or reception depending on the court). The service provider that pursues the online exploitation of the film should thus per country of

¹⁶ This mechanism has been described in the Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society, p. 82-85 and 167-169.

exploitation acquire the authorisation of the persons whom the applicable laws consider authors of the audiovisual work.

By way of example, a film made available on a platform targeting German speaking public is made available to the public in the Member States where the public is targeted, e.g. in Germany, Austria, Luxemburg and Belgium. The service provider should acquire the consent of the persons who are considered authors in those Member States, according to the *lex loci protectionis*, which may be the unknown Member State of transmission or the Member States of reception (Germany, Austria, Luxemburg and Belgium). Since the Belgian law has an open authorship rule (recognising the author of any creative contribution to the film as such) it is possible that more people are considered authors of the audiovisual work than under say the Luxemburgish law. This could complicate the service provider's licensing process.

The film producer may have acquired the rights of all co-authors (and performers) when the film was made, by contract or by virtue of a legal presumption of transfer. To the extent that the film producer has acquired the making available rights for all the Member States where the exploitation will take place, the content provider only has to deal with the film producer. Where the exploitation rights are split among film producers, the content provider must be careful to conclude agreements with the person holding the rights for the territory where the exploitation is localised.

Returning to our example, the (theoretical) difficulty remains present where the film producer has not acquired the rights of the cameraman (who is not considered a co-author under British copyright law) and that for some reason the exploitation rights are not presumed to be transferred to the producer. It is not excluded then that the cameraman claims infringement of her rights where the audiovisual work (including her protected contribution) is made available in Germany, Belgium, Austria or Luxemburg where she would be considered an author.

13. **Conclusion.** The divergent rules on authorship may (in theory) complicate the clearing of licences when a work is made available in several Member States (several national publics are targeted). The authors' consent should be acquired for every national territory where a protected act takes place. The authorship is determined according to the *lex loci protectionis* (transmission or reception)¹⁷ and may lead to different persons, since the national laws recognise different persons as authors of an audiovisual work, which makes the licensing process more difficult. In practice however the exploitation rights are transferred to the producer, which can generally grant licences – including multi-territorial licences. The disparity of authorship rules may create a problem when not all authors (under the law of a Member State where the work is made available) have transferred their rights to the producer, which cannot subsequently grant a licence to those rights.

D. Possible legislative measures

14. *A priori* there are few indications that the divergence of national authorship and initial ownership rules (including for audiovisual or cinematographic works) requires a legislative intervention. It does not seem to be a heavily debated issue in scholarly literature and only one court decision has been found on the disparity of authorship and initial ownership rules¹⁸. It seems that the making available rights are concentrated in the hands of the producers who ensure the (possibly pan-European) exploitation of the film. Leaving aside the question of the remuneration rights¹⁹ and authorship, it seems that as far as the exercise of the exclusive right of making available to the public is concerned, there is no pressing need to harmonise the rules on authorship and initial ownership for audiovisual and cinematographic works.

It seems that there is one scenario where the lack of harmonisation could lead to legal uncertainty, i.e. when the Member State where the work is made available recognises a person as an author who is not considered a co-author in the Member State whose law governs the contract between the film producer and the contributors to the film and who has not transferred her economic rights to the film producer

¹⁷ See also Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society, p. 82-85.

¹⁸ In this French case the issue was not the divergent rules on authorship among EU Member States but the difference between the American and the French regulations (Cass. fr., 10 April 2013, retrieved via <http://www.courdecassation.fr/>).

¹⁹ The level of the remuneration is not harmonised at the European level and differs from one country to the other.

(either by contract, by legal presumption or by operation of law). It seems that this rarely occurs, although empirical data could contradict this conclusion. We have however no empirical data on the contractual practices and cannot assess to which extent the producers are exposed to the risk that persons whom they do not consider authors claim authorship under the law of more protective Member States.

Should this be considered an important risk, legislative measures could be considered.

Several options could be considered to solve this lack of coherence: (1) apply the *lex loci originis* of the work to establish an invariable authorship; (2) harmonise the notion of “authorship”; (3) harmonise the notion of “ownership” and (4) extend the rebuttable presumption of transfer of rights. These options will be discussed hereafter. Some of them might be applied cumulatively.

1. Lex loci originis of the work

15. If authorship and initial ownership are determined in accordance with the *lex loci originis* of the work, the authorship or initial ownership of the work is invariable. This would remove the legal uncertainty that results from different national rules²⁰. The Berne Convention provides which country is the country of origin of the work (art. 5(4) BC)²¹:

This option is however controversial and seems excluded, at least for audiovisual or cinematographic works. The Berne Convention provides for the application of the *lex loci protectionis* in art. 5(2) BC, even if the scope of this rule is disputed (its application to questions of authorship). Anyhow the French Supreme Court has decided in a decision of 10 April 2013 that it applies art. 5(2) BC also to the initial ownership of the work (rather than national rules of private international law). Moreover, the Berne Convention explicitly provides that “*ownership of copyright in a cinematographic work shall be a matter for legislation in the country where protection is claimed*” (art. 14bis (2)(a) BC), i.e. in accordance with the *lex loci protectionis* (art. 14bis BC).

Even if the criterion of *lex loci originis* would designate invariable applicable law and thus determine the authorship of the work regardless of where the exploitation takes place, it presents other problems. The *locus originis* refers to the country of first publication of the work. GINSBURG has pointed out that this notion of “publication” may be problematic for works that are only commercialised online, without the distribution of a tangible counterpart²². The expression “published works” refers to the availability of (tangible) “copies” of the work and excludes all types of performances and communications to the public (art. 3(3) BC). Furthermore, even if an offer for download can be interpreted as the availability of “copies”, the work would be published simultaneously in several Berne Member States, which does not solve the issue here. An alternative criterion should then be sought to make this country of origin of the work a meaningful criterion²³.

The Berne Convention defines another criterion for cinematographic works that are unpublished or that are first published outside the Berne Union without simultaneous publication in a Berne country. In that case the country of origin is the country where the maker has its headquarters or its habitual residence in

²⁰ Several authors are in favour of this option : see Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society, p. 82-83.

²¹ Art. 5(4) BC:

(a) in the case of works first published in a country of the Union, that country; in the case of works published simultaneously in several countries of the Union which grant different terms of protection, the country whose legislation grants the shortest term of protection;

(b) in the case of works published simultaneously in a country outside the Union and in a country of the Union, the latter country;

(c) in the case of unpublished works or of works first published in a country outside the Union, without simultaneous publication in a country of the Union, the country of the Union of which the author is a national, provided that:

(i) when these are cinematographic works the maker of which has his headquarters or his habitual residence in a country of the Union, the country of origin shall be that country, and

(ii) when these are works of architecture erected in a country of the Union or other artistic works incorporated in a building or other structure located in a country of the Union, the country of origin shall be that country.

²² J.C. GINSBURG, “Berne without borders: geographic indiscretion and digital communications”, (Stephen Stewart Memorial Lecture, Intellectual Property Institute London U.K., Oct. 29, 2001) (November 2001). Columbia Law School, Pub Law Research Paper No. 01-30, Available at http://papers.ssrn.com/paper.taf?abstract_id=292010, 16p.

²³ GINSBURG proposes some solutions : GINSBURG, “Berne without borders”, 11.

a country of the Berne Union (art. 5(4)(c) BC). This criterion provides more legal certainty. However, as has been pointed out, the Berne Convention requires that authorship of cinematographic be determined in accordance with the *lex loci protectionis* principle (art. 14bis(2) BC).

2. Harmonisation of “authorship”

16. Another option is to remove the divergence between national conceptions and to harmonise the notion of “authorship”. However, the stakeholders who responded to the consultation on the online distribution of audiovisual works in the European Union seemed divided on the question whether a harmonisation of the notion of authorship in the field of audiovisual works is needed²⁴.

This could be done by providing a clear criterion that allows identifying the authors of a work, for example by reference to the “originality” of a work (cf. Infopaq I, Painer, Premier League). A work is protected if it is original in the sense that it is the author’s own intellectual creation, reflecting the author’s personality (Painer, par. 87-88) and expressing his free and creative choices (Painer, par. 94). The relation between the harmonised notion of “originality” and “authorship” of the work has not been clarified so far. It could however be argued that anyone who has thus stamped the work with her personal touch (Painer, par. 92) and has thus expressed her free and creative choices in it should be considered an author who has the right to authorise or prohibit the making available of the work to the public. Such abstract criterion suggests that the number of co-authors to a work (such as an audiovisual work) is unlimited²⁵.

Alternatively, legal certainty could be achieved by drafting a closed list of people contributing to the creation of an audiovisual work or cinematographic work whom are considered co-authors authors. It is a matter of policy who should be considered an “author”. It is however unrealistic (and undesirable) to draft a closed list of authors for all types of works imaginable (and unimaginable!). Considering the open question regarding the relation between two notions, one could wonder whether such closed list is in conformity with the notion of originality and the status of authorship that may be derived from it: unless a complete list of authors can be come up with, an exhaustive list risks denying the status of “author” to persons who have made an original contribution to the expression of the works (in the sense of the CJEU decisions on originality).

3. Harmonisation of “initial ownership”

17. Member States designate in some cases another person than the creator/physical person as the initial holder of the copyright. Specific rules may exist for works created in the course of employment and a few Member States vest the ownership of the copyright initially in the employer²⁶. Also a legal arrangement may exist to identify the initial owner of the copyright to a collective work. It may be attempted to harmonise these issues at the European level.

It seems however difficult to identify the cases for which such initial owner should be designated (given the different national cultures and traditions) and to decide in which natural or legal person (or persons) the initial ownership should be vested²⁷. This is a policy consideration.

It could be imagined that the producer of an audiovisual or cinematographic work would be considered the initial owner of the copyright in the audiovisual work. Following the decision in *Luksan*, it is unlikely that the designation of any other person than the author as the initial owner of the exclusive rights is

²⁴ Green Paper on the online distribution of audiovisual works in the European Union: opportunities and challenges towards a digital single market. The contributions to the public consultation can be found at http://ec.europa.eu/internal_market/consultations/2011/audiovisual/.

²⁵ Many Member States have faced the question of authorship and how to distinguish this original contributions (granting authorship) from mere inspiration or technical and executive contributions (which do not grant authorship).

²⁶ 2002 Commission report on authorship of cinematographic or audiovisual works, p. 9 .

²⁷ See art. 2 Computer Programs Directive, art. 4 Database Directive.

compatible with the existing European copyright framework²⁸. Such rule would therefore require a modification of the directives in which the principal director is identified as an author of the audiovisual or cinematographic work (Rental and Lending Rights Directive, Satellite and Cable Directive, Term Directive). It seems that there is little empirical evidence that such measure is justified.

Also the idea of immediately vesting a copyright in a legal entity (which may also hold neighbouring rights of the film producer) is contrary to several national copyright traditions and is likely to be met with opposition.

4. Rebuttable presumption of transfer of exploitation rights

18. Several Member States provide in their national copyright law for a rebuttable presumption of transfer of exploitation rights with regard to the audiovisual or cinematographic work in favour of the producer.

Currently, the Rental and Lending Right Directive provides for a limited presumption of transfer of rights in the context of film productions. Performers are presumed to have transferred the rental right (unless agreed otherwise) and a similar rebuttable presumption may be provided for authors. In any case they keep a right to equitable remuneration for the rental right (art. 5 Rental and Lending Directive).

This approach could be extended to the making available right. It should then be defined which event triggers the application of the presumption (existing agreement regarding film production, collaboration on or implication in the film production), to which works the presumption applies and which is the scope of the presumption (all economic rights, audiovisual exploitation rights or only the making available right). Also it should be decided whether the authors receive remuneration in counterpart and whether it is waivable (cf. unwaivable remuneration right in Rental and Lending Rights Directive). Consequently the question arises again who is considered an author and consequently entitled to remuneration resulting from the presumed transfer of rights. It should be empirically verified whether such legislative intervention is required and which impact the extension of the rebuttable presumption would have.

II. Enforcement

19. The present chapter focuses on the application of art. 8.3 of the InfoSoc Directive, which allows right holders to apply for an injunction against intermediaries whose services are used to carry a third party's infringement to a copyright or related right. In many cases such intermediaries are best placed to bring such infringing activities to an end (rec. 59).

The purpose of this complement to the Study is not to examine in detail how effective this provision is for the enforcement of copyright, hence we will not verify whether art. 8(3) InfoSoc Dir has been implemented in the legislation of the Member States to a satisfactory degree or whether harmonisation has been achieved²⁹. The objective of this complement is to conduct a brief reflection on the effects of the proposed localisation of the making available right (according to a country of origin criterion or following the exploitation of the work) on the possibility for the right holder to rely on the national provisions on injunctions against intermediaries. In other words, it will be examined how the localisation of the infringement and the territorial effect of the court measures affect the possibility to take legal action in case of infringement of the making available right (in those two scenarios).

We will first briefly describe how art. 8.3 is interpreted by the European Court of Justice, how right holders have applied that provision so far and which rules of private international law govern the delivery of injunctions related to online infringements to copyright (*sub* 1). We will then evaluate whether the criteria

²⁸ See already in this sense : 2002 Commission report on authorship of cinematographic or audiovisual works, p. 10.

²⁹ See inter alia : Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the Application of Directive 2004/48/EC of the European Parliament and the Council of 29 April 2004 on the enforcement of intellectual property rights, 22 December 2010 COM(2010) 779 final and accompanying Commission Staff Working Document nr. SEC(2010) 1589 final, 22 December 2010, Analysis, 29 p. ; European Observatory on Counterfeiting and Piracy, Injunctions in Intellectual Property Rights, Studies of the Legal Sub-group, available at http://ec.europa.eu/internal_market/iprenforcement/docs/injunctions_en.pdf (no publication date provided).

proposed in the Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society to localise the making available right would have an effect on the application of art. 8.3 (*sub 2*). We will conclude the present chapter with a summary of our findings and with an assessment of the need to adopt legislative measures to mitigate the outcomes of the country of origin principle or the exploitation scenario (*sub 3*).

A. Current situation – injunctions against intermediaries

1. Presentation of art. 8.3 InfoSoc Directive

20. The Information Society Directive requires the Member States to “*ensure that rightholders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe a copyright or related right*” (art. 8(3) InfoSoc Dir³⁰).

This measure is part of the Member States’ obligation to provide “*for effective sanctions and remedies for infringements of rights and obligations*”, that are at the same time “*effective, proportionate and dissuasive*” (rec. 58). It is explained more explicitly that infringers in the digital environment may use the services of intermediaries and that those intermediaries are in many cases best positioned to bring the infringements to an end. It is concluded that “*without prejudice to any other sanctions and remedies available, rightholders should have the possibility of applying for an injunction against an intermediary who carries a third party’s infringement of a protected work or other subject-matter in a network. This possibility should be available even where the acts carried out by the intermediary are exempted under Article 5*”.

The jurisdiction conferred on national courts must allow them to order intermediaries to take measures aimed not only at bringing to an end infringements already committed against intellectual property rights using their information-society services, but also at preventing further infringements³¹.

21. **Modalities.** Art. 8.3 of the InfoSoc Directive allows imposing both interim and permanent injunctions, as also provided in art. 9 and 11 of the Enforcement Directive³². These measures may consist, for instance, in filtering systems blocking mechanisms or removal initiatives.

The Member States have the obligation to provide such measures under art. 8.3 but they are free to determine the conditions and modalities for the operation of the injunctions and to the procedure to be followed³³. T. SHAPIRO notices that the implementation of art. 8.3 is a mixed bag³⁴: some Members States such as Germany³⁵ or Denmark³⁶ have not specifically implemented it as they considered that their legal system already met the requirements of that provision.

³⁰ Article 8 Sanctions and remedies

1. Member States shall provide appropriate sanctions and remedies in respect of infringements of the rights and obligations set out in this Directive and shall take all the measures necessary to ensure that those sanctions and remedies are applied. The sanctions thus provided for shall be effective, proportionate and dissuasive.

2. Each Member State shall take the measures necessary to ensure that rightholders whose interests are affected by an infringing activity carried out on its territory can bring an action for damages and/or apply for an injunction and, where appropriate, for the seizure of infringing material as well as of devices, products or components referred to in Article 6(2).

3. Member States shall ensure that rightholders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe a copyright or related right.

³¹ CJEU 12 July 2011, Case C-324/09, *L’Oréal*, par. 131.

³² T. SHAPIRO, “Directive 2001/29/EC on copyright in the information society”, in B. LINDNER and T. SHAPIRO, *Copyright in the Information Society*, Edward Elgar, Cheltenham, 2011, 54-55.

³³ CJEU 24 November 2011, Case C-70/10, *Scarlet*, par. 31-32.

³⁴ T. SHAPIRO, “Directive 2001/29/EC on copyright in the information society”, in B. LINDNER and T. SHAPIRO, *Copyright in the Information Society*, Edward Elgar, Cheltenham, 2011, 54.

³⁵ M. SCHAEFER, “Implementation of Directive 2001/29 in the Member States of the European Union. Denmark”, in B. LINDNER and T. SHAPIRO, *Copyright in the Information Society*, Edward Elgar, Cheltenham, 2011, 230.

³⁶ P. SCHONNING, “Implementation of Directive 2001/29 in the Member States of the European Union. Denmark”, in B. LINDNER and T. SHAPIRO, *Copyright in the Information Society*, Edward Elgar, Cheltenham, 2011, 172.

Nevertheless, in accordance with art. 3 of the Enforcement Directive, any injunction has to be fair and equitable, not unnecessarily complicated or costly, and it may not entail unreasonable time-limits or unwarranted delays. Furthermore, the Court of Justice ensures that the measures based on art. 8.3 strike a fair balance between the protection of the intellectual property right enjoyed and the respect of the provisions of the Charter of Fundamental Rights of the European Union³⁷.

22. Third party infringement. Injunctions based on art. 8.3 of the InfoSoc Directive may be granted against intermediaries whose services are used by third parties to infringe a copyright or related right. The text of the provision indicates that it should be established that (1) a copyright or related right is infringed and (2) the intermediary's services are used for this infringement. The Directive does not specify the "territorial" relation between the infringement and the use of the intermediary's services. We will discuss each of these elements in the next paragraphs.

In order to obtain an injunction against an intermediary, it should be demonstrated that there is an infringement of a copyright or related right³⁸. This requirement highlights the importance of the harmonisation of the national copyright laws. Any disparity in the implementation of the exclusive rights or the exceptions in national law may cause uncertainty as to whether certain behaviour constitutes an "infringement". This is not a merely theoretical possibility: given the disparities in the copyright legislation of the Member States regarding the application of the reproduction right or the implementation of the exceptions on private copy (see *infra sub* Part 2.I.B), similar acts of exploitation of a protected work could be found illegal in one Member State and not in others. An illustration can be found in online personal video recorders (PVR), which are assessed differently in various Member States, in particular on the account of the copy of television programmes that the PVR user makes using the services of an online PVR provider. In Germany it has been held in the cases *Save.tv* and *Shift.tv* that it was the user of the online PVRs who made the recording of the television broadcast, rather than the service provider (which has a purely technical role). Such copy, at the instruction of the end-user, should be imputed to the end-user and therefore it is possible that it is exempted under the exception for private use in the German Copyright Act³⁹. Moreover, it has been held that the protected television programme is not made available to the "public", where the copy is only available to the end-user who has made the recording. Where there is no infringement of the reproduction right (due to the exception for private copy) nor of the right of making available (absent a "public"), the right holders would not be able to obtain an injunction against intermediaries, such as hosting providers, access providers or search engine operators.

Not all Member States' copyright acts lead to the conclusion that online personal video recorders infringe no exclusive rights: in some countries there is no exception to the reproduction right for private purposes, in other countries a copy made by a service provider on behalf of an end-user is imputed to that service provider, which cannot invoke such exception for private use⁴⁰. In such cases, the court may find an infringement of the reproduction right and/or the making available right. In this case, the right holders could request an injunction against intermediaries, such as providers of hosting, access or search engine services.

³⁷ CJEU 24 November 2011, C-70/10, *Scarlet*, par. 46.

³⁸ An example can be found in the decision of the UK High Court of Justice [2013] EWHC 2058 (Ch), *FAPL v British Sky Broadcasting and others*. In this case, football matches (including elements protected under copyright) were streamed online without the FAPL's consent. FAPL brought action against the Internet access providers on the account of infringements via the website FirstRow (an aggregator of such streaming sites) and via publicans who displayed the football games without a licence.

³⁹ Bundesgerichtshof 22 April 2009, I ZR 175/07, "*Save.tv*". BGH, 22 April 2009, I ZR 216/06, "*Shift.tv*", via www.juris.bundesgerichtshof.de. See A. GIEDKE, ALAI Congress 2012 – Kyoto Questionnaire – Germany, 2012, http://www.alai.jp/ALAI2012/program/national_report/Germany.pdf (consulted 3 December 2012), p. 23 ; A. SCHNEIDER, "OLG Dresden klärt Rechtsstreit um Online-Videorekorder", *Telemedicus*, 15 July 2011, accessible via <http://www.telemedicus.info/article/2040-OLG-Dresden-klart-Rechtsstreit-um-Online-Videorekorder.html>, S. VON LEWINSKI, "Recent developments of German Authors' Rights Law", *AM* 2011/2, 164-165. The court to which the decision was referred has followed the BGH's decision: OLG Dresden, 12 July 2011, case nr. 14 U 801/07, GRUR RR 2011, 413 ; The case was again brought before the German Supreme Court, which identified an infringement of the right of retransmission by cable and referred the case to another court of appeal. BGH 11 April 2013, I ZR 152/11, « Internet Videorecorder II », nr. 11 et s., accessible via <http://www.bundesgerichtshof.de>. The decision of the court of appeal does not seem to be published so far.

⁴⁰In France, it was decided that the provider of an online PVR was liable for the reproduction made at the instruction of its customer and on her behalf. The service provider could not rely on the exception for private copy hence the court found an unlawful act of making available to the public. See Cour d'appel de Paris Pôle 5 (chambre 1), 14 December 2011, *Wizzgo c Metropole Television et autres* (2011). Retrieved from http://www.legalis.net/spip.php?page=jurisprudence-decision&id_article=3297.

This different appreciation of similar services (infringement/no infringement) may lead to confusion and legal uncertainty. The right holders would have to demonstrate an infringement before obtaining an injunction against intermediaries, such as an access provider or a search engine operator. Where the online PVR service is not considered infringing any copyrights, the right holders are not likely to obtain an injunction against intermediaries providing their services in that Member State. Arguably, the right holder could try and demonstrate that the same service would be infringing copyright under the law of another Member State but then it would have to establish that the services of the intermediary are indeed “used” for the infringement taking place in this other Member State.

23. Use of the intermediary’s service. The next question is whether the services of the intermediary are “used” by that third party “to” infringe a copyright or a related right. The Directive does not detail how this “use” should be understood but only in that case can the right holder obtain an injunction against the intermediary on the basis of art. 8(3) InfoSoc Dir.

The intermediary’s services are clearly being used for the infringement of copyright where a website offering content for download or streaming without consent is hosted on the servers of that intermediary. The infringer can only offer her website offering content to the public because it is hosted on the service provider’s servers: the infringer has a contract with the service provider and may pay a fee for the hosting services. The hosting provider is then the intermediary whose services are used by the infringer to infringe the rights of communication to the public and/or reproduction.

A more complicated question is whether the infringer “uses” the services of the Internet service provider of the *visitors* of the infringing website. A question on this point was submitted to the CJEU in *Kino.to*⁴¹. In this case, a website dubbed Kino.to offered a large number of films, protected under copyright, to the public in the form of streaming or downloads without the right holders’ consent. The right holders seized the courts in Austria (the provider of Kino.to was established in Germany) and requested an injunction against UPC Telekabel Wien (UPC), an access provider in Austria, based on the reasoning that its services were used to access the illegally provided content. UPC refused to comply because it had no direct business relation with the providers of Kino.to and because its customers, as end-users of the service, did not commit a copyright infringement. UPC was ordered to block access to the website at first instance and on appeal⁴². The case was then referred to the Austrian Supreme Court, which submitted preliminary questions to the Court of Justice. In relation to the orders against intermediaries, it was asked whether the person who makes the protected subject matter available to the public via the Internet (i.e. the uploader) is “using” the services of the access provider of the person seeking access to the content (i.e. the end-user) in the sense of art. 8(3) InfoSoc Dir. If it should be considered that this is the case, then the right holder can obtain a cessation order against this access provider, even though it has no direct relationship with the direct infringer and its customers do not infringe any copyright or related rights.

The Advocate-General expressed the opinion that the UPC should indeed be considered as an intermediary whose services are used by a third party to infringe copyright⁴³. He came to this conclusion based on the letter, the context, the meaning and the objective of art. 8(3) InfoSoc Dir.

Firstly, it was considered that the infringer uses the services of the Internet service provider that allows her to access the internet (i.e. her own internet access provider). In addition, she also uses the services of the access provider of the visitors of the site. Moreover, the Advocate General found that the works are made available to the public “mainly” by means of the service providers of the public (considered collectively). From a technical point of view, the work may be made available by uploading it to a hosting server somewhere, but it is only accessible to a “public” if that public has access to the Internet via its Internet access provider. The Advocate General concluded then that, according to the letter of the Directive, even the services of the Internet access provider of the end-user are used by the infringer for realising the infringement⁴⁴.

⁴¹ CJEU 27 March 2014, *UPC Telekabel Wien GmbH v Constantin Film Verleih GmbH and Wega Filmproduktionsgesellschaft mbH*, opinion of Advocate General CRUZ VILLALÓN delivered on 26 November 2013 (hereafter « *Kino.to* »).

⁴² We will not analyse the issues regarding the measures imposed in view of blocking access to the site.

⁴³ Opinion in *Kino.to*, par. 36.

⁴⁴ Opinion in *Kino.to*, par. 48.

Secondly, this conclusion was endorsed by an interpretation in the context of the provision⁴⁵. The preamble of the Directive (cons. 59 InfoSoc Dir) clarifies that the intermediaries are most suitably placed to put an end to infringements due to their roles in the transmission of content – not only the first transmission but later transmissions (to the public) as well.

Thirdly, this interpretation is in conformity with the sense and the purpose of the provision⁴⁶. The Directive pursues a high level of protection in the Information Society. This emphasises the important role of the service providers (including access providers) in putting an end to online infringements, especially where the owners of the website are commonly out of reach.

These arguments led the Advocate General to conclude that the Internet access provider of the member of the public was also an intermediary, whose services are used by the infringer of the copyright and related rights for her infringement. Consequently an injunction could be obtained against such access provider of the end-user.

The CJEU followed the Advocate General and came to the conclusion that an access provider, such as UPC, should be considered as an intermediary whose services are used for the copyright infringement⁴⁷.

The Court started by stating that there was an infringement of copyright, since protected subject matter was made available via internet services to users without the right holders' consent. It then went on to discuss the role of the intermediaries under art. 8(3) InfoSoc Dir. The notion "intermediary" covers "any person who carries a third party's infringement of a protected work or other subject-matter in a network"⁴⁸. The internet service provider was considered as an "inevitable actor in any transmission of an infringement over the internet between one of its customers and a third party, since, in granting access to the network, it makes that transmission possible" and, consequently, an internet service provider that "allows its customers to access protected subject-matter made available to the public on the internet by a third party is an intermediary whose services are used to infringe a copyright or related right within the meaning of Article 8(3) of Directive 2001/29"⁴⁹.

The Court discussed two other factors that could affect the granting of a blocking order against an intermediary. It mattered not whether there was a contractual relation between the service provider and the person who infringed copyright or a related right: the wording of the directive did not require such relation, nor could it be inferred from its objectives. Furthermore, the Court decided that an injunction against an intermediary does not depend on the proof that end-users have actually accessed the works made available without the right holder's consent. The reasoning was that, firstly, the Directive requires not only measures to put an end to an infringement, but also to prevent infringements of copyright or related rights and, secondly, the making available right protects the availability of the work – the actual access is not decisive.

The CJEU thus concluded that the person who "makes protected subject-matter available to the public on a website without the agreement of the rightholder (...) is using the services of the internet service provider of the persons accessing that subject-matter, which must be regarded as an intermediary within the meaning of Article 8(3) of Directive 2001/29".

24. From a technical point of view, the access provider's role is indeed indispensable to transmit the file (containing protected subject matter) to the end-user and therefore to reach a "public". The owner of the infringing website makes the content available for transmission but the services of the access providers allow the end-users to request access to the content and to transmit the content to the end-users as a response to this request.

Furthermore, the possibility for a right holder to obtain an injunction against an intermediary addresses a concern to act efficiently upon infringements and force the actor *de facto* best placed to put an end to the infringements (or their effect) to intervene. This element was put forward in a decision of a first instance court in Paris. This court ordered a number of intermediaries (among which access providers and search engine operators) to block access to a list of domain names where films and television series were

⁴⁵ Opinion in *Kino.to*, par. 54.

⁴⁶ Opinion in *Kino.to*, par. 59.

⁴⁷ CJEU, *Kino.to*, par. 23-40.

⁴⁸ CJEU, *Kino.to*, par. 30.

⁴⁹ CJEU, *Kino.to*, par. 32.

streamed without the right holders' consent⁵⁰. The Court first decided that the streaming websites infringed the right of communication to the public. It then held that the defendants/internet access providers were intermediaries in the sense of art. 8(3) InfoSoc Dir and that they could "contribute to remedying the infringements" (as specifically provided in the French provision) in the sense that they could prevent their subscribers from accessing the available content. The Court stated that the requested measures, in that they intended to block access by their customers to the domain names under consideration, could indeed contribute to impeding or reducing the infringement of the exclusive rights. The Court also thought that the operators of search engines were intermediaries that could contribute to the cessation or at least reduction of the infringement. Interestingly, the "use" by the infringing party here consisted in accepting that its website was indexed and making sure it ranked high in lists of search results. The Court found that the infringers used the services of the search engine operators and that they would not be able to attract a public as large without these search services that referred internet users to the streaming websites. The search engines contribute to giving access to infringing content offered as a download or as a stream. This First Instance Court did not explicitly examine whether the infringement took place in France before it granted these injunctions against these intermediaries (including the access providers whose subscribers were not held for infringements). Given the specific implementation of article 8.3. InfoSoc in French law, the ramifications for other Member States are uncertain (French law explicitly mentioned the possibility to initiate proceedings against any person who was susceptible to contribute to prevent or stop the infringement).

The inverse interpretation would seriously hamper the effectiveness of the provision. The purpose of the provision is to rely on the intermediaries, which are "best placed" to bring infringing activities to an end, independently of the question of their liability (cons. 59 InfoSoc Dir). Right holders should be able to obtain an injunction against any intermediary that "carries a third party's infringement (...) in a network" (cons. 59 InfoSoc Dir). Arguably, this is the case for the internet access provider of the end-user, even when she does not make a distinct infringement of the exclusive rights: the infringement is *carried* to the end-user by means of her access provider's services.

25. Location of infringement and intermediary service. If the services of the hosting provider (upstream) and the access provider of both the infringing third party and the visitor of the website/member of the public (who herself does not necessarily infringe any copyrights) are "used" by the third party for the infringement, the next question is whether the localisation of the infringement has an impact on the granting of the cessation order. The question is whether an injunction against an intermediary can only be granted if an exclusive right is infringed in the Member State where the intermediary offers its services.

In a cross-border situation, the infringement may take place in several countries, the end-users of the infringing service may reside in several countries and the services of intermediaries may be used in several countries. It could be argued that a judge can only impose an injunction upon an intermediary if she finds an infringement within her jurisdiction (e.g. in the country where the intermediary is established or offers commercial services). Right holders sometimes seem to assume that an infringement needs to be demonstrated in the country where they bring legal action against an intermediary. In *FAPL v Sky*, a UK court verified whether FirstRow, an aggregator of unauthorised streams of football games, made an infringement of the right of communication to the public in the UK⁵¹. The Court found that the public in the UK had indeed been "targeted"⁵² and therefore it was established that FirstRow (the third party infringer) had infringed copyright in the UK.

Yet the provision in the Information Society Directive does not impose this requirement: it is merely stated that the services should be used by a third party to infringe a copyright.

It seems that the location of the infringement did not play a role in the opinion of the Advocate General in *Kino.to*, nor in the decision of the Court of Justice. It was not established that the member of the public who used her internet access to consult the infringing website herself infringed any exclusive right in the

⁵⁰ Tribunal de Grande Instance Paris 28 November 2013, case nr. 11/60013, Association des Producteurs de Cinéma (ACP) e.a. c. Auchan Telecom e.a., available via http://www.legalis.net/spip.php?page=jurisprudence-decision&id_article=3935 (cons. 2.7.1.1 ; cons. 2.8.1.1).

⁵¹ See UK High Court of Justice 16 July 2013, *FAPL v British Sky Broadcasting and others* [2013 EWHC 2058 (Ch)], par. 45.

⁵² The website of FirstRow was in English, it had advertisements for companies located in the UK and products consumed in the UK, the matches streamed were "extremely popular" with the British public, etc.

Member State where the intermediary offered its service. Arguably, it could be considered that the operators of Kino.to infringed copyright in Austria by the mere accessibility of the infringing website in Austria. The Advocate-General did however not develop such argument and neither did the Court. It was not verified whether the owner of the website performed an infringement in the country of access that was different from the infringement in the country of transmission (i.e. two distinct infringements in two Member States). Instead, it seemed sufficient to establish that the access provider was an inevitable actor in the transmission of the infringement and that its services allow customers to access infringing content (i.e. transmission to the end-user at her request).

Arguably, along the lines of the opinion of the Advocate General and the CJEU decision in Kino.to and the decision of the first instance court of Paris, it matters not whether the infringement occurs in the Member State of the recipient – the services of her access provider are in any case technically necessary to complete the transmission and therefore for the communication to the public (making available to the public). Even if the end-user does not make an additional and distinct infringement by accessing the content (streamed or offered for download without consent), the transmission to her through the intermediary's services could be seen as a necessary step to complete the infringing communication to the public originating in another Member State (i.e. the transmission to the end-user after her individual request). It seems however that in practice some national courts do require an infringement within their jurisdiction (and the territory where the intermediary offers its services) before granting an injunction. A clarification on this point may consequently be welcomed.

26. **Intermediary.** A number of decisions in several European jurisdictions have been issued on peer-to-peer file sharing services. In the most recent cases, the right holders focus rather on the intermediaries (the platform providers or the internet access providers) than on the users who actually share the protected materials. The intermediaries are indeed best placed in many cases to bring infringing activities to an end⁵³. When it is difficult to identify or localise the platform providers, the right holders generally act against the internet access providers.

The Court of Justice has already declared that art. 8.3 applies to operators of online social networking platforms, as their services may be exploited by users of those platforms to infringe copyright⁵⁴.

The Court of Justice also confirmed that access providers that merely provide users with Internet access must be regarded as 'intermediaries' within the meaning of art. 8.3:

"Access providers who merely enable clients to access the Internet, even without offering other services or exercising any control, whether de iure or de facto, over the services which users make use of, provide a service capable of being used by a third party to infringe a copyright or related right, inasmuch as those access providers supply the user with the connection enabling him to infringe such rights.

Moreover, according to Recital 59 in the preamble to Directive 2001/29, rightholders should have the possibility of applying for an injunction against an intermediary who 'carries a third party's infringement of a protected work or other subject-matter in a network'. It is common ground that access providers, in granting access to the Internet, make it possible for such unauthorised material to be transmitted between a subscriber to that service and a third party."⁵⁵

In *Kino.to* the CJEU was asked whether the "intermediary" is only the service provider of the operator of the website infringing copyright or also the access provider of the end-users, in the context of the use of an infringing streaming website. The Court decided that an "intermediary" covers "any person who carries a third party's infringement of a protected work or other subject matter in a network"⁵⁶, including the access provider whose customers use its services to access infringing content is an intermediary in this sense.

Other types of intermediaries (payment processors, ...) might face an injunction based on art. 8.3 of the InfoSoc Directive, which applies to all intermediaries in the chain between the primary infringer and the

⁵³ M. WALTER and S. VON LEWINSKI, *European Copyright Law*, Oxford, 2010, 1086.

⁵⁴ CJEU 16 February 2012, Case C-360/10, *SABAM v. Netlog*, par. 28.

⁵⁵ CJEU Order of 19 February 2009, Case C-557/07, *LSG v. TELE2*, 43-44.

⁵⁶ CJEU, *Kino.to*, par. 30.

end-user. A French court has issued an order against several operators of Web search engines to the effect that they prevent any link referring to certain streaming websites from appearing as a result to a search query⁵⁷.

27. **Cross-border copyright injunctions.** Cross-border injunctions could be defined as measures imposed by a national court with effect in other Member States. A cross border injunction should allow right holders to sue several defendants located in different Member States before the courts of one single Member State for the delivery of an injunction that would have to be enforced in the other Member States. The question here is whether a national court can impose an injunction based on copyright infringement against an intermediary, with effect in other Member States than its own.

Absent empirical data, it can be assumed that the national nature of the copyright title prevents right holders from obtaining cross-border or pan-European injunctions against intermediaries. It is described in a 2013 report of the CEPS Digital Forum that “*given the territorial character of copyright and of the related enforcement measures, website blockages can actually be obtained on a country-by-country basis under conditions and criteria that vary from one jurisdiction to another*”⁵⁸.

The Commission found albeit in the context of the Enforcement Directive⁵⁹ that there is no established jurisprudence with regard to cross-border injunctions in cases of copyright infringements and that it seems useful to examine under which conditions such injunctions can be granted⁶⁰. It is suggested there that a distinction between the rules of attributing jurisdiction could be made: “*while the jurisdiction of a court, when based on the place where the infringement causes harm, is limited to measures concerning its own territory, no such limitation exists when jurisdiction is based on the domicile of the defendant. In this later case, cross-border injunctions are not excluded*”⁶¹. Moreover, some rightholders seem to call for a European initiative to facilitate cross-border measures against intermediaries and/or automatic enforcement of specific injunctions throughout the Europe Union⁶².

2. Conflicts of law

28. We will briefly remind the rules applicable at the European level to treat the issues of jurisdiction and applicable law⁶³.

a) Jurisdiction

29. The rules determining jurisdiction will differ depending on the sort of injunction which is sought.

General rule. Art. 2 of the Brussels I Regulation provides that the claimant may always sue the defendant before the Courts of the Member State where he has his domicile⁶⁴. Consequently, an

⁵⁷ Tribunal de Grande Instance Paris 28 November 2013, case nr. 11/60013, Association des Producteurs de Cinéma (ACP) e.a. c. Auchan Telecom e.a., available via http://www.legalis.net/spip.php?page=jurisprudence-decision&id_article=3935 (cons. 2.7.1.1 ; cons. 2.8.1.1).

⁵⁸ G. MAZZIOTTI (rapporteur), *Copyright in the EU Digital Single Market*, Report of the Centre for European Policy Studies (CEPS) Digital Forum, June 2013, available at <http://www.ceps.be/book/copyright-eu-digital-single-market>, 158 p., at p. 123.

⁵⁹ Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights (OJ L 157, 30.4.2004). Article 11 of Directive provides the possibility to issue an injunction against an intermediary in case of an infringement of a IPR, similarly to art. 8(3) InfoSoc Dir: “*Member States shall ensure that, where a judicial decision is taken finding an infringement of an intellectual property right, the judicial authorities may issue against the infringer an injunction aimed at prohibiting the continuation of the infringement. Where provided for by national law, non-compliance with an injunction shall, where appropriate, be subject to a recurring penalty payment, with a view to ensuring compliance. Member States shall also ensure that rightholders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe an intellectual property right, without prejudice to Article 8(3) of Directive 2001/29/EC*”.

⁶⁰ Commission Staff Working Document SEC(2010) 1589 final re Analysis of the application of the [Enforcement Directive], 18.

⁶¹ Commission Staff Working Document SEC(2010) 1589 final re Analysis of the application of the [Enforcement Directive], 18.

⁶² Synthesis of the responses “Civil enforcement of intellectual property rights: public consultation on the efficiency of proceedings and accessibility of measures”, July 2013, 8.

⁶³ See Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society, 65 et s.

⁶⁴ Art. 2 of the Brussels I Regulation:

injunction against an intermediary, whether interim or permanent, can always be asked in the country where that intermediary is established. Nothing precludes the measure to have a cross-border impact: an action might thus be brought against the operator of a peer-to-peer platform in the Member State where it is established to obtain an injunction prohibiting that operator to offer its infringing service in other Member States. Similarly the hosting provider of a streaming website infringing copyright could be sued for an order prohibiting him to allow the use of its services for the website to be accessible all over the European Union. Nevertheless, generally the court's jurisdiction will not be an issue in such proceedings, as the service provider will have to apply the measures in the country where it is established (measures that will then have effect beyond the borders of this country).

In practice, claims against intermediaries based on art. 8.3 of the InfoSoc Directive are introduced on a country by country basis, in the Member State where the intermediary is established and where it is active, and the territorial scope of the injunction requested (and granted) is limited to that Member State.

Interim injunctions. Complementary to art. 2, art. 31 of the Brussels I Regulation regulates the issues of jurisdiction regarding interim injunctions (see Study on the application of directive 2001/29/EC on copyright and related rights in the information society, 65). According to that provision, "*application may be made to the courts of a Member State for such provisional, including protective, measures as may be available under the law of that State, even if, under this Regulation, the courts of another Member State have jurisdiction as to the substance of the matter*".

Advocate General CRUZ VILLALON defines a provisional measure as an injunction adopted for a limited period⁶⁵. Art. 31 Brussels I Regulation was designed to apply independently of the jurisdiction as to the substance of a case. Consequently, the courts in one Member State may have competence to rule on a claim for a provisional measure even if the courts of another Member State have jurisdiction as to the substance of the matter. Nevertheless, the Court of Justice holds that the granting of provisional or protective measures is conditional upon, *inter alia*, the existence of a real connecting link between the subject-matter of the measures sought and the territorial jurisdiction of the court before which those measures are sought⁶⁶. That condition means that the court of a Member State that is hypothetically not competent to deal with the substance of the case can declare itself competent to authorise a provisional measure only in so far as that measure has an effect in the territory of the Member State concerned and can be enforced there. Conversely, a national court should decline competence for provisional measures having no effect on its territory, which it is incumbent on that court to decide⁶⁷. On that condition, provisional measures may be sought in a Member State to be executed in another Member State.

One could therefore imagine bringing a legal action in one Member State seeking interim injunctions based on art. 8.3 against an intermediary located in another Member State. However, in practice, all the proceedings based on art. 8.3 seem to be introduced in the country where the intermediary is situated.

Permanent injunctions. Regarding proceedings as to the substance, art. 5.3 Brussels I Regulation contains an additional rule to art. 2, granting jurisdiction to the courts of the Member State "*where the harmful event occurred or may occur*". This is a factual localisation criterion that applies independently from the debate on the substance, even if both issues are related: the localisation of the material act on the substance may influence the application of the rules of private international law, which nevertheless apply autonomously. In case of complex infringements, *i.e.* situations where the infringing act is located in different countries, it provides jurisdiction to the Member State of the event giving rise to the infringement and to the Member States where the damage occurs⁶⁸.

"1. Subject to this Regulation, persons domiciled in a Member State shall, whatever their nationality, be sued in the courts of that Member State.

2. Persons who are not nationals of the Member State in which they are domiciled shall be governed by the rules of jurisdiction applicable to nationals of that State."

⁶⁵ Opinion of Advocate General CRUZ VILLALÓN delivered on 29 March 2012 in Case C-616/10, *Solvay v. Honeywell*, par. 48.

⁶⁶ CJEU 17 November 1998, Case C-391/95, *Van Uden Maritime BV, trading as Van Uden Africa Line v Kommanditgesellschaft in Firma Deco-Line and Another (Van Uden)*.

⁶⁷ Opinion of Advocate General CRUZ VILLALON, C-616/10, *Solvay v. Honeywell*, par 54-55.

⁶⁸ CJEU 7 March 1995, Case C-68/93, *Shevill*; CJEU 3 October 2013, Case C-170/12, *Pinckney*.

However, art. 5.3 Brussels I Regulation is not a strong legal ground for establishing territorial jurisdiction when seeking a measure against intermediaries. Art. 5.3 indeed applies in matters related to “tort, delict and quasi-delict”. As a rule of special jurisdiction, it derogates from the principle that jurisdiction is vested in the courts of the State where the defendant is domiciled and must consequently be interpreted restrictively. Therefore, the scope of art. 5.3 is limited to actions which seek to establish the liability of a defendant and which are not related to a contract⁶⁹. As legal actions based on art. 8.3 of the InfoSoc Directive do not seek to establish the liability of the intermediary, the jurisdiction of the courts of the Member States where the harmful event occurs may be contested.

Prorogation of jurisdiction. According to art. 6.1 of the Brussels I Regulation, “a person domiciled in a Member State may also be sued, where he is one of a number of defendants, in the courts for the place where any one of them is domiciled, provided the claims are so closely connected that it is expedient to hear and determine them together to avoid the risk of irreconcilable judgments resulting from separate proceedings”. That provision intends to minimise the possibility of concurrent proceedings and to ensure that irreconcilable judgments will not be given if cases were decided separately (Rec. 15). For Article 6.1 to apply, it must be ascertained whether, between various claims brought by the same plaintiff against different defendants, there is a connection of such a kind that it is expedient to decide the cases together in order to avoid the risk of contradictory judgments⁷⁰. It is for the referring court to assess, in the light of all the elements of the case, whether there is a connection between the different claims brought before it. According to the Court of Justice, decisions might be regarded as irreconcilable if there is a divergence in the outcome of the dispute, which arise in the context of a same situation of law and fact⁷¹. In that context, the fact that defendants against whom a copyright holder alleges substantially identical infringements of his copyright did or did not act independently may be relevant⁷². Furthermore, the Court held in *Solvay v. Honeywell* that the fact that an intellectual property right is governed by the national law of different Member States may generate divergences in the outcome of the proceedings in the same situation of fact and law, so that it is possible that they will culminate in irreconcilable judgments resulting from separate proceedings. Indeed, two courts could have to examine an alleged infringement in the light of the same national legislations. In order to assess, in such situation, whether there is a connection between the different claims brought before it and thus whether there is a risk of irreconcilable judgments if those claims were decided separately, it is for the national court to take into account, *inter alia*, the dual fact that, first, the defendants in the main proceeding are each separately accused of committing the same infringements and, secondly, such infringements were committed in the same Member States, so that the same national laws apply to those infringements⁷³.

It could be imagined that intermediaries established in different Member States are brought before one court, whose jurisdiction may be established by reference to the domicile of one of the defendants (art. 2 Brussels I). It could be argued e.g. that one infringement for which the services of all intermediaries involved are used constitutes a close connection between the cases the claimant intends to bring against these intermediaries (art. 6.1 Brussels I)⁷⁴. By contrast, such judge could be faced with different national laws (that are not entirely harmonised) as to the substantive law she has to apply to decide the cases against each intermediary.

b) Applicable law

30. **Lex loci protectionis.** The principle *lex loci protectionis* determines the law applicable to copyright infringements (see *Study on the application of directive 2001/29/EC on copyright and related rights in the information society*, 81). According to that principle, the judge has to apply the law of the country for which a protection is claimed.

⁶⁹ CJEU 27 September 1988, C-189/87, *Kalfelis*, 18-19.

⁷⁰ CJEU 11 October 2007, Case C-98/06, *Freeport*, par. 39.

⁷¹ CJEU 13 July 2006, Case C-539/03, *Roche*, par. 26.

⁷² CJEU 1 December 2011, Case C-145/10, *Painer*, par. 83.

⁷³ CJEU 12 July 2012, C-616/10, *Solvay v. Honeywell*, par. 26-29.

⁷⁴ See P. TORREMANS, “Art. 6, 1. Brussel I: onveranderde tekst maar geen duidelijke weg voorwaarts”, *RDC-TBH*, 2013, 431-440.

In case of infringements to the making available right, it may be difficult to find the location of the infringing act (initiating in one country and culminating in another) and, consequently, to determine for which country the protection is sought. The *lex loci protectionis* may indeed refer to the application of several laws when the act is interpreted as taking place in different countries, *i.e.* the country of the event giving rise to the infringement (Member State *from which* the work is made available – *country of transmission*) or the countries where the damage occurs (Member States *to which* the work is made available – *countries of reception*). The law of the country of the event giving rise to the harm (country of transmission) should regulate the full territorial impact of the act of making available, while the law of one of the countries where the damage occurs (country of reception) has effect in that country exclusively and not in the other countries also addressed by the infringer.

Since plaintiffs often seek protection in the country where the harm is transpiring, localizing the place of the harm generally identifies both a forum and the applicable law in that forum:

“The court of the country whose market the person making a work available has allegedly targeted will determine whether the defendant has in fact sought customers from that jurisdiction. If so, that country will be a place in which the making available occurs, and the forum will be competent not only to hear the case, but to apply its own law to the making available of the work to users within the jurisdiction.”⁷⁵

Since no specific rule is provided, this principle also determines which law to apply to decide whether an injunction can be granted against an intermediary. The law applicable in legal proceedings against intermediaries will generally be the law of the country of the intermediary. This means that both the infringing nature of the third party use and the measure against the intermediary will be assessed by that law. Other outcomes are however possible. The *locus protectionis* has been interpreted in some cases as the country of transmission and in others as the country of reception. Applying the *lex loci protectionis* as the law of the country of reception, it could (theoretically) result that a court decides an action brought against the *hosting* provider whose service is used for a website where works are available without the right holders’ consent by applying cumulatively several national laws of the countries where the website can be accessed.

3. Application to peer-to-peer networks and streaming platforms

a) Peer-to-peer networks

31. **Functioning.** A peer-to-peer network is a system in which individual users act simultaneously as suppliers and consumers of resources. Each user can download works made available on the network. These downloads are instantly used as a new source to make the work downloaded available to the other users of the network. Provided that they have not been allowed by the rightholder, these acts infringe the making available right.

Furthermore, the download of the work in a peer-to-peer network constitutes an act of reproduction and in some Member States such copy was exempted under the exception for private copy. However, in several Member State it is required that the source from which the copy is made be accessed in a “legitimate” way. In these legal systems, the exception for private copy cannot apply if the copy originates from an illegal use of the work. This was also the position of the Advocate General in the case *AC/Adam*⁷⁶: the exception for private copy in art. 5 InfoSoc Directive only applies to reproductions made from legitimate sources. If the CJEU follows the Advocate General’s opinion, it seems that the copies generated by the peer to peer networks should be found unlawful if the right holder has not authorised the distribution via such network – and this irrespective of the applicable law. The Advocate General indeed held the opinion that Member States can only collect a levy for the private copying exception based on

⁷⁵ J.C. GINSBURG, “News From the EU: Where Does the Act of ‘Making Available’ Occur?” *The Media Institute*, 29 October 2012, available at <http://www.mediainstitute.org/IPI/2012/102912.php>.

⁷⁶ Opinion of Advocate General CRUZ VILLALÓN of 9 January 2014 in Case C-435/12, *ACI Adam BV, Alpha International BV, AVC Nederland BV, BAS Computers & Componenten BV, Despec BV, Dexxon Data Media and Storage BV, Fuji Magnetics Nederland, Imation Europe BV, Maxell Benelux BV, Philips Consumer Electronics BV, Sony Benelux BV, Verbatim GmbH v. Stichting de ThuisKopie, Stichting Onderhandeligen ThuisKopie vergoeding*.

copies of protected subject matter made on the basis of legitimate sources: the Member States have no margin to widen the scope of the levy to copies from illegitimate sources⁷⁷.

As each user of the peer-to-peer network will potentially be liable for infringements to the making available right and, eventually, to the reproduction right, measures based on art. 8.3 of the InfoSoc Directive could be taken against the intermediaries whose services are used for the functioning of the peer-to-peer network (the peer-to-peer operator⁷⁸, the access providers of the users).

32. **Conflicts of law.** Injunctions against the *peer-to-peer operator* could be asked in the country where it is established (Brussels I, art. 2). The injunction asked might then have effects in all the Member States where the network is accessible. The judge should (in theory) cumulatively apply the law of each country where the peer-to-peer network is used and for which a protection is claimed (these countries are simultaneously used for the transmission and the reception of the protected works).

An action brought against an *internet access provider* allowing users to have access to the peer-to-peer network should be introduced in the Member State where that access provider is established (Brussels I, art. 2). The injunction granted should have no cross-border effect, as the activities of the access provider are in principle limited to one single country (e.g. website blocking). The judge should apply his national law to determine the infringement by the third party and the measure against the intermediary, as the protection claimed in the context of the action against the access provider will be limited to his Member State.

The possibility to sue several access providers originating from different countries in one single Member State to avoid the deliverance of irreconcilable judgments (Brussels I, art. 6.1) is contested (see *supra*) but should not be excluded in the absence of a decision by the Court of Justice on that issue.

b) Streaming and downloading platforms

33. **Functioning.** In streaming technologies, a work stored on a hosting server is then streamed to end users for immediate consultation (see *Study to review options for developing the relationship between the reproduction right and the making available right in the context of the cross-border transmission of digital content*, 31). One single act of making available is performed by the operator of the streaming platform. If it has not been authorized, that act infringes copyright. Moreover, the storage of the work on the hosting server constitutes an act of reproduction which should also be authorized, except if it can be exempted under a national exception. The reception of the work at each final user's end also generates an act of reproduction. These reproductions may be exempted under the exception for temporary copy, if the right holder has authorised the making available of the work streamed and the subsequent reception, if the intended use benefits from another exception (such as the private copy) or if it is "not restricted" (see *Study to review options for developing the relationship between the reproduction right and the making available right in the context of the cross-border transmission of digital content*, 34-35). If these conditions do not apply, the act of reproduction at the final user's end will constitute an infringement to copyright.

Similarly, operators of websites using a download technology infringe the making available right if they have not acquired a licence for the making available of the works. Furthermore, the download of the works by the end users generate an act of reproduction which should also be licensed or should benefit from an exception, such as the exception for private copy (see *Study to review options for developing the relationship between the reproduction right and the making available right in the context of the cross-border transmission of digital content*, 35-36).

Injunctions based on art. 8.3 of the InfoSoc Directive may be directed against the intermediaries whose services are used for the functioning of the streaming or downloading platform (e.g. hosting provider,

⁷⁷ Opinion of the Advocate General in *ACI Adam*, par. 84.

⁷⁸ The peer-to-peer platform operator may be directly liable for copyright infringements but this aspect is not relevant for the purposes of this study.

internet access provider of the final user but also search engine operators or other intermediaries imaginable⁷⁹).

34. **Conflicts of law.** Injunctions against the *hosting provider of the website* could be asked in the country where it is established (Brussels I, art. 2). The injunction could then have a cross-border effect. The judge should apply either his national law (country of transmission) or the law of each country where the website is accessible (countries of reception).

It is unlikely that courts of the countries where the website is merely accessible have jurisdiction to decide on an injunction against an intermediary established on another territory. Art. 5.3 of the Brussels I refers to the territory where the harmful event occurred and is not applied directly to intermediaries.

An action brought against an *internet access provider* allowing users to have access to the website should be introduced in the country where that access provider is established (Brussels I, art. 2). The injunction asked should have no cross-border effect, as the activities of the access provider are in principle limited to one single country. The law applicable might be the law applicable in the country of reception, which may coincide with the judge's national law, or the law of the country from which the website originates (country of transmission). The possibility to sue several access providers originating from different countries in one single Member State to avoid the deliverance of irreconcilable judgments (Brussels I, art. 6.1) is contested (see *supra*) but should not be excluded in the absence of a decision by the Court of Justice on that issue.

B. Effect of the localisation of the making available right

35. The present section will exclusively focus on the rules applicable for the enforcement of injunctions against intermediaries whose services are used to infringe the making available right, as we were asked to complement the Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society which was focused on the making available right. Nevertheless, the online transmission of protected works does not only affect the making available right. It also generates permanent or transient copies, which fall under the reproduction right. Contrary to the making available right, these acts of reproduction do not have any cross border nature⁸⁰. The result is that attempts to localise the making available right in one (country of origin) or several (exploitation scenario) identified Member States and to apply those laws to the entire operation of online transactions will be undermined if the reproduction resulting from the act of making available takes place in other Member States.

1. Country of origin

a) Jurisdiction

36. **Principles.** The application of a country of origin principle would have no impact on the issues of jurisdiction, as the rules used to determine jurisdiction are based on an assessment of the factual elements of the dispute, independent from the analysis on the substance (see *Study to review options for developing the relationship between the reproduction right and the making available right in the context of the cross-border transmission of digital content*, 148).

Applying the rules provided by the Regulation Brussels I, an intermediary might be sued in the Member State where it is established. It can be imagined that it can be brought to court in another Member State on the basis of art. 6 of the Regulation Brussels I, together with another defendant established in that Member State.

⁷⁹ Opinion of the Advocate General CRUZ VILLALÓN delivered on 26 November 2013, Case C-314/12, *UPC v. Constantin Film*, par. 33-59.

⁸⁰ Opinion of the Advocate General JAASKINEN delivered on 13 June 2013, Case C-170/12, *Pinckney*, 53.

37. **Peer-to-peer networks.** Based on art. 8(3) InfoSoc Dir., the *operator of a peer-to-peer network* should be sued in the country where it is “established” for the delivery of an injunction that might have cross-border effects.

An action against an *internet access provider* might take place in the Member State where it is established. The injunction should have no cross-border effect, as the activities of the access provider are limited to one single Member State. Whether the making available right is infringed in that Member State does not affect the establishment of territorial competence and does not affect the action for an injunction (at this stage).

The country of origin principle does not affect the application of the rules on jurisdiction to peer-to-peer networks.

38. **Streaming or downloading websites.** A claim against the *hosting provider* of a website infringing the making available right should be introduced in the country where it is established (defendant’s domicile). The injunction delivered in that Member State could have an effect in the other Member States where users get access to the infringing website, but the injunction will remain territorial as it will apply to the hosting provider exclusively. Whether the making available right is infringed in that Member State does not affect the establishment of territorial competence and does not affect the action for an injunction (at this stage).

An action against an *internet access provider* might take place in the country where it is established, which will correspond to the country where the works are received by the end-users. The injunction should have no cross-border effect, as the activities of the access provider are limited to one single country.

The country of origin principle does not affect the application of the rules on jurisdiction to streaming or downloading platforms.

b) Applicable law

39. **Principles.** The country of origin principle designates the application of the law of one Member State, instead of several legislations, depending on the criteria used to define the country of origin. The restricted act is analysed as taking place in one single Member State. In accordance with the principle *lex loci protectionis*, the law applicable will be the law of the country of origin as it is the place for which the protection is sought (see *Study on the application of directive 2001/29/EC on copyright and related rights in the information society*, 148-149).

40. **Peer-to-peer networks.** Each user of the peer-to-peer network who “shares” content with other peers is likely to make a new infringement to the making available right, taking place in its own country of origin (where the “peer” is domiciled or where the act of upload has taken place or any other criterion). Should the right holder attempt to obtain an injunction against the operator of the peer-to-peer network (acting as an intermediary whose services are used by its users for infringements), the existence of an infringement will be assessed by the law of each country in which people use the network⁸¹. In order to get a cross-border injunction based on national art. 8.3 provisions against the operator of the peer-to-peer network, the right holder will have to apply the laws of each Member State where the network is used cumulatively.

An action against an internet access provider should be ruled under the law applicable in the Member State of the service provider, defined as the country of origin of the act of making available taking place in that country.

De facto, the country of origin principle would not have an impact on the rules determining the applicable law to peer-to-peer networks.

41. **Streaming or downloading websites.** The territoriality issues may cause more complications for right holders to act against intermediaries with regard to streaming websites, at least in those Member

⁸¹ In practice, legal actions against peer-to-peer operators will hold them directly liable for the infringements, rather than address the as intermediaries for third party infringements.

States where the end-users of a streaming website are not held to infringe copyright by the mere reception of a communication. In those Member States, only the provider of the streaming website may be held to infringe the right of communication to the public/making available. It is important to know then whether an infringement needs to be established in the Member State where the intermediary provides its services: can an injunction be obtained against an intermediary providing access to an end-user who does not infringe any copyright by consulting content streamed without the right holders' consent?

A claim against an intermediary to put an end to an infringement should respond to two conditions: (1) an infringement of copyright and (2) the use of its services for this infringement (*supra*, p. 18-21). Whether an infringement occurs should be assessed by the law of the country of origin, as the *lex loci protectionis*. Whether the intermediary's service is "used" for the infringement should then be assessed according to the same law (which is however harmonised under the InfoSoc Directive). Following the principles explained *supra*, it could be argued that an infringement need not be demonstrated in the territory where the intermediary is established, although this is a point that still needs to be confirmed by the CJEU. Under such assumption, an injunction against a *hosting provider* of the website or against an *access provider* giving access to the website to an end-user would be assessed under the law of the Member State defined as the country of origin. This means that actions could be undertaken against several intermediaries in several Member States (jurisdiction) and that different national courts would assess whether an act constitutes an infringement under the copyright law of the country of origin. The competent courts would grant injunctions according to the laws of the country of origin, with effect in the (other) Member States where the intermediaries offer their services. It is however still possible that some aspects remain subject to the law of the forum, such as procedural questions (which may determine as well whether the injunction can be granted). This is however a hypothetical situation for now.

In practice, though, the application of a country of origin principle may cause a judge in another Member State to refuse an injunction against an intermediary when she finds no infringement in her jurisdiction. A national court could be tempted to look for an infringement by the end-user, who uses the access provider's services to access infringing content outside the country of origin. As mentioned, some courts verify whether an infringement can be found in the Member State where the intermediary offers its services before granting an injunction (such as a blocking order). The localisation of an infringing act of making available to the public in a country of origin could lead to the conclusion that no distinct infringement exists in other Member States and that right holders cannot obtain injunctions in other countries than the country of origin. For example, the operator of a streaming website makes works available – without the right holders' consent – in Member State A. The right holder would like to block access to this streaming service in Member State B. The judge in Member State B will not find an infringement in Member State B but only in Member State A, as the country of origin. The judge could then be inclined to refuse the blocking order for this reason. The decision of the Court of Justice in *Kino.to* could serve the argument that the person making the work available without authorisation in Member State A still uses the services of an intermediary (such as an access provider) in Member State B, since the intermediary makes the transmission possible of unauthorised content to its subscriber, at her demand. Uncertainty will however subsist until the CJEU has taken a position on this specific issue of territoriality. Should the Commission consider adopting a localisation criterion that places an infringement in one Member State only, it may want to clarify this point to avoid legal uncertainty in practice, i.e. the localisation of the infringement and the use of the intermediary's services for an infringement in another Member State.

The country of origin principle might simplify the choice of the applicable law in the context of actions against intermediaries whose services are used by streaming or downloading websites.

2. Country of exploitation

a) Jurisdiction

42. **Principles.** In the exploitation scenario, the act of making available is localised in the Member States where the work is exploited, i.e. where the national public is targeted. In case of a purely national exploitation, the act of making available will be localised in that Member State. When the work is

addressed to several national publics, to a Europe-wide public or to no national public in particular (e.g. the Pirate Bay), the exploitation takes place in several Member States and the act of making available is localised in several Member States (see *Study on the application of directive 2001/29/EC on copyright and related rights in the information society*, 166-167). Similarly to the country of origin principle, the application of the exploitation scenario would have no impact on the issues of jurisdiction.

43. **Peer-to-peer networks.** The operator of a *peer-to-peer network* should be sued in the country where it is established. The injunction delivered against the network could have a cross-border scope.

An action against an *internet access provider* might take place in the country where it is established. The injunction should have no cross-border effect, as the activities of the access provider are limited to one single country.

44. **Streaming or downloading websites.** A claim against the *hosting provider* of a website infringing the making available right should be introduced in the Member State where it is established. The injunction delivered in the Member State of establishment could have a cross-border effect.

An action against an *internet access provider* might take place in the country where it is established. The injunction should have no cross-border effect, as the activities of the access provider are limited to one single country.

b) Applicable law

45. **Principles.** If the exploitation scenario is applied as a material rule defining the place where the restricted act happens, the making available right will be localised in each Member State targeted by a cross border exploitation of works on internet. In accordance with the principle *lex loci protectionis*, the law applicable to such exploitation might be the law of the country of transmission of the work or the laws of each country targeted. The choice of that last interpretation would be a logical consequence of the application of the exploitation scenario (see *Study on the application of directive 2001/29/EC on copyright and related rights in the information society*, 167).

46. **Peer-to-peer networks.** As each user of the peer-to-peer network simultaneously receives and transmits works on the network, the law applicable to the operator of the peer-to-peer network would be the law of each country in which people use the network⁸². In order to get a cross-border injunction against the operator of the peer-to-peer network, the right holder will have to apply the laws of each Member State where the network is used cumulatively.

An action against an internet access provider, as an intermediary whose services are used for the infringement, would then be assessed under the law applicable to the infringement. In practice the place of the infringement and the area where the intermediary offers its services will often coincide. An infringement can be found where the national public is “targeted” and right holders will give priority to bringing legal actions in those Member States where an important public exists for the infringing services. The need to clarify the (geographic) relation between the infringement and the use of the intermediary’s service is then felt to a lesser extent.

in the Member State of the service provider, which is the place of transmission and of reception of the works simultaneously.

47. **Streaming or downloading websites.** A claim against the *hosting provider* of the website or against a service provider giving access to the website will be decided according to the law of the Member State where the work is made available, i.e. the law(s) of the Member States targeted by the exploitation of the work (country of reception – Member State where the access provider(s) is (are) situated). Both the infringement and the measures against the intermediary will be assessed by this law. In practice an infringement will commonly be established in the Member State where the service provider offers its service (for which the right holder may want an injunction) hence the need to clarify this point is less urgent (the analysis of the “use” of the services and finding an infringement in the Member State

⁸² In practice, legal actions against peer-to-peer operators will hold them directly liable for the infringements, rather than address the as intermediaries for third party infringements.

where the service is offered). It is not excluded that the law of the country of transmission is applied as the *lex loci protectionis* but is perhaps less straightforward in practice.

The exploitation scenario would simplify the choice of the law applicable in the context of proceedings against intermediaries whose services are used by streaming or downloading platforms, as it leads in practice to the application of the laws of the countries of reception of the work.

C. Conclusion on the issue of injunctions against intermediaries

48. When right holders act against an intermediary whose services are used by a third party for an infringement, they mostly try to obtain injunctions on a country by country basis. In theory, it is however not excluded in the current legal framework that a cross-border injunction be obtained against several intermediaries situated in different countries. The rules of private international law do not exclude such measure (several defendants may thus be brought before one court, which is expected to apply different national laws on the merits, which makes such initiative less appealing).

49. We have made the exercise of applying the existing provisions on injunctions against intermediaries, on jurisdiction and applicable law to the two scenarios under consideration (making available localised in the Member State of origin or Member States of exploitation). It seems that some national courts verify whether an infringement exists in the Member State where the intermediary (against which the injunction is requested) offers its services. The InfoSoc Directive is however silent on this point. Based on the CJEU decision in *Kino.to*, it could be argued that this is not required to obtain an injunction against an intermediary. This matters in those cases where an injunction is sought against the access provider of the end-user, who consults an infringing website (e.g. a streaming website) and does not make a distinct infringement by doing so. Arguably, the transmission to the end-user (at her request) is an essential part of the (composite) act of making a work available to the public (the infringement) and the intermediary's services are used to complete this act. This understanding entails that no distinct infringement is required in the Member State of reception in order to obtain an injunction in that (or another) Member State. Should this interpretation prevail, it seems that the same principles would apply to infringements localised according to a country of origin or exploitation criterion. It is then not strictly necessary to adopt legislative measures and thus explicitly provide for the possibility of obtaining an injunction against intermediaries where no distinct infringement can be established in the territory where they offer their services. However, to the extent that there is some uncertainty on this point among national courts, the relation between the infringement, the use of the intermediary's services for the infringement and the territorial localisation of both should be clarified.

In *peer-to-peer networks*, each final user performs a new act of making available when she uses the network. When the right holder acts against the intermediary, she can seize the courts of the domicile of the defendant or possibly, in the context of proceedings against several access providers, the courts of one of the Member State where these intermediaries are located. These are factual criteria, hence the outcome should not be affected by a change of the substantive law (the definition of the making available and its localisation). As far as the applicable law is concerned, the courts continue to apply the *lex loci protectionis*, i.e. the law of the country where the work is made available to the public. Each user of a peer-to-peer network both downloads and uploads the work and thus reproduces the work and makes it available to the public. Both acts are localised in one Member State if the country of origin criterion is applied, i.e. where the "peer" user resides or where she uploads the works to the network. Where the acts are localised in the countries of exploitation, infringements are likely to be found in every country where the network is used (the whole public of "peers" is thus targeted). In either approach, infringements to the exclusive rights can be found in several Member States.

As far as *streaming* websites are concerned, the proceedings against intermediaries should be brought in the Member State where they are established (jurisdiction in the place of establishment/domicile). In the context of an action against several access providers situated in different countries, in the Member State where one of them is located. As these are factual criteria, a change of the substantive law would not affect these principles. As to the applicable law, the application of the country of origin principle or the exploitation scenario might help determining the *lex loci protectionis*. As the Member State(s) where the restricted act happens would be identified, the law applicable would be either the law of the Member State

of transmission (country of origin) or the laws of the Member States of reception (exploitation scenario). It could be argued that it is not necessary to establish an infringement in the Member State where the intermediary's services are used, as long as an injunction can be granted for those cases where an infringement exists in another Member State and the intermediary's services are nonetheless used for this infringement. To the extent that there seems confusion among the national courts (and the Commission considers that an intervention is called for), this relation between the infringement, the use of the intermediary's services and the localisation of both should be clarified.

50. Finally, it is important to remind that those localization scenarios will have a very limited impact if they only apply to the making available right and if they do not have an effect on the acts of reproduction performed in the context of the online exploitation of protected works. The online transmission of works indeed generates several acts of reproductions, which may not always be exempted by the exceptions provided by art. 5 of the InfoSoc Directive. Consequently, even if particular criteria apply to the localisation of the making available right, the applicable law in the context of proceedings against intermediaries might still be determined in function of the localisation of the acts of reproduction (Member State for which a protection is sought).

III. Transitional measures

A. Impact of the country of origin principle

51. **Country of origin principle.** In the previous Study (Study MARKT/2012/013/DI/ST/SC on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society), it has been examined whether a "country of origin" principle could be applied to localise a protected act of making available to the public in one Member State⁸³. This conception, similarly to the "country of origin" principle in the SatCab Directive, would entail that the work is made available in one Member State, although it would be accessible in all other Member States. Although this act would have effects in other Member States, no protected act of making available would take place there.

One of the main points of attention of this approach was the risk that the act of making available in one Member State undermines the exploitation of the work in other Member States⁸⁴. When several content providers obtain a licence to make the work available in different Member States, their arrangement would only refer to the Member State of origin (i.e. where the work will be uploaded or where the content provider has its establishment) but not to the Member States where the work would be accessible. A content provider established in a Member State A could thus target the public in Member States B and C and thus direct the exploitation of the work to a specific public outside the Member State of origin A, without actually performing an act of making available to the public in those targeted Member States B and C. This could undermine the value of the licence that a competing content provider would have obtained for Member States B or C. This situation can be averted if the right holder and the content providers have agreed by contract that access to the work should (technically) be restricted to certain Member States of exploitation⁸⁵. Even then, the parties must pay attention to the ruling of the CJEU in *Premier League*⁸⁶.

52. **Impact.** The application of a country of origin principle to localise the act of making available in one Member State, if adopted, would thus have a serious impact on the economic model of online exploitation of works. The economic consequence of such switch should be considered carefully in an economic study but for now it can be assumed that it would thoroughly affect the exploitation agreed upon in existing contracts.

In principle, a modification of a law does not have an immediate effect on the contracts concluded under the reign of a previous legislation: rights that are lawfully granted and acquired under the applicable legislation remain granted and acquired under the modified law. Only rarely are laws adopted with a

⁸³ Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society, p. 132 et s.

⁸⁴ Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society, p. 160.

⁸⁵ See in this sense : G. MAZZIOTTI, *Copyright in the EU Digital Single Market*, p.64.

⁸⁶ Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society, p. 153.

retroactive effect. However, the law does have immediate effect on the acts performed after its entry into force. When a new act of making available is performed, after the country of origin principle has entered into force, it will be localised in one Member State. This new localisation criterion will thus have a bearing on the situation of the right holders and content providers having agreed on a licence under the previous legislation.

Example. By way of example, the online exploitation rights on a film have been divided between two film producers, each enjoying a territorial exclusivity for indicated Member States. Film producer A holds the making available rights for Austria and film producer B holds the making available rights for Germany. When the parties agreed on this geographical division, this meant that producer A could control the online exploitation of the film in Austria, i.e. any distributor that wanted to make the film accessible on an online platform in Austria would have to acquire a licence from producer A. Producer B would then control the online exploitation in Germany and any content provider that wanted to make the film available to the German public would have to acquire a licence from producer B. This division would also affect the capacity to act in case of infringement.

Suppose that the country of origin is applied to localise any act of making available, e.g. in the Member State where the content provider has its establishment. A content provider wishes to acquire a licence to make the film available, after this new rule has entered into force. A content provider having its establishment in Austria will make the film available in Austria, but the film may well be accessible in Germany. Moreover, this content provider may even specifically target the German public (specific publicity, promotional actions in cities in Germany,...) and still the act of making available will occur in Austria (where it has its establishment). Producer B, which has acquired the making available right for Germany, cannot weigh on the licensing process and cannot claim infringement of its rights since no protected act takes place in Germany. Yet producer B has invested in the production of the film and has negotiated its rights accordingly. The economy of the contract between producers A and B is thus thoroughly affected by this modification of the law.

This simple example illustrates that a change of the definition of the making available right and the localisation of any act in one Member State would have far-reaching consequences for the existing contracts. Moreover, in a European context, there is a risk that all content providers choose an establishment in one Member State (e.g. for tax reasons or other reasons not related to copyright or, inversely, precisely for the weaker copyright protection in that Member State) and consequently all works are made available in that one Member State, while the public of all other Member States is served from that one Member State of origin.

This change of the law could thus entail an important shift of the economy of the contract.

Depending on the national laws of contract, the parties may experience difficulties to put an end to existing contracts due to a change of the law or they may simply not be entitled to end their arrangements for this reason. We have no empirical data on the nature of copyright contracts (territorial exclusivity, duration of the contracts, mode of remuneration and expectation of profit,...), the impact of such modification should be examined in an economic study.

If the adoption of the “country of origin” principle to localise acts of making available is likely disrupt existing relations, then transitory measures may be welcome, including the possibility for parties to renegotiate their contracts without being held liable for any breach of contract.

B. Transitional measures in the SatCab Directive

53. Transitional provisions in SatCab Directive. The SatCab Directive localises satellite broadcasts according to a “country of origin” principle (art. 1(2)(b)SatCab Dir⁸⁷), thus clarifying that there is no relevant act in the Member States where the broadcast is received (footprint)⁸⁸.

⁸⁷ « The act of communication to the public by satellite occurs solely in the Member State where, under the control and responsibility of the broadcasting organization, the programme-carrying signals are introduced into an uninterrupted chain of communication leading to the satellite and down towards the earth ».

⁸⁸ See Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society, p. 59.

This directive provides for transitional provisions (art. 7 SatCab Dir). It was anticipated in the *travaux préparatoires* that the immediate application of the provisions on satellite broadcasting could be a source of difficulty when an existing agreement was in place⁸⁹, especially where broadcasting rights were divided between right holders per geographical area. It was felt that in most cases the difficulty could be resolved by reinterpreting or renegotiating the agreement. A grace period was given to allow the interested parties to find a solution.

In the SatCab Directive it is provided that “*agreements concerning the exploitation of works and other protected subject matter which are in force on the date mentioned in Article 14 (1) [the entry into force of the implementation laws] shall be subject to the provisions of Articles 1 (2), 2 and 3 [definition of satellite broadcasting and localisation; the broadcasting right and acquisition of broadcasting rights] as from 1 January 2000 if they expire after that date* (art. 7(2) SatCab Dir).

The SatCab Directive thus provides a transitional regime for existing agreements. It explicitly stated that the newly defined satellite broadcasting right would only apply to existing agreements, concluded before the entry into force of the national laws implementing the SatCab Directive (1 January 1995), after five years had passed (i.e. not before 1 January 2000). Many of those existing contracts would expire in that period or would be subject to renegotiation, so the new regime could be taken into account in those negotiations if the parties still had an interest (rec. 18 preamble SatCab Dir)⁹⁰.

54. The SatCab Directive also provides an arrangement for international co-production agreements: “*when an international co-production agreement concluded before the date mentioned in Article 14 (1) between a co-producer from a Member State and one or more co-producers from other Member States or third countries expressly provides for a system of division of exploitation rights between the co-producers by geographical areas for all means of communication to the public, without distinguishing the arrangement applicable to communication to the public by satellite from the provisions applicable to the other means of communication, and where communication to the public by satellite of the co-production would prejudice the exclusivity, in particular the language exclusivity, of one of the co-producers or his assignees in a given territory, the authorization by one of the co-producers or his assignees for a communication to the public by satellite shall require the prior consent of the holder of that exclusivity, whether co-producer or assignee*” (art. 7(3) SatCab Dir).

This provision addresses the situation where the exploitation rights are divided among the co-producers of an audiovisual work along territorial or linguistic lines⁹¹. The adoption of the “country of transmission” principle to localise the satellite broadcast would allow the co-producer to transmit the film into the territory for which another co-producer expected exclusivity (when the international coproduction contract was concluded). To protect the acquired rights and the legitimate expectations of the co-producers at the time of the contract, the new satellite broadcasting right would have effect starting from 1 January 2000 (art. 7(2) SatCab Dir). Even after this date a certain protection was granted, to the extent that the consent of a co-producer could be required when its exclusivity would be prejudiced⁹². The idea was to adopt an interpretation rule and to reconstruct what the parties would have agreed to in their contract had they been aware of the exploitations by satellite broadcasting and the country of origin principle. It was assumed that they would have provided a “principle of mutual consent” for any form of exploitation that could prejudice the “territorial rights” of one of the parties⁹³. This additional protection was available under the following conditions: (1) an international co-production agreement concluded before 1 January 1995 between co-producers of different Member States (or with a producer from third countries); (2) express division by geographical areas of exploitation rights applicable to all communication to the public rights and without distinction of satellite broadcasting; (3) prejudice to this (language) exclusivity in the territory by a communication to the public by satellite.

⁸⁹ Proposal for a Council Directive on the coordination of certain rules concerning copyright and neighbouring rights applicable to satellite broadcasting and cable retransmission, presented by the Commission, COM(91) 276 final - SYN 358, available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:1991:0276:FIN:EN:PDF>, p. 41.

⁹⁰ Th. DREIER, “Satellite and Cable Directive” in M.M. WALTER & S. VON LEWINSKI, *European Copyright Law. A commentary*, Oxford University Press, 2010, 1555 p., 443.

⁹¹ See on this point : M. MARTIN-PRAT & K. JORNA, “New rules for the game in the European copyright field and their impact on existing situations”, *E.I.P.R.* 1994 (145) 151-153.

⁹² DREIER, “Satellite and Cable Directive”, 444.

⁹³ MARTIN-PRAT & JORNA, “New rules for the game in the European copyright field and their impact on existing situations”, 152.

This rule formulated a precise answer to the prejudice some co-producers enjoying territorial exclusivity could suffer due to the change in the law. The existing professional customs with regard to international co-production agreements were explained in recital 19 SatCab Dir and this transitory arrangement was tailored to this precise situation⁹⁴.

C. Transitional measures for the making available right

55. Transitional measures. Making available right localised in a country of origin. It can be anticipated that similar issues will occur when the making available right is localised in the European economic area according to a country of origin principle.

As in the SatCab Directive, a transitional period could be determined in addition to the period given to Member States to transpose the directive into national law. The right holders and their licensees (or several right holders who have divided the rights among themselves) should indeed be given the time to interpret the new legal regime and to make projections of the consequences which the country of origin principle will entail in economic terms. This should give the parties the time to put an end to their contracts or to renegotiate the contract taking account of the country of origin principle.

It should be taken into account that end-users may be incited to put an end to their existing contracts and look for a better or cheaper service, newly available from outside their Member State. The aggregated effect of the consumers' behaviour may also affect the position of the interested parties.

In the simplest case of an author (or a unique right holder) who has granted a simple licence to one of many content providers, who pays a royalty per use (sale, download, period of time,...), the transitional period may allow the parties to re-negotiate some terms (e.g. geographical scope of the service, remuneration). This is more complicated when territorial arrangements have been made, on a non-exclusive or an exclusive basis.

Territorial exclusivity. Where certain parties enjoy territorial exclusivity under the existing agreement, this exclusivity should be maintained during the transitional period. This may be the case in sectors where the exploitation of the work is organised according to a certain "media chronology" (e.g. film distributors). These distributors should be able to continue to enjoy their territorial exclusivity without interference from the competing distributors during this transitional period – as expected at the signature of the contract. Similarly, right holders that have split the rights on a territorial basis should treat new acts of making available according to the existing contract. This means that any act of making available on the territory for which e.g. one co-producer has the territorial exclusivity is only allowed to the extent that it does not affect the exploitation of the work on the territories to which other co-producers have exclusive rights. If it does affect others, these co-producers with territorial exclusivity prerogatives should be involved in the contract.

Limited (non-exclusive) accessibility. During this transitional period, content providers that have obtained a licence for a defined territory are not allowed to make the work accessible beyond those territories, even if according to the country of origin principle it would be legitimate to make the work available from one of those countries and accessible anywhere else. The content provider can only apply

⁹⁴ (19) Whereas existing international co-production agreements must be interpreted in the light of the economic purpose and scope envisaged by the parties upon signature; whereas in the past international co-production agreements have often not expressly and specifically addressed communication to the public by satellite within the meaning of this Directive a particular form of exploitation; whereas the underlying philosophy of many existing international co-production agreements is that the rights in the co-production are exercised separately and independently by each co-producer, by dividing the exploitation rights between them along territorial lines; whereas, as a general rule, in the situation where a communication to the public by satellite authorized by one co-producer would prejudice the value of the exploitation rights of another co-producer, the interpretation of such an existing agreement would normally suggest that the latter co-producer would have to give his consent to the authorization, by the former co-producer, of the communication to the public by satellite; whereas the language exclusivity of the latter co-producer will be prejudiced where the language version or versions of the communication to the public, including where the version is dubbed or subtitled, coincide(s) with the language or the languages widely understood in the territory allotted by the agreement to the latter co-producer; whereas the notion of exclusivity should be understood in a wider sense where the communication to the public by satellite concerns a work which consists merely of images and contains no dialogue or subtitles; whereas a clear rule is necessary in cases where the international co-production agreement does not expressly regulate the division of rights in the specific case of communication to the public by satellite within the meaning of this Directive;

the country of origin principle to the existing contract with the consent of the right holder, who can assess the effects on its contracts with other content providers (with rights for other territories) and on its income (considering the remuneration model in the existing agreement).

Interested parties. Depending on the usages and the economic models per sector of exploitation, the new regime will be more favourable to the right holder or the content provider. The country of origin may have extreme consequences in certain cases.

Firstly, a company that has developed the exploitation of online stores under one brand but on a national basis, in each Member State of the EU, will find that, under the country of origin principle, it makes all those works available from one Member State, i.e. where it has its establishment. It will be able to concentrate all its activities in its Member State of establishment (or any other criterion of localisation).

Secondly, this has far-reaching consequences for its contracting partners in all other Member States, which can but observe that no relevant act takes place in their Member State and that their licence agreement is deprived of an object. This may for example be the case for collective management organisations, which are organised at a national level. Should the country of origin principle be adopted, these parties should be given the time to take all precautions necessary and adapt their economic model to the new situation⁹⁵.

Sector-specific transition measures. Furthermore it could be verified whether specific transition measures are required per sector of exploitation. As in the SatCab Directive, it could be established whether certain customs exist with regard to e.g. territorial exclusivities, the duration of the contract (indefinite terms with possibility to give notice; determined duration; possibility to renegotiate).

An empirical study should establish whether transitional measures are required per sector (music, film, broadcasting, music, publishing,...) and which specific measures can ease the transition, taking into account the existing customs.

New exploitations. While the existing agreements can be enforced during the transitional period and the situation between right holders, content providers and existing competitors may be “frozen” during this period, this will not prevent new content providers from offering online services under the regime of the country of origin principle. These could be new companies or existing companies deploying activities in Member States where they were not active before. It can be imagined that such newcomers would like the benefit of obtaining a licence from the right holder in the country of origin only and of offering a service in several Member States. During the transitional period, however, the existing regime is still applicable and the national territories still define the geographical scope of the rights. Consequently, these “new” content providers may have to accept a temporary arrangement, which may be shorter than the usual term of a licence in that sector. Such new contracts would then be fitted in the existing regime (which is coming to an end) for the duration of the transitional period to allow the right holder to keep the benefit of the existing agreements with other content providers or between right holders. Such temporary arrangements should not last longer than the transitional period.

Interpretation of the existing contracts. During a transitional period it may thus be justified that the existing contracts should be shielded from the application of the country of origin principle (as was provided in the SatCab Directive). However, if the existing contracts have not been modified after this transitory period, the making available right will be interpreted according to the new definition and it will be localised according to the country of origin principle.

Where the contract provides an end-date beyond the transitional period, the Directive could require the Member States to propose a solution under their national (contract) laws to allow the parties or one of the parties to put an end to the contract before that the end date of the contract without being liable for breach of contract.

⁹⁵ A Directive on collective rights management has been adopted by the European Parliament and the Council in February 2014: Directive of the European Parliament and of the Council on collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online uses in the internal market. The consequences of the adoption of a country of origin principle should be examined but is out of the scope of this study.

Part 2 – The relation between the rights of making available and reproduction

I. The reproduction right in Europe

56. The reproduction right has been harmonised in the InfoSoc Directive. A broad scope, based on a technical definition, was then provided to the reproduction right (*sub A.1*), so that it should cover copies made for the exploitation of works through digital systems (*sub A.2*). Nevertheless, the InfoSoc Directive also provides exceptions and limitations to the reproduction right that may be used to legitimate those copies. The present Study is limited to the analysis of the exception for temporary copy (*sub B.1*) and for private use (*sub B.2*).

A. Reproduction right

57. We will first discuss the scope of the reproduction right as harmonised in the Information Society Directive and how it has been implemented in the selected Member States. Then we will examine how this right relates to the harmonised right of making available to the public.

1. Scope of the reproduction right

58. The reproduction right is the very essence of copyright⁹⁶. It is common to all copyright systems⁹⁷ and, in some countries, it is even the oldest right given to copyright owners⁹⁸. It is protected under art. 9 of the Berne Convention⁹⁹. According to the WIPO Copyright Treaty, the reproduction right, as set out in the Berne Convention, fully applies in the digital environment, in particular to the use of works in digital form.

Similarly to the making available right, the principle of territoriality governs the reproduction right. Therefore, each time a copy of a work occurs, it falls under the copyright protection in the country where the act of reproduction is localized. This means that the Member State where the reproduction is performed is competent to regulate the behaviour of the person making the copy. The copyright law of this Member State also determines the transfer of rights or which (facultative) exceptions apply.

It may however not be so straightforward to localize the reproduction. At first glance, the restricted act takes place where the copy is made. But, in the current technological framework, the person who makes the reproduction may be in a different Member State than where the copy is stored (server – cf. third party hosting or cloud services).

⁹⁶ T. SHAPIRO, "Directive 2001/29/EC on copyright in the information society", in B. LINDNER & T. SHAPIRO, *Copyright in the information society*, Edward Elgar, 2011, 31.

⁹⁷ M. WALTER and S. VON LEWINSKI, *European copyright law*, Oxford University Press, 2010, 964.

⁹⁸ L. BENTLY and B. SHERMAN, *Intellectual Property Law*, Oxford University Press, 3rd ed., 2009, 138.

⁹⁹ Art. 9 of the Bern Convention :

(1) *Authors of literary and artistic works protected by this Convention shall have the exclusive right of authorizing the reproduction of these works, in any manner or form.*

(2) *It shall be a matter for legislation in the countries of the Union to permit the reproduction of such works in certain special cases, provided that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author.*

(3) *Any sound or visual recording shall be considered as a reproduction for the purposes of this Convention.*

59. The reproduction right was harmonized at the European level in art. 2 of the InfoSoc Directive in order to make European copyright fit for the challenges of the digital age¹⁰⁰. As a consequence, the reproduction right is now a concept of European law and it must be given an autonomous and uniform interpretation throughout the European Union¹⁰¹.

The definition of the reproduction right provided by the InfoSoc Directive is based on a technical approach and is qualified as technology-neutral, in the sense that it applies regardless of the technique used and includes all the acts of exploitation of works in the digital environment. It covers “*direct or indirect, temporary or permanent reproduction by any means and in any form, in whole or in part*”. Recital 21 of the Directive explains that a broad definition of the reproduction right “*is needed to ensure legal certainty within the internal market*”. Furthermore, the European Commission declared that the role of the reproduction right “*will increase even more in the new information society environment. Once protected material is converted into electronic form and transmitted digitally, it is much more vulnerable to exploitation by copying than in the past*”¹⁰².

Because of that technical definition, the reproduction right covers any material fixation of a work. It suffices to find a reproduction in the material sense in order to find a reproduction in the sense of the InfoSoc Directive, regardless of the function or the economic value of the copy. The advocate general Trstenjak proposed to define the reproduction as “*a fixation of a work in a given information medium*”¹⁰³. From the Information Society Directive, its preparatory works and the cases decided by the CJEU, it can be stated, generally, that the reproduction right protects the material act of copying, including transient copies in cache memories, satellite decoders or television screens¹⁰⁴.

Such extension of the reproduction right has been criticized in the scholar literature:

« *La solution, favorable aux titulaires de droits, est compatible avec la lettre de la loi, qui n'exige pas que l'œuvre soit gravée dans le marbre pour l'éternité, ni même qu'elle soit fixée de manière permanente. Elle n'en est pas moins critiquable. Outre qu'elle oblige à forcer le sens du mot « fixation », elle procède d'une approche purement technique qui ne s'inscrit pas dans la logique du droit d'auteur. Ce qui déclenche l'application du droit exclusif est un acte d'exploitation. Or celui-ci doit être envisagé globalement comme un tout. Dès lors que la communication de l'œuvre au public donne prise en elle-même au droit d'auteur, ce qui est le cas bien sûr pour la diffusion sur les réseaux numériques, il est inutile et dangereux de segmenter artificiellement le processus, pour prétendre identifier des actes distincts de reproduction, afin de soumettre au contrôle de l'auteur ou de son ayant droit toutes les fixations provisoires permettant d'acheminer les informations et, en aval, toute visualisation d'une œuvre sur l'écran de l'utilisateur* »¹⁰⁵.

60. In *Infopaq I*, the Court of Justice confirmed the broad interpretation given to art. 2 of the InfoSoc Directive as regards to reproductions of part of a work. The Court declared that the concept of “reproduction in part” extends to “*the reproduction of an extract of a protected work (...) is such as to constitute reproduction in part within the meaning of Article 2 of Directive 2001/29, if that extract contains an element of the work which, as such, expresses the author's own intellectual creation*”¹⁰⁶. In that judgment, the Court found that the reproduction of an extract of 11 words of a press article might fall under the reproduction right.

Furthermore, in *Premier League*, the Court of Justice took the view that “*the reproduction right extends to transient fragments of the works within the memory of a satellite decoder and on a television screen, provided that those fragments contain elements which are the expression of the authors' own intellectual*

¹⁰⁰ M. WALTER and S. VON LEWINSKI. *op. cit.*, 946.

¹⁰¹ CJEU 16 July 2009, Case C-5/08, *Infopaq International A/S v Danske Dagblades Forening* (Infopaq I), par. 27 to 29.

¹⁰² Commission Communication of 20 November 1996 - "Follow-up to the Green Paper on copyright and related rights in the information society", 20 November 1996, COM(96) 568 final.

¹⁰³ Opinion of Advocate General TRSTENJAK delivered on 12 February 2009, Case C-5/08, *Infopaq*, par. 56.

¹⁰⁴ CJEU 4 October 2011, joined Cases C-403/08 and C-429/08, *Football Association Premier League Ltd and Others v QC Leisure and Others* (C-403/08) and *Karen Murphy v Media Protection Services Ltd* (C-429/08) (*Premier League*).

¹⁰⁵ A. LUCAS, H-J LUCAS and A. LUCAS-SCHLOETTER, *Traité de la propriété littéraire et artistique*, 4th ed. Lexis Nexis, 2012, 257-258.

¹⁰⁶ CJEU 16 July 2009, Case C-5/08, *Infopaq I*, par., 48.

creation, and the unit composed of the fragments reproduced simultaneously must be examined in order to determine whether it contains such elements"¹⁰⁷.

Those two judgments show that the Court of justice grants an extensive interpretation to the reproduction right, contributing to provide this right a very broad scope.

61. The definition provided in the InfoSoc Directive leaves very little room to manoeuvre for the national legislators and judges¹⁰⁸. After the implementation of the InfoSoc Directive in the copyright legislation of the Member States, only some minor variations remain as regards the scope of the reproduction right¹⁰⁹. Most of the Member States (Belgium, Germany, Italy, Spain) already understood the reproduction right or a similar concept in a broad way, so that the adoption of the Directive was generally seen as a confirmation of principles that were already applied. In other Member States (France, Luxemburg, Hungary), the Copyright Act defines the reproduction right under the traditional notion of a material fixation of a work¹¹⁰. However, it does not prevent a broad interpretation of the reproduction right covering transient copies in digital form. Denmark modified its copyright law to provide a broader definition to the reproduction right including temporary fixations¹¹¹.

In the Netherlands, the reproduction right does not cover certain temporary reproductions, which do not fall under the exclusive right¹¹². The carve out corresponds to article 5(1) InfoSoc Directive and acts that correspond to these conditions are not considered reproductions in the first place. This might be seen as a breach in the implementation of the Directive¹¹³, as the Court of Justice states that the reproduction right extends to transient copies, which may have an "*ephemeral existence because they are immediately effaced in the course of a technical process*"¹¹⁴.

After the decision *Infopaq I*, it was noticed that the concept of "reproduction in part", as interpreted by the Court of justice by reference to the originality of the work, was different than the standard applied in the United Kingdom, where a copy of a *substantial* part of a work is found following a qualitative assessment based on a "*skill, labour and judgment*" test of originality¹¹⁵. In the United Kingdom, the copyright law protects the work and substantial parts of the works. It seems that the concept of reproduction "in part" used in art. 2 of the InfoSoc Directive does not fully correspond to the notion of substantial part used in the UK Copyright Designs and Patents Act.

2. Relation with the making available right

62. Resulting from the broad definition provided to the reproduction right, the act of making available involves a number of copies, at distinct stages of the technical process, that fall under the scope of the reproduction right (except the temporary copies according to the legislation in the Netherlands).

A work may be uploaded from a user device to a server, where it is stored and members of the public have the possibility to access the work from their own devices.

¹⁰⁷ CJEU 4 October 2011, joined Cases C-403/08 and C-429/08, Premier League, par. 159.

¹⁰⁸ T. SHAPIRO, *op. cit.*, 31.

¹⁰⁹ L. GUIBAULT e.a., Study on the implementation and effect in Member States' laws of Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society, Institute for Information Law (IViR), Amsterdam, 2007, 1.

¹¹⁰ *Ibidem*, 3.

¹¹¹ P. SCHONNING, "Implementation of the Directive 2001/29/EC in the Member States of the European Union. Denmark", in B. LINDNER & T. SHAPIRO, Copyright in the information society, Edward Elgar, 2011, 158-159.

¹¹² A. QUAEDVLIEG, "Implementation of the Directive 2001/29/EC in the Member States of the European Union. Netherlands", in B. LINDNER & T. SHAPIRO, Copyright in the information society, Edward Elgar, 2011 401.

¹¹³ H. COHEN JEHOAM, "Nu de gevolgen van trouw en ontrouw aan de Auteursrichtlijn voor fair use, tijdelijke reproduction en diestappentoets", *AMI*, 2005, 156; F. GOTZEN, "Le droit d'auteur en Europe : quo vadis ? Quelques conclusions après la transposition de la directive d'harmonisation dans la société de l'information", *R.I.D.A.*, 2007, 11; A. LUCAS e.a., *op. cit.*, 348.

¹¹⁴ CJEU 4 October 2011, joined Cases C-403/08 and C-429/08, Premier League, par. 157.

¹¹⁵ T. APLIN, "Implementation of the Directive 2001/29/EC in the Member States of the European Union. United Kingdom", in B. LINDNER & T. SHAPIRO, Copyright in the information society, Edward Elgar, 2011, 559-560. According to BENTLY and SHERMAN, the European conception of originality may set the threshold higher than the labour, skill or judgment standard applied in the UK. See L. BENTLY & B. SHERMAN, *Intellectual Property Law*, Oxford University Press, 2009, 94.

The level of control that the user can exert depends on the technology chosen by the uploader¹¹⁶ and on the (commercial) customs:

- **Download** (e.g. music, films, newspapers). The end user will receive the most complete control and independence of the uploader who has made the work initially available: the user stores her own copy of the work and can see, hear or read it whenever she likes;
- **Streaming** (e.g. audio or audiovisual content, or, similarly, browsing to consult a text or images online). A work that is streamed to the end user will remain in the latter's possession only for the purpose of seeing or hearing it. No permanent copy is saved at the user's end. For a later use, the final user depends on the availability of the work at the uploader's end.

It must be verified for each of the copies generated by those technologies whether these are reproductions (art. 2 InfoSoc Dir) and, if they are, whether they may be exempted under an exception.

63. We found disparities in the case law of the European Member States in the way the national Courts qualify the copies made in the context of the exercise of the making available right. These disparities appear, for example, in the analysis of the decisions regarding web search engines. In some countries the "upload" copy is not considered a reproduction but rather part of the act of making available. In other countries such "upload" copy is qualified cumulatively as a reproduction and making the work available to the public.

A UK High Court found that the users who upload content on a bit torrent file sharing site make the content available to the public. The users "*intervene, in full knowledge of the consequences of their actions, to give others access to the Claimants' copyright works. The recordings are made available to all other users of the Websites, a large and indeterminate class of people, without having to purchase them from authorised sources*"¹¹⁷. In that decision, the upload copies of protected works on Bittorrent indexing websites were treated under the right of communication to the public but not separately under the reproduction right. The download copies on the other hand were qualified as reproductions.

In Belgium, in the litigation opposing Copiepresse and Google, the Belgian courts found that the same material facts attributable to Google were infringing both the right of communication to the public (including the making available right) and the reproduction right of the right holders. Inversely, in the German case *Voorschaubilder II*, the Court of First Instance in Hamburg found that the act of including a thumbnail picture in a list of search results was an act of making available and it did not find an act of reproduction distinct from that act of making available. Contrary to what the Belgian judges have decided, this reflects an absence of overlap between the right of making available and the right of reproduction¹¹⁸.

64. Another issue dividing the European national Courts is who should be regarded as the person who reproduces the work. The answer will determine who has the obligation to obtain the author's consent for the reproduction or who can benefit from an exemption in the national copyright legislation. It seems that the Member States answer this question in different ways.

In simple cases where only one actor is involved, the answer is straightforward: the person who makes the reproduction should acquire the author's consent or rely on an exception. For example, the person who copies the music from a CD to the hard drive of her computer is the person who reproduces the work. The answer is less obvious when several actors play different roles, in particular when a technical intermediary is involved (such as a copy centre or an Internet service provider). Member States focus on different elements to decide who is responsible for a reproduction. A few examples will illustrate the differences.

In France, it is generally held that the person who makes the material copy of a work – or even who intervenes in the reproduction by providing the technical means to do so – is responsible for the

¹¹⁶ In this report the "uploader" refers to the person performing the act of upload that leads to the work being accessible to a public. We prefer to use the term "uploader", since it refers to a material act of upload rather than the legal qualification "making available". Also, it contains no bias with regard to the liability for the act of making a work available to the public. The uploader could be a natural person, sharing a work via social media, via peer-to-peer networks or via a blog, or a legal entity with or without commercial intent, such as the provider of online music services or a film platform.

¹¹⁷ UK High Court, 28 February 2013, *EMI v BSKyB*, [2013] EWHC 379 (Ch), par. 40.

¹¹⁸ LG Hamburg, 26 September 2008, <https://openjur.de/u/30461.html>.

reproduction, even if she has acted upon the request of a final user (e.g. the user of a virtual personal video recording system)¹¹⁹. It seems that the same solution is adopted under Spanish law¹²⁰.

In Germany, it was held in the cases *Save.tv* and *Shift.tv* that the user of a “virtual personal video recorder” makes the reproductions of protected television programmes, not the company offering the online video recording service¹²¹. In both cases, a broadcasting organisation (RTL and Sat1) claimed that the provider of an online video recording service (“*Save.tv*” and “*Shift.tv*”) infringed *inter alia* its making available right. These service providers made it possible for their customers to record free-to-air programmes via an electronic programme guide and to watch these programmes at a later time and at any place (provided there was an Internet connection). Technically, the programmes that the customers selected were stored on the provider’s hard disk but at a space exclusively attributed per customer. From a legal point of view, it was crucial to decide who made the copy, both for the exception for private use and for the making available to the public. If the user indeed “produced” the recording, then it could be covered under the exception for private use (even if one copy served for the recordings of several clients). Furthermore, the German courts refused to qualify as an act of making available the individual reproduction of a work at the user’s demand on a service provider’s hard disk. The Court rejected the argument that the customers, who have ordered the recording of the broadcast, can be collectively considered as a public, and consequently found that no acts of making available to the public were made¹²².

In respect of “cyber locker service” *Rapidshare*, it was held that not the service provider but the user of the service made the reproduction of the works¹²³. According to the Belgian Supreme Court, the person who materially makes the reproduction or who orders it should acquire the author’s consent or qualify for an exception, even if the reproduction is made in a copy centre¹²⁴. In the *Meltwater* cases, the question was whether the customer of a press monitoring company made protected reproductions when she receives the press overviews per e-mail or when she views these overviews on the website of the company. The copies made while browsing or caching gave rise to a debate on the application of the exception for transient copies. On the email copy, it was considered common ground that *Meltwater*’s customers need a licence for this reproduction, which is not a temporary one¹²⁵.

These few illustrations suffice to observe that diametrically opposed principles may be followed in different Member States. Member States may see either the ultimate beneficiary of the copy (final user) or technical copier (the service provider) as the person who reproduces the work. That person either has to obtain the authorisation or qualify for an exception. It follows that it has to be verified, for each reproduction, which national principles apply (taking into consideration the conflict of law rules) and to

¹¹⁹ Cour d’appel de Paris Pôle 5 (chambre 1), 14 December 2011, *Wizzgo c Metropole Television et autres* (2011). Retrieved from http://www.legalis.net/spip.php?page=jurisprudence-decision&id_article=3297. See T. VERBIEST, M. DE BELLEFROID, A. SOKOLOWSKA, « Le régime de l’exception de la copie privée en droit français », *Droit & Technologies*, 10 September 2007, <http://www.droit-technologie.org/actualite-1070/le-regime-de-l-exception-de-la-copie-privee-en-droit-francais.html> (consulted 3 December 2012); J. MARTIN, Réponse du groupe français au questionnaire relatif au congrès de l’association littéraire artistique internationale Kyoto octobre 2012, http://www.alai.jp/ALAI2012/program/national_report/France.pdf (consulted 3 December 2012).

¹²⁰ R. CASAS e.a., ALAI-Study Days 2012 – KYOTO. Questionnaire Spain, 2012, http://www.alai.jp/ALAI2012/program/national_report/Spain.pdf (consulted 3 December 2012), p. 11. Some reservations are expressed for the copies kept by means of cloud services.

¹²¹ BGH 22 April 2009, I ZR 175/07, “*Save.tv*”. OLG Dresden 12 July 2011, case nr. 14U801/07. See A. GIEDKE, ALAI Congress 2012 – Kyoto Questionnaire – Germany, 2012, http://www.alai.jp/ALAI2012/program/national_report/Germany.pdf (consulted 3 December 2012), p. 23.

¹²² BGH 22 April 2009, I ZE 175/07, “*Save.tv*”; BGH, 22 April 2009, I ZR 216/06, “*Shift.tv*”, via www.juris.bundesgerichtshof.de. The court to which the decision was referred has followed the BGH’s decision: OLG Dresden, 12 July 2011, case nr. 14 U 801/07, *GRUR RR* 2011, 413; See also S. VON LEWINSKI, “Recent developments of German Authors’ Rights Law”, *AM* 2011/2, 164-165. A. SCHNEIDER, “OLG Dresden klärt Rechtsstreit um Online-Videorekorder », *Telemedicus*, 15 July 2011, accessible via <http://www.telemedicus.info/article/2040-OLG-Dresden-klart-Rechtsstreit-um-Online-Videorekorder.html>. The case was brought before the Supreme Court, which decided that there was an infringement of the right of retransmission by cable. The case was then referred to another court of appeal, which not only had to consider the right of retransmission by cable but also the rights of reproduction and making available to the public. BGH 11 April 2013, I ZR 152/11, « Internet Videorecorder II », nr. 11 et s., accessible via <http://www.bundesgerichtshof.de>.

¹²³ OLG Düsseldorf 27 April 2010, case I-20 U 166/09 in the German section’s contribution to the ALAI’s Kyoto congress 2012 on cloud computing, p. 25, accessible via http://www.alai.jp/ALAI2012/program/national_report/Germany.pdf.

¹²⁴ Cass.bel. 27 May 2005, dock nr. C.03.0610.N, *SABAM, I.F.P.I. v Goossens, A&M* 2005, 414.

¹²⁵ UK Supreme Court 17 April 2013, *Public Relations Consultants Association Limited v The Newspaper Licensing Agency Limited and others*, [2013] UKSC 18, accessible via http://www.supremecourt.gov.uk/decided-cases/docs/UKSC_2011_0202_Judgment.pdf, (UKSC *Meltwater*), par. 4.

which effect. One possible outcome is that the reproduction requires the author's consent, to be acquired either by the service provider or by the final user (who ordered the reproduction and/or benefits from it). Another possible outcome is that the national copyright act contains an exemption in favour of the final user that is not ruled out because of the intervention of the service provider¹²⁶.

65. These examples show that issues remain as to the scope of the reproduction right, in particular with regard to the copies made when works are made available on digital networks where an intermediary (service provider) is involved. This may cause disparities between the Member States of the European Union, despite the harmonization provided by art. 2 of the InfoSoc Directive. These difficulties could be progressively solved by the Court of Justice, which is competent to propose a uniform interpretation of the InfoSoc Directive and, doing so, to define which technical acts fall under the exclusive right.

Nevertheless, in the actual context, the impact of the existing disparities in the interpretation of the reproduction right should not be neglected. As the reproduction right is governed by the principle of territoriality, these disparities might undermine any attempt to mitigate the effects of the territoriality of the making available right.

B. Exceptions and limitations to the reproduction right

66. The Directive provided a list of exceptions and limitations to the reproduction right and to the right of communication to the public aiming to ensure a functioning internal market (art. 5 InfoSoc Dir).

Amongst these limitations, the present study focuses on the exception for temporary copies¹²⁷ (*sub 1*) and on the exception for private use (*sub 2*).

1. Exception for temporary copies

67. The exception allowing acts of temporary reproduction provided by art. 5.1 has specifically been drafted to allow and ensure the development of new technologies and safeguard a fair balance between the rights and interests of right holders, on the one hand, and of users of protected works who wish to avail themselves of those new technologies, on the other¹²⁸. It states that:

*“Temporary acts of reproduction referred to in Article 2, which are transient or incidental [and] an integral and essential part of a technological process and whose sole purpose is to enable:
(a) a transmission in a network between third parties by an intermediary, or
(b) a lawful use of a work or other subject-matter to be made,
and which have no independent economic significance, shall be exempted from the reproduction right provided for in Article 2.”*

Based on a technology-neutral approach similar to the one used to define the reproduction right, this exception mitigates the consequences of the broad definition provided by art. 2 of the InfoSoc Directive that includes “*temporary reproduction by any means and in any form*”. Indeed, it was found necessary to allow certain copies forming a part of a technological process, such as copies needed to enable browsing or caching (rec. 33).

68. The exception for temporary acts of reproduction is the only mandatory exception provided by the InfoSoc Directive. Consequently, it has been literally implemented in all the Member States of the European Union, except in the Netherlands, where it is used to define the limits of the exclusive right as it

¹²⁶ Other solutions have been developed at the national level. In Germany, inconsistencies in the licensing of the making available right and associated reproductions have been tackled via the conditions for valid licences (centred on the exploitation of a work, not the economic rights as such). See LG München 25 June 2009 and OLG München 24 April 2010. An appeal before the Bundesgerichtshof is pending. In Canada, the Supreme Court has approached this issue differently, by giving guidelines on the qualification of resp. on demand downloads and streaming as either reproductions or communications to the public via telecommunication.

¹²⁷ The Study on the Application of directive 2001/29/EC on Copyright and Related Rights in the Information Society contains a first analysis of this exception (see p. 113-118).

¹²⁸ CJEU 4 October 2011, joined Cases C-403/08 and C-429/08, Premier League, par 164

does not cover temporary reproductions¹²⁹. In Belgium, the text was implemented with minor deviations in terminology¹³⁰.

69. The Court of Justice examined the conditions provided by art. 5(1) in *Infopaq I* and *II*, as well as in *Premier League*¹³¹.

The Court first declared that the exception has to be interpreted strictly, being a restriction to the exclusive right of the author¹³² and cumulative conditions have to be met in the sense that non-compliance with any one of them will lead to the act of reproduction not being exempted¹³³:

- the temporary copy must be transient or incidental;
- it has to be an integral and essential part of a technological process;
- its sole purpose should be:
 - to enable a transmission in a network between third parties by an intermediary;
 - or a lawful use of a work or protected subject-matter;
- the act must have no independent economic significance.

We will successively analyze these conditions and how these have been interpreted by the CJEU and by the national courts.

70. **Transient or incidental copy.** The InfoSoc Directive distinguishes two kinds of temporary acts of reproduction: the transient and the incidental ones.

The transient copy is an ephemeral act of reproduction. According to the decision *Infopaq I*, an act can be held to be ‘transient’ “*only if its duration is limited to what is necessary for the proper completion of the technological process of which it forms an integral and essential part, being understood that that process must be automated so that it deletes that act automatically, without human intervention, once its function of enabling the completion of such a process has come to an end*”¹³⁴. This means that the transient character of the reproduction should be assessed by reference to the “proper completion” of the technological process (a relative rather than an absolute assessment). The Court does not provide an explicit rule to evaluate how long the copy could last to be qualified as transient.

In the litigation opposing Google and Copiepresse, the Court of Appeal of Brussels ruled that Google could not benefit from the exception for temporary reproductions. According to Google, the reproduction of the press articles on its servers was an act of caching authorized under that exception. Google expressly relied on recital 33 of the InfoSoc Directive, according to which copies which enable browsing as well as caching to take place should be allowed by the exception for temporary copies to the extent that they meet the conditions listed in art. 5.1. However, the Court of Appeal considered that the acts of caching proposed by Google exceeded the concept of caching targeted by the InfoSoc Directive, as Google did not only use the cached copies to enable its system to function efficiently, but also made them available to the public. Furthermore, the Court of Appeal decided that the copies made by Google could not be qualified as “transient”, because Google stored them as long as the press article was available on the website of the newspaper, possibly during several weeks, months or years. For that reason, the Court

¹²⁹ According to art. 13a of the Dutch Copyright Act (unofficial translation provided by the Ministry of Justice): “ *The reproduction of a literary, scientific or artistic work will not include temporary reproduction of a passing or incidental nature and forming an essential part of a technical procedure whose sole purpose is to enable a) the passing on by an intermediary through a network between third parties, or b) a lawful use and if it contains no independent economic value*” (translation available at http://www.ivir.nl/legislation/nl/copyrightact1912_unofficial.pdf).

¹³⁰ Art. 21, §3 of the Belgian Copyright Act.

¹³¹ The exception in art. 5(1) InfoSoc Directive has been examined extensively in the final report of the Study On The Application Of Directive 2001/29/Ec On Copyright And Related Rights In The Information Society (The “Infosoc Directive”), p. 109 et s. See also S. DEPREUW, “De uitzondering voor « tijdelijke technische reproductiehandelingen » na *Infopaq I* en *II* en *Premier League*”, *A&M*, 2013, 76-85.

¹³² CJEU 16 July 2009, Case C-5/08, *Infopaq I*, par 56.

¹³³ CJEU CJEU 17 January 2002, Case C-302/10, *Infopaq II*, par 26

¹³⁴ CJEU 16 July 2009, Case C-5/08, *Infopaq I*, par., 64.

found that the duration of the reproduction was not “limited to what is necessary for the proper completion of the technological process in question”¹³⁵.

On 22 December 2011, the Court of Appeal of Barcelona decided a litigation between AGEDI and AIE (two Spanish collecting societies for phonogram producers and performers) and a radio station that offered songs through internet by means of simulcasting (streaming) and webcasting (downloads available on demand). The court concluded that the limitation for temporary copies could not exempt the technical copies of the broadcasts made to enable the simulcast and webcast transmissions, since these copies were available for longer than necessary to complete the broadcast. The Court relied on the requirement expressed by the Court of Justice in *Infopaq I*, according to which the copies must be automatically deleted. The court made no distinction between simulcasting/streaming and webcasting/downloading¹³⁶.

In France, the company Wizzgo launched an online video recorder in 2006 allowing the users to download the TV programs of 18 broadcasters for free. These broadcasters brought claims against Wizzgo as they found it was infringing the authors and related rights they held. Wizzgo considered that its online offer was based on two successive reproductions of the audiovisual works, both legitimated by an exception to copyright. According to Wizzgo, it made a first encrypted reproduction of the TV programs on the end-user's demand. That copy was stored on Wizzgo's server until it was downloaded by the end-user. Consequently, Wizzgo argued, it should benefit from the exception for temporary reproductions. A second decrypted copy was then made by the end-user on her computer. In Wizzgo's opinion, this copy did not require the author's consent either since it was covered under the exception for private copy, allowing the end-user to watch the recorded TV program.

The French Courts rejected Wizzgo's argumentation. The Court of Appeal in Paris considered that the system proposed by Wizzgo was generating only one act of reproduction, made by Wizzgo for the benefit of the end-user. The fact that the copy was first encrypted and then decrypted did not mean that two successive reproductions were made. The Court of Appeal ruled that the duration of the only copy made was not limited and, consequently, did not analyze it as a temporary act of reproduction:

“Qu'il s'en infère que le service ne génère qu'une seule et unique copie, créée par la société Wizzgo et destinée à l'utilisateur final lequel aura le loisir de la conserver, ce qui n'est pas démenti, sans limitation de durée”.

That interpretation is consistent with the ruling *Infopaq I* according to which the removal of the transient copy must happen automatically and may not depend on a human intervention.

71. Contrary to the notion of transient copy, we found few judgments relying on the concept of “incidental copy”.

The use of the word “incidental” means that the reproduction lasts longer than a “transient” copy. The relation between the transient and incidental copies was exposed by the Supreme Court in the case *Meltwater*. The English judge described the role of an incidental copy as follows:

“If, as I consider, the copies made in the internet cache or on screen are “transient”, it is strictly speaking unnecessary to consider whether they are also “incidental”. But I think it clear that they are. The software puts a web-page on screen and into the cache for the purpose of enabling a lawful use of the copyright material, i.e. viewing it. The creation of the copies is wholly incidental to the technological process involved”¹³⁷.

An incidental act of reproduction can be found when the copy is incidental with regard to the main act of exploitation of the work¹³⁸, provided that the reproduction may nevertheless not be permanent as it has to remain ‘temporary’. That concept of “incidental copy” might prove very useful to legitimate non-“transient” copies required by the use of a technological process to make works available.

¹³⁵ Brussels 5 May 2011, www.juridat.be.

¹³⁶ AP Barcelona (sec.15) July 7, 2005 [Cromosoma v. Weblisten] Westlaw.ES JUR2005/46026.

¹³⁷ UK Supreme Court, 17 April 2013, [2013] UKSC 18.

¹³⁸ J-P TRIAILLE, “La question des copies cachées et la responsabilité des intermédiaires”, in A. STROWEL & J.-P. TRIAILLE, *Google et les nouveaux services en ligne*, Larcier, 2008, 257.

72. **Integral and essential part of a technological process.** Either transient or incidental, the copy has to be made because it constitutes a step in a technical process of communication¹³⁹. In other words, the copy must enable another use of the work that is executed by means of this technological process. In *Infopaq II*, the Court of Justice held that the fact that the temporary copy initiates or terminates a specific process and the fact that such process involves a human intervention do not alter the conclusion that it may be an integral and essential part of a technological process. The Court interpreted the condition as follows:

“The concept of the ‘integral and essential part of a technological process’ requires the temporary acts of reproduction to be carried out entirely in the context of the implementation of the technological process and, therefore, not to be carried out, fully or partially, outside of such a process. This concept also assumes that the completion of the temporary act of reproduction is necessary, in that the technological process concerned could not function correctly and efficiently without that act.

Furthermore, given that Article 5(1) of Directive 2001/29 does not specify at which stage of the technological process the acts of temporary reproduction must be carried out, it cannot be excluded that such an act can initiate or terminate that process.

Similarly, there is nothing in that provision to indicate that the technological process must not involve any human intervention and that, in particular, manual activation of that process be precluded, in order to achieve a first temporary reproduction.”¹⁴⁰

In Germany, a service provider (“Ausschnittdienst”) offering its customers the delivery of excerpts from magazine articles in the form of one document, transferred by fax and by e-mail (in form of pdf) with the text, was sued by the publisher of two magazines because the service provider had sent an entire article from both magazines by e-mail. As to the storage of the copies in the working memory of the service provider, the Court of First Instance in Berlin found that only the intermediary of a transmission in a network between third parties is exempted by the exception for temporary copies. According to the Court, this does not include the copies in the working memories of the sender and the recipient¹⁴¹.

73. **Transmission in a network between third parties by an intermediary.** The temporary copies should “enable transmission systems to function efficiently, provided that the intermediary does not modify the information and does not interfere with the lawful use of technology, widely recognised and used by industry, to obtain data on the use of the information” (rec. 33 InfoSoc Dir). This element does not seem to raise many difficulties.

74. **Lawful use.** According to the recital 33 of the InfoSoc Directive, a use should be considered lawful if it is authorized by the right holder or if it is not restricted by law. It results that a lawful use may consist of an intended use that is authorized, exempted under a legal exception or one that is not restricted by the applicable legislation.

According to the Court of Justice, the acts of reproduction covered by the exception must not exceed what is necessary for the proper completion of the technological process.

Both in *Premier League* and in *Infopaq II*, the Court of Justice identified the intended purpose of the copy¹⁴² and it assessed whether this was its sole purpose. Then, the Court verified whether the intended use was restricted under European or national law, which was not the case. The Court ruled in *Premier League* that the picking up of the broadcasts and their visual display in private circles does not reveal an act restricted by European Union legislation or by that of the United Kingdom, and concluded that these acts of reproduction have the sole purpose of enabling a ‘lawful use’ of the works¹⁴³. In *Infopaq II*, the Court of Justice noticed that the technological process used to enable a more efficient drafting of summaries of newspaper articles included several acts of temporary reproduction. It ruled that these acts were not unlawful as the drafting of a summary of newspaper articles is not restricted by the European

¹³⁹ A. LUCAS e. a., *op. cit.*, 351.

¹⁴⁰ CJEU 17 January 2002, Case C-302/10, *Infopaq II*, par. 30-32.

¹⁴¹ Kammergericht Berlin 30 April 2004 – 5 U 98/02

¹⁴² In *Infopaq I* the Court listed the conditions of this exception and as the fourth condition it cited “the sole purpose of the process is to enable a transmission in a network between third parties by an intermediary of a lawful use of a work or protected subject-matter” (*Infopaq I*, par. 54).

¹⁴³ *Premier League*, par. 172. The Court did not consider the circumstance that in that case the copies not only made the reception of the programmes possible, but also the communication to the public in the pub. *Study on the Application of directive 2001/29/EC on Copyright and Related Rights in the Information Society*, p. 115.

Union legislation neither by the Danish legislation¹⁴⁴. The summarising of articles is a use that is not integrated in the technical process (in which the temporary copies are part) but this was not an obstacle to the application of the exception: the copy should enable a lawful use of a work and it was sufficient that there are not indications that the technical process is used for another purpose. In *Meltwater*, the UK Supreme Court decided that acts of browsing or caching (including the mere viewing, the access and the consultation of a webpage) constituted a lawful use justifying the making of transient copies generated by an end-user's use of the internet¹⁴⁵.

75. No independent economic significance. The Court of Justice reminded in *Infopaq II* that the acts of temporary reproduction must facilitate the use of a work or make that use more efficient. The Court admitted that these acts enable the achievement of efficiency gains and, consequently, lead to increased profits or a reduction in production costs. Nevertheless, the economic advantage resulting from these acts of temporary reproduction must not be either distinct or separable from the economic advantage derived from the lawful use of the work concerned and it must not generate an additional economic advantage going beyond that derived from the use of the protected work the technological process concerned¹⁴⁶.

In assessing whether temporary acts of reproduction have independent economic significance within the meaning of Article 5(1) of Directive 2001/29, it is necessary to establish whether an economic advantage stems directly from the temporary acts of reproduction¹⁴⁷. Temporary acts of reproduction have an independent economic significance if they generate an additional economic advantage going beyond the advantage derived from the use of the protected work¹⁴⁸. According to the Court of Justice, there is an independent economic significance if the author of the reproduction is likely to make a profit due to the economic exploitation of the temporary reproduction itself or if the act of temporary reproduction leads to a change in the subject matter reproduced. Such act no longer aims to facilitate the use of the work, but the use of a different subject matter¹⁴⁹.

Reproductions that make access to a work possible have an economic significance (e.g. the display on a television screen)¹⁵⁰: since the works have an economic significance, access to the works has an economic significance and therefore the reproductions that enable this access have an economic significance. This fact by itself does not preclude the application of the exception, as long as the reproduction does not have an *independent* economic significance. The Court found that the reproductions on a satellite decoder and a television screen are not capable of generating an additional economic advantage, beyond the advantage derived for the intended use (i.e. the mere reception of the broadcast) and that they do not have a separate economic significance. The Court derives this from the fact that these copies are an "inseparable and non-autonomous part of the process of reception"¹⁵¹.

In the United Kingdom, several commercial broadcasters took legal action against TVCatchup¹⁵², a company that offered a live web stream of free to air television broadcasts. TV Catchup's service was limited to free to air channels and was only available to end-users residing in the UK and possessing a valid TV licence allowing them to watch television in the United Kingdom. The TVCatchup service was funded by advertising, by showing an advertisement before the live stream was viewed and by "*In-skin advertising*" (the viewer sees the live stream surrounded by advertising). TVCatchup captured the broadcasters' signals via a single domestic TV aerial and a single satellite dish and stored it in servers in a data centre. The signals were then encoded and finally streamed over the internet. At no stage during the process was the whole or any part of the video stream stored on any disk or other permanent storage medium. All processing took place in volatile memory. The commercial broadcasters alleged that TVCatchup's services implied a communication to the public and a reproduction of their programs. The High Court noticed that copies were created transiently in the buffers in TVCatchup's servers and on the

¹⁴⁴ CJEU 17 January 2012, C-302/10, *Infopaq II*, par. 42-43.

¹⁴⁵ UK Supreme Court, 17 April 2013, [2013] UKSC 18

¹⁴⁶ CJEU 17 January 2002, Case C-302/10, *Infopaq II*, par. 49-50.

¹⁴⁷ Opinion of Advocate General TRSTENJAK delivered on 12 February 2009, Case C-5/08, *Infopaq*, par. 127.

¹⁴⁸ CJEU 4 October 2011, Joined Cases C-403/08 and C-429/08, *Premier League*, par. 177.

¹⁴⁹ CJEU 17 January 2002, Case C-302/10, *Infopaq II*, par. 51-53.

¹⁵⁰ CJEU 4 October 2011, Joined Cases C-403/08 and C-429/08, *Premier League*, par. 174.

¹⁵¹ CJEU 4 October 2011, Joined Cases C-403/08 and C-429/08, *Premier League*, par. 176.

¹⁵² This case was referred to the CJEU for a preliminary ruling but no questions were asked regarding the reproduction right and the exception for temporary acts of reproduction.

screen of users. It stated that these copies were both temporary and transient, and that they were an integral and essential part of the technological process undertaken by TVCatchup. According to the Court, the real debate between the parties was centred on the criterion of the independent economic significance¹⁵³. It explained that this criterion had to be appreciated in relation with the technological process concerned. The High Court found that the reproduction in the buffers had no independent economic significance:

What is required is that the transient copies have economic significance independently of the advantage to be derived from the (lawful) technological process concerned. To accept that the transient copies are a sine qua non of the advertising revenues is to accept that those revenues are derived from and dependent on the technological process. The revenues do not arise independently of the lawful processes, and therefore do not have independent economic significance¹⁵⁴.

However, as the Court notices it, the judges still have to appreciate whether the transient copy enables a lawful use of the work, which depend on whether TVCatchup's activities amount to a communication to the public. In the judgment it delivered over that issue, the Court of Justice found that TVCatchup was communicating the TV programs to the public¹⁵⁵. After that decision, the High Court found that TVCatchup was infringing the broadcasters' rights and it declared that the relay service provided by TVCatchup was unlawful under UK copyright law¹⁵⁶. As a consequence, the reproductions enabling this use are not exempted under the exception for temporary acts of reproduction and are therefore considered an infringement of the reproduction right.

The Court of Appeal in Paris also dealt with the condition of the economic significance in the case Wizzgo. The Court found that the copy made by Wizzgo had an independent economic value, as it was generating advertising incomes:

“Que force est de relever encore que la copie opérée par le service est dotée d'une valeur économique propre dès lors qu'à chaque copie est attaché un utilisateur et que le montant des recettes publicitaires générées par le service sera directement lié au nombre des utilisateurs du service et au volume des copies réalisées pour le compte de ces utilisateurs”.

The Court of Appeal therefore excluded the application of the exception for temporary reproduction, together with the exception for private copy.

In Germany, several litigations called *Vorschaubilder* cases opposed Google and rights holders with regard to Google's image search function. In the first case, a visual artist owning a website where her images were published sued Google for an infringement of her rights, as it made available and reproduced thumbnail versions of her works. The Court of Appeal and the Bundesgerichtshof examined whether Google could rely on the exception for temporary copies in order to justify the acts of reproduction. They both considered that the exception was not applicable as the copies made by Google were displayed on a permanent basis and created a number of possibilities for Google to attract an income, in particular by means of advertisement.¹⁵⁷

In the German dispute between newspaper publishers and a service provider mentioned above (“Ausschnietdienst”), the Court of First Instance in Berlin found that the copies of articles made by the service providers in its working memory have an independent economic significance. They indeed allow the e-mail transmission by the service provider, by making a digital copy of one single original of the magazine article, and at the same time serving many customers through it and enabling simultaneous access for many workers of the customers¹⁵⁸.

¹⁵³ UK High Court, 18 July 2011, [2011] EWHC 1874 (Pat).

¹⁵⁴ UK High Court, 14 November 2011, [2011] EWHC 2977 (Pat).

¹⁵⁵ CJEU 7 March 2013, Case C-607/11, ITV Broadcasting LTD e.a v. TVCatchup LTD.

¹⁵⁶ High Court, 10 October 2013, retrieved via <http://presscentre.itvstatic.com/presscentre/sites/presscentre/files/TVCatchup.pdf>.

¹⁵⁷ OLG Jena, 27 February 2008, 2 U 319/07, MMR, 2008, 448; BGH, 29 April 2010, However, Google succeeded in its defence as it showed that the way the artist had used the technical instructions for search engines allowed Google to reproduce the protected works and make these available.

¹⁵⁸ Kammergericht Berlin 30/04/2004 – 5 U 98/02.

In Spain, a dispute occurred between the owner of the website www.megakini.com and Google Spain, for the unauthorized reproduction and making available of its contents, by means of the Google search engine and the Google Cache service. The courts had to decide whether several unauthorized uses qualified as infringements:

- the unauthorized reproduction of the web pages html code (and contents) in order for the search engine to operate;
- the reproduction and display of some fragments of the web page contents (“snippets”) under the links resulting from the operation of the search engine by the users; and
- the reproduction and making available of the whole web page contents under the “Google Cache service”.

As to the first one, both parties agreed that this was exempted under the temporary copy exception. Moreover, the Supreme Court considered that the temporary copying limitation interpreted in accordance with the three-step-test would not allow for the cache copy service offered by Google but could certainly exempt the reproduction of fragments of the linked websites because of its insignificance and information purposes. The Court also mentioned that the non-economic significance requirement must apply to the acts of reproduction *per se* (that is, reproduction of fragments and cache copying), not to any other activities that Google may entertain on its website, namely advertising¹⁵⁹.

Finally, a prejudicial issue coming from the United Kingdom has been referred to the Court of justice in the context of a litigation introduced by the Newspaper Licensing Agency (NLA) against Meltwater (a company providing an online media monitoring service to business customers)– and the Public Relations Consultants Association Limited (PRCA) (a professional association representing public relations providers). Meltwater sends its clients reports of articles with the headline of the selected articles, the opening words, a brief extract and a hyperlink to the article. The clients also have access to a web-page without downloading, printing or otherwise setting out to make a copy of it. However, the English judges at the court of first instance and the court of appeal found that the making of two types of copies was technically indispensable to allow the functioning of Meltwater’s services: on the end user’ screen and in the internet “cache” on the end-user’s hard disk. The screen copy remains on screen until the end-user moves away from the relevant web-page. The cached copy remains in the cache until it is overwritten by other material as the end-user views further web-pages. The NLA sued Meltwater and the PRCA for copyright infringement because it considered that Meltwater’s end users need to take a copyright licence (Web End User Licence) from NLA covering the right to receive and use copies of the newspapers content. It is interesting that both the High Court of Justice and the Court of Appeal found that Meltwater and the PRCA could not rely on the exception for temporary copy because the acts of reproductions they were doing had an independent economic significance:

“A person making a copy of a webpage on his computer screen will not have a defence under s. 28A CDPA simply because he has been browsing. He must first show that it was lawful for him to have made the copy. The copy is not part of the technological process; it is generated by his own volition. The whole point of the receipt and copying of Meltwater News is to enable the End User to receive and read it. Making the copy is not an essential and integral part of a technological process but the end which the process is designed to achieve. Storage of the copy and the duration of that storage are matters within the End User’s control. It begs the question for decision whether making the copy is to enable a lawful use of the work. Moreover, making the copy does have an independent economic significance as the copy is the very product for which the End Users are paying Meltwater.”

The Supreme Court however came back on this position and considered that the reproductions made in the context of browsing should be exempted under the exception for temporary copies :

“The fifth condition, that the copying should have no independent economic significance, is satisfied for the same reason as it was satisfied in the Premier League case, namely that it has no independent economic value to Meltwater’s customers. This is because unless they download or print out the material (in which case it is not disputed that they require a licence), the sole

¹⁵⁹ Sent.172/2012, of 3 April 2012, Supreme Court, Civil Chamber. Available at: <http://pdfs.wke.es/8/6/1/5/pd0000078615.pdf> (in Spanish).

*economic value which they derive from accessing information on Meltwater's website is derived from the mere fact of reading it on screen*¹⁶⁰.

It nevertheless referred the case to the CJEU for a preliminary ruling (case nr. C-360/13).

76. **Conclusion.** Based on the several CJEU decisions on the exception for temporary acts of reproduction, it can be supposed that acts of reproduction that *merely* enable the reception of a transmission (at the end-user's end) can be exempted on this ground. Where a work is made available to the public in a temporary form, such as an offer for transmission by streaming, the copies on the recipient's devices are likely to be exempted under this exception. While this conclusion seemed rather uncontroversial, it is called into question by the preliminary questions to the CJEU regarding browsing and caching copies in *Meltwater*. These questions suggest that in certain Member States some uncertainty remains regarding the scope of that exception. Obviously, any disparity in the interpretation of the exception between the Member States will weigh on the application of the making available right. Moreover, uncertainties remain as to the application of the exception both in relation to internet technologies and other technologies. One of the main uncertainties is how to understand the "technological process" and its relation to the "sole" purpose it should be enabling (cf. Study On The Application Of Directive 2001/29/EC On Copyright And Related Rights In The Information Society, p. 99).

Furthermore, it is difficult to derive general guidelines from the fact-specific cases mentioned above. The different approaches make it difficult to assess other technologies and the reproductions they generate in the light of the exception for temporary acts of reproduction. This is especially true for the act of "browsing", the example given in recital 33 of the InfoSoc Directive. The uncertainty on status of such browsing copies then has an impact on the issues under consideration in this Study. If the "access" to the protected works by the final user should be understood entirely and only in the framework of the exception for temporary acts of reproduction (possibly by some "twist" on the sole purpose of a "lawful use"), then such use can be considered fully harmonised under the InfoSoc Directive and declared "lawful" in all Member States.

Hopefully the application of this exception with regard to the acts of browsing will be further clarified by the CJEU in *Meltwater*. Despite the teachings of the CJEU in *Infopaq I & II* and *Premier League*, it cannot be ruled out that the CJEU sides with the UK High Court and the Court of Appeal in this case, which have considered that this exception does not extend to copies made on the end-users' devices while browsing. In that case, each reproduction that enables the end-user to *access* a work should be considered a restricted act that should be authorised by the right holder or exempted by a national exception (e.g. for private use). In this event, the issue of the reproduction at the final user's end arises not only in case a work is offered to the public for download, but also when it is offered for "mere access", including the often cited cases of browsing or streaming. It should then be verified in practice whether the right holder has given her consent for this copy at the end-user's end or, alternatively, the national legislation contains an exception covering such use (considering the non-compulsory list of exceptions in art. 5(2) and 5(3) InfoSoc Dir¹⁶¹). As will be demonstrated in the following sections, such an interpretation of the reproduction right may undermine the understanding (and localisation) of the making available right.

2. Exception for private copy

77. Art. 5.2.b of the InfoSoc Directive provides for an exception "*in respect of reproductions on any medium made by a natural person for private use and for ends that are neither directly nor indirectly commercial, on condition that the rightholders receive fair compensation which takes account of the application or non-application of technological measures referred to in Article 6 to the work or subject matter concerned*".

Contrary to art. 5.1, art. 5.2.b is an optional exception provided by the InfoSoc Directive. Nevertheless, except the United Kingdom, all the Member States selected for the accomplishment of the present Study

¹⁶⁰ UK Supreme Court, 17 April 2013, [2013] UKSC 18.

¹⁶¹ The role of the exception for private use is likely to increase, even if it is subject to strict conditions and requires a fair compensation to be paid.

have implemented the exception for private copy, but both the regulatory framework and the details of the scope to which private copying is permitted differ¹⁶².

Member States such as France or Germany have kept their previous regime for private copying, considering that it was already matching the requirements of the InfoSoc Directive, while other countries have slightly modified their copyright legislation.

The United Kingdom chose to retain its existing exceptions and limitations and to amend them where necessary¹⁶³. The Gowers Review of intellectual property, an independent report published in 2006 focusing on copyright law in the United Kingdom, proposed the private use exception. It was followed by a consultation launched by the UK Intellectual Property Office which defined the private use exception in a very narrow way and denied the requirement of a levy. The Government finally side-stepped the issue and did not implement the private copy exception. In the Hargreaves report of 2011 it was recommended once more that the British government introduce an exception to allow individuals to make copies for their own and immediate family's use on different media, thus adapting the law to the actual use and expectations of consumers and technology providers¹⁶⁴.

The scholar literature considers that the UK's long-standing opposition to levies appears to be entrenched and it thus seems unlikely that a private use exception that is broad enough to involve harm to the rightholder, and thus require fair compensation, will ever be introduced into UK copyright law¹⁶⁵.

Despite the harmonization realized in the InfoSoc Directive, the national exceptions seem to vary considerably on topics such as the works being copied, the type of equipment covered, the levels of the levies and the extent to which the use of technological measures are taken into account¹⁶⁶.

78. **Subject matter.** The report made by IVIR in 2007 pointed out a lack of uniformity as regards the subject matter to which the exception applies. For example, Italy limits the exception to copies of sound recordings or audiovisuals works¹⁶⁷, while other countries consider that the exception applies without restriction as to the subject matter.

79. **Copies made by third parties.** There is a debate whether copies made by a third party for the private use of a natural person might be exempted. The study made by IVIR noticed that art. 5(2)(b) does not expressly indicate whether the making of digital copies by third parties can be authorized, considering that a legal entity might rely on the private copying exception if its service – if it is not remunerated – constitutes some form of agency¹⁶⁸. Intermediaries could consequently argue that the exception for private copy should allow a copy to be made for and on behalf of a natural person for private use. On the contrary, T. Shapiro considers that, in principle, reproductions made by, or for, a third party should not benefit from that exception¹⁶⁹. The Advocate general Trstenjak raised that issue but did not solve it in her opinion in the case Padawan:

“Indiscriminately burdening an undertaking by means of a levy as compensation for private copying could not be justified, since first of all the private copies must have been made ‘by a natural person’, so that a reproduction ‘by an undertaking’ is not covered, at least on the basis of the wording. However, even looking at the reality of the situation, whereby the act of reproduction must necessarily be carried out by a natural person, for instance an employee of the undertaking, the attribution of an act of reproduction to the undertaking would raise legal questions upon which a conclusive opinion cannot be given. On the other hand, it follows indirectly from the spirit and purpose of the provision in Article 5(2)(b) of Directive 2001/29 that the copy in question must in any case be intended ‘for the private use of a particular person’¹⁷⁰.

¹⁶² L. GUIBAULT e.a., *op. cit.*, 17.

¹⁶³ T. APLIN, *op. cit.*, 572.

¹⁶⁴ I. HARGREAVES, Digital opportunity, A review of intellectual property and growth, May 2011, available at <http://www.ipo.gov.uk/ipreview-finalreport.pdf>, p. 52-53.

¹⁶⁵ T. APLIN, *op. cit.*, 573-574.

¹⁶⁶ T. SHAPIRO, *op. cit.*, 43.

¹⁶⁷ L. GUIBAULT, *op. cit.*, 17.

¹⁶⁸ *Ibidem*, 19.

¹⁶⁹ T. SHAPIRO, *op. cit.*, 42.

¹⁷⁰ Opinion of the Advocate general TRSTENJAK delivered on 11 May 2010, C-467/08, *Padawan*, www.curia.eu.

Hungary expressly excludes the possibility for third parties to make private copies on behalf of an individual. The French, the Dutch and the Spanish Copyright Acts apply the same solution. On the contrary, the German legislation allows third parties to make copies for the private use of another beneficiary. Finally, the Copyright Acts of countries such as Belgium do not specify whether the use of the private copy is limited to the person who made it or if copies made on behalf of other persons are covered as well (as long as the beneficiary meets the conditions of the exception).

Furthermore, the identification of the person making the copy in the context of the internet may differ from one country to the other, depending of the solutions provided by the case law. For example, in France, the service provider of an online video recorder is seen as the person making the copy. Indeed, in the case *Wizzgo*, the Court of Appeal in Paris denied the application of the exception for private copy because it found that the copy made – which could not benefit from the exception for temporary copies – was realized by the service provider and not by the final user:

“Considérant qu’il suit de ces éléments que la copie réalisée par la société Wizzgo ne répond pas à la définition ci-avant énoncée de la copie transitoire, qu’au surplus, la copie réalisée n’est pas destinée à l’usage du copiste mais à l’usage de l’utilisateur final ;

Que, par voie de conséquence, la société Wizzgo est mal fondée à se prévaloir tant de l’exception de copie transitoire que de l’exception de copie privée et ne saurait éluder les droits de propriété intellectuelle attachés aux programmes reproduits sans autorisation ;”

On the contrary, in Germany, the individual downloading the copy might be seen as the copy maker¹⁷¹. Belgium applies a similar solution as the Supreme Court ruled in the context of copy centres that the copy is made by the user who realizes the copy in the copy centre or by the person who gives the order to realize the copy, and not by the copy centre¹⁷².

80. **Private use.** According to IVIR, the exception provided by art. 5(2)(b) excludes any use going beyond domestic uses¹⁷³.

In Belgium, the exception applies either to copies made in the “family circle” (art. 22, §1, 5°) or “for private use exclusively” (art. 22, §1, 4°). In France, the copyright act stipulates that the private copies are reserved strictly for the private use of the copier. However, the scholarly literature considers that the exception should cover the family circle, so that that part of the exception was to be interpreted broadly¹⁷⁴.

In Spain, the copyright legislation states that the copy may not be used for collective or lucrative purposes¹⁷⁵.

The exception requires that the copy is meant for private use, mostly of a natural person¹⁷⁶.

The issue of the intended use was indirectly treated by the Court of Justice in *Padawan*. That case opposed SGAE, one of the bodies responsible for the collective management of intellectual property rights in Spain, to Padawan, a company selling CD-Rs, CD-RWs, DVD-Rs and MP3 players. SGAE claimed the payment of private copy levies for these devices, but Padawan refused to pay a part of the levies corresponding to the electronic devices sold to professionals, as Padawan considered that the private copy exception only benefits to individuals using the devices for a private purpose. The Court of Justice ruled that there is a necessary link between the application of the private copying levy to the digital reproduction equipment, devices and media and their use for private copying. According to the European judges, the indiscriminate application of the private copying levy to all types of digital reproduction equipment, devices and media, including in the case in which they are acquired by persons other than natural persons for purposes clearly unrelated to private copying, does not comply with Article 5(2) of the InfoSoc Directive¹⁷⁷.

¹⁷¹ A. LUCAS e.a., *op. cit.*, 363.

¹⁷² Cass. (B), 27 May 2005, www.juridat.be

¹⁷³ L. GUIBAULT e.a., *op. cit.*, 16.

¹⁷⁴ A. LUCAS e.a., *op. cit.*, 364.

¹⁷⁵ Art. 31.2 of the Spanish Copyright Act.

¹⁷⁶ Opinion of the Advocate General TRSTENJAK delivered on 11 May 2010, case C-467/08, *Padawan*.

¹⁷⁷ CJEU 21 October 2010, Case C-467/08, *Padawan v. SGAE*, par. 53.

In France, the *Conseil d'Etat* ruled that the storage devices acquired for professional use should be exempted from the remuneration for private copy¹⁷⁸. These decisions have been interpreted in the way that the private copy exception does not apply to legal or natural persons acting in a professional context¹⁷⁹. In several European countries (Finland, Sweden, Austria), the private copy remuneration does not apply in the context of the acquisition of devices by professional users for professional means, but this principle is not followed by all the Member States¹⁸⁰.

81. **Absence of (direct or indirect) commercial advantage.** In the *travaux préparatoires* to the Directive, the Commission explained that this condition clarifies the scope of the private use by providing that copying should be for "*ends that are neither directly or indirectly commercial*"¹⁸¹. This condition is relevant for many (online) services where an individual makes a copy using such services or a copy is made on her behalf by the service provider. These service providers are often commercial companies offering a service with commercial intent. From the point of view of the commercial service provider, any copy made for a customer has a commercial purpose, while the same copy can be intended for the mere private use of the customer. The question is then whether the intervention of such commercial intermediary excludes the application of the private use exceptions.

The user of an online "personal video recorder" (PVR) may decide which programmes she wants to record for later viewing, but it is the provider of the online PVR that actually records (copies) the broadcast and makes it available for later viewing by this customer. In an offline context such copy would in many cases be considered a copy for private use and exempted under the corresponding exception. In an online context, the service provider (online PVR provider but also some IPTV providers) that makes the copy mostly has a commercial objective.

In some Member States the exception can only apply when the person who technically makes the copy meets the conditions of the exception. Consequently, a commercial service provider that makes a copy on behalf of its customers (who may meet the exception's conditions) will not benefit from the exception because of the commercial advantage it may derive from it (e.g. the customer's subscription fee or the advertisement revenues). In other Member States, the intervention of a commercial entity does not impede the application of the exception as long as the end-user meets the conditions of the exception.

Another example are the copies kept in online storage services ("cyber lockers" or "cloud" services). Private individuals may use these services to store their private documents but also for professional purposes (as a virtual storage space comparable to a hard drive). Some Member States may exclude such use from the exception and consider that all reproductions made for professional purposes require the author's consent.

82. **Fair compensation.** The rationale behind private copy levies is to provide an indirect compensation to the rights holders for the loss of their reproduction right¹⁸². According to the Court of Justice, the notion and level of fair compensation are linked to the harm resulting for the author from the reproduction for private use of his protected work without his authorization¹⁸³. Where the right holder has already received a payment (e.g. licence fee), it may be that no additional payment is due (rec. 35 InfoSoc Dir). Many litigations at national level, as well as before the Court of Justice¹⁸⁴, are centred on the levies to be paid to the right holders. Many issues are still pending regarding this topic. This aspect of the exception for private copy will nevertheless not be examined in this Study.

83. **Source of the copy.** Several Member States (France, Spain, Denmark) impose an additional condition for the exception for private copy to apply, namely that the source from which the copy is made

¹⁷⁸ C.E. (fr.), 17 June 2011, <http://www.conseil-etat.fr/node.php?articleid=2363>

¹⁷⁹ V. CASSIERS, "La jurisprudence de la Cour de justice en matière de copie privée : bilan et perspectives", *Ing. Cons.*, 2013, 22.

¹⁸⁰ B. REMICHE and V. CASSIERS, "Arrêts Padawan et Thuiskopie : vers une harmonisation communautaire de la compensation équitable pour la copie privée?", *A&M*, 2011, 319.

¹⁸¹ Commission of the European Communities, *Opinion, pursuant to Article 251 (2) (c) of the EC Treaty, on the European Parliament's amendments to the Council's common position regarding the proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the harmonisation of certain aspects of copyright and related rights in the information society*, COM (2001) 170 final, Brussels, 29 March 2001, available at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2001:0170:FIN:EN:PDF>

¹⁸² T. SHAPIRO, *op. cit.*, 44.

¹⁸³ CJEU 21 October 2010, C-467/08, Padawan, par. 40.,

¹⁸⁴ CJEU 16 June 2011, C-462/09, *Stichting De Thuiskopie*; CJEU 11 July 2003, C-521/11, *Amazon v. Auto-Mechana*.

be legally accessed. In these legal systems, the exception may not apply if the copy originates from an illegal use of the work. In France for instance, the Supreme Court declared in 2006 that the exception for private copy requires that the source be lawful and that the copy does not harm the prerogatives of the right holders¹⁸⁵. This was confirmed by the Conseil d'Etat in a decision refusing a remuneration for copies made from unlawful sources:

« (...) la rémunération pour copie privée a pour unique objet de compenser, pour les auteurs, artistes-interprètes et producteurs, la perte de revenus engendrée par l'usage qui est fait licitement et sans leur autorisation de copies d'oeuvres fixées sur des phonogrammes ou des vidéogrammes à des fins strictement privées ; que par suite, contrairement à ce que soutient le ministre de la culture et de la communication, la détermination de la rémunération pour copie privée ne peut prendre en considération que les copies licites réalisées dans les conditions prévues par les articles L. 122-5 et L. 311-1 du code de la propriété intellectuelle précités, et notamment les copies réalisées à partir d'une source acquise licitement »¹⁸⁶.

In these countries, the permanent copies obtained from an illegal peer to peer website or the temporary copies made through the use of an illegal streaming website will fall under the exclusive right. In Germany, the exception is not applicable if the source of the copy is obviously illegal. In the UK, a copy unlawfully created constitutes an infringing copy¹⁸⁷.

In Belgium, art. 22 of the Copyright Act stipulates that the exception for private copy may only apply "once a work has been lawfully published". There are debates as to the scope of that requirement. The scholar literature is divided on whether the aim of that provision is to protect the moral right of disclosure of the author or whether it extends to the legality of the source of the copy itself¹⁸⁸. According to A. Strowel, that notion covers all the acts that enable a work to be made accessible to the public. Consequently, it should not allow the making of private copies through the use of unlawful sources via peer-to-peer networks¹⁸⁹. Other Member States (Hungary, Netherlands) do not require such condition. Their copyright legislation generally does not provide any guidance on the issue whether and how copies created from illegal sources can benefit from the exception. In these countries, the private copy of a work originating from an unlawful source, such as a peer to peer website, might be allowed¹⁹⁰. In the Netherlands, the Court of First Instance in Den Hague declared in 2008 that the making of a private copy from an unlawful source is illegal and may not benefit from that exception¹⁹¹. However, the Court of Appeal in Den Hague revised that decision in 2010 and decided that downloads originating from an unlawful source should be allowed¹⁹². The interpretation provided by the Court is based on an analysis of the position adopted by the Dutch Government during the legislative process implementing art. 5.2.b of the InfoSoc Directive. The case went then to the Dutch Supreme Court, which referred a prejudicial question to the Court of Justice¹⁹³. The Court has to answer whether the exception for private copy applies regardless of whether the copies of the works from which the reproductions were taken became available to the natural person concerned lawfully - that is to say: without infringing the copyright of the right holders - or whether that limitation applies only to reproductions taken from works which have become available to the person concerned without infringement of copyright. Meanwhile, the Advocate General has delivered his opinion and concluded that article 5.2 should be interpreted as meaning that the private copying exception only applies to reproductions made from legitimate sources¹⁹⁴. The Advocate-General also argued that the Member States have no margin to decide on this point differently and are not allowed to impose a levy on other copies than those from legitimate sources.

¹⁸⁵ Cass. (fr), 30 mai 2006, www.juriscom.net.

¹⁸⁶ C.E. (fr), 11 juillet 2008, www.legalis.net.

¹⁸⁷ L. GUIBAULT e.a., *op. cit.*, 20.

¹⁸⁸ See M-C JANSSENS, *op. cit.*, 136; Opinion delivered by the Belgian Office de la Propriété Intellectuelle on 10 July 2003, 14 p.,

¹⁸⁹ A. STROWEL, "Peut-on tenir compte des copies faites à partir de sources illicites pour déterminer le montant des redevances?", *A&M*, 2009, 62.

¹⁹⁰ J.H. SPOOR, D.W.F. VERKADE and D.J.G. VISSER, *Auteursrecht*, 3rd ed., Kluwer, 2005, 272.

¹⁹¹ Rechtbank 's-Gravenhage, 25 June 2008, *IER*, 2008, 269-274.

¹⁹² Gerechtshof 's-Gravenhage, 15 November 2010, *ACI/De Thuiskopie*, *IER*, 2011, 27 ; confirmed by Gerechtshof 's-Gravenhage, 15 November 2010, *FTD/Eyework*, *IER*, 2011, 174.

¹⁹³ H.R., 21 September 2012, *IER*, 2013, 14.

¹⁹⁴ Opinion of the Advocate General CRUZ VILLALON delivered on 9 January 2014, C-435/12, *ACI ADAM v. Stichting de Thuiskopie*, n° 79.

The issue of the origin of the copy has also been referred to the Court of Justice by an Austrian Court¹⁹⁵. The dispute pending in Austria before the referring judges concerns the availability of protected films via internet. That prejudicial issue results from a litigation introduced by a German film production and film distribution company holding the rights in various films, seeking for an interim injunction against an Austrian internet access provider providing access to the website kino.to where the films owned by the German company are made illicitly available. The second question referred is whether a reproduction for private use (Article 5(2)(b) of the Information Directive) and transient and incidental reproduction (Article 5(1) of the Information Directive) are permissible only if the original of the reproduction was lawfully reproduced, distributed or made available to the public. The CJEU declined to answer this question, considering that this was not necessary after its answer to the first question¹⁹⁶.

In Hungary, it is a debate whether the *nemo plus iuris* principle applies to these cases (under which “one cannot transfer to another a right which he has not”, that is if the source material is infringing, the reproduction shall not become lawful, even if the user was acting in good faith) or another maxim, under which only those acts are infringing that are directly prohibited by the statute.

The problem of the origin of the copy is an important issue as it has an impact on the application of the exception for private copy to the reproductions made through the use of peer to peer networks or for copies downloaded from a well-known illegal website.

84. **Conclusion.** Due to these uncertainties, several scholars call for a review of the exception on private copying as laid down in the InfoSoc Directive¹⁹⁷. The present Study will indeed demonstrate that the disparities between the European copyright laws regarding the exception for private copy may have an impact on the application of the making available right and, consequently, on the development of cross-border online services.

¹⁹⁵ Reference for a preliminary ruling from the Oberster Gerichtshof (Austria) lodged on 29 June 2012, *UPC Telekabel Wien GmbH v Constantin Film Verleih GmbH, Munich (Germany), Wega Filmproduktionsgesellschaft mbH*, C-314/12.

¹⁹⁶ CJEU, *Kino.to*, par. 41.

¹⁹⁷ A. LUCAS e.a., *op. cit.*, 367 ; P. SIRINELLI, “Chronique de jurisprudence”, *RIDA*, 2009/1, 237.

II. The exclusive rights in US and Canadian law

85. The purpose of this section is to describe in broad lines how the American and the Canadian copyright legislations treat online transmissions of protected works, as it was asked in the Terms of reference. Our ambition is not to give a complete comparative study but to find inspiration in these two legal systems for some of the issues encountered in the EU copyright order. Consequently we will focus on the issues with direct relevance for our purposes, rather than digging into controversies that are not pressing in the EU legal framework.

A. US copyright law

86. The American copyright law provides a list of exclusive rights in section 106¹⁹⁸: the rights to **reproduce** the copyrighted work in copies or phonorecords, to **prepare derivative works** based upon the copyrighted work, to **distribute copies or phonorecords** of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending, in some cases¹⁹⁹ to **perform** the copyrighted work **publicly**, in some cases to **display** the copyrighted work **publicly**²⁰⁰ and, in the case of sound recordings, to **perform** the copyrighted work **publicly** by means of a digital audio transmission.

In this chapter we will examine how the right of making available to the public (art. 8 WCT) has been implemented in US copyright, how the reproduction right is understood and how the relation between both is construed in the light of online forms of exploitation (making available, streaming or for download).

1. Making available – distribution right, performance right

87. The right of making available to the public, as provided in the WCT and WPPT, is not included *verbatim* in the US Copyright Law. During the negotiations it was clear for the US administration that interactive forms of exploitation (e.g. via the Internet) were already protected under American law. After the adoption of the WIPO Treaties the substance of the copyright rights and exceptions was not changed to accommodate the making available right²⁰¹.

The relevant rights that could be relied upon to cover acts of making a work available to the public, in the sense of the WCT and WPPT, are the rights of distribution (§ 106(3)) and public performance (§106(4)).

a) Distribution right

88. The **distribution right** is not defined in the US copyright law but it is clear that it covers the distribution of tangible copies or phonorecords, e.g. by sale or other transfer of ownership.

It was decided that the distribution right does not only apply to copies incorporated in a tangible support or physical copies but also to **digital files**. In a case on peer-to-peer file sharing, it was argued that the distribution right can only apply to material copies, based on the circumstance that the person who transfers the file does not lose possession of her copy²⁰². The court did not agree with this interpretation: it is decisive that that the recipient acquires a material object, not whether the file changes hand²⁰³.

¹⁹⁸ 17 USC §106, accessible via <http://www.copyright.gov/title17/92chap1.html#106>.

¹⁹⁹ For literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works.

²⁰⁰ In the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work.

²⁰¹ D. CARSON, "Making the making available right available". 22nd Annual Horace S. Manges Lecture, February 2009, Colum. J.L. & Arts, 33, 135-162.

²⁰² *London Sire Records v Does* 542 F. Supp. 2d 153 (D. Mass. 2008) cited in J.C. GINSBURG, "Recent developments in US Copyright law – part II, Caselaw: Exclusive rights on the Ebb?", *RIDA* January 2009, electronic copy available at <http://ssrn.com/abstract=1305270> (hereafter, 18: GINSBURG, "Exclusive rights on the Ebb?").

²⁰³ J. C. GINSBURG, "Copyright 1992-2012: The Most Significant Development (February 15, 2013)". Forthcoming, *Fordham Intellectual Property, Media & Entertainment Law Journal*, Vol. 23, No. 2013; Columbia Public Law Research Paper No. 13-329.

GINSBURG points out that this also appears from the provisions on compulsory licences for making and distributing phonorecords, in which it is considered that distribution may occur by means of “digital phonorecord delivery”²⁰⁴ (s. 115 USCA)²⁰⁵. It was known at the time this provision was adopted that new copies are created when works are transmitted digitally and still it was considered that such digital phonorecord delivery was equated to distribution, therefore it can be derived that it is not necessary for the distributor to be dispossessed of her copy that is transferred to the recipient.

89. It seems that under American copyright law a controversy remains on whether the distribution right extends its protection to the availability of a work for transmission, i.e. **making it available to the public**²⁰⁶. There are reasons to argue that the distribution right only applies when a digital file is actually transmitted and received in a destination computer. In this reasoning, it is consequently not sufficient that a work is merely offered for transmission to establish a protected act.

So far the courts have not brought any certainty yet. According to GINSBURG, there are decisions of appellate courts in favour of including the merely making available for download in the distribution right but these decisions do not furnish strong authority²⁰⁷. The first level courts that have ruled on the issue have issued diverging decisions and have not come to a consistent approach²⁰⁸. Some authors advocate that the distribution right is sufficiently broad to protect acts of making available to the public, without having to prove that an actual transfer has taken place²⁰⁹. However, the controversy seems to continue among copyright scholars, who do not agree on the scope of the distribution right²¹⁰. The current Copyright Register lists the scope of the distribution right among the major issues to be considered in a copyright reform in the US²¹¹.

Since this controversy has limited relevance for our purposes, we will not analyse this issue any further.

90. **Downloads.** The download of a (more or less permanent) copy of a work is considered a digital distribution of a copy. Such download can result from peer-to-peer file sharing²¹² or from a commercial service. Where a service provider offers to users copies of works (including recordings) through “download transmittals”, the question arises whether such download is a distribution or a public performance of the work. It seems an accepted practice to qualify downloads as a distribution of copies. The Second Circuit Court decided in *RealNetworks and Yahoo!* that a download of such work is not a

Available at SSRN: <http://ssrn.com/abstract=2218764> or <http://dx.doi.org/10.2139/ssrn.2218764> (hereafter: GINSBURG, Copyright 1992-2012”).

²⁰⁴ This notion is defined as “each individual delivery of a phonorecord by digital transmission of a sound recording which results in a specifically identifiable reproduction by or for any transmission recipient of a phonorecord of that sound recording, regardless of whether the digital transmission is also a public performance of the sound recording or any nondramatic musical work embodied therein. A digital phonorecord delivery does not result from a real-time, non-interactive subscription transmission of a sound recording where no reproduction of the sound recording or the musical work embodied therein is made from the inception of the transmission through to its receipt by the transmission recipient in order to make the sound recording audible” (s. 115(d) USCA).

²⁰⁵ J.C. GINSBURG, “Recent developments in US Copyright law – part II, Caselaw : Exclusive rights on the Ebb?”, *RIDA* January 2009, electronic copy available at <http://ssrn.com/abstract=1305270> (hereafter : GINSBURG, “Exclusive rights on the Ebb?”).

²⁰⁶ (Zimmerman 2011)(Zimmerman 2012), D. CARSON, “ Making the making available right available”, 22nd annual Horace S. Manges lecture, February 3, 2009, *Columbia Journal of Law & the Arts*, Winter 2010, 135-162, GINSBURG, “Exclusive rights on the Ebb?” 20, P.S. MENELL, “In search of copyright’s lost ark: interpreting the right to distribute in the Internet age”, *J. Copyright Sc’y U.S.A.*, 2011, 59, 19 (hereafter: MENELL, “In search of copyright’s lost ark”), D. STERK, “P2P File-Sharing and the Making Available War”, *Nw. J. Tech. & Intell. Prop.* 2011, 9, 495-512, available at <http://scholarlycommons.law.northwestern.edu/njtip/vol9/iss7/7>.

²⁰⁷ GINSBURG, “Exclusive rights on the Ebb?”, 21. See also CARSON, “ Making the making available right available”, 152 et s.

²⁰⁸ GINSBURG, “Exclusive rights on the Ebb?”, 21 and GINSBURG, “Copyright 1992-2012”, 475.

²⁰⁹ In this sense : CARSON, “ Making the making available right available”, 156-157. Carson argues that the distribution right extends to the making available of a work for distribution. He analyses the legal history of the WIPO Internet Treaties, for which the USA have argued that the making available of a work to the public was actually protected under the distribution right, based on existing case law. He then examines s. 106 of the Copyright Act. He discusses a number of cases that are in some way similar to the question of making available to the public (including the case of “deemed distribution” and the notion of “publication”). Finally he argues that existing international obligations impose an interpretation in the sense that the mere making available to the public is indeed an act protected under American copyright (distribution right). In this sense also: MENELL, “In search of copyright’s lost ark”, 67 who comes to this conclusion based on an extensive analysis of the legislative history of the distribution right.

²¹⁰ MENELL, “In search of copyright’s lost ark”, 20-30. According to Menell, none of the quoted scholars (Nimmer, Goldstein, Patry, have however performed a profound analysis of the distribution right, since they do not trace the origins of the distribution right, overlook the legislative history or quote unpersuasive cases.

²¹¹ M.A. PALLANTE, “The next great copyright act”, *Columbia Journal of Law & the Arts* Spring 2013, 315-344, 324.

²¹² *London Sire Records v Does*.

public performance (*infra*)²¹³. A download was described as “*the transmission of an electronic file containing a digital copy of a musical work that is sent from an on-line server to a local hard drive (...) With a download the song is not audible to the user during the transfer (...). Only after the file has been saved on the user’s hard drive can he listen to the song by playing it using a software program on his local computer*”. The first instance court had stated the principle that a download of a work constitutes a reproduction of a work, the downloading and uploading of works via a peer-to-peer network entailing acts of reproduction and distribution of the copyrighted material²¹⁴. The Court of appeal noted that the parties did not dispute that downloads create copies of the musical works and that copyright owners must be compensated for this.

91. **First sale.** The distribution right in US copyright law is limited by the so-called “first sale” doctrine, comparable to the exhaustion principle in the EU (cf. Study on territoriality and the making available right). The US Copyright Act states that “*the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord*” (s. 109). This means that a person who has purchased a music record, such as a CD, is free to give her copy to a friend or to resell it to any other person. The friend or the second buyer will then be the owners of the CD. This resale is an act of distribution but on the basis of the first sale doctrine the consent of the copyright owner is not required, provided that the copy thus transferred has been “lawfully made”.

While this doctrine is commonly applied to the distribution and re-distribution of copyright works in a tangible form, the question arises whether such is also the case for the distribution and redistribution of digital files. If it is accepted that the offer for download and the subsequent download of a copyright work should be qualified as an act of distribution, then it could be argued that the downloader (acquirer of the copy) can resell the copy without the copyright owner’s prior consent.

A first instance court in New York did not follow this point of view in a case ReDigi²¹⁵. ReDigi was an “online market place for digital used music”: its users could sell the digital music files they legally purchased but no longer wanted to other users and buy music for a lower price than “new” files sold at iTunes. ReDigi’s users installed software that verified the source of the music on the user’s computer (iTunes or other ReDigi users) and uploaded the eligible files to a ReDigi server for sale to other users. In principle, the reseller no longer has access to her file once it is sold to another user. The issue before the Court was whether the user could resell her digital music under the first sale doctrine. The Court answered in the negative. In this case the court found a sale on ReDigi’s website, hence there was an act of distribution of the protected works. However, this sale could not be saved by the first sale defence. It was established that, in the operation of ReDigi’s service, a new copy (reproduction) of the work was made when the music file is transferred from the user’s computer to ReDigi’s servers (even if the user does not keep a copy), a new copy that was considered a “reproduction” for which the author’s consent was required. Since the first sale doctrine can only apply with regard to “lawful copies” and the “unlawful reproductions” sold on ReDigi’s website were not “lawfully made”, the copyright owner’s consent could not be disposed of. Moreover, the court held that the first sale doctrine could only restrict the right holder’s control over the sale of one particular copy by the owner of that copy. In ReDigi’s service, the user held one copy (since she downloaded it from iTunes to her hard disk) but she made another copy when she uploaded it to ReDigi’s servers: this is not the same particular copy as the one downloaded. The conclusion is that the first sale defence is “*limited to material items, like records, that the copyright owner put into the stream of commerce*”²¹⁶.

²¹³ US Court of appeals for the second circuit, 28 September 2010, Nos. 09-0539-cv, 09-0542-cv, 09-0666, 09-0692, 09-1572-cv, USA v American Society of Composers, Authors and Publishers (ASCAP) re Realnetworks, Yahoo!, available at http://www.ca2.uscourts.gov/decisions/isysquery/d1c661e8-1b1e-431a-ad6e-404881261788/13/doc/09-0539-cv_opn.pdf#xml=http://www.ca2.uscourts.gov/decisions/isysquery/d1c661e8-1b1e-431a-ad6e-404881261788/13/hilite/ (hereafter RealNetworks and Yahoo!).

²¹⁴ District Court Southern district of New York, 25 April 2007, USA v ASCAP, in the matter of Realnetworks and Yahoo !, No. 41-1395, 485 F. Supp. 2d ASCAP (SDNY 2007), citing i.a. the decisions A&M Records Inc. v Napster Inc, 239 F.3d 1004, 1014 (9th Cir. 2001), Maverick Recording Co v Soldshteyn, No. CV-05-4523, 2006 US Dist. Lexis 52422 and London-Sire Records v Armstrong No. 05cf1771, 2006 US Dist. Lexis 60458.

²¹⁵ US District Court Southern District of New York, 30 March 2013, No. 12 Civ. 95 (RJS), Capitol Records v ReDigi, available at <http://ia600800.us.archive.org/30/items/gov.uscourts.nysd.390216/gov.uscourts.nysd.390216.109.0.pdf> (hereafter ReDigi).

²¹⁶ ReDigi, p. 12.

According to the current Copyright Register, Maria PALLANTE, the doctrine of first sale should be reviewed by Congress²¹⁷. On the one hand, it may consider that the copyright owner should control all copies in the digital market place, taking into account that “second hand” copies are perfect copies and that the transactions with regard to such digital copies are now qualified rather as licences than as sales. On the other hand, it may find that the first sale doctrine still has a role to play in a digital world, that technology can assist in verifying whether the first owner/seller does not keep her copy and that attention should be paid to the outright ownership of digital files (not everything should be licensed).

b) Public performance and display rights

92. The copyright owner has the exclusive right of public performance with regard to specific copyright works and sound recordings. The public performances or displays can either occur in a public place or by transmission. Section 101 of the US Copyright Act defines the latter act of **performing or displaying a work publicly** as “(...) (2) to **transmit** or otherwise **communicate** a performance or display of the work (...) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times”. The **public performance** right could cover forms of “interactive streaming”, qualified as “making available” under the WIPO Treaties²¹⁸.

The US Copyright Act also contains a digital public performance right of sound recordings by means of a digital audio transmission (s. 106(6) USCA), subject to a mandatory licence for webcasting and other non-interactive services (*infra*)²¹⁹.

93. **Private or public performance.** Similarly to the European right of communication to the public, a performance is protected under American copyright when it is addressed to a public. While the existence of a “public” was not so difficult to establish for terrestrial or satellite broadcasting technologies, this is different in an interactive world where transmissions are technically based on individual requests and users of media services can choose when and where to access protected content (e.g. television programmes). Where a work is thus transmitted to one individual, it could be argued that there is no public and therefore no public performance (but a private performance instead).

The Second Circuit Court ruled on this issue in a case “*Cablevision*” on remote personal video recorders (over the cable network)²²⁰. *Cablevision* allowed its customers to record cable programmes, which were stored in individualised spaces, and watch these at a later moment. The issue was whether such service constituted a public performance. The Court decided that this was not the case where the transmission of a programme is technically based on one copy made by the customer (not the service provider) and it occurs, on the demand of the customer, only to the person or to people within her personal circle²²¹. The particular transmission of a performance could only be received by the customer and her close circle, not a “public”. The audience of this particular transmission mattered, not the potential audience of the work.

A first instance court applied the teaching of *Cablevision* to “cyber lockers”²²². MP3tunes allowed users to upload their music to a personal space and to discover new music via a connected service *sideload.com*. With regard to the public performance right, the court found that there had been no infringement, since the service retained unique copies of the music files. Even though it used a deduplication technique

²¹⁷ M.A. PALLANTE, “The next great copyright act”, *Columbia Journal of Law & the Arts* Spring 2013, 315-344, 332.

²¹⁸ CARSON, “ Making the making available right available”, 151.

²¹⁹ GINSBURG, “Copyright 1992-2012”, 477.

²²⁰ US Court of Appeals, 2nd Circuit, 4 August 2008, *Cartoon Network LP v. CSC Holdings, Inc.*, 536 F.3d 121, 131-133as cited in GINSBURG, “Exclusive rights on the Ebb?”.

²²¹ Critical : GINSBURG, “Exclusive rights on the Ebb?”, 26; C. BODNER, “Master Copies, Unique Copies and Volitional Conduct: Cartoon Network’s Implications for the Liability of Cyber Lockers”, *Columbia Journal of law and the arts* 2013, 36/3, 491-525, available at <http://www.lawandarts.org/articles/master-copies-unique-copies-and-volitional-conduct-cartoon-networks-implications-for-the-liability-of-cyber-lockers/>.

²²² US District Court for the Southern District of New York 22 August 2011, *Capitol Records, Inc. v. MP3tunes, LLC*, 07 Civ. 9931 available at <http://www.nysd.uscourts.gov/cases/show.php?db=special&id=125>. See A. CROCKER, “Capitol Records Inc. v. MP3tunes LLC, District Court Rules that DMCA Safe Harbors Apply to Cloud-Storage Music Locker Service Liable for Indirect Infringement”, *JOLT Digest* 29 August 2011, available at <http://jolt.law.harvard.edu/digest/copyright/capitol-records-inc-v-mp3tunes-llc>; BODNER, “Master Copies, Unique Copies and Volitional Conduct”, 508.

(which allows storage economies), the court found there was no master copy at the basis of the transmissions.

The *Cablevision* ruling was followed in a case named *Aereo*²²³. *Aereo* offered a web service allowing its users watch TV broadcasts in real time or to record and watch these programs later. The service was organised in such a way that there was an individually assigned antenna per user and storage of individual copies of the programs on a remote hard drive. The Second Circuit Court refused the broadcasters' motion for a preliminary injunction, on the grounds that it was unlikely that there was an infringement of the public performance right following *Cablevision*. It was considered that the transmission from an individual copy per user to that user was not a transmission to the "public"²²⁴. The broadcasters have lodged an appeal before the Supreme Court²²⁵. Meanwhile, a similar service named FilmOnX was brought before a different court. These proceedings led to a different outcome and the Court imposed an injunction (by the District Court of Columbia) against FilmOnX's services across the entire US except for the Second Circuit, where the ruling of the Second Circuit Court prevails. FilmOnX has appealed the case before the Court of Appeal of the 9th Circuit.

The distinction between transmissions based on master copy/unique copy decides whether a transmission is qualified as a public or a private one. This interpretation opens the door, according to GINSBURG, for copyright avoiding businesses, which may design the technical architecture of their services as to have customers make individual copies for later individual transmission, rather than providing a central copy as the basis for transmissions to each member of the public²²⁶. A US government branch has also warned that "congressional action" may be needed, should the judicial decisions undermine a "meaningful" public performance right²²⁷.

94. **Downloads.** If the public performance right protects the transmission of a performance of the work to the public by any means (device or process), then arguably the transmission for download could also be a public performance. In one case a federal court decided that this is not so²²⁸: where a download does not allow the performances to be perceived *contemporaneously*, there is no performance to the public. The performance of a work required "simultaneous" or "contemporaneous" perceptibility. Instead, where a work is downloaded and the downloader listens to it in her private circle, there is no public performance but a private performance instead²²⁹. It was not excluded that the works are perceptible during the download process and therefore qualify as public performances, but this was not the case in ASCAP's *RealNetworks Yahoo!* case²³⁰.

²²³ US Court of Appeals for the Second Circuit 1 April 2013, 2-2786-cv, 12-2807-cv, Wnet, Thirteen, Fox Television Stations, Inc., Twentieth Century Fox Film Corporation, Wpix, Inc., Univision Television Group, Inc., The Univision Network Limited Partnership, And Public Broadcasting Service v *Aereo*, Inc., F/K/A Bamboom Labs, Inc., accessible via http://www.ca2.uscourts.gov/decisions/isysquery/c5ae16d1-5211-4c66-a4d5-1c0c1bd1efda/1/doc/12-2786_12-2807_complete_opn.pdf (hereafter *Aereo*). See N. KIM, "Second Circuit affirms streaming broadcast not copyright infringement", JOLT Digest, 10 April 2013, available at <http://jolt.law.harvard.edu/digest/copyright/second-circuit-affirms-streaming-broadcast-tv-not-copyright-infringement>.

Another decision in this sense was issued recently: US District court of Massachusetts 8 October 2013, Hearst Stations Inc. WCVB-TV v. *Aereo*, Civil Action No. 13-11649-NMG available at <http://ia600905.us.archive.org/11/items/gov.uscourts.mad.152865/gov.uscourts.mad.152865.72.0.pdf>, via M. VAN DER HEIDE, "Another court victory for TV streaming service *Aereo*", *Future of copyright*, 11 October 2013, available at http://www.futureofcopyright.com/home/blog-post/2013/10/11/another-court-victory-for-tv-streaming-service-aereo.html?no_cache=1&cHash=c5e9e00522d5d5b5a1604bbe3fa53e62.

²²⁴ Critical: J.C. GINSBURG, "*WNET v. Aereo*: The Second Circuit Persists in Poor (Cable)Vision", *The Media Institute* 23 April 2013, available at <http://www.mediainstitute.org/IPI/2013/042313.php>.

²²⁵ S. HOLMES & B. ALLGROVE, "Streaming / retransmission: the latest case law", *Lexology* 5 December 2013.

²²⁶ GINSBURG, "Copyright 1992-2012", 477. In this sense also: BODNER, "Master Copies, Unique Copies and Volitional Conduct", 514.

²²⁷ US Department of Commerce, Internet Policy Task Force, Green Paper "Copyright policy, creativity, and innovation in the digital economy", July 2013, <http://www.uspto.gov/news/publications/copyrightgreenpaper.pdf> (hereafter Department of Commerce, "Copyright policy, creativity, and innovation in the digital economy").

²²⁸ US Court of appeals for the second circuit, 28 September 2010, Nos. 09-0539-cv, 09-0542-cv, 09-0666, 09-0692, 09-1572-cv, USA v American Society of Composers, Authors and Publishers (ASCAP) re *Realnetworks, Yahoo!*, available at http://www.ca2.uscourts.gov/decisions/isysquery/d1c661e8-1b1e-431a-ad6e-404881261788/13/doc/09-0539-cv_opn.pdf#xml=http://www.ca2.uscourts.gov/decisions/isysquery/d1c661e8-1b1e-431a-ad6e-404881261788/13/hilite/ (hereafter *RealNetworks and Yahoo!*).

²²⁹ GINSBURG, "Copyright 1992-2012", 476.

²³⁰ GINSBURG, "Copyright 1992-2012", 476.

In this case, internet companies Yahoo! and Realnetworks offered services to their customers that involved the performance of recorded music works, but also downloads of such music. A download was defined as a “transmission of an electronic file containing a digital copy of a musical work that is sent from an online server to a local hard drive”. It was noted that with a download, the song is not audible to the user during the transfer and that she can listen to it only after the file has been saved on her hard drive by playing it using software on her local computer. The Court considered that the “performance” of a musical work entails contemporaneous perceptibility (i.e. the performance and the perception of the performance take place at the same time), based on the language of the statute (s. 101). The Court found that downloads of songs are not “*musical performances that are contemporaneously perceived by the listener. They are simply transfers of electronic files containing digital copies from an on-line server to a local hard drive. The downloaded songs are not performed in any perceptible manner during the transfers; the user must take some further action to play the songs after they are downloaded. Because the electronic download itself involves no recitation, rendering, or playing of the musical work encoded in the digital transmission, we hold that such a download is not a performance of that work, as defined by § 101*” (RealNetwork and Yahoo!, p. 16). A stream is a performance: it is an “*electronic transmission that renders the musical work audible as it is received by the client-computer’s temporary memory. This transmission, like a television or radio broadcast, is a performance because there is a playing of the song that is perceived simultaneously with the transmission*”²³¹.

2. Reproduction right

95. The owner of copyright has the exclusive right to “*reproduce the copyrighted work in copies or phonorecords*” (§ 106(1)).

Some of the terms are defined in section 101. “Copies” are understood as “*material objects, other than phonorecords, in which a work is fixed by any method now known or later developed, and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. The term “copies” includes the material object, other than a phonorecord, in which the work is first fixed*”. It is further specified that a work is “fixed” in a tangible medium of expression “*when its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration. A work consisting of sounds, images, or both, that are being transmitted, is “fixed” for purposes of this title if a fixation of the work is being made simultaneously with its transmission*”.

Phonorecords, on the other hand, are “*material objects in which sounds, other than those accompanying a motion picture or other audiovisual work, are fixed by any method now known or later developed, and from which the sounds can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. The term “phonorecords” includes the material object in which the sounds are first fixed*”.

96. **Download.** A copy can exist in the form of a tangible, material object or as a digital file, as long as there is a fixation in the sense that the work is embodied in a copy or a phonorecord that permits the work to be perceived (either directly or by means of a device), to be reproduced or to be further communicated for a period of more than transitory duration²³².

The download of a protected work, e.g. via peer-to-peer networks, entails a distribution of copies (reproduction) of the work²³³. When a user of a peer-to-peer network downloads a song, the digital file (a digital sequence representing the sound recording) is encoded on her hard disk and it can be used to reproduce the sound recording, consequently the electronic file (or the segment of the hard disk where it is stored) is a “phonorecord”²³⁴. It can be derived that such stable copies, e.g. on a hard drive, are considered “copies” under US copyright law.

²³¹ RealNetwork and Yahoo!, p. 18.

²³² GINSBURG, “Recent developments in US Copyright law”, 6.

²³³ *London Sire Records v Does*, 542 F. Supp. 2d 153 (D. Mass. 2008) as cited in GINSBURG, “Recent developments in US Copyright law”, 6-7.

²³⁴ *London Sire Records v Does*, 542 F. Supp. 2d 153 (D. Mass. 2008) cited in GINSBURG, “Exclusive rights on the Ebb?”, 6-7.

97. **Transient copies.** As in Europe, the position of temporary technical copies was not clear under US law. While this issue was addressed in the Information Society Directive by an exception for temporary acts of reproduction (art. 5(1)), there is still discussion in the US whether such copies (such as RAM copies) are in fact “copies” in which a work is “fixed” and thus protected under the reproduction right. There are exceptions for ephemeral copies in the context of broadcasts (section 112), the use of computer programs (s. 117), transitory digital network communication and system caching (s. 512). Some temporary copies may qualify as fair use²³⁵. The uncertainty on temporary copies of works has however persisted in some respects²³⁶.

While permanent downloads of works are considered “copies”, there is less certainty about less stable copies, such as RAM copies. Some copies may be kept for a fairly long time, others are sure to last for seconds only. The question is then whether such copies are “sufficiently permanent” or “stable” to permit the work to be perceived, reproduced or communicated for a period of “more than transitory duration”. It was held that reproductions in a computer’s buffer, lasting for 1,2 seconds, were not “copies”, since they were not sufficiently “fixed”²³⁷. GINSBURG reports however that this decision may be in some tension with decisions from other Circuits and a study of the US Copyright Office²³⁸. There is no guidance on how long a copy should last before it is an embodiment lasting for a more than transitory duration. Some uncertainty remains on the copyright status of transient copies.

The current Copyright Register acknowledges that the reproduction right has been useful in infringement proceedings, where other exclusive rights showed lacunae in the protection against “illegal” peer-to-peer file sharing and “illegal” streaming²³⁹. A new statutory exception could provide legal certainty for certain temporary copies²⁴⁰.

98. **Maker of the copy. Volition.** In principle, the person who makes a copy is responsible for acquiring the right holder’s consent and if such consent is lacking she infringes the reproduction right. In some circumstances there may be uncertainty on who bears responsibility for a copy, in particular when one person orders a copy and another person executes the order (e.g. copy centre, online file hosting, distant personal video recorders).

In *Cartoon Network*, it was held that the reproduction was not made by Cablevision, a cable operator that offered its subscribers the possibility of storing television programmes on its infrastructure (in a reserved section per subscriber) for later viewing, but by the subscriber who used this option. It was decided that Cablevision carried out the copying and the storage of the programmes requested by the subscriber and since these actions were automated they did not have the “volitional character”, typical for the person who makes a copy²⁴¹.

GINSBURG criticises the 2nd Circuit’s decision in this respect, reminding that the notion of “volitional conduct” has its origin in a case on the simple transmission of works by a “mere conduit” online service provider²⁴² and making the analogy to a (analogue) document delivery service, which would be held liable for the copies thus delivered²⁴³.

²³⁵ US Department of Commerce, “Copyright policy, creativity, and innovation in the digital economy”, 13.

²³⁶ PALLANTE, “The next great copyright act”, 326.

²³⁷ *Cartoon Network v CSC Holdings*, 536 F.3d 121 (2d Cir. 2008) cited in GINSBURG, “Exclusive rights on the Ebb?”, 7.

²³⁸ GINSBURG, “Exclusive rights on the Ebb?”, 7. Ginsburg is critical of the decision as well, arguing that it is not the embodiment of the work that should last for a more than transitory period, but the work as it is perceived from the embodiment. She argues that an economic approach could offer guidance. Transient copies are often ancillary to the exercise of other exclusive rights (public performance, transmission for downloading). They could be seen as “reproductions” where they have value or “economic significance”, are not subsumed within the public performance right or the reproduction right and compromise the exercise of these exclusive rights. See GINSBURG, “Exclusive rights on the Ebb?”, 13.

²³⁹ PALLANTE, “The next great copyright act”, 325.

²⁴⁰ PALLANTE, “The next great copyright act”, 326; US Department of Commerce, “Copyright policy, creativity, and innovation in the digital economy”, 13.

²⁴¹ *Cartoon Network v CSC Holdings*, 536 F.3d 121 (2d Cir. 2008) cited in GINSBURG, “Exclusive rights on the Ebb?”, 14.

²⁴² *Religious Technology Center v Netcom On-Line Communications Services*, 907 F.Supp. 1361 (N.D. Cal. 1995) cited in GINSBURG, “Exclusive rights on the Ebb?”, 15.

²⁴³ GINSBURG, “Exclusive rights on the Ebb?”, 15. See also BODNER, “Master Copies, Unique Copies and Volitional Conduct” 507-, 515 et s.

B. Canadian copyright law

99. The Canadian Copyright Act²⁴⁴ determines the author's rights in section 3(1) CCA. It is provided that "copyright" in works means "*the sole right to produce or reproduce the work or any substantial part thereof in any material form whatever, to perform the work or any substantial part thereof in public or, if the work is unpublished, to publish the work or any substantial part thereof, and includes the sole right (...) (f) in the case of any literary, dramatic, musical or artistic work, to communicate the work to the public by telecommunication (...) and to authorize any such acts*". The notion of "telecommunication" covers "*any transmission of signs, signals, writing, images or sounds or intelligence of any nature by wire, radio, visual, optical or other electromagnetic system*" (s. 2 CCA).

The Copyright Modernisation Act²⁴⁵ introduced a new provision into the Copyright Act (s. 2.4(1.1) CCA)²⁴⁶: "*for the purposes of this Act, communication of a work or other subject-matter to the public by telecommunication includes making it available to the public by telecommunication in a way that allows a member of the public to have access to it from a place and at a time individually chosen by that member of the public*". By this section, the making available right in the WIPO Treaties is implemented in Canadian law. In order to enforce the "making available" right, a collecting society must file a tariff (a licence proposal) with the Copyright Board of Canada for certification²⁴⁷.

1. Performance and communication to the public

100. Prior to the adoption of the Copyright Modernisation Act, the Canadian Supreme Court decided in July 2012 a number of copyright cases (dubbed the copyright pentalogy²⁴⁸) on key issues and set copyright protection in a certain direction, "*away from an owner maximalist orientation and in favour of "users"*²⁴⁹. It established a classification of the exclusive rights that proved quite controversial (at least with regard to the qualification of downloads).

The streaming of a work on a user's demand is qualified as a communication to the public. The Supreme Court of Canada ruled in this sense in a case *Rogers v SOCAN*²⁵⁰. The Society of Composers, Authors and Music Publishers of Canada (SOCAN) is a collecting society that proposes tariffs for various kinds of uses of copyright works (protected under the performing rights), certified by the Copyright Board of Canada. It was decided that SOCAN is entitled to require a licence for the streaming of a song, since the streaming of a work on demand by a user is considered a communication to the public. It matters not that it is operated by a point-to-point communication (one sender, one recipient), when the works are made available on demand of anyone with internet access. Such "pull" technologies can also be considered communications to the public, similarly to other "push" technologies (e.g. broadcasting).

The same position was taken in *ESA v SOCAN*²⁵¹ (*infra*), where the Supreme Court stated that the communication rights were connected to the "performance" of the work and that communication cannot be extended to those transmissions where the end-users receive a permanent copy of the work (without

²⁴⁴ Copyright Act, R.S.C. 1985, c. C-42, available at <http://laws-lois.justice.gc.ca/eng/acts/C-42/>.

²⁴⁵ Bill C-11.

²⁴⁶ It seems that, prior to this amendment, it was unresolved whether the making available right was part of the communication right. See G.R. HAGEN, N. ENFIELD, « Canadian copyright reform : P2P sharing, making available and the three-step test », *University of Ottawa Law and Technology Journal*, 3:2 (2006), 477-516 available at <http://www.ucalgary.ca/files/law/Copyright%20Reform-draft.pdf>, p. 492.

²⁴⁷ M.E. PATTERSON & R. D. MCDONALD, "The Copyright Modernization Act: Canada's new rights and rules", *Lexology* 8 November 2012.

²⁴⁸ M. GEIST (ed), *The Copyright Pentalogy. How the supreme court of Canada shook the foundations of Canadian copyright law*, University Press Ottawa, 2013, 476 p. accessible under a Creative Commons licence (CC BY-NC-SA 3.0) at <http://www.press.uottawa.ca/sites/default/files/9780776620848.pdf>.

²⁴⁹ B. TARANTINO, « Five cases that shook the world: an entertainment lawyer's guide to the copyright pentalogy », *Lexicology* 16 July 2012.

²⁵⁰ Supreme Court of Canada, 12 July 2012, docket nr. 33922, *Rogers Communications v SOCAN*, available at <http://scc.lexum.org/decisia-scc-csc/scc-csc/scc-csc/en/item/9995/index.do>.

²⁵¹ Supreme Court of Canada, 12 July 2012, docket nr. 33921, *Entertainment Software Association (ESA) and Entertainment Software Association of Canada v Society of Composers, Authors and Music Publishers of Canada (SOCAN)*, available at <http://scc.lexum.org/decisia-scc-csc/scc-csc/scc-csc/en/item/9994/index.do>.

its performance to the public). The communication right is seen as a subset of the performance right and the majority of the judges held that there is a performance when it is possible to perceive the work (the game and the music) during the transmission. Only streaming (not download) is akin to a broadcast or a performance and consequently a communication²⁵². A performance is not permanent, while a reproduction exists were a durable copy of the work is made. The Supreme Court thus reversed earlier decisions that qualified the download of ringtones as an act of communication to the public²⁵³.

Furthermore, a Federal Court decided that the person who posts a picture on her publically accessible website authorises the telecommunication of the work and a third-party hyperlink does not constitute an infringement²⁵⁴. This suggests that hyperlinking is considered an act of communication to the public under Canadian law²⁵⁵.

2. Reproduction

The Supreme Court ruled that a download of a musical work included in a video game (for which the end-user pays) is subject to the reproduction right and does not amount to a communication to the public. Consequently no licence fee is due on the basis of the communication right where the reproduction right has been cleared²⁵⁶.

Entertainment Software Association (ESA) challenged that it had to pay a licence fee for the download over the Internet of games containing copyright protected musical works. It had cleared the reproduction rights and paid the royalties for the production of the games in physical formats and sales in traditional retail outlets or by mail-order. The issue was whether an additional fee was due for the sales and downloads of games via the Internet. SOCAN argued that such online distribution constituted a communication to the public by telecommunication of the music in the games for which a fee was due in addition to the fee for the reproduction of the games in a physical form.

The Supreme Court was divided on the matter and ruled by a 5 to 4 majority that no licence fee had to be paid based on a communication to the public. It was considered that the author has certain rights under copyright (reproduction, performance, publication), illustrated in the copyright act by certain subsets (rental, communication to the public,...)²⁵⁷. Here it was found that the download of a work was qualified as a reproduction, not as a communication/performance. Moreover, it was held that there was one single activity (a download) which is qualified as a reproduction and cannot violate two separate rights at the same time²⁵⁸. The principle of **technology neutrality** was an important factor of this decision. The Court intended to treat the purchase of a video game in a shop equally to the purchase of such game online, over the Internet. A download over the Internet was considered an identical copy delivered by a “technological taxi” to the end-user. The download was considered an act of reproduction that results in an exact, durable copy of the digital file on the end-user’s computer. By adding a layer of protection (in the form of the communication right), the principle of technological neutrality was infringed. It is concluded that the download of a work does not amount to a communication to the public.

²⁵² N. FAN, “SCC: Internet downloads not “communication” under Copyright Act”, *Lexology* 23 July 2012. See also D. GERVAIS, “The Internet Taxi: Collective Management of copyright and the making available right, after the Pentology” in GEIST (ed), *The Copyright Pentology*, 373-401, 378.

²⁵³ B.W. GRAY, “IP monitor – Are we communicating? In public?: two Supreme Court decisions”, *Lexology* 27 November 2012.

²⁵⁴ Federal Court of Canada 21 June 2012, T-784-11 Warman v Fournier, M. KLEE, « Copyright and the blogosphere : Warman v Fournier », *Lexology* 28 June 2012, www.lexology.com.

²⁵⁵ See on this point : J. DE BEER & M. BURRI, “Transatlantic Copyright Comparisons: Making Available via Hyperlinks in the European Union and Canada”, forthcoming, *European Intellectual Property Review*, 2013, vol. 6, NCCR Trade Regulation Working Paper No. 2013/22, September 17, 2013, 28 p., available at SSRN: <http://ssrn.com/abstract=2327005>, 13-16..

²⁵⁶ Supreme Court of Canada, 12 July 2012, docket nr. 33921, Entertainment Software Association (ESA) and Entertainment Software Association of Canada v Society of Composers, Authors and Music Publishers of Canada (SOCAN), available at <http://scc.lexum.org/decisia-scc-csc/scc-csc/scc-csc/en/item/9994/index.do>.

²⁵⁷ E.F. JUDGE, “Righting a right: Entertainment Software Association v SOCAN and the Exclusive Rights of Copyright for Works” in GEIST (ed), *The Copyright Pentology*, 403-429, 405.

²⁵⁸ C. CHISICK & S. KENNEDY, « Copyright in transition : Supreme Court of Canada rules on five copyright appeals », *Lexology* 13 July 2013.

The four dissenting judges held that both the rights of reproduction and communication to the public were at stake and gave right to compensation. Although the principle of technology neutrality was acknowledged, they gave priority to the language of the law and the content of the rights that are independent economic rights.

Following the decision in *ESA v SOCAN*, a group of mobile phone service providers wants to be rid of a SOCAN tariff applicable to the download of ring tones, arguing that such download should no longer give rise to a licence fee for the communication of the work (contained in the ring tone)²⁵⁹.

3. New: the making available right

101. The Copyright Modernisation Act²⁶⁰ introduces a new provision into the Copyright Act (s. 2.4(1.1) CCA)²⁶¹: “for the purposes of this Act, communication of a work or other subject-matter to the public by telecommunication includes making it available to the public by telecommunication in a way that allows a member of the public to have access to it from a place and at a time individually chosen by that member of the public”.

The decisions of the Supreme Court of Canada pre-date this amendment of the Copyright Act and it is uncertain how the decisions and the Copyright Modernisation Act interact²⁶². The question is whether the making available right should be seen as an illustration of the performance right or as a separate right²⁶³. If the making available right is merely an instance of the performance right, then the precedent in *ESA v SOCAN* continues to apply and no additional licence fee can be charged for on demand downloads of protected works. By contrast, if the making available right is an independent right, then it could be argued that a download of a work results in both an act of making available and a reproduction of the work. Alternatively, it could be argued that the making available right is a species of the communication right but that its recognition in the Copyright Modernisation Act overrides the ruling in *ESA v SOCAN*²⁶⁴. It was suggested that the making available right would give rise to remuneration, regardless of whether a reproduction follows (i.e. for streaming and for download)²⁶⁵. The question has not been settled yet.

Also, it will remain to be seen how the activities are identified and qualified. Traditionally the economic rights were considered independent and could apply to one set of circumstances²⁶⁶. In *ESA v SOCAN* there was only “one activity” hence only one economic right could apply. It has been argued that this ruling continues to apply to the making available right. This making available then does not infringe both the reproduction and the communication right but implicates the reproduction or the communication right, depending on the “*fundamental character of the intended interactive use, such as streaming or downloading*”, the former implicating a communication. The Supreme Court’s ruling in *ESA v SOCAN* would continue to apply and the making available for download would implicate the reproduction and distribution of the work, while making available by streaming would entail a communication to the public²⁶⁷.

²⁵⁹ B. TARANTINO, “Rogers et al v Socan: w(h)ither with the “making available” right?”, *Lexology* 16 November 2012.

²⁶⁰ Bill C-11.

²⁶¹ It seems that, prior to this amendment, it was unresolved whether the making available right was part of the communication right. See G.R. HAGEN, N. ENFIELD, « Canadian copyright reform : P2P sharing, making available and the three-step test », *University of Ottawa Law and Technology Journal*, 3:2 (2006), 477-516 available at <http://www.ucalgary.ca/files/law/Copyright%20Reform-draft.pdf>, p. 492.

²⁶² B. TARANTINO, “Rogers et al v Socan: w(h)ither with the “making available” right?”, *Lexology* 16 November 2012; B.W. GRAY, “IP monitor – Are we communicating? In public?: two Supreme Court decisions”, *Lexology* 27 November 2012. See also JUDGE, “Righting a right”, 412.

²⁶³ The majority in *ESA v SOCAN* thought of the « individual listed rights as illustrations constituting a sub-category of an exhaustively defined term », while the dissenting minority saw the « individual listed rights as an extension of the defined terms’s usual meaning » : JUDGE, “Righting a right”, 412.

²⁶⁴ JUDGE, “Righting a right”, 424.

²⁶⁵ GERVAIS, “The Internet Taxi” in GEIST (ed), *The Copyright Pentology*, 384.

²⁶⁶ See precedents discussed in JUDGE, “Righting a right”, 417.

²⁶⁷ J. DE BEER & M. BURRI, “Transatlantic Copyright Comparisons: Making Available via Hyperlinks in the European Union and Canada”, forthcoming, *European Intellectual Property Review*, 2013, vol. 6, NCCR Trade Regulation Working Paper No. 2013/22, September 17, 2013, available at SSRN: <http://ssrn.com/abstract=2327005>.

III. Interplay between the reproduction right and the making available right

102. The rights of reproduction and communication to the public (including the making available right) are autonomous rights. These rights can be exercised independently and they may apply cumulatively to the same act: an act of upload (resulting in the accessibility of a work to a “public”) may be qualified as an act of making available to the public and may result, in addition, in acts of reproduction²⁶⁸. Consequently, the circumstance that the author has authorised making her work available to the public does not entail that other reproductions are permitted under the same authorisation, in particular the copies following directly from this availability and transferred on the individual demand of the final user. In a similar manner, it is not sufficient for a service provider to acquire the authorisation for the reproduction on a server, it should also obtain the author’s consent for making it available to the public²⁶⁹.

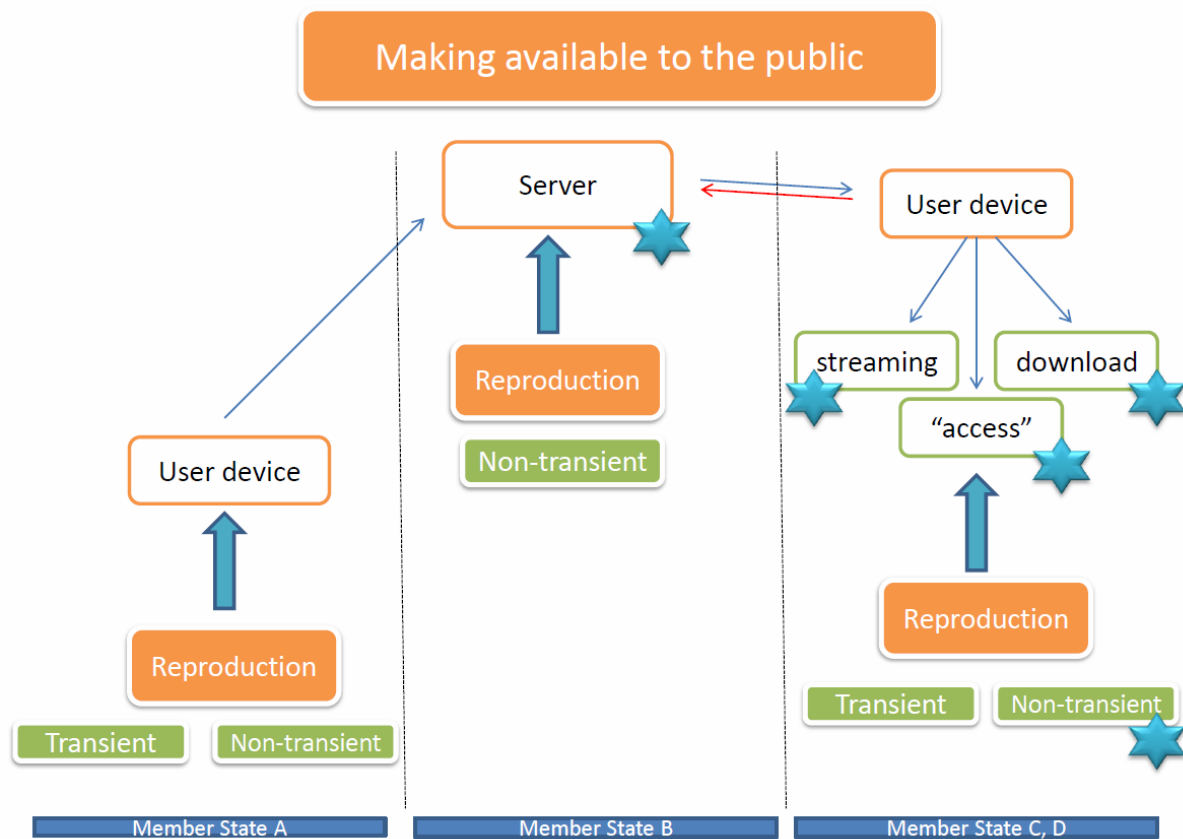
This autonomy of the exclusive rights has consequences for the licensing practices and for the enforcement of the rights. The fragmentation of the economic rights may complicate this picture. The rights of reproduction and making available to the public may be held by different people and, moreover, the same rights may be exercised by different people in different territories. A service provider that offers an online service should assess which exclusive rights are at stake and negotiate licences with the holders of the rights of reproduction and/or communication to the public (both for the works and the subject matters protected under related rights). Where a work is shared via the internet without the right holders’ consent (e.g. via a streaming site or a peer-to-peer platform), the different right holders may claim infringement of the rights they own.

103. It has been described how the reproduction right was implemented in the Member States under consideration, along with the exception for temporary acts of reproduction and for private copy (*sub* II). In the third part, it has been studied how the system of exclusive rights is developed in the USA and in Canada (*sub* III). In this section the interplay between the reproduction right and the right of making available is under consideration. The application of these rights will be summarised based on the following scheme²⁷⁰:

²⁶⁸ See on this subject: Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society, 109-120.

²⁶⁹ In *Meltwater*, the issue was whether the recipients of a news service require a licence to receive news reports (by e-mail) or to view and read these on their computer screens. The defendants explained that sending the news reports and receiving them were two sides of the same coin. *Meltwater* acquired a licence (Web Database Licence) covering the sending of the news reports and it was argued that the end users did not require an extra licence for the reception of these news reports by e-mail and to access them on *Meltwater*’s website, because the reproductions that enable this reception are the inevitable consequence of the sending. On the contrary, the Newspaper Licensing Agency claimed that the act of reception by the end users required a second Licence (Web End User Licence) to be acquired. Both the High Court of Justice and the Court of Appeal considered that the copies made on the end users’ screen and hard disk were acts of reproduction falling under the exclusive right. The Court of Appeal rejected the argument that the right holders were attempting to license the same acts twice, on the ground that “*the copies created on the end-user’s computer are the consequence of the end-user opening the email containing Meltwater News, searching the Meltwater website or accessing the Publisher’s website by clicking on the link provided by Meltwater. They are not the same copies as those sent by Meltwater*” (UK Court of Appeal, 27 July 2011, [2011] EWCA Civ 890). However, the Supreme Court reversed that judgment, as far as browsing is concerned (i.e. reading the news reports on *Meltwater*’s website by means of temporary copies), considering that the acts of reproduction performed by the end users for the purpose of browsing could be exempted under art. 5.1 of the InfoSoc Directive (UK Supreme Court, 17 April 2013 [2013] uKSC 18).

²⁷⁰ See Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society, 109.



The scope of the making available right has been examined in the Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society, together with the reproduction right. The reproduction right intervenes in several respects when a work is made available to the public: a reproduction can be found whenever a copy in the material sense (fixation of the work on any medium) is made.

A distinction can be made between the “upstream” and the “downstream” reproductions:

- The “**upstream**” reproduction is the copy kept on the hosting server from which the work is available for transmission at the individual demand of the users.
- The temporary reproductions that enable access to a work depending on the technological process used (e.g. cache copies; copies on transit servers).
- The “**downstream**” reproductions are the copies at the final user’s end, at whose individual request the work is transferred.

We will examine how the different exclusive rights apply to two types of technology commonly applied for all kinds of media use: streaming and downloading.

A. European Union

104. Both the use of streaming and download technologies affect the making available right as long as a “public” has access to the works exploited (cf. Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society). In the following section we will distinguish the situations where works are made available to the public by means of streaming and by means of

downloading and we will examine whether acts of reproduction occur and whether these can be exempted under the exception for temporary acts of reproduction or the exception for private copy.

For the sake of this exercise, streaming will cover those forms of transmission that result in a temporary copy lasting for the duration of the consultation of the work (listening, viewing) and downloading will indicate those forms of transmission that result in a permanent copy at the end-user's disposal. In practice there are ambiguous forms: reproductions that are not permanent but not quite ephemeral either. The user has more control over her use of a work than with an ephemeral streaming copy but not as much as a downloaded permanent copy. For example, many music streaming services allow the users to make playlists and to listen to the songs on the playlist when they are offline. A copy of these songs is thus stored on the user's device: she does not need to request the transmission by streaming every time she wants to listen to a song. In practice however the user needs to refresh the download from time to time. In any case she does not keep a copy beyond her subscription: the copies are no longer available once the subscription has ended. Similarly, a video rental service may make a film available at the end-user's device for a limited period of time (e.g. one month or only 48 hours). The protected work may be downloaded or accessed through streaming during that period but the user loses access and control over the work after this point. For now, it is sufficient to be aware that such mixed forms exist but this does not raise other problems than an issue of qualification, i.e. a matter of fact which ultimately only the courts will decide upon. We will limit our analysis to the interplay between the making available right and the reproduction right (and its exceptions) for the stereotypical forms of use (by streaming and by download). The reasoning can be applied *mutatis mutandis* to the less stereotypical services.

Based on the preceding distinction, it seems that acts of reproduction can be found in both cases, when works are streamed or downloaded. We will hereunder describe and qualify the acts performed during the upstream and the downstream processes following the scheme described *supra*. We will distinguish between the "upstream reproduction" that serves to make the transmissions to members of the public at their request and the "downstream reproduction" that occurs after the transmission has taken place at the member of the public's device.

1. Upstream reproduction (hosting server copy)

105. We have described the upstream process as the making of a copy of a work on a hosting server (or another support having an equivalent function, e.g. in the context of peer-to-peer transmissions). That copy is made to enable the transmission of the work to the users, at their demand, either by stream or by download, depending on the technology used. This copy can thus be protected under two exclusive rights: the making available right and the reproduction right.

Making available to the public. The upstream reproduction will affect the making available right if it enables the transmission of the work to a public, *i.e.* an indeterminate number of potential users who do not belong to a private group²⁷¹.

Commercial service providers whose focus is to offer a catalogue of works to a public (e.g. online music store, newspaper website) keep works in databases that are accessible to their customers, a practice that is considered a making available to the public. There is generally no insurmountable obstacle to establish the presence of a "public" where a work is distributed among users via peer-to-peer platforms: the copy of one peer's computer is available to other peers, who can be considered a public²⁷².

This is different for technologies that allow a more individualised approach, such as online personal video recorders or cyber lockers. In those cases, a member of the public may use the service to make an

²⁷¹ CJEU 2 June 2005, Case C-89/04, Mediakabel BV v Commissariaat voor de Media; CJEU 14 July 2005, Case C-192/04, Lagardère; CJEU 15 March 2012, Case C-135/10, Marco Del Corso.

²⁷² See for example UK High Court, 28 February 2013, EMI v BSKyB, [2013] EWHC 379 (Ch), par. 40.

individual copy that is only available to her and not to the “public”²⁷³. In those cases where the courts have found no “public”, there was no infringement of the right of making available to the public.

The existence of a public to which the work is accessible is therefore decisive to evaluate whether the upstream reproduction infringes the making available right and requires the right holder’s consent.

106. **Reproduction.** The upstream reproduction also implies the making of – at least – one copy of the work. Given the broad definition provided by art. 2 of the InfoSoc Directive, that copy may fall under the scope of the reproduction right in all the Member States of the European Union. It seems however that not all Member States qualify this copy as a distinct reproduction, in addition to the making available to the public from this copy²⁷⁴.

Whether the right holder’s authorization will be required for the making of that copy depends on the possibility to rely on exceptions to the reproduction right.

Private use. Reproductions serving the purpose of making a work available to the public generally do not qualify for the exception for private use, precisely because their function is to make the work available to the public (e.g. commercial providers of protected content, peer-to-peer platforms).

Where the technology allows a modulated access and a work is only available for transmission to an individual user, this user may in some Member States rely on the exception for private use as well. This exception for private copy might only apply if the service provider offers an individual space of storage to the final users, allowing them to make their own copy (at a distance) of the work. This implies that the national legislation recognises that a private copy can be made and stored by a third on behalf of a natural person (cf. the court decisions in Germany on online personal video recording services²⁷⁵ and cyber lockers²⁷⁶). By contrast, where a Member State considers the platform provider responsible for the reproductions made on behalf of its customer, it is unlikely that it can rely on the exception for private use (cf. the court decision in France in the case *Wizzgo*). This example shows that uncertainties remain on (i) the relation between the making available right and the exception for private use and (ii) the relation between the design of the technical platform (allowing certain forms of use to escape the author’s control by means of her making available right and her reproduction right).

Temporary copy. The question may be asked if the upstream reproduction may fall in the scope of the exception for temporary copies. Usually this exception is invoked to justify downstream copies, but one should verify if it could exempt upstream copies as well. It should then be verified whether such upstream reproduction (that makes it possible to transmit copies to a user’s device) respects the conditions set out by art. 5.1 of the InfoSoc Directive. Depending on the circumstances, the upstream reproduction should present the following cumulative features:

- **Temporary, transient or incidental.** While many upstream copies may be excluded for having a permanent character, some services may be technically based on a reproduction that lasts for a limited period. It is unlikely that a temporary copy used to make a work available to a public is transient (the work mostly being available for a certain period of time to be transmitted at the user’s individual request) but it is not excluded that it is *incidental* to the main act of exploitation of the work, i.e. the making available of the work to the public (streaming services as catchup TV or services of download). It is later verified whether this intended act meets the purpose requirement (*infra*).

²⁷³ Cf. the court decisions in Germany on Rapidshare, Save.tv and Shift.tv – *supra*.

²⁷⁴ See *supra* Part 2.1.A.2.

²⁷⁵ Bundesgerichtshof 22 April 2009, I ZR 175/07, “Save.tv”. See A. GIEDKE, ALAI Congress 2012 – Kyoto Questionnaire – Germany, 2012, http://www.alai.jp/ALAI2012/program/national_report/Germany.pdf (consulted 3 December 2012), p. 23 ; BGH 22 April 2009, I ZE 175/07, “Save.tv”; BGH, 22 April 2009, I ZR 216/06, “Shift.tv”, via www.juris.bundesgerichtshof.de. See also S. VON LEWINSKI, “Recent developments of German Authors’ Rights Law”, AM 2011/2, 164-165. The court to which the decision was referred has followed the BGH’s decision: OLG Dresden, 12 July 2011, case nr. 14 U 801/07, GRUR RR 2011, 413 ; BGH 11 April 2013, I ZR 152/11, « Internet Videorecorder II », nr. 11 et s., accessible via <http://www.bundesgerichtshof.de>. A. SCHNEIDER, “OLG Dresden klärt Rechtsstreit um Online-Videorekorder », *Telemedicus*, 15 July 2011, accessible via <http://www.telemedicus.info/article/2040-OLG-Dresden-klart-Rechtsstreit-um-Online-Videorekorder.html>.

²⁷⁶ OLG Düsseldorf 27 April 2010, case I-20 U 166/09 in the German section’s contribution to the ALAI’s Kyoto congress 2012 on cloud computing, p. 25, accessible via http://www.alai.jp/ALAI2012/program/national_report/Germany.pdf

- **Technological process.** It can be expected that the copy that serves as the basis of the making available is part of a technological process. In the context of streaming or download processes, it forms the starting point of this process of transmission to any member of the public and it may be qualified as an integral and essential part of those technological processes;
- **Purpose.** If the upstream copy is incidental to an ulterior act of exploitation (i.e. the availability for transmission to the public), it should be verified whether this purpose constitutes a lawful use (it is not likely that the upstream copy enables a transmission in a network between third parties by an intermediary). The intended use may be authorised by the right holder and hence be considered “lawful”.
- **Independent economic significance.** An important question is whether the upstream reproduction has an independent economic significance. It can be argued that this upstream reproduction has an economic significance but that this economic significance is dependent on the value of making the work available to the public. Although the interpretation of this condition is not entirely settled, it is closely connected to the incidental character of the upstream copy and to the fact that it constitutes an integral and essential part of a technological process.

Depending on the interpretation of what constitutes an “incidental” copy, of the integration in a technological process and of the independence of its economic value, it is not excluded that the upstream act of reproduction is exempted under the exception for temporary copies provided that the act of making available is lawful (i.e. authorised). When the making available right and the reproduction right of a work are held by separate right holders, this means that the upstream reproduction would only require a licence delivered by the holder of the making available right.

The exception for temporary copy can only apply when the upstream copy is a temporary one. Often the upstream reproductions in the context of streaming or download processes are not temporary. If it is assumed that the reproduction right and the right of making available apply cumulatively to the same copy, the content provider should clear both rights for those copies that are not of a temporary nature (this issue is avoided in those Member States where the copy is only qualified as an act of making available and is not explicitly considered an act of reproduction as well). Where both rights apply, the content provider should clear both rights (possibly from the same right holder and in the same licence).

2. Downstream reproduction (end-user copy)

107. We described the downstream process as the transmission and the realization of copies of the work at the final user’s end. Being a fixation of a work, these copies will necessarily fall under the right of reproduction (except certain temporary copies in the Netherlands). These acts of reproduction may nevertheless be exempted under the exception for private copy or the exception for temporary copy depending on the technological process that is used. We will first discuss the status of temporary copies following a transmission by streaming, then those following a transmission by download.

a) Streaming

108. When a work is streamed, the copy made at the final user’s end will typically last during a very short period, just long enough to enable the user to see or hear the work. By the design and the use of the technology, no permanent copy is saved at the user’s end.

Reproduction. That copy falls under the scope of the reproduction right (except in the Netherlands). Therefore, the person responsible for that copy (the “copy maker”) should in principle acquire the prior authorisation of the holder of the reproduction right.

Temporary copies. The copy that merely serves to receive the transmitted work and to consult the work (view, hear, read,...) the work may be exempted under the exception for temporary copy, provided that its conditions are met.

- **Temporary.** The downstream copy of a streaming process is most likely a temporary copy that is kept for the duration of receiving and consulting a work (e.g. watching a streamed video clip on a

news site). Moreover, it is often a transient copy, *i.e.* an ephemeral copy that is generated by the activation of the stream and that is even deleted automatically, without human intervention, once its function of enabling the completion of the streaming process has come to an end (especially in the case of musical or audiovisual content).

- **Technological process.** the end copy is the final stage of a transmission and is likely to be an integral and essential part of the streaming process;
- **Purpose.** Its sole purpose should be to enable a lawful use of the work streamed, which consist of an intended use that is authorized, exempted under a legal exception or one that is “not restricted by the applicable legislation”. The temporary copy at the final user’s end, following a streamed transmission, is lawful if the right holder has authorised the intended use (the making available of the work streamed and the subsequent reception), if the intended use benefits from another exception (such as the private copy) or if it is “not restricted” (cf. Premier League, where the CJEU decided that the mere reception of a work in private circle is not restricted under copyright law; cf. also the UK Supreme Court in *Meltwater*). The legal basis of this justification matters: insofar as some national copyright laws require a legitimate source as a condition for the exception for private use, the reception of a work from an unauthorised streaming website may result in an infringement of the reproduction right (as well as the making available right).
- **Independent economic significance.** The temporary copy must have no independent economic significance, *i.e.* the economic advantage resulting from the copy at the final user’s end must not be distinct or separable from the economic advantage derived from the lawful use of the work concerned; that copy must not generate an additional economic advantage going beyond that derived from the use of the protected work. It is not likely that a copy that merely allows a user to consult (see, hear) a transmitted work has an independent economic value from this act of consulting.

Private use. The downstream copy could possibly be exempted by the exception for private copy in the Member States where art. 5.2.b of the InfoSoc Directive has been implemented. It should then be verified that:

- the beneficiary is a natural person;
- the downstream copy is intended for a private use exclusively (taking into account that the concept of ‘private use’ may differ from one Member State to the other); this could cover reproductions that allow e.g. the display of a work on a screen in the user’s private sphere but not the display in a public space (which would entail an infringement of both the right of communication to the public (cf. Premier League) and the reproduction right).
- it has no direct or indirect commercial purpose for the final user; this may jeopardise the copies that an individual makes to access a work for professional purposes (e.g. on screen reading).
- a system of fair compensation is organised at the national level for the benefit of the right holder; this does not necessarily entail that a fee should be paid (cf. rec. 35 InfoSoc Dir).
- in several Member States, the copy may not originate from an unlawful source: depending on the interpretation of that condition, this could mean that the copies enabling the reception of a work from an “illegal” streaming website cannot be exempted under an exception for private use; the work streamed should have been lawfully made available to the public (with the consent of the right holder) or in the context of the application of another exception.

Due to the disparities in the way the Member States have implemented the exception for private copy, the downstream copy might be exempted in some Member States and not in other Member States.

109. **Summary.** The downstream copy of a work resulting from the use of a streaming technology will fall under the reproduction right (except perhaps in the Netherlands). Consequently, these copies should in principle be authorized by the right holder. However, the downstream copy may be exempted by the exception for temporary copy or even by the exception for private use. For these exceptions to apply, the downstream copy should enable a lawful use of the protected work (temporary copy), or at least originate from a lawful source (private copy, depending on the Member States). When the use of the streaming

technology is lawful (for instance when the making available is authorised by the right holder), the exception for temporary copies should legitimate the reception of the works, provided that the temporary copy does not generate an additional economic advantage.

b) Download (permanent copy)

110. **Reproduction.** The download process allows the final user to receive a permanent copy of the work, on which she has the most complete control (subject however to the possible use of TPM's). The final user decides autonomously when she wants to hear, watch or read the copy of the work, and when she will erase it.

That copy affects the reproduction right. Consequently, the person responsible for that copy (the service provider or the final user, depending on who is qualified as the copy maker) should in principle have a licence authorizing the reproduction of the work.

Temporary copy. The exception for temporary copies will not apply to copies resulting from a download. Downloads are in principle permanent reproductions. Indeed, according to the Court of Justice, the temporary copy must result from an automated process that deletes it automatically, without human intervention, once its function of enabling the completion of such a process has come to an end²⁷⁷. That condition is not satisfied in the case of a download copy, under complete control of the final user, hence a human intervention will be necessary to use or erase the copy.

Private use. Such authorisation is not required when the downstream copy resulting from the download process is exempted by the exception for private copy. For that exception to apply, several requirements will have to be fulfilled.

- the copy should be made by a natural person. Some Member States allow a third party to make the copy on behalf of the beneficiary, others require that the copy be made by the final user herself.
- the download copy should be intended for a "private use" exclusively (taking into account that the concept of 'private use' may differ from one Member State to the other); this could be the copy resulting directly from the download or a copy thereof (e.g. format shifting or use on multiple devices).
- the download copy has no direct or indirect commercial purpose for the final user;
- a system of fair compensation must be organised at the national level for the benefit of the right holder the licence fee paid for the initial download can be taken into account (cf. rec. 35 InfoSoc Dir).
- in several Member States, the copy must originate from a lawful source: this means that the work downloaded must have been lawfully made available to the public; a download resulting from a work made available without the author's consent will constitute an infringement of the reproduction right (in addition to the infringement of the making available right). According to the Advocate General in *ACI Adam* the exception for private copies under the Directive applies only to copies made from a legitimate source²⁷⁸.

- To the extent that a service provider would have relied on an exception to develop its business model (as for instance the offer of online video recording services), the disparities in the way the Member States have implemented the exception for private copy might undermine the development of a multi-territorial or pan-European service using the download technology. It would indeed be difficult for such service to satisfy in each European country the conditions set out for the application of the national exception for private copy.

²⁷⁷ CJEU 16 July 2009, C-5/08, Infopaq I, 64.

²⁷⁸ Opinion of the Advocate General in *ACI Adam*, par. 79.

111. **Summary.** The downstream copy resulting from the use of a download technology will necessarily fall under the reproduction right and it should consequently be authorized by the right holder, except if the download may benefit from the exception for private use.

However, as the conditions set out for the application of that exception are different from one Member State to the other, the use of a similar service requiring download copies could be found lawful in some European countries and not in other. This affects the legal certainty and may slow down the development of pan-European services.

B. USA

112. We were asked in the Terms of reference of the present Study to examine which exclusive rights apply to the upstream and downstream copies under the American copyright law.

Upstream copy. It can be assumed that the copy made on a server in order to transmit it at the individual request of end-users (either for streaming or for download) is considered a protected **reproduction** under US copyright law. The copy is made by the provider of the on demand service or by its customer, depending on the architecture of the service (cf. *Cablevision*, *MP3tunes*, *Aereo*).

By contrast, it is uncertain whether this copy that makes the copyrighted work available for download or streaming is protected under the distribution right or the public performance right (given the existing controversy on whether an actual transmission must be established or the mere availability for transmission suffices).

113. **Downstream copy.** The type of downstream copy affects the qualification of the transmission (public performance or distribution of a copy).

Download. The download of a permanent copy is qualified as the **distribution of a copy** of a protected subject matter and not as a public performance of the work (*Realnetworks* and *Yahoo!*). It seems clear that the first sale defence is not available for works distributed by means of downloads (*ReDigi*).

Streaming. A work can be made accessible to end-users by means of streaming. **Temporary copies** on the end-user's device allow her to consult the work. These copies may or may not qualify as protected reproductions, depending on whether they are considered "fixations" of sufficient duration or stability (*Cablevision*).

Where the end-user is able to perceive the works while they are being transmitted ("simultaneous" or "contemporaneous" perceptibility), there may be a **public performance** (*Realnetworks* and *Yahoo!*). However, the definition of the public performance right and the interplay with the reproduction right can take an awkward turn where the architecture of any technical system is such that the customer makes an individual copy (on the service provider's technical installations) that is subsequently used to transmit the work to the customer's device (for her viewing, reading or listening). In some cases it has been decided that the copy is made by the customer and that it serves only for a transmission to this customer. Consequently, the work is performed in private and since no public performance can be found, the service provider does not perform any act restricted under copyright (absent its volitional conduct with regard to the copies and the transmission of the work).

C. Canada

114. We were also asked in the Terms of reference to assess which exclusive rights rule the upstream and downstream copies in the Canadian copyright legislation.

In Canada, the situation is not very clear given the recent decisions of the Supreme Court of Canada and the more recent adoption of the making available right in the Copyright Act.

Upstream copy. In principle the upstream copy that enables the streaming or the downloading of a work is regarded as a reproduction. Given the SCC's position in *ESA v SOCAN* that one activity should not be qualified under several exclusive rights, it is uncertain if such upstream copy should be regarded as a reproduction, an act of making available (provided that the public has access) or as both. The making

available right protects the phase *preceding* the transmission, but at the same time the making available right is considered a part of the right of public performance (communication to the public).

115. **Downstream copy.** Under the 2012 decisions of the Canadian Supreme Court, the type of downstream copy affected the qualification of the transmission (public performance or distribution of a copy). It is uncertain how these rulings will interact with the making available right that was adopted later that year.

Download. Where a work is transmitted to end-users as a download, the end-user receives a permanent copy that is qualified as reproduction under *ESA v SOCAN*. The collecting society SOCAN was not allowed to require a licence for public performance, where a licence under the reproduction right had been obtained.

It is uncertain how the newly introduced making available right, protected under the public performance right, will interact with this ruling. It depends on whether priority will be given to the availability for download (making available right) or the resulting copy of a permanent nature (reproduction).

Streaming. Where the work is streamed to a public, without a permanent copy at the end-user's end and the work is visible or audible during the transmission, a public performance can be found. Again, it is uncertain how this qualification will be affected by the making available right.

IV. Outline of the issues

116. The findings regarding the reproduction right, as it currently stands, can be summarised as follows.

Reproduction right. The harmonisation of the reproduction right has led to a broad, fairly technical notion that is shared by all Member States. Where protected subject matter is used online, several acts of reproduction may occur. Regardless which technology process is used (streaming or download), the online transmission of works made available on internet necessitates several acts of reproductions, which we identified as "upstream" and "downstream" copies. Because of the broad definition provided to the reproduction right in the InfoSoc Directive, all these copies constitute a protected act of reproduction under the laws of the Member States (with an exception for certain temporary acts under the Dutch law).

Localisation. Similarly to the making available right, the principle of territoriality applies to the reproduction right. This means that any Member State has the prerogative to regulate the reproductions occurring on its territory. With regard to analogue copies, it is fairly straightforward to localise the reproduction (the copy and the person making the copy are present at the same location). In a networked environment, reproductions may be localised according to various criteria that have not been determined (the location where the copy is made or stored, the location of the person making the copy, the location of the service provider storing the copy,...).

Moreover, when a work is made available in several Member States, acts of reproduction may occur in several countries, in addition to the Member States where the making available takes place. Several copyright legislations might therefore rule different acts of reproduction that are part of one single technology process.

Consequently, attempts to mitigate the consequences of the territoriality principle on the making available right might be ineffective if no initiative is simultaneously taken to localise the reproduction right in a compatible way.

Responsibility for the copy. The InfoSoc Directive does not regulate the liability for a reproduction and does not identify the person responsible for the reproduction, hence there are disparities between the Member States on that issue. Indeed, some European countries admit that the copy may be made by a third party on behalf of a (private) user who will be considered as the person making the copy, while other Member states (such as France) hold responsible the person who physically realises the copy. Depending on the place where the act of reproduction occurs, the person bearing the risk for the use of

the work may differ. Furthermore, in case of cross-border situations, the identity of the copy maker may vary in function of the place where the act of reproduction takes place. This affects the legal certainty and may constitute an impediment to the development of European cross-border services.

117. Art. 5 of the InfoSoc Directive provides a list of exceptions to the reproduction right, including the exception for temporary copy and the exception for private copy.

Temporary copies. The exception for temporary copy is a mandatory exception for all Member States. It exempts transient and incidental copies, provided that all the conditions fixed in art. 5.1 of the InfoSoc Directive are satisfied. That provision was implemented in a similar way in all the Member States (except in the Netherlands) and, due to the decisions delivered by the Court of Justice on prejudicial issues, the conditions it fixes should receive a uniform interpretation.

It has been examined how this exception applies to the reproductions made in the context of content made available to the public. Regarding the “upstream” copy, it is not excluded that this reproduction is exempted under this exception for temporary acts of reproduction. It is required then that the copy be temporary and that it serve a lawful use; it is also uncertain whether such copy is incidental and whether it lacks independent economic significance. Furthermore, the exception for temporary copy will most likely justify the “downstream” copy in the context of a streaming process to the extent that the copies merely allow the consultation (viewing, listening) of the protected subject matter. However, it does not apply to download copies to the extent that these are permanent copies over which the final user exerts the complete control (including on the duration of the copy). The same conclusion should be reached as regards copies clearly going beyond temporary copies even if they are not “permanent” in the sense of being under the full control of the end user (e.g. play lists lasting the time).

Private copying. The exception for private copy has been implemented with lots of disparities in the different Member States.

Depending on the national implementation, “downstream “ copies can be exempted on this ground. Furthermore, depending on the national implementation and on the national rules on responsibility for the copy, even the “upstream” copy may be considered a copy for private use. Moreover, these rules may affect the application of the making available right. For instance, a service providing a personal online video-recorder making copies on behalf of its users did not infringe any exclusive rights under German law: due to the technical design of the architecture, it was considered that the copies were made by the final users who could rely on the exception for private use and since the copies were available only to that final user there was no act of making available to the public. In France, the opposite conclusion was reached on a similar service: the exception for private copy could not be relied upon and the service was qualified as an unlawful act of making available to the public.

Consequently, the disparities between the Member States in the implementation of the private copy exception may also have an impact on the application of the making available right. This might affect the development of European cross-border services.

118. The present Study also assessed how the upstream and downstream copies generated by the online transmission of copyright protected works are treated in the USA and in Canada. These countries provide a significantly different system for the exclusive rights from the ones applied in Europe.

The American copyright system imposes a stricter separation between the rights of reproduction and distribution and the right of public performance, in order to avoid the simultaneous application of both economic rights. The same was true for the Canadian system but it is uncertain how the application of the making available right under the general performance right will unfold. While concerns of overlap may be lesser, these legal systems have their own uncertainties (for instance as to the scope of each legal notion).

119. The next question is whether the reproduction right should somehow be modified to be applied with the making available right and to limit its geographical impact to the territoriality of the making available right, should this be interpreted and localised along the policy options studied in the Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society.

We will first briefly summarise the issues identified in the previous studies²⁷⁹. In the next part a first attempt is made to find some legal mechanisms and deal with some of the issues identified (*sub V*). The purpose is not to come up with a complete solution to all issues but to explore some of the options and identify the major obstacles to these constructions.

120. **Localisation of the making available to the public.** In the Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society, the territoriality of the making available right has been examined. It was found that the exclusive right of making available is not clearly defined and that the localisation of the protected act could cover several Member States. The starting hypothesis was the localisation in every Member State of **accessibility**.

Two working hypotheses have been developed, in order to streamline the **localisation** of the making available to the public. The act of making available could be localised in one unique Member State (e.g. place of upload, establishment of the uploader), a so-called **country of origin**. The work may then be accessible and available in several Member States, the restricted act takes place in one Member State only. Alternatively, the act of making available could be localised in the Member States where an act of **exploitation** can be found, in particular where the national public is “**targeted**”. This hypothesis is developed along the lines of some recent decisions of the CJEU. In this case the act of making available takes place in one or several Member States, depending on the intentions of the uploader and the efforts she makes to reach a public.

121. **Additional reproductions.** Online exploitations of a work entail **reproductions**, both at the uploader’s end (upstream) and at the end-user’s end (downstream). Due to the technical interpretation of the reproduction right (confirmed by the existence of the exception for temporary acts of reproduction), no digital use is technically possible without an act of copying and therefore of reproduction (see Study on the territoriality of the making available right and current Study, Part 1).

The rights of reproduction and communication to the public (including the making available right) are **independent rights**. In principle, both apply autonomously whenever a factual situation meets their legal description. Consequently it is possible that both rights apply to the same set of facts. Moreover, when the legal definitions cover the same material acts, there may be a **structural overlap** of both rights. This may be the case for the making available right and the reproduction right. Upstream, a copy (reproduction) is the technical basis for making the works available for transmission on demand (at least in the current technical framework). Downstream, the end-user makes a copy of the work (at least in the current technical framework), be it a temporary one (limited to the time of consultation) or a permanent one (the basis for repeated consultation). Because the rights of reproduction and making available are autonomous rights, both rights can apply cumulatively to the same acts of exploitation.

The reproduction right is defined in a technical way and the act of reproduction is a precise material act that is localised accordingly²⁸⁰. The reproduction can be **localised** where the copy was first made, where it is kept or where the copier was when she produced the copy.

The overall picture may be more complicated even when the copies are made by means of a third party service. When the end-user makes a copy by means of software and/or hardware provided by a third party, the responsibility for the reproduction (and therefore its localisation) may be assessed differently. This is the case of “cyberlockers” or “online personal video recorders”. In some Member States, the end-user alone bears the responsibility for the copy while in other Member States the provider of the copy infrastructure (software and hardware) that enables the end-user to make the copy is (at least partially) responsible for it.

²⁷⁹ The purpose is not to repeat the analysis of the issues. We refer to the Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society (p. 120 et s.) and Output 1.3 of this Study (see also the analysis *sub* Output 1.IV).

²⁸⁰ Or at least, it used to be. The reproduction right in the offline world is a defined act that is accomplished when the copy of the work exists (time) and at the location where the copier and the copy are present (place). After the reproduction, the copy has its own destination independently of the person who made the copy. In the digital networked (online) world, a copy has a different existence in terms of time and space. A copy comes into existence in an instant but it has a prolonged, continuous existence under the control of the copier (or a third party if it is transmitted) (time). Moreover, the copy can be produced at a different place from the place where the copier is when she makes the copy (e.g. cloud computing). During its life, the place where the reproduction is kept can even change.

122. **Relation between the making available right and the reproduction right.** This all leads to the finding that the reproduction right applies in addition to the making available right and that it can be localised in various Member States, i.e. in each single Member State where a relevant act under either right can be found. Depending on the practices in each sector, this situation may complicate the process of clearing the relevant copyrights for any cross-border or even pan-European service in the EU and it may bring legal uncertainty to the service providers trying to launch multi-territorial services. In case of infringement, there may be a lack of legal certainty (predictability) regarding which rights apply, who has to clear the rights and which damage can be claimed per infringed right.

In the Study on the territoriality of the making available right, an attempt has been made to streamline the making available right and to localise it according to a country of origin criterion or an exploitation/targeting criterion. A legislative intervention on the making available right alone will not solve all issues if the reproduction right continues to be applied as it currently is, as illustrated by the following:

- **Country of origin for the making available right.** The act of making available is localised in one single Member State. However, reproductions are found in the Member State of making available and in other Member States. This is the case if the upstream (server) copy is localised in another Member State (e.g. where the copy is stored on a server or where the copy was made) than the act of making available to the public (place of upload or centre of activities). Similarly, the protected content may be downloaded in other Member States than where the content was made available if it is offered for download beyond the country of origin. There may also be copies at the end-user's end in case of streaming but such reproductions are mostly exempted under the exception for temporary acts of reproduction (art. 5(1) InfoSoc Dir).
 - Consequently, the work may be made available to the public from one Member State, there may be reproductions in other Member States (upstream and downstream) for which in principle the right holders' consent is due. Acts falling under the exclusive right still happen in other Member States than the country of origin.
 -
- **Country of exploitation for the making available right.** Works or other subject matter may be made available to the public in one or more Member States, depending on where the exploitation of the subject matter can be found. Reproductions could be found in yet other Member States than the ones where the subject matter is made available to the public. It is thinkable that the upstream copy is localised in another country (e.g. where the copy is stored on the server or where the copy was made) than where the exploitation takes place. Also, if the subject matter can be accessed outside the countries of exploitation, a downstream reproduction (temporary or permanent) can be made when an end-user accesses and consults the subject matter (where the end-user stores the subject matter or where she was when she made the copy). In such case there would not be an additional act of making available to the public (spill-over) but there would be downstream reproductions outside the territory of exploitation/making available. Consequently, acts of reproduction of the work will be performed in other Member States than the ones defined as country of exploitation.

The **conclusion** is that the efforts of localising the act of making available in certain Member States (one or several) risk being undermined by the existence and localisation of reproductions directly associated to the act of making available to the public. Especially the "downstream" reproductions may take place in any Member State where the work is **accessed** (temporary copy or permanent download).

123. The existence of reproductions and their relation to the making available right entail complications in terms of licensing and infringements of rights.

Licensing. Where a reproduction is made that is not exempted under any exception, a licence should be obtained from the person holding the reproduction right in the particular Member State where the reproduction is made.

Different sectors have different licensing practices. This means that the definition and localisation of rights has different consequences for each sector and that the economic impact on each sector should be taken into account when considering legislative interventions.

- Where the rights are **not fragmented** (neither by subject matter nor by territory) and one person holds the rights of making available and reproduction for the entire EU, she can grant licences for the online exploitation according to the modalities requested by the candidate licensee.
- Where the rights are fragmented either by subject-matter or by territory, it is likely that the consent of several right holders should be acquired for a cross-border exploitation.
 - **Substantive fragmentation.** The rights of reproduction and making available (or generally communication to the public) are held by different parties (e.g. rights in musical works from the Anglo-American repertoire).
 - Consequently, each online exploitation requires the consent of the owner of the making available right and the owner of the reproduction right (except if the reproduction is exempted – cf. streaming). These rights may be at the same time fragmented per national territories (e.g. rights for different territories held by different collecting societies).
 - This is true for both scenarios (country of origin and exploitation). **Country of origin:** the work (and other subject matter) is made available in one Member State but the consent of the holder of the reproduction right is required for each Member State where a protected reproduction can be made. **Country of exploitation.** The work or other subject matter may be made available in several Member States for which consent is required, possibly from different right holders or persons managing the rights. There may also be reproductions in various Member States, for which the authorisation is required from several right holders or persons managing the reproduction rights per territory.
 - **Territorial fragmentation.** The rights of reproduction and making available right are held by the same person (coherent bundles of rights) but are fragmented per territory, meaning that there are different persons or entities holding the bundles of rights in different territories (e.g. some audiovisual productions leaving aside the music).
 - The online exploitation of the work and other subject matter in one Member State only requires the consent of one right holder (owning both the right of reproduction and making available to the public). The online exploitation in several Member States will in most cases require the involvement of several persons. **Country of origin.** In principle, the protected subject matter can be made available in one Member State with effects in other Member States (therefore on the territory of other right holders). However, to the extent that the end-user makes reproductions in other Member States and these are not exempted under the copyright law of that Member State, the holder of the reproduction right in that Member State (other than the Member State of making available) needs to agree with this exploitation in the territory for which she has the rights. **Country of exploitation.** Where the subject matter is exploited in several Member States, the holder of the rights of reproduction and making available per Member State should authorise the use for that national territory. Where the work can be accessed in other countries than where the exploitation is targeted (overspill), there may be reproductions for which the consent of the holder of the reproduction (not the making available right) for that territory is required.

It can be concluded that the localisation of the making available according to the country of origin or the targeting criteria cannot entirely solve the complications in the licensing process for cross-border online exploitations, because it has no effect on the localisation of the acts of reproduction which take place in every process of online exploitation. The Member States have different rules to determine who should acquire the licence (the end-user, the service provider or the service provider on behalf of the end-user).

The service provider does not experience any particular practical problems where the reproduction rights are held by one person in all the Member States. By contrast where the reproduction right is territorially fragmented, several licences must be cleared for the various Member States where reproductions occur or may occur.

124. **Infringement.** If the reproduction resulting from the making available of works has not been licensed and is not exempted under an exception, then the online exploitation of the work will constitute an infringement to the reproduction right. The holder of the reproduction right will consequently be entitled to start judicial proceedings against the person liable for the unauthorised reproduction. She might also act against intermediaries whose services are used to infringe her right (art. 8.3 of the InfoSoc Directive).

In an online environment, reproductions may be localised according to various criteria (the location where the copy is made or stored, the location of the person making the copy, the location of the service provider storing the copy,...). When the reproduction right is territorially fragmented, the claimant will differ depending on the Member State where the act of reproduction takes place.

The same legal principles apply to the issues of conflicts of laws but, when they are applied to situations where both the rights of making available and reproduction are at stake, there may be different outcomes in terms of jurisdiction and applicable law. The reason for this difference is that often reproductions (upstream or downstream) will be made in different Member States, in addition to the Member State where the work is made available to the public:

- **Upstream reproduction.** If the upstream reproduction has not been licensed, the right holder may act against the person liable for that reproduction either in the Member State where she is established (Brussels I, art. 2) or in the Member State where the copy is stored (Brussels I, art. 5.3). The law applicable is the law of the country for which a protection is claimed, the law of the Member State where the copy is stored.
- **Downstream reproduction.** A downstream reproduction takes place in each country where the work is accessed. If it has not been licensed, the end-user will be liable for infringements to the reproduction right. Judicial initiatives against end-users may be taken in the Member States where they are established (Brussels I, art. 2) or in the Member States where the harmful event occurred, e.g. where the downstream copies are performed (Brussels I, art. 5.3). These localisation criteria may lead to different countries: for instance if the end-user uses cloud services, she may have her domicile in one Member State, make the reproduction in another Member State and the reproduction may be stored “in the cloud” in a third Member State. This gives the claimant the choice of where to bring her action. The law applicable will be the law of the country for which a protection is claimed, *i.e.* which could be the law of the Member State where the copy is performed or where it is stored. This is not necessarily the same country, e.g. when the individual uses “cloud services” to store protected material she may initiate (make) a copy where she resides but the copy may be stored on servers elsewhere. In that case the judge will have to determine the country for which the protection is claimed. In practice, she will verify to which country the conflict has most ties and apply that law.

From the perspective of the right holders, the multiple reproductions in several Member States present rather an advantage, since it gives them more options to take judicial action against infringements. Each judicial action is however limited to the infringements committed in the Member State in which the proceedings are brought.

From the perspective of a service provider, the difference in rules regarding the liability for the reproduction between the Member States may lead to uncertainty. This is especially the case where the service provider assumes that the copy is made by the end-user (who may invoke the exceptions for transient copies or for private copy) and that there is only an act of making available to a private person in her private circle (which is not subject to the right holders’ consent). The same set of facts may not be assessed in the same way in other Member States (e.g. France and Germany).

From the perspective of the end-user, this may entail some legal uncertainty in the sense that different countries may have different ideas about who is the person liable for the act of reproduction

and whether an exception justifies it (legal uncertainty occurs especially e.g. where the end-user expected the service provider to clear the licence).

- **Injunctions against intermediaries.** Art. 8.3 of the InfoSoc Directive allows right holders to act against intermediaries whose services are used by a third party to infringe copyright. An injunction based on that provision may be asked against an intermediary whose services are used by end-users to make unlawful downstream copies (access provider, provider of a cloud service, search engine,...) in the Member State where it is established (Brussels I, art. 2). The law applicable will be the law of the Member State where the act of reproduction is performed.

The localisation of the making available right in a country of origin or in countries of exploitation will have no effect on the issues of enforcement related to the reproduction right. Acts of reproduction might still be performed outside the Member State(s) where the act of making available is localised. The complications essentially result from the **downstream downloads** (reproductions that are not exempted under 5(1) InfoSoc Dir) that take place in **other Member States than where the making available** takes place (either localised according to the country of origin principle or the countries of exploitation). There may indeed be restricted acts in the country where the subject matter is made available to the public and where it is downloaded, which could be within the same territory where the work is available or beyond (if the subject matter is accessible outside the territory where the work is made available to the public). The act of making available would be assessed according to the law of country of origin/exploitation and the reproduction taking place outside that country will be treated under the law of yet another country

V. Outline of constructions addressing territoriality issues

125. In the hypothesis that it is decided that the making available right should be defined and localised according to a legal criterion (country of origin or exploitation) and provided that empirical data show that such intervention is required (at least desirable), then it is also desirable to integrate the reproduction right with the making available right in a coherent way. It should be avoided that this reproduction right be able to undermine the policy options chosen for the making available right.

In the following chapter we will discuss some options to achieve a smooth application and coherent exercise of both rights. We have outlined some mechanisms that could contribute to such effect as a first impulse for reflection and without aspiring to solve all issues involved.

Firstly, it is examined whether a more accurate **definition of the exclusive rights** of making available and reproduction can solve some of the issues (*sub A*). Acts of online exploitation would then rather be qualified as either an act of making available (communication to the public) or an act of reproduction (distribution), or both if there were specific circumstances justifying such double qualification. This possibility would put an end to the structural overlap between the making available right and the reproduction right. Furthermore a localisation criterion for the exclusive rights could restrict the territorial impact of both rights.

Secondly, another option is to impose an obligation upon the **author/initial right owner** to transfer all rights required for the exploitation modes the candidate licensee intends to develop (*sub B*). The author/initial right owner would thus have to **transfer coherent bundles of rights**, per exploitation mode, so the licensee has all rights to use the work or other subject matter autonomously and without being dependent on a third party (with other exclusive rights to the same work) for the intended exploitation. Such approach should avoid the creation of “copyright thickets”.

Thirdly, it is examined whether regulating **copyright contracts and licensing modalities** can alleviate the complex issues of territoriality (*sub C*). In this section it will be briefly described which licensing mechanisms exist in the USA (music) and it will be verified if any useful lessons can be learned for the EU legal framework. Attention will be paid to the options of mandatory licences and mandatory collective management.

Fourthly, the exceptions for temporary acts of reproduction and for private copy could be remodelled to limit the impact of end-user reproductions on the licensing process and hence its territorial scope. Provided that these exceptions are available in all Member States and that the conditions are more harmonised, this could solve some issues but only to the extent that the three-step test is complied with.

A. Exclusive rights of making available and reproduction (distribution)

1. Definition and qualification of the protected acts

126. One way of dealing with the complex territoriality issues is by taking a step back and putting the definition of the exclusive rights under examination.

It has been described that there is a structural overlap between the making available right and the reproduction right in the Information Society Directive (*supra*, II and previous Studies). This structural overlap could be avoided by providing a more precise definition of each right²⁸¹. The distinctive criterion between the rights of making available to the public (rather the right of communication to the public) and the reproduction right would be the ephemeral character of the *use* and the corresponding control that the end-user has over the work (which in turn has ramifications for the exploitation modes)²⁸².

The **right of making available to the public**, as a species of the right of communication to the public, would then protect all uses that are ephemeral, transient or temporary. Technically these could be based on copies that last for the duration of the use (consultation or “consumptive” use), but these copies would not be considered “reproductions” as such. Similarly, the copy that makes it technically possible to transmit the subject matter (upstream copy) would not be considered an autonomous reproduction but would be “absorbed” by the making available right. The end-user who receives a work through a transmission resulting directly from the work being available on demand to members of the public does not obtain control over the work (or the file incorporating the work); she can only consult the work to the extent that the content provider allows her to consult it. The end-user remains dependent on the content provider for the repeated consultation of the work.

The **reproduction right** then protects sustainable or permanent copies that allow the end-user control over the use (storage, access, consultation). A definition of the reproduction right could be proposed that mirrors the conditions of the existing exception for temporary acts of reproduction (art. 5(1) InfoSoc Dir). Consequently as “reproductions” would only be considered those copies of a more than transient duration, that are of a substantive nature and that have independent (autonomous) economic significance.

Such understanding of the reproduction right alone would add little to the analysis of cross-border transmissions and their qualification as communications to the public or acts of making the work available to the public. To avoid repeating such structural overlap for downloads, it could be imagined qualifying the offer for download and the transmission for download as a “distribution of the reproduction”, much like the distribution right now protects the distribution of reproductions on a material carrier. When a work is made available for download and the end-user receives a permanent copy (i.e. a copy that only disappears when the end-user removes or deletes it²⁸³), the work is not made available to the public (communicated to the public) but a reproduction is distributed to the public. If such permanent download is qualified as a “reproduction” then the offer of such reproduction could be protected under the distribution right²⁸⁴. In many Member States the reproduction right and the distribution right are

²⁸¹ See in this sense : G. MAZZIOTTI, *Copyright in the EU Digital Single Market*, 7.

²⁸² See also the qualification of the exclusive rights in the US and in Canada : Part 2.II.

²⁸³ The qualification as a “distribution of a reproduction” may be complicated by the behaviour of the content providers and right holders. It has been reported that certain content providers have retracted works from user’s control (accounts), although these users had initially acquired a right to use the work on a permanent basis. In some cases the content provider has taken this initiative to remedy its own distribution without the right holders’ consent, in other cases the right holder has reserved the right to impose such changes upon the content provider. See e.g. “Amazon accidentally removes Disney Christmas special from owners’ accounts”, *The Guardian* 16 December 2013, available at http://www.theguardian.com/technology/2013/dec/16/amazon-disney-christmas-tv-special-prep-and-landing?CMP=tw_t_gu.

²⁸⁴ This classification would be similar to the copyright systems in the US and Canada, described *supra* sub Output 1, III. The idea is to qualify an online exploitation of a copyright work as either a distribution of a reproduction or a communication to the public/making available to the public. To avoid the uncertainty existing in the US with regard to scope of protection of the distribution right (due to the fact that the making available right has not been implemented as such), it should be clarified that such distribution right covers the *availability* for transmission as a download and the transmission.

traditionally closely connected²⁸⁵. This may not be the case in all Member States, which may operate different classifications of their exclusive economic rights. A more detailed survey on this point may be welcome to assess the precise implications of the suggested requalification. In summary, the idea would be to have the offer for download of subject matter protected under the distribution right, which would protect the availability to the public for download (permanent copy), the transmission and the first permanent copy by the end-user/downloader (see *infra sub par.* 127).

This stricter interpretation of the exclusive right does not affect the **principle of independence of the exclusive rights**. It is not excluded that in some cases both rights apply, provided that distinct acts of exploitation are performed. For example, an online music service that offers the online streaming of music (as a part of its subscription) may also offer songs for download (for an additional fee).

This distinction between both rights corresponds to different online exploitation modes and to the way end-users use works in digital format.

127. These definitions and qualifications correspond to the practices in the USA and Canada²⁸⁶ (see Part 2.II of this Study). Simply put, where a permanent copy is made, there is a reproduction. Where a work is transmitted and results in a permanent copy, this act is qualified as a distribution of the reproduction. By contrast, where no permanent copy is made, there is a public performance (the ephemeral copies not counting as reproductions).

Legislative intervention. This re-arrangement of the exclusive rights and the qualification of online use would not require a major change of the text of the Directive. The rights of communication to the public, including making available to the public, and reproduction are expressed in abstract and general wording that leaves a margin for interpretation. It would by contrast require a shift in the interpretation and application of the exclusive rights. The legislature should indeed clearly express its legislative intentions and exclude all doubt on this point.

The wording of the making available right (“the making available to the public of their works in such a way that members of the public may access them from a place and at a time individually chosen by them”) could indeed be read in the sense that both the availability for temporary use and for sustainable use (download) must be protected under this right. It could be understood that the fact of the availability on demand imposes the qualification as an act of making available to the public, regardless of whether this transmission results in a permanent or a temporary copy.

The legislature could however emphasise that the making available right is a **subset of the right of communication** to the public that covers transient forms of exploitation (broadcasting by terrestrial means or by satellite, retransmission by wire or other means, communication of broadcasting; cf. *Premier League*). The consequence of seeing the right of making available as a species of this general right of communication to the public is that it only protects the making available of works in a transient manner, as ephemeral as the other forms of communication to the public²⁸⁷.

This interpretation creates a lacuna in the protection of right holders, i.e. the offer for transmission of non-ephemeral, non-temporary reproductions (i.e. offer for download). If the making available right covers only temporary uses and the reproduction right is called to protect only the sustainable or permanent copies made of a work, then the availability for reproduction as such is left unprotected. Yet right holders would need the legal means to act against the infringing diffusion of their works before the transmission to the public actually takes place (cf. discussion in the USA, Part 2.II.A of this Study). Without the possibility to act during such “preparatory stage” preceding the transmission and the permanent copy of the work, the efficiency of copyright protection would be compromised: the right holder would not have the means to act against the person offering works for download but only against the person making the reproduction with all problems of evidence and enforcement.

²⁸⁵ A detailed study of the relation between the reproduction right and the distribution right is beyond the scope of this Study (cf. ToRs *supra*). See also Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society, p. 28-32.

²⁸⁶ At least, before the implementation of the making available right in Canadian law.

²⁸⁷ This interpretation was also suggested by J. DE BEER with regard to the new making available right recently introduced in Canadian copyright law. See J. DE BEER, « Copyright royalty stacking » in M. GEIST (ed), *The Copyright Pentalogy. How the supreme court of Canada shook the foundations of Canadian copyright law*, University Press Ottawa, 2013, p. 364.

This could be solved by defining the **distribution right** as an act that starts from the availability of the work for distribution and extends to the transmission and even the first (permanent) copy on the end-user's device. Such protected act of distribution would in an online environment cover the copy of the work on the server from which the work is transmitted to end-users, i.e. the availability for download on demand.

The legislature should however clarify that the protection stretches to the phase of the availability for distribution/reproduction, in order to avoid legal uncertainty on this point (cf. controversy in the USA, Part 2.II of this Study). Also, it remains to be seen how this issue will be dealt with in Canada, where the Supreme Court established a distinction between the rights of communication to the public and reproduction/distribution and where the making available right is now implemented under the right of communication to the public.

Another clarification could be brought to the scope of the distribution right in the Information Society Directive. In its recital 28 it is stated that "copyright protection under this Directive includes the exclusive right to control distribution of the work incorporated in a tangible article". The reference to the distribution of material objects could be interpreted *a contrario* in the sense that works in immaterial form (digital files) are not protected under the distribution right. It could be emphasised that the distribution right protects the distribution of reproductions in all forms (both tangible, materials objects and intangible, immaterial files).

The next question is whether the exhaustion principle restricts the digital distribution right in the Information Society Directive (cf. the CJEU's *UsedSoft* decision). This question is not decided by the suggested rearrangement of exclusive rights. Any transfer of the "distributed" work or other subject matter will entail another reproduction for which in principle the right holder's consent is required (the reproduction right not being exhausted by the first sale). There could be economic arguments to apply the exhaustion rule in a digital context, but these should be substantiated by empirical data that allow the legislature to take a decision on this important point.

128. **Consequences for territoriality.** The rearrangement of the exclusive rights may solve the structural overlap of the exploitation rights, but the main question here is whether it will simplify the localisation of protected acts and reduce the territorial impact of online exploitations. In other words: does this construction allow restricting the protected acts to the territory of the Member State(s) along the localisation criteria proposed for the making available right?

In a **country of origin** approach, the (transient) making available of protected subject matter would take place in the country of origin only (country where the work is uploaded or where the uploader has her centre of activities). The copy resulting from the upload would not be considered a reproduction and neither would be the transient copies on the end-user's device. These copies would be "absorbed" by the making available right. Consequently, there is only one restricted act taking place in one single Member State.

The offer for download would not be seen as an act of making available to the public but instead as a distribution of a (permanent) reproduction. The distribution right would comprise the preparatory phase of availability for distribution, the transmission and the first reproduction that follows directly from the technical process as designed by the content provider. The (online) distribution right would be localised according to the same principle so it would be possible to localise this complex and composite act of distribution to the public in the country of origin (i.e. country of upload or centre of interests). This approach marks however a shift *vis-à-vis* the approach of the CJEU (cf. Donner)²⁸⁸. The subsequent copies that the end-user makes, following the first copy, would be distinct acts of reproduction. The localisation of the distribution in one Member State requires that the overall level of harmonisation among the Member States is sufficiently high so the risk of location shopping is limited (the localisation of a distribution indeed entails the same risks as the localisation of the making available in one Member State²⁸⁹). As in the SatCab Directive, the remuneration should reflect all relevant factors, including the whole (actual or potential) audience of end-users (downloaders).

²⁸⁸ The CJEU has localised the act of distribution in the Member State where the public is targeted, not a country of origin. See Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society, p. 55, 162 et s.

²⁸⁹ See Study on the territoriality of the making available right, p. 147.

In the **exploitation approach**, the making available takes place in the Member State or several Member States where the exploitation of work is localised. Making a work available for (ephemeral) use would require a licence in the Member State(s) where the public is targeted. When the work is accessible outside these Member States (no “targeting” of that public) and an end-user accesses the work, there are no additional acts that require the right holders’ consent. There may be copies but these should not be considered “reproductions” (the copy following the first copy resulting from the download is by contrast considered a reproduction that is localised in the Member State where it is made, independently from the making available/distribution).

Similarly, making subject matter available for distribution only requires the right holders’ consent in the Member States where the public is targeted. The “overspill” to other Member States will not give rise to a distinct act of distribution (subject however to an evolving notion of “exploitation” and “targeting” in function of the changing attitude of the content provider).

129. **Other consequences.** Such approach could have consequences in terms of responsibility for the protected act and imputation of the acts to the actors involved. Especially in case of offers for download, the qualification as a distribution of a reproduction could imply that the content provider takes the responsibility for the first copy on the end-user’s device rather than the end-user. At most both are held co-responsible in case of infringement. This may not sit well with the general liability principles of all Member States, especially with those where the person factually making a copy is seen as the person making the reproduction and thus bearing responsibility for it.

Also, this approach could substantially affect the financial interests of the established right holders and their organisations. In some sectors the rights are divided between right holders along the lines of the rights of communication to the public (“public performance”) and reproduction. A change in the classification of acts would entail that those exercising the right of communication to the public lose control over the offers for download, while those exercising the rights of reproduction and distribution are then the ones whose consent is required for this form of exploitation. The effects of such alternative approach should therefore be examined in an economic study, the results of which would allow the policy makers to take a stand on this possible remedy.

2. Localisation criterion for the first downstream reproduction (licences)

130. The vast territorial impact of the online exploitation can be addressed, if not by rearranging the exclusive rights, then by defining a specific localisation criterion that applies in specific circumstances only. As explained before, the issue here is that reproductions may occur in other Member States than where the work was made available, which means that the right holders’ consent should be cleared (by the content provider or by the end-user) for all those territories. Two major factors contribute to complicating the licensing process: firstly, localising the reproduction is not as straightforward as it used to be and, secondly, several people could be held accountable for the reproduction.

Various criteria can indeed be applied to localise a digital copy in one or several Member States. The reproduction right, applied in a digital online context, is not as simple and straightforward as in the material world. A reproduction of protected subject matter on a material medium is made by a physical person at a certain point of time and at a certain place: the copy and the copier are together at the same place at the same time. This one-on-one relation is questioned in the online world: a copy can be initiated by one (physical) person at a precise moment but it can be stored by another person (intermediary), on faraway servers in another country. The time and space dimensions of the copy are variable and do not only depend on the person who decided to make the copy. This is for example the case for all copies stored on servers when using “cloud” services. Member States can thus choose different criteria to localise such digital copies, which means that candidate licensees for online services should take several criteria into account.

Furthermore, several people could be held accountable for the reproduction following the on demand availability of the work. The notion of “reproduction” has become more complex and so has the responsibility for reproductions that follow directly from the public availability of works to members of the

public. In an analogue environment, the first person in line would be the person who makes the copy. But already different interpretations arise when one person is making a copy on behalf of another person (the responsibility for the copy could be with either person). The same is true in an online environment. Leaving aside those cases where intermediaries have a merely technical role, it could be argued that some intermediaries (more precisely content providers) make an active contribution to the reproductions made using their services and therefore bear at least some responsibility for these reproductions. This is the case, for example, where a content provider offers a catalogue of works (e.g. music, e-books, films) to end-users, who can download any of the works in the catalogue. The content provider has an active role in the reproduction: the end-user (who chooses to download the work) may trigger the reproduction but this is only possible because of the intervention of the content provider. Yet Member States may consider either the end-user or the content provider as the person who is expected to obtain the right holders' consent for the reproduction. Divergences on this point may – at least in theory – complicate the licensing process.

In order to mitigate the territorial impact of the reproduction right, it could be imagined that some reproductions are localised according to a specific criterion for the purpose of facilitating the licensing process. The starting point is then that the content provider clears both the right of making available and the reproductions following directly from this on demand availability. Such mechanism would have as an effect that the first reproduction is localised in the Member State(s) where the act of making available is localised. The localisation of the reproduction follows thus the localisation of the making available to the public (from which the reproduction follows directly)²⁹⁰. It could even be considered that, although the reproduction right and the right of making available to the public are independent rights and both have to be cleared for such online exploitation, the reproduction right is incidental to the making available right for the sake of the localisation of the protected acts (the localisation of the reproduction follows the localisation of the making available, not the other way around).

The next reproductions (after the download resulting directly from the availability) would then be localised according to the normal criteria and possibly in other Member States (e.g. where the copy is made or where it is stored). These copies are made at the initiative or under control of the end-user, without involvement of the content provider. Also, infringing reproductions would be localised according to the common criteria.

This fiction of localising the first reproduction in the Member State of making available for licensing purposes would limit the territorial scope of the licence and does not oblige the licensee to clear the rights for all the territories where reproductions of the work could be found (according to various criteria, such as the first making of the reproduction, the storage, each separate use or the continued use of the work).

131. A localisation criterion for the first reproduction by the end-user could consequently be proposed, based on these specific circumstances. In practice this matters most for the reproductions that are not covered under an exception and for which a licence should be obtained.

The **first reproduction following** the public availability of the work or other subject matter is **localised in the Member State(s) where the work or other subject matter is made available to the public**, regardless of where the end-user is present and regardless of where the reproduction is materially stored, if the following conditions are met:

- (1) The content provider acquires a **licence** for making the work or other protected subject matter available to the public and for the first reproduction following from this availability;
- (2) The reproduction is made by a decision of the end-user but follows **directly** from this public availability **under the control** of the content provider;

²⁹⁰ The circumstance that subject matter is accessible in several countries, perhaps even worldwide, entails that downstream reproductions can be made in as many countries and it is difficult for the content provider to predict where a work will be downloaded or consulted online. This is less the case for the upstream copy: the content provider makes the upload and can determine where the copy is stored. This may or may not be the country of origin. The localisation of the upstream copy does not seem to cause major difficulties in practice and could, if necessary, be solved following the same principles as discussed in this section.

- (3) The localisation criterion is **only** applicable for **the purpose of the licence** acquired according to (1), covering this exploitation and negotiations pertaining to such licence. It does not apply in cases of infringement.

132. **Consequences for territoriality.** Depending on which localisation criterion is applied, different consequences of “territoriality” follow.

Country of origin. When a content provider offers works for download within the EU, the act of making available is localised in one Member State. The end-users who download the work in other Member States make reproductions of the work. To the extent that the content provider clears the reproduction right for such reproductions made by using its online content service, these reproductions are localised in the same Member State of origin. For the purpose of the licence, the content provider should acquire a licence from the persons holding the making available right and the reproduction in that Member State of origin (these may be different persons)²⁹¹.

This legal fiction facilitates the task of the content provider that is supposed to clear all relevant rights, especially when the rights are territorially fragmented. However, when the rights are indeed territorially fragmented, the risk that a right holder in one Member State undermines the position of those holding rights in other Member States is extended to the reproduction right: it has been explained that localising the making available right in one Member State, while this has effects in other Member States leaves the owners of the making available right for those other Member States with empty hands²⁹². The same would be true for the reproduction right, should this be territorially fragmented: the first reproduction is localised in the (single) Member State of making available by a fiction, which undermines the position of the person owning the reproduction right in the Member State where the reproduction would otherwise be localised (actual download, storage, making,...). Content providers and right holders could avoid such effect by agreeing contractually upon the territorial reach of each online service.

Country of exploitation. When a content provider offers works for download within the EU, the act of making available takes place in all Member States of exploitation. End-users are likely to download the works in the Member States of exploitation, but there may be downloads outside these Member States (overspill). To the extent that the content provider clears the reproduction right for the first reproductions following the public availability, made by using its online content service, these reproductions are localised in the Member State of exploitation, even those that are made by end-users residing outside this Member State. For the purpose of the licence, the content provider should acquire a licence from the persons holding the making available right and the reproduction in that Member State of exploitation (these may be different persons)²⁹³. An express localisation criterion would limit the risk that the reproduction right is exercised in a Member State where a download is made but the public is not actively targeted.

Localising both acts of making available and reproduction in the Member States of exploitation allows all persons holding exclusive rights for a particular territory A to exercise their rights without competing with other right holders on their territory (territorial fragmentation): a person holding rights for another territory B cannot exercise her right in such a way that the exploitation in territory A is affected or undermined. Should the right holder for territory A engage in exploitation in territory B, then the right holder for territory B can claim infringement (regardless of the “country of origin” of the availability and reproductions). Considering that the “exploitation” or “targeting” of a public is a factual criterion, it also allows the right holders to adapt to evolving practices of the content provider and exercise their right whenever a marginal use (overspill) becomes an exploitation (with more active involvement of the content provider). This means that the right holder for territory A may have to tolerate some “overspill” from the activities of the right holder in territory B but when this overspill develops into a more intentional targeting of the public in territory A, then the right holder for territory A may claim infringement.

A practical difficulty may arise where the work is exploited indifferently in several Member States (such as a website with content that can attract a general public and with an interface in a language that a general public understands, e.g. a music streaming service with an English interface). It may not always be

²⁹¹ See *mutatis mutandis* Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society, p. 150.

²⁹² See Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society, p. 146.

²⁹³ See *mutatis mutandis* Study on the territoriality of the making available right, p. 150.

straightforward to assign the reproduction outside the territory of exploitation to one Member State rather than another. For example, a website offering subject matter (such as e-books) to a German-speaking public could be “targeting” the public in several countries (Germany, Austria, Luxemburg, Belgium). When a German-speaker outside these territories, e.g. in the Netherlands, downloads a copy of the ebook, then this first reproduction would be localised in the country where the work is made available to the public. In this case, however, the work is made available in several countries so there may be a need to assign the reproduction to one of the territories of exploitation. It should be verified in practice to which extent this presents an actual problem: there may be no particular difficulty, e.g. if the reproduction right for all Member States are held by one and the same person .

B. Author/initial right owner: transfer of coherent bundles of rights

133. **Numerus clausus.** Another way to mitigate the impact of the reproduction right on the exercise of the making available right is to control the way the initial right holder exercises copyright. When she licenses her rights to secondary right holders, the initial right holder is in principle free not only to assign the whole bundle of rights, but also to select any combination of her economic faculties and to transfer it through licence agreements. She may tailor the licence according to three basic dimensions – content, time and space. This creates an indefinite number of potential fragmentations of copyright. That fragmentation does not necessarily correspond to a coherent exploitation of copyright and candidate licensees consequently have to acquire several authorisations from different secondary right holders to start the exploitation of the work. The need to acquire several licenses could be avoided if the rights transferred by the initial owner of copyright to secondary right holders were taking into consideration the purpose of the exploitation for which the licence is given. Each licence would then provide a **coherent bundle of exclusive rights** to secondary right holders allowing specific exploitations of the work. The contracting party would receive all the rights she needs to exploit the work independently of others. This obligation could then be extended to subsequent transfers of rights by derived right holders.

In the field of tangible property rights, legislation limits the ways the right of ownership can be exercised. According to the **numerus clausus** principle that applies for **tangible property rights**²⁹⁴, only a closed, exhaustive set of secondary property rights can be contractually derived from the initial ownership. As a consequence, the number of secondary property rights is limited by law, their content is restricted and it is laid down in mandatory rules how these rights can be exercised. This limits the contractual autonomy in the definition of the relevant and admissible classes of exploitation schemes.

The application of the *numerus clausus* option as it regulates the sphere of tangible property rights is not realistic for copyright. Indeed, new forms of exploitation continue to be developed as new technologies create new opportunities and works can consequently be exploited in uncountable ways. Therefore, it seems impossible to achieve a legal *numerus clausus* of exploitation forms of copyright. Copyright licences have to adapt to new technologies that allow new forms of exploitation of the works.

The idea could however inspire a more flexible criterion that may pursue the same result, *i.e.* avoid a (substantive) fragmentation of rights that make it unduly difficult to acquire all rights applicable to one form of exploitation. The author or initial right holder could be under **the obligation to transfer rights in coherent bundles** as to allow the licensee to exploit the work or other subject matter in an autonomous way, independently from third parties holding exclusive rights. She would not have the possibility to split the rights in a way that would conflict with exploitation modes. Such obligation could be met with different sanctions (invalidity of the transfer, non-opposability of the transfer of rights relating to non-autonomous forms of use)²⁹⁵. Consequently, it would be difficult to transfer categories of rights without regard of the particular forms of exploitation the work triggers²⁹⁶.

²⁹⁴ F. MEZZANOTTE, “The interrelation between intellectual property licenses and the doctrine of numerus clausus. A comparative legal and economic analysis”. *Comparative Law Review* 2012, vol. 3(2), available at <http://www.comparativelawreview.com/ojs/index.php/CoLR/article/view/35/40>.

²⁹⁵ See the decisions of the Court of First Instance and Court of Appeal of Munich (LG München 25 June 2009, 70 4139/08 and OLG München 29 April 2010 (Az U 3698/09)).

²⁹⁶ It should be pointed out that such obligation may have consequences for the right holders’ affiliation with collecting societies. The effects of any such rule on the functioning of CMOs should be duly taken into account but exceeds the scope of the current Study.

134. **Difficulties.** Many issues present difficulties with this option and make it unfit for solving territoriality issues²⁹⁷. The impact of such measure would *de facto* be limited to works for which the initial right holder would fall under the scope of the InfoSoc Directive (EU). In practice, it could not apply to works for which the rules regarding the initial ownership are submitted to the copyright legislation of a third country and for which, acting upon those rules, contractual arrangements (including licensing leading to fragmentation) have been made between the initial owner (according to that applicable law) and several licensees. The rights could indeed be fragmented before the work enters the reign of the EU Member States. Consequently, that option would have a limited impact on foreign repertoires of works for which contractual arrangements have previously been made under a non-European applicable law.

Furthermore, the impact of that measure will also be limited if it only applies to define the substance of the rights licensed by the initial right holder and if it does not regulate the **territoriality** of the agreements. Even if coherent bundles of rights are transferred to the secondary right holders, the exploitation that will be authorised will generally remain limited to a specific territory. In the audiovisual sector for instance, even if the producer holds coherent bundles of rights, these may be territorially fragmented per Member State, so that broadcasters or distributors get a national exclusivity. Such territorial fragmentation will cause difficulties if the making available right and the reproduction right are localised in different Member States:

- **Country of origin:** A producer A holds the exclusive rights for Member State A. Producer A can grant the right of making available from its Member State A but with effects in other Member States B and C. Producer A only holds the right of reproduction for her Member State A. Consequently, the acts of reproduction performed in the Member States of destination B or C fall under the exclusive right of the partners/producers holding the exploitation rights for these Member States. Producer A could thus make the work available for transmission in Member State A and beyond (in Member States B and C) but if the end-user makes a reproduction in Member States B or C, then the separate authorisation is required of the producers who hold the reproduction rights in Member States B and C. A licence should thus be acquired from these partners/producers, unless an exception applies in the Member State of destination.
- **Country of exploitation.** Each producer can organise the exploitation of the work in the Member States for which she has acquired coherent bundles of rights, *i.e.* making available and reproduction rights for streaming and for download in the Member States for which she has the exploitation rights. If a service provider intends to undertake exploitation in several Member States, she has to acquire the consent of various right holders.

Several complementary options should consequently be assessed, such as the localisation of the act of reproduction in the country of origin (see *supra sub* Part. 2.V.A) or as to the territoriality of the licence agreements.

C. Licences

135. A third option to control the territoriality effects of cross-border exploitations is to regulate licensing mechanisms.

We will first examine briefly the various licensing mechanisms in the United States (mostly applied in the music sector) before considering some options for the European legal framework. The purpose of this excursion is to get an idea of the diversity of licensing mechanisms can be applied and how this not always simplifies the licensing question. The objective is not to provide a comprehensive description of the licensing practices in the USA.

²⁹⁷ For this reason, we will not examine its compliance with international obligations.

1. Licensing mechanisms in the USA

136. Whenever the exploitation of a protected work involves acts protected under s. 106 US Copyright Act, the copyright owner's prior consent is in principle required²⁹⁸. This can be a complicated matter, especially when several rights are involved in one exploitation and these rights are in different hands. From the consulted literature it appears that rights licensing is most burdensome in the music sector.

Many online music providers offer services with mixed features (both interactive and non-interactive elements), allowing online streaming and downloads (for a limited time or permanent copies). For such complex services, the service provider is most likely to have to clear the rights of reproduction, distribution and public performance for both the musical works and the sound recording (which corresponds to subject matter protected under neighbouring rights). Any recorded performance of a musical work may contain both sound recordings and a musical composition. The rights of reproduction, distribution and public performance are subject to different regimes, depending on whether the subject matter is the sound recording or the musical composition.

The rights to musical works are managed both individually (mechanical licences) and collectively (public performance rights) by performance rights organisations²⁹⁹. In addition a compulsory licence is available for the reproduction and distribution rights for musical works. The licence for the sound recordings should be negotiated directly with the copyright owner. We will discuss some of these mechanisms hereafter. The US Department of Commerce (Internet Policy Task Force) has summarised the situation for streaming services in the following table³⁰⁰:

	Sound recording licences	Musical composition licences
Non-interactive streaming	Statutory licence (s. 114)	Public performance licence from PROs or individual publishers
Interactive streaming	Individual licences from record companies and aggregators	Public performance licenses from PROs or individual publishers; Mechanical licenses from individual publishers (and/or HFA)

137. **Public performance of musical works. Blanket licence.** Copyright owners may entrust the exercise of their public performance rights to a performance rights organisation (PRO). Such PROs may issue blanket licences for their repertoire. Such licence gives the licensee the right to perform all works in the repertoire of the PRO for a single stated fee that does not vary depending on how much music from the repertoire the licensee actually uses³⁰¹.

138. **Compulsory “mechanical” licence for musical works.** The US Copyright Act provides a compulsory licence for the making and distributing of phonorecords of non-dramatic musical works (s. 115). This compulsory licence is subject to precise conditions/characteristics as follows:

Subject matter. A compulsory licence can be obtained with regard to nondramatic musical works. The mechanical licence covers specific works (title per title), it does not function as a

²⁹⁸ The different rights and their classification are described *supra sub* Output 1, III (Output 1.2).

²⁹⁹ D. TROUVE, “Music Startups and the Licensing Drag”, *Music Business Journal* December 2012, www.thembi.org/2012/12/music-startup-and-the-licensing-drag/.

³⁰⁰ US Department of Commerce, “Copyright policy, creativity, and innovation in the digital economy”, 84. We have left out the column with exceptions. HFA stands for the “Harry Fox Agency”, which serves as “a centralized administrator for the mechanical right for a number of publishers” – see footnote 439 of that green paper.

³⁰¹ US Court of Appeals for the second circuit, 28September 2010, USA v ASAP, No 09-0539-cv (L) re Realnetworks, Yahoo! (hereafter Realnetworks).

blanket licence for all musical compositions belonging to the repertoire of one licensing entity. Furthermore, it is required that the phonorecord of a nondramatic musical work was distributed with the right holder's consent, the sound recording was fixed lawfully and the making of the phonorecords was authorised by the owner of copyright in the sound recording.

Beneficiary. The beneficiary of the compulsory licence is any person whose primary purpose in making phonorecords is to distribute them to the public for private use, including by digital phonorecord delivery.

Object. The compulsory licence covers the "mechanical rights", i.e. the rights of reproduction and distribution (s. 106(1) and (3)) but not the performing rights³⁰².

The compulsory licence also covers "digital phonorecord delivery" (S.115(3)(A), at least in some respects. "Digital phonorecord delivery" is defined as "*each individual delivery of a phonorecord by digital transmission of a sound recording which results in a specifically identifiable reproduction by or for any transmission recipient of a phonorecord of that sound recording, regardless of whether the digital transmission is also a public performance of the sound recording or any nondramatic musical work embodied therein*". By contrast, "*a digital phonorecord delivery does not result from a real-time, non-interactive subscription transmission of a sound recording where no reproduction of the sound recording or the musical work embodied therein is made from the inception of the transmission through to its receipt by the transmission recipient in order to make the sound recording audible*" (S. 115(d) US Copyright Act – our emphasis). This definition refers to elements of reproduction, distribution and public performance, but the compulsory licence is only available for the making of the phonorecord and only with respect to the musical work³⁰³. The mechanic licence to the sound recording must be negotiated with the record company, as should the licence of the right of public performance on the sound recording (record company) and the musical work (publisher or PRO).

Formal conditions. The candidate for a compulsory licence must give notice of her intention to obtain a compulsory licence. This notification must be served per title to every right holder whose composition the candidate wishes to use.

Copyright owner. The mechanical rights (reproduction right, distribution right) are commonly administered by the publisher of the work. There is a centralised administrator for the mechanical right for a number of publishers, but not all publishers' works are available there³⁰⁴.

Royalties. The licensee has the obligation to pay royalties, which are fixed by law. The right holder must be identified in the records of the Copyright Office for the payment of the royalties (s.115(c)). The royalties for digital phonorecord delivery are determined as well. The royalty payments should be reasonable and in this respect the distinction is made between the digital phonorecord deliveries where the reproduction or distribution is *incidental* to the transmission and the digital phonorecord deliveries "in general".

It is however possible for the right holder and the licensee to negotiate the terms and rates of royalty payments. The author/recording artist may agree to reduce the mechanical royalty rate for the record company that makes and distributes phonorecords including the author's work ("controlled composition clauses")³⁰⁵.

³⁰² Also, musical arrangements of the work are thus allowed to the extent necessary to conform it to the style of manner of interpretation of the performance involved (but it should not amount to a derivative work without the right holder's consent). New recordings of musical works are thus authorised under the compulsory licence, but not the reproduction and distribution of existing sound recordings.

³⁰³ M. PETERS, The Register of Copyrights, "Section 115 Compulsory License", Statement before the Subcommittee on Courts, The Internet and Intellectual Property of the House Committee on the Judiciary, US House of Representatives, 108th Congress, 2d Session, March 11, 2004, available at <http://www.copyright.gov/docs/regstat031104.html> (hereafter, PETERS, "Section 115 Compulsory License").

³⁰⁴ US Department of Commerce, "Copyright policy, creativity, and innovation in the digital economy", 81, footnote 439.

³⁰⁵ This royalty cannot be inferior to the royalty rate established for the compulsory licence (s. 115(c)(3)(E)), except if the artist/author acts as her own music publisher. In this case she may accept an inferior royalty rate, provided that the contract is entered into after the sound recording has been fixed in a tangible medium of expression in a form intended for commercial release.

Combined compulsory licence and negotiated licence. Overall, in order to offer an online music service, the content provider can at most rely on a combination of the compulsory “mechanical” licence (for the reproduction and transmission by means of a digital phonorecord delivery of a musical composition embodied in a sound recording) and a negotiated licence with the copyright holder to the sound recording for the delivery of digital phonograms. The licences then cover the reproduction and distribution of the *recorded performance*, i.e. more than the reproduction and distribution of one’s own version of a performance of a musical composition. This means that a service provider can become a “*virtual record store if it is able to clear the rights to the sound recordings*”³⁰⁶. Moreover, if the copyright owner of the sound recording has acquired the necessary rights for digital phonorecord deliveries from the copyright owner of the musical work, the former can license the rights to both the sound recording and the musical work to third parties³⁰⁷.

Difficulties. The compulsory licence in the US copyright act shows some difficulties in practice.

It is reported that, generally, the provision (s115) has rarely been used for compulsory licences. It serves rather as an upper limit for the royalty rate in privately negotiated licences between music publishers and record companies that wished to make and distribute sound recordings³⁰⁸.

The obligation to serve a work-specific notification for each musical composition (rather than per repertoire) is cumbersome.

The hesitations on the qualification of online transmissions are reflected in the compulsory licence³⁰⁹. One transmission may entail several protected acts (reproduction, distribution, public performance) and this entails legal uncertainty as to the appropriate licence (compulsory licence and/or negotiated licence). At stake is the obligation to clear certain rights (but not others), the type of licence (compulsory/negotiated) and the copyright owner involved. For the time being, this is solved by the decision in *Realnetworks and Yahoo!*³¹⁰ (see Part 2.II.A of this Study) but the same issues will arise, as digital services continue to evolve.

The use of the compulsory licence for “incidental” reproductions is not clear, i.e. reproductions of the work needed to make a digital transmission. Some technical copies (cache copies, intermediate server copies in the course of downloads or streaming of performances) may not be copies for which a compulsory licence must be cleared. Some right holders claim payment for such technical copies³¹¹ but Copyright Register Peters observed that it should first be established whether they fit the definition of “digital phonorecord delivery” (DPD)³¹², before it can be decided whether such copies are “incidental”³¹³. The Copyright Register called for more guidance on the definition of “incidental DPD”, in order to avoid that private licences are proposed where not even a compulsory licence is required by law. The question is whether on demand streams do result in a reproduction that fits the definition of a DPD. It is clearer that this is the case for delivery of a digital download (limited or otherwise).

Overall, licensing is complicated by the circumstance that the rights required for such music services remain fragmented, there is no one-stop-shop³¹⁴. There are indeed different licensing agencies for each right. Music publishers license the reproduction rights, distribution and even public performance rights directly, rather than by passing by an intermediary or an aggregator. Varying business models (with a

³⁰⁶ PETERS, “Section 115 Compulsory License”.

³⁰⁷ PETERS, “Section 115 Compulsory License”.

³⁰⁸ M. PETERS, The Register of Copyrights, “Music Licensing Reform”, Statement before the Subcommittee on Courts, The Internet and Intellectual Property of the House Committee on the Judiciary, US House of Representatives, 109th Congress, 1st Session, June 21, 2005., available at <http://www.copyright.gov/docs/regstat062105.html> (hereafter, PETERS, “Music Licensing Reform”).

³⁰⁹ See *supra* Output 1, III, p. 58.

³¹⁰ Department of Commerce, “Copyright policy, creativity, and innovation in the digital economy”, 82, footnote 444.

³¹¹ Several right holders (RIAA and music publishers) proposed a “market place solution” and offered licences to cover all types of copies made online (on demand streaming, “limited download”, i.e. available for a limited time only).

³¹² I.e. the copies must result in an “*individual delivery of a phonorecord which results in a specifically identifiable reproduction by or for any transmission recipient of a phonorecord of that sound recording*” (17 USC §115(d) – her emphasis)

³¹³ PETERS, “Section 115 Compulsory License”. According to her, buffer copies made in the process of a download can be an incidental DPD, while buffer copies in the course of a streaming transmission are more difficult to fit the statutory definition.

³¹⁴ PETERS, “Section 115 Compulsory License”; Department of Commerce, “Copyright policy, creativity, and innovation in the digital economy”, 82.

mix of interactive and non interactive features, permanent and temporary reproductions) have resulted in a complicated tariffs structure³¹⁵.

US Copyright Register PETERS, in her 2004 and 2005 statements³¹⁶, was **in favour of abolishing the compulsory licence**. According to her there was no reason to limit the exclusive right of the author (which can only be done when it conflicts with a public interest) and there is a viable alternative in the form of **voluntary collective management** (perhaps even extended collective licences)³¹⁷.

139. **Sound recordings. Public performance. Compulsory licence.** A different regime applies to sound recordings.

There is also a compulsory licence for most types of public performances³¹⁸, including digital webcasting (and other linear or non-interactive transmissions to the public) of sound recordings³¹⁹. The royalties from the compulsory licence are divided between producers and performers (both of which have contributed to the sound recording).

140. **Overall complexity.** A music service that offers both interactive and non-interactive features must take into account the following rights and licensing mechanisms³²⁰.

Non-interactive/linear streaming. This feature involves the **public performance** right.

- For musical compositions, this right should be individually licensed either via PROs or via individual publishers.
- For the sound recordings, there is a compulsory licence for the public performance right (s. 114).

Interactive features. This feature involves the **mechanical rights** (downloads) and/or the **public performance** rights (streaming).

- For musical compositions, the mechanical rights can be subject to a compulsory licence or, rather, be cleared from individual publishers and the performance rights are licensed by the PROs or individual publishers.
- For the sound recordings, an individual licence can be negotiated with the record companies.

One option proposed by the Copyright Register and the Internet Policy Task Force of the Department of Commerce for reducing the overall complexity of music licensing is the further expansion of collective licensing³²¹, even extended collective licensing³²².

In the next sections we will examine whether the licensing mechanisms used in the USA can be a source of inspiration for the EU³²³.

³¹⁵ In practice, the main music industry stakeholders (Recording Industry Association of America (RIAA), the National Music Publishers Association and the Digital Media Association) have led negotiations and concluded an agreement on rates and terms (until 2017) for mechanical rights licences (see L. BUFF, N. SPANOS, "A bundle of mechanicals", *Music Business Journal* July 2012, available at www.thembj.org/2012/07/a-bundle-of-mechanicals/). Some services have been defined, it has been stated that non-interactive audio-only streaming services are considered public performances but do not involve reproduction or distribution and therefore do not require a mechanical licence. New types of services have been qualified and royalty terms have been agreed upon. However, this agreement only covers the rights of reproduction and distribution, not the public performance rights; where a service provider offers a "mixed" service, it will have to negotiate a similar licence with the collecting societies.

³¹⁶ PETERS, "Music Licensing Reform".

³¹⁷ PETERS, "Section 115 Compulsory License".

³¹⁸ P. MCKAY, "Ending the power to say no : the case for extending compulsory licensing to cover digital music reproduction and distribution rights", (October 14, 2010). Available at SSRN: <http://ssrn.com/abstract=1692336> or <http://dx.doi.org/10.2139/ssrn.1692336>

³¹⁹ GINSBURG, "Copyright 1992-2012", 477.

³²⁰ See table in Department of Commerce, "Copyright policy, creativity, and innovation in the digital economy", 84.

³²¹ Department of Commerce, "Copyright policy, creativity, and innovation in the digital economy", 85.

³²² PALLANTE, "The next great copyright act", 338.

³²³ The study of CMOs and the proposed Directive on CMO is however beyond the scope of this Study.

2. Licensing modalities

141. Building on the experience in the USA, it could be verified whether in a European context the territoriality effects can be controlled by regulating the licensing modalities.

One option could be to impose an obligation upon the author/initial right owner (see *supra sub B*) but also upon the following right holders to grant licences in coherent bundles. The purpose of such obligation is to make sure the licensee acquires a licence with autonomous value and is not dependent on other parties to use its rights. This would oblige the right holder (the author) to transfer homogenous bundles of copyright prerogatives, rather than categories of rights. A situation of copyright thickets should be avoided from the start³²⁴.

In a litigation opposing MyVideo – a German platform offering the possibility to watch videos by streaming – and CELAS (a joint venture of collecting societies exercising the mechanical rights i.e. the reproduction and distribution rights of the Anglo-American repertoire of EMI Music Publishing) – the Courts in Munich decided that according to the German law, only a transfer of rights corresponding to autonomous (economically and technically independent) exploitation forms has an effect towards third parties (in rem). In the context of the online use of music works, in particular by means of an online on demand service (streaming), the reproduction has no independent economic meaning in comparison to the making available to the public. That decision suggests that the making available right and the reproduction right should be maintained together, in the sense that the reproduction right is incidental to the making available right and should consequently not require a separate authorisation by the right holder³²⁵.

This solves the fragmentation of the reproduction right and the making available right, even at a later stage of exploitation (by derived right holders). However, it does not take away the possibility for the author (or derived right holder) to fragment both rights territorially (see *supra sub B*).

142. More invasive options are to impose compulsory licences or, alternatively, the mandatory collective management of the reproduction right in online exploitations. We will briefly outline these options and the main objections (in the framework of this Study we cannot provide an exhaustive in-depth analysis of these options). It should also be noted that the Proposal for a Directive on collective rights management and multi-territorial licensing of rights in musical works for online uses (COM(2012) 372 final) is expected to facilitate the licensing process for cross-border online exploitations of musical works. The effect of this proposal is however beyond the scope of this Study.

a) Compulsory licence for first reproductions

143. A compulsory licence could be imposed covering the first reproductions following directly from on demand availability to the public. When a work (and other subject matter) is made available to the public and a member of the public requests the transmission of the work, a reproduction (in the current understanding of the reproduction right) is made on her device. This could be a temporary reproduction or a permanent one.

Instead of requiring that either the content provider or the end-user negotiate a licence for this reproduction, it could be decided to grant a compulsory licence for this first reproduction only. This use should be subject to remuneration. Similarly, the reproductions of other protected subject matter should be taken into account. These should either be authorised by the right holder or under a compulsory licence³²⁶.

144. **Music and words pertaining thereto.** Such compulsory licence is allowed under the Berne Convention, at least for the right of recording of musical works and the words to the musical work (art. 13 BC)³²⁷. Arguably this possibility to impose compulsory licences was not meant to cover the end-user's

³²⁴ See J. DE BEER, « Copyright royalty stacking » in M. GEIST (ed), *The Copyright Pentalogy*, p. 358.

³²⁵ Landgericht München, 25 June 2009, No. 7 O 4139/08, *MyVideo Broadband S.R.L. vs. CELAS GmbH*.

³²⁶ It is premature to elaborate on the technicalities of compulsory licence systems that should cover both copyright and neighbouring rights or on the need, alternatively, to provide a separate system for copyright and the neighbouring rights.

³²⁷ Article 13: Possible Limitation of the Right of Recording of Musical Works and Any Words Pertaining Thereto: 1. Compulsory licenses; 2. Transitory measures; 3. Seizure on importation of copies made without the author's permission

downloads at the time this provision was adopted in the Berne Convention. The Berne Convention imposes two restrictions.

(1) The compulsory licence should be **restricted to the countries** that have imposed it (territoriality of copyright). This means that the Member States are free to impose compulsory licences and, if they do, the effect of their compulsory licences should not exceed the territory of their country. There is therefore a risk that more disparities among the Member States are created. Should this option be considered, it should be imposed at the European level so all Member States have a compulsory licence on similar terms.

(2) The authors should receive an **equitable remuneration** that is negotiated between the parties involved or fixed by a competent authority. From the American experience, it appears that in practice this entails formalities (e.g. notification per song), which creates an important burden. It also shows that the remuneration set by the competent authorities in practice functions as an upper limit for the negotiated fee for such reproductions.

The debtor of such equitable remuneration should be the person making the work available to the public (content provider). Such obligation upon the end-user is not likely to be effective, even if she makes the material reproduction.

As a matter of policy, it may be asked if a compulsory licence is called for when it appears from the current practice that the right holders are capable of exercising their exclusive rights (albeit in sometimes burdensome negotiations and licensing processes, which may entail important transaction costs). This should at least be assessed on the basis of empirical economic data.

Also such compulsory licence would require a **competent authority** to set the level of the equitable remuneration. This could be done at the national level but this entails the risk at disparities between the Member States. Alternatively a competent authority at the European level could be created to ensure that the compulsory licence is applied evenly. Such solution obviously requires further examination that exceeds the scope of this Study.

145. **Other works.** The Berne Convention allows compulsory licences (in certain circumstances) for musical works and the words associated to this music but it **explicitly excludes this for cinematographic rights** (cinematographic adaptation and reproduction; distribution; public performance and public communication by wire of works thus adapted or reproduced – art. 14(3) BC). Unless a modification of the Berne Convention is an option, it should be empirically verified whether it makes sense to provide a compulsory licence for music only.

More generally, it should be assessed whether a uniform system of compulsory licences is appropriate: in some sectors there may be no need for such system. Arguably such compulsory licence constitutes an exception or a limitation of exclusive rights, which entails that the **three-step test** should be met (art. 10 WCT). If this is indeed the case, the limitation should be applicable for special cases (it is uncertain that any first reproduction following a making available to the public qualifies as a “special case”), it must not conflict with a normal exploitation of the work and it must not unreasonably prejudice the legitimate interests of the author. It is premature to assess whether the three-step test could be met in case of a compulsory licence for the first reproduction following a download.

It is however observed that many types of works are made available for download without any particular problem of licensing. This is the case e.g. for literary works made available with the consent of the publisher. Similarly, some authors make their works directly available to their public (e.g. via academic platforms or open access databases). Such authors mostly own the rights to offer their works for

(1) Each country of the Union may impose for itself reservations and conditions on the exclusive right granted to the author of a musical work and to the author of any words, the recording of which together with the musical work has already been authorized by the latter, to authorize the sound recording of that musical work, together with such words, if any; but all such reservations and conditions shall apply only in the countries which have imposed them and shall not, in any circumstances, be prejudicial to the rights of these authors to obtain equitable remuneration which, in the absence of agreement, shall be fixed by competent authority.

(2) Recordings of musical works made in a country of the Union in accordance with Article 13(3) of the Conventions signed at Rome on June 2, 1928, and at Brussels on June 26, 1948, may be reproduced in that country without the permission of the author of the musical work until a date two years after that country becomes bound by this Act.

(3) Recordings made in accordance with paragraphs (1) and (2) of this Article and imported without permission from the parties concerned into a country where they are treated as infringing recordings shall be liable to seizure.

download by any interested member of the public. It is unlikely that a compulsory licence is necessary for such reproductions (it could even have the effect of restricting freely available works if the platform provider were subject to an obligation to pay remuneration; such obligation could negatively affect the right to freedom of expression).

146. **Summary.** A compulsory licence for the first reproduction following directly from the public availability of the work is not a straightforward solution to the issue of territoriality. The American experience shows a number of drawbacks (the compulsory licence results in a *de facto* upper limit for negotiated royalties, administrative burden, uncertainty on the definition of the rights and their classification and consequently the scope of the compulsory licence, lack of a one-stop-shop for all types of rights and subject-matter)³²⁸, the Berne Convention allows it for musical works (and words to the music) but excludes it for cinematographic rights and it is uncertain whether a uniform system applicable to all types of works (regardless of their usual exploitation) meets the three-step test. Furthermore, the reproductions of other protected subject matter should be authorised by the right holder or under the same or a similar system of compulsory licences.

b) Mandatory collective management

147. Another mechanism for facilitating certain licensing processes is the mandatory collective management of rights. Such management has been imposed in the SatCab Directive with regard to the cable retransmission rights.

In summary, the idea is that the right keeps its exclusive nature (right to *authorise or prohibit* a use) but it can in principle only be exercised by a collective management organisation (CMO). In the SabCab Directive, the **cable retransmission right** is subject to mandatory collective management (art. 9 SatCab Dir)³²⁹. As explained in the Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society, the cable retransmission right is defined as a secondary act of exploitation, i.e. the retransmission by cable for reception by the public of an initial transmission of programmes intended for reception by the public. There are two acts of communication to the public and the cable retransmission right is defined as the secondary act by reference to the primary or initial communication to the public.

The ratio of this special regime was to facilitate this mode of exploitation and to avoid that one right holder could exercise her individual right and thus compromise the exploitation of all other works. Cable operators were deemed vulnerable to such risk because they depended technically on the primary broadcast ("initial transmission") of the work and did not have the opportunity to secure the rights to all works and other subject matter in the broadcast programmes. The solution was to have the cable operator conclude licences with CMOs (in some circumstances broadcasting organisation) for the work in their repertoire (or works belonging to the category of works they managed – see art. 9(2) SatCab Dir).

148. Could a similar system be developed for the first reproduction resulting directly from the public availability of the work? The right holder (author, derived right holder) would have the right to individually authorise or prohibit the making available of the work or other subject matter to the public but not the first reproduction following from this availability. Instead of an individually negotiated licence, a CMO should exercise this right for her and conclude agreements for the first reproduction of all works in its repertoire (with a possible extension for non-affiliated authors or right holders).

Some objections immediately raise questions on the feasibility (and desirability) of such system.

The retransmission by cable of already broadcast material is not comparable to the download of a subject matter following the public availability. The cable distributors perform a secondary exploitation and are technically (and economically) dependent on a primary distributor (the broadcasting organisation), which alone determines the broadcasting programme and clears the rights accordingly. Such relation of a primary and a secondary exploitation is absent between the making the work available to the public and the reproduction that follows from it. On the contrary, both acts are part of the same exploitation and the

³²⁸ See *supra sub* Output 2, II, C.1, nr. 137 "Difficulties".

³²⁹ See Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society, 197 et s., in particular p. 207.

content provider making the work available also controls the resulting reproduction through the same technical process. Unlike the cable distributor this content provider determines which works or other subject matter is made available for download hence it has the possibility and opportunity to clear all necessary rights (even if this is a burdensome process).

Yet the content provider would have to clear the making available right from the individual right holders and obtain a licence from the relevant CMOs for the first reproduction. Such system could only be useful if **(1)** the reproduction right is highly fragmented and clearing the rights for all territories where possibly a reproduction could be made is considered too burdensome **(2)** one CMO is able to grant a licence for all such territories. Alternatively the downloader/end-user would have the obligation to clear the licence with the CMO in her territory. This scenario is not realistic (if the end-user should bear the burden of the remuneration the equitable remuneration for private copies is a more practical tool).

In any case, the rights of making available and reproduction are not fragmented to the same extent in all sectors. Moreover, it may not be the reproduction right that is territorially fragmented. It should therefore be verified per sector if a mandatory collective management of the reproduction right for the first reproduction can provide a solution at all. It does not seem justified to design a unique system for all sectors of exploitation and for all types of works or other subject matter. The mandatory collective management of cable retransmission right was a solution tailored to a specific sector, i.e. the retransmission of radio and television broadcasts. This sector is well delineated hence it was possible to discern (and codify) sector practices. Also, these sectors coincided traditionally with the borders of one country, one national market and the CMOs are organised at the national level.

In summary it can be concluded that the mandatory collective licensing of the reproduction right covering the first reproduction following directly from its public availability is not an overall practical solution to facilitate the licensing of cross-border on demand services.

D. Exceptions

149. The exceptions for temporary acts of reproduction and “private copy” could play a role in aligning the territoriality of the reproduction right to the localisation of acts of making available to the public. Insofar as the Commission sees a necessity to restrict the impact of the exclusive rights to the territories of determined Member States, according to the criteria of its choice, it can be considered to apply these exceptions for this purpose and prevent the reproduction right from extending the geographical reach of the (online) exploitation of a work.

1. Exception for incidental reproductions (art. 5(1) InfoSoc Dir)

150. The exception for temporary acts of reproduction applies in all Member States and its downstream impact is being clarified in the CJEU's decisions. It could however be examined whether this exception could be shaped to address other territoriality effects of upstream or downstream reproductions as well. Broadly speaking, the main idea is to emphasise that all reproductions that are dependent or incidental to the principal act (in this case, the assumption is that the making available to the public is the principal act) are exempted under this exception and therefore no legal consequences can follow from them in territories outside the Member States where the copyright relevant acts (such as the making available to the public) take place.

It has been demonstrated that the current exception for temporary acts of reproductions is difficult to apply and uncertainty exists regarding its scope and its application (notwithstanding continuous clarification by the CJEU). The relation between the reproduction right and the right of communication to the public could be clarified by simplifying the exception for temporary acts of reproduction. This could have an impact on the overall territoriality effects of cross-border (online) exploitations.

This could be achieved by emphasising the core of this exception, i.e. the **absence of an independent economic significance** of the reproduction in relation to the use it enables. It could be argued that the

“transient”, “temporary” or “incidental” nature of a reproduction under this exception are actually expressions of this condition that the exempted copies should not have independent economic significance³³⁰. The incidental nature of the reproduction could be stressed, since this condition is complementary to the condition that the reproduction should not have any value on its own. Inversely, the conditions that the reproduction be temporary or transient could be softened (and treated as indications of the incidental nature of a reproduction in relation to the use it enables).

The scope of the exception would thus be clarified and seemingly extended in comparison to the current exception. In practice such redrafted exception would mostly cover cases that are currently exempted. It would be beyond doubt that the **temporary downstream copies** made at the end-user's device (screen, cache memory) that allow the end-user to consult (read, view, hear) the protected material are thus exempted. Reproductions that last longer than a transient while could be covered as well. However they should functionally be incidental to the transmission and should not allow the end-user to have independent control over her access to the work.

The emphasis on the incidental nature and the economic value of the reproduction in relation to the availability of the work for on demand transmission could perhaps even exempt the “**upstream**” copy of the protected work under this exception. It should be verified whether this reproduction does not in itself constitute a form of exploitation of the protected subject matter stored, i.e. whether it has independent economic significance.

Permanent downloads that allow the end-user to acquire the file (and the protected subject matter) on a permanent basis are not incidental to the act of making available to the public. On the contrary, the person who downloads a file mostly intends to acquire control over this file and consult it independently of the content provider that first transmitted it to her. Such permanent downloads would not be exempted under this exception for incidental reproductions and the reproduction would be localised in the Member State where it occurs.

In some cases there may be room for doubt. For instance, content providers (especially online music providers) offer different possibilities to “consume” music, by direct streaming (which requires Internet access) or from a **temporary download** on the subscriber's device. Such download makes the work available to the subscriber only and is stored locally on her device so she can listen to it even when she is offline. It could be argued that the reproduction is not incidental to the *making available to the public*, since the subscriber gains a certain independence of the service provider to enjoy her music. Consequently these reproductions, albeit temporary, should not be exempted and require the right holders' prior consent. On the other hand, the subscriber is entitled to these temporary downloads for the duration of the subscription only and in this sense she does continue to depend on the music provider, which transmits the music to the subscriber. Following this view, the reproductions do not allow the user to listen to the music independently from the provider which makes it available to the user and consequently the reproductions would be incidental and therefore possibly exempted under the exception. It should then be a matter of technical and economic analysis to determine whether the end-user gains sufficient independence from the service provider to assess whether such temporary downloads are incidental to the making available of the protected subject matter by the music provider.

³³⁰ It appears for the *travaux préparatoires* that the “purpose of article 5(1) is to exclude from the scope of the reproduction right certain acts of reproduction which are dictated by technology but which have no separate economic significance of their own. It applies notably to the online environment, but also to acts of reproduction taking place in the context of the use of a protected subject matter in off-line formats. In such cases, it is appropriate to limit the scope of the reproduction right and only protect those acts of reproduction which are of a separate economic relevance (...)”. See Proposal for a European Parliament and Council Directive on the harmonization of certain aspects of copyright and related rights in the Information Society, presented by the Commission (COM(97) 628 final), p. 29.

151. Three-step test. It should be verified whether the exception for incidental reproductions, after this clarification and possibly extension, still meets all steps of the three-step test (art. 10 WCT; art. 16 WPPT; art. 13 TRIPS)³³¹.

(1) Special case. The exception should be formulated in a sufficiently precise way. The formulation of the exception will presumably not present a major problem.

(2) Normal exploitation. There should be no conflict with the normal exploitation of the work or other subject matter.

- To the extent that the exception only exempts reproductions of an incidental nature that do not have autonomous economic value, the normal exploitation of the work (by means of on demand forms of exploitation) is safeguarded. The right holder is able to monetise the making available right and continues to have this possibility with the exception. By contrast, the reproduction that thus comes along with the online availability and the resulting transmissions cannot be monetised independently from the making available right. The exemption of the reproduction would not undermine the exploitation of the work, which is protected by the making available right. There should therefore be no conflict with the normal exploitation of the work.

(3) Legitimate interests of the right holder. The exception should not unreasonably prejudice the legitimate interests of the right holder. It should first be examined whether the exception is justified. The law grants a reproduction right hence it can be assumed that the right holder has a legitimate interest in exercising her right. The next question is how this interest is prejudiced by the exception and whether this limitation is unreasonable.

It is recommended to assess the impact of any new exception or modified exception based on empirical data (economic data).

2. Reproductions for private purposes

152. Private copy (art. 5(2)(b) InfoSoc Dir). It has been found in the first part of this Study that the private copy is unevenly implemented in the national copyright laws and that therefore there is no actual harmonisation between the Member States. Some Member States do not provide an exception for reproductions for private use at all.

This divergence is illustrated by the example of the online personal video recorders (PVR). Some German courts have come to the conclusion that the using of an online PVR service to record television broadcasts can result in a copy that is made by the end-user and that is exempted under the exception for private use. A French court has assessed a similar situation differently, where the PVR provider was held liable for the reproduction at the instruction of its users and where therefore the exception for private use could not apply. The application of this exception is indeed intrinsically linked to the general liability rules (see *supra sub* Part 1.II – par. 22). **The divergence of liability rules and the exception for private use excludes the possibility to offer a pan-European service under one regime of exceptions.**

A second issue is that **reproductions resulting directly from the public availability may be localised in other Member States** than where the work or other subject matter is made available to the public. This is not so much a problem for those copies that are exempted under the exception for temporary acts of reproduction, which all Member States have had to implement, and that would mostly occur in relation to streaming services. For copies that are not exempted on this ground, mostly download copies, the task of the service provider may be complicated – at least when the reproduction right is fragmented. When the service provider cannot precisely predict where the reproduction will take place and for which territories it should clear the reproduction rights, it cannot conclude an all encompassing licence with the

³³¹ See on this point: Study on the Application of directive 2001/29/EC on Copyright and Related Rights in the Information Society, p. 255-257.

holder(s) of the (fragmented) reproduction right. This leads to legal insecurity for those cases. It should however be observed that, in some sectors, one right holder owns the rights of communication to the public (making available right) and reproduction (e.g. audiovisual works; book publishing), which allows the service provider to negotiate licences that cover all types use at once. Absent empirical data, it cannot be assessed how important this issue is and how it raises the transaction costs.

In order to facilitate the offer of an online service in several Member States or even in all Member States, one option is to push the harmonisation of this exception. The idea would be to limit the territorial impact of the online exploitation by systematically exempting the reproductions following directly from the (legitimate) on demand availability, provided that the conditions are met (in particular, the copy is made by a natural person for her private use and without commercial purpose). In counterpart the holder of the reproduction right could in some cases be entitled to fair compensation³³².

The exception for private copying can serve as an instrument to facilitate multi-territorial services if it is applied in all Member States in the same way and if it is large enough to cover a variety of online services.

- In order to allow providers to offer a pan-European service, this exception should be **mandatory**. All Member States should provide an exception to the reproduction right for private use. This has proven difficult, considering continued effort to discuss this exception and its levies at the European level (with as the latest outcome the recommendations of Mr. Vittorino of 31 January 2013³³³).
- It should be clarified whether the exception can apply when an individual uses **third party services** to make the reproduction for her private use (**online service providers**). If the exception is restricted to the reproductions made by the individual and cannot apply to reproductions made using online services, then this exception will not alleviate the task of the service provider. It would suffice that the content provider assists the individual in making the reproduction for the exception not to apply. By contrast if the exception could apply to all reproductions for the private use of the individual, made by her or made by third parties following her instructions and on her behalf, then it could apply to reproductions made using online services and it could alleviate the licensing process.

There are however important legal (and economic) arguments against extending the private copying exceptions to the effect that it allows commercial services being created on the pretext that the end-user makes a private copy and that therefore no authorisation is required. These arguments will be discussed hereafter.

153. **Three-step test.** There are several objections to this extension of the private copying exception. Firstly, the fair compensation obligation would be an important element for the right holder to see her damage compensated. Given the discussions and controversies the levy-systems provoke, it does not seem politically desirable to extend the reach of this exception and its compensation mechanism. Moreover, it is highly questionable whether it is economically desirable to replace a negotiated licence by a legal compensation where this is not strictly necessary. Such levies may also raise other internal market concerns; it is however not within the scope of this study to describe them and it is for the Commission to assess whether such approach would fit in its policy priorities.

From a legal point of view, the question is whether it is permissible under the three-step test to replace a system of negotiated licensing with an exception (with fair compensation). In the cases under consideration the individual for whom the copy is made may not have a direct or indirect commercial

³³² The complicated questions related to levies and remunerations for private copies are beyond the scope of this study. It can however be pointed out that the Information Society Directive, in its recital 35, states that the « fair compensation » should compensate the right holders for the use made of the protected subject matter, in function of the harm to the right holders resulting from the act in question: “in cases where the rightholders have already received payment in some form, for instance as part of a licence fee, no specific or separate payment may be due”. There is consequently no automatic entitlement to compensation, especially in those cases where remuneration is paid based on the making available right.

³³³ For an overview of the initiatives on private copying levies : http://ec.europa.eu/internal_market/copyright/levy_reform/.

purpose and may use it only for her private use (or in her private sphere), but the **third party service providers in many cases do have a direct commercial purpose**. In some cases the end-users can use the service under a paid subscription. Alternatively, the service provider may attract advertisement and thus monetise the public it can gather through its service³³⁴.

(1) **Special case.** The exception should be formulated in a sufficiently precise way. The formulation of the exception will presumably not present a major problem.

(2) **Normal exploitation.** The exception should not conflict with the normal exploitation of the work or other subject matter³³⁵.

It should be verified whether the systematic use of the exception could divest right holders from major sources of revenues that are significant within the overall commercialisation of works³³⁶. The exploitation of works is structured differently across sectors. These differences should be taken into account when assessing the impact of an exception on the exploitation of the work. If such exception would also exempt reproductions via a third party service provider (with a commercial purpose), several circumstances should be taken into account to assess whether it affects the normal exploitation of the work.

- In some cases, a work can be freely downloaded via an intermediary (platform) and, notably in some scientific or academic spheres, very little attention is paid to the legal basis of the download. It is not explicitly stated whether the download is authorised by the right holder or if the download is covered under an exception, such as the exceptions for research and education. This is for example the case for some academic platforms. For these cases, an exception will have a limited economic impact on the exploitation, at least where the authors have other motives than economic ones for making their works available for download.
- In other cases, the service provider may pay a licence fee in return for the commercial online exploitation of the work to the right holders, without specifying whether the amount covers the public availability of the work and/or the reproduction by the downloader. The effect of an exception for downloads meant for private purposes should be assessed but possibly it does not have an impact on the amount licence fee (which will then be paid for the making the work available to the public). In that case the exception is unlikely to undermine the exploitation entirely (mere losses should be assessed under the third step of the test).
- When the service provider deals with the holders of the reproduction right and the making available right separately, the effect of the exception is more important for the former than for the latter. This makes it complicated to assess whether there is a conflict with the overall “normal exploitation” of the work.
- The impact on the exploitation of the work is even more important when the exception not only exempts the copy made by the end-user but also affects the qualification of the online accessibility as an act of making available to the public. It has been described in a previous Study³³⁷ that in some jurisdictions online personal video recorder (PVR) providers can operate without acquiring the right holder’s consent, neither for making the work available to the public, nor for the reproductions made³³⁸. It should be verified

³³⁴ Shift.tv for example advertises the circumstance that its users make « private copies » following the different court decisions on its PVR service: www.shift.tv.

³³⁵ Different interpretations exist of the « normal exploitation » in the three-step test. According to some the normal exploitation per exclusive right should be considered, while others favour the overall commercialisation of the work. See A. PEUKERT, « A Bipolar Copyright System for the Digital Network Environment », *Hastings Communications and Entertainment Law Journal*, Vol. 28, No. 1. Available at SSRN: <http://ssrn.com/abstract=801124>, 23 and M. SENFTLEBEN, *Copyright, limitations and the three-step test. An analysis of the three-step test in international and EC copyright law*, Kluwer Law International, 2004, 340 p.

³³⁶ See Study on the territoriality of the making available right, p. 256.

³³⁷ See Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society, p. 42.

³³⁸ Often an online PVR provider allows the user to make a recording of a broadcast programme within an individualised space, reserved for the use of this individual only. The reasoning is that this copy serves only for the transmission of the broadcast matter

whether such online video recordings constitute an autonomous form of exploitation and whether the application of the exception affects the normal exploitation of the work, taking into account this new type of use may have developed into an exploitation form of its own, from which the right holders are deprived on the basis of the exception³³⁹. Inversely, it may be proven that there is a market failure that justifies such exception if it is established that the transaction costs are so important that licences cannot be concluded³⁴⁰. Further economic analysis should be able to gather empirical data on this subject.

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(3) Legitimate interests of the right holder. Only in case the two first steps are met should this step be verified. The exception should not unreasonably prejudice the legitimate interests of the right holder.

- Provided that the normal exploitation of the work is not undermined, the impact of the prejudice should be assessed. The author should only accept “reasonable prejudice” (from an economic point of view). An unreasonable loss of income may be rendered “reasonable” by granting a remuneration right. This calls for an economic assessment (taking into account that the holder of the reproduction right may not receive any remuneration from the licence fee paid to the holder of the right of making available).
- Considering other norms than economical ones, it should first be examined whether the exception is justified and this implies a weighing of the author’s interests and other public interests expressed in the exception. The author has a legitimate interest in controlling the exploitation of her work and being paid for this. Her rights could however be restricted in favour of other public interests, which may apply to the end-user or even the intermediary. An end-user could indeed claim protection of the freedom of information, her privacy or her property rights. Such public interest grounds could justify an exception. The situation is somewhat different when service providers function as an **intermediary** between the right holder and the end-user. Apart from their right to conduct their business, there are fewer public interest ground that the commercial intermediaries can rely on to justify a restriction. It is unlikely that avoiding licence fees and transaction costs can justify restricting the authors’ exclusive rights.

In summary, an extension of the exception for private copies is not a satisfactory solution to territoriality problems. Several objections exist to applying such exception indistinctly to all downstream reproductions, while it is actually possible to negotiate a licence for these acts (which is actually the case). The contractual burden that such obligation causes for content providers does not seem to justify a restriction (with a wide scope) of the author’s rights.

E. Conclusions

154. In this part, we have examined various legal constructions to deal with the different territorial impact of the making available right and the reproduction right and, more in particular, to localise the reproductions following directly from the public availability of a work or other subject matter according to the localisation criteria proposed in the previous Study.

We have not found one construction that solves all issues. Moreover, we hold the opinion that more empirical (economic) data are required before a legislative initiative is taken in this domain and that it

to the individual who requested the recording, therefore there is no act of making it available to the *public*. At the same time the individual will only use the work for private purposes, hence the reproduction that enables this private transmission is exempted as well. Based on these arguments the service provider is free to offer its service to all individuals, without a possibility for the right holders to prohibit this use or negotiate a remuneration – even when the online PVR provider makes a profit.

³³⁹ It should be observed that the CJEU has decided that the three-step test is met when the conditions of the exception are met. Within the scope of this study we cannot elaborate on this point.

³⁴⁰ See Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society, p. 256.

should be verified whether an approach per exploitation sector is more appropriate than a general and unique regime applicable to all types of works and all exploitation modes.

Firstly, we have examined whether the **definition** of the exclusive rights and the **qualification** of online exploitations could provide a solution. This would require a sharper distinction between the making available right (as a subset of the right of communication to the public) and the reproduction right (and the distribution of the reproduction). Consequently, each act of exploitation would be qualified as either an act of making available or distribution of a reproduction. Broadly speaking, whenever the work or other subject matter is made available to the end-user on a temporary basis (without final control over the use of the work), it would be made available to the public (communication to the public). When the end-user does gain control over the work or other subject matter (and therefore independence of the content provider), a distribution of a reproduction has taken place. This construction is similar to the division of rights in the USA and Canada (cf. decisions of the Canadian Supreme Court).

These acts of distribution/reproduction can be localised in the EU according to the criteria discussed for the making available right (country of origin; country of exploitation).

- Considering that the copy from which the files are technically made available for transmission to the public and the first reproduction made by the end-user are part of one composite act of distribution to the public and considering that the content provider performs this protected act, the act of distribution could be localised in a **country of origin**. Only the subsequent reproductions, made by the end-user after she has taken possession of the first reproduction, would then be localised according to other criteria. This construction would localise all relevant acts of making a work available for download (including the download) in one Member State of the EU.
 - Drawbacks are similar to the ones described for the making available right, in particular the risk that the (exclusive) exploitation in other Member States is undermined. This may affect the overall exploitation of the work in the EU and thus cause adverse economic effects.
- The making available for download qualified as a distribution of a reproduction could be localised in the Member States of **exploitation**, depending on where the national public is targeted. Downloads (i.e. reproductions) outside the territory of exploitation would not be qualified as a distinct distribution in the Member States where the public is not targeted (overspill). This solution allows a degree of flexibility to the extent that an overspill can develop, over time and by the doing of the content provider, into an exploitation for which the right holders' consent is required.

An alternative option, based on the qualification of the on demand exploitation and the relation between the exclusive rights, is to admit a **fictional localisation criterion** for the reproduction following directly from the public availability. In this hypothesis, the definitions of the reproduction right and the making available right are not altered but it is explicitly stated by law that the first reproduction (download) resulting directly from the public availability is localised in the Member State where the act of making available takes place (i.e. country of origin or exploitation). This approach raises the same objections as the previous one.

Secondly, there could be an obligation upon the author or initial right holder to transfer only **coherent bundles of rights** to the effect that the licensee acquires all rights it needs for a particular form of exploitation of a work or other subject matter. This obligation could be extended to subsequent transfers of rights by derived right holders.

Such obligation could remedy the complications caused by the (substantive) fragmentation of exclusive rights. It does however not solve the difficulties arising from the territorial fragmentation of rights. To the extent that the exclusive rights of making available to the public and reproduction are in different hands (albeit in coherent bundles) per national territory, a cross-border exploitation would still require the consent of various right holders (especially in relation to the reproductions outside the Member State where the work or other subject matter is made available to the public).

Thirdly, the right holders' ability to license their rights could otherwise be limited in order to facilitate the exploitation of works and other subject matter in several Member States. One option is to impose **compulsory licences for the first download** following the public availability of the work or other subject matter. In this scenario the right holder loses its exclusive right, in return for remuneration. Such restriction should not be imposed without distinguishing between the sectors. Even if there are no legal objections to such compulsory licence for some types of works, such system is fairly complicated and perhaps not very useful (cf. the American experience). In order to address the territoriality issues in a useful way, the same compulsory licence should be imposed in all Member States. An equitable remuneration is due and should be determined by a competent authority (in case no agreement can be reached), either at the national level (with the risk of divergences) or at the European level (with the possibility that this authority acts as a price regulator). Similarly, an administrative system should be set up to keep track of the downloads of particular works and subject matter (to allow right holders to perceive their remuneration) at the national or European level. Empirical economic data are required to assess the feasibility and desirability of such system.

Another possibility restricting the possibility for right holders to exercise their rights is to **impose the collective management** of the reproduction right with regard to the first reproduction (download) following directly from the public availability of a work. This system has been applied to the exercise of the cable retransmission right. It has however been found that there are insufficient similarities between the cable retransmission right (concerning a specific sector with specific actors and a specific form of secondary exploitation relating to a primary exploitation) and the download of works (all sectors, various types of actors and one exploitation).

Finally, the territorial effects of the reproduction right can be attenuated to a certain extent by the modification of the exceptions. On the one hand, the **exception for temporary acts of reproduction** could be extended to emphasise the incidental character of the reproduction and its lack of independent economic significance vis-à-vis the making available to the public of the work or other subject matter. Such an exception would cover the upstream reproduction that technically allows the public availability for transmission and the downstream reproductions that allow the end-user to consult the work (read, view, hear,...) without gaining control over the use of the work or other subject matter. Reproductions that do allow the end-user to control her use of the work (whenever and wherever she wants to consult it) and that grant her independence from the content provider would not be exempted under this exception.

On the other hand, the **exception for "private copies"** could exempt certain downloads of works made available to the public. In order to maximise the effect of the exception on the territoriality of the reproductions, this exception should be further harmonised. It should be made mandatory in all Member States and the conditions of the exception should be harmonised in more detail (in particular the role of the (commercial) intermediary whose services are used to make the private copy should be clarified). It seems however that the three-step test may raise a legal obstacle to the extension of this exception to exempt all reproductions in those cases where the normal exploitation of the work is threatened in favour of content providers or intermediaries that would otherwise be subject to licence fees and transaction costs to obtain such licences.

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