

International CMS webinar series on recent CJEU-decisions in the area of IP, Technology, Media and Communications

Session 1: “Art & Allposters” (C-419/13)



Welcome & Introduction



Speaking to you now:

Prof. Dr. Winfried Bullinger, CMS Hasche Sigle (Berlin)

Dr. Frederik Leenen, CMS Hasche Sigle (Berlin)

Agenda

- Legal Background, Facts & Question before the Court
- Key Findings
- Outcome & Relevance
- Impact on selected EU-countries
(Austria, Belgium, France, Germany, Hungary, Italy, Spain, the Netherlands, United Kingdom)
- Your questions

Legal Background

Article 4 of 2001/29 - Distribution right

(1) Member States shall provide for authors, in respect of the original of their works or of copies thereof, the exclusive right to authorise or prohibit any form of distribution to the public by sale or otherwise.

(2) The distribution right shall not be exhausted within the Community in respect of the original or copies of the work, except where the first sale or other transfer of ownership in the Community of that object is made by the rightholder or with his consent.

Article 2 of 2001/29 - Reproduction right

Member States shall provide for the exclusive right to authorise or prohibit direct or indirect, temporary or permanent reproduction by any means and in any form, in whole or in part: (a) for authors, of their works (...).

Facts

- Allposters offers its clients images on canvases
- Allposters uses a chemical process to transfer the ink from a paper poster (of a famous art work) onto canvas ("canvas transfer")
- The image of the work disappears from the paper backing during the process and the paper backing ceases to exist
- Pictoright holds the rights of the works and did allow for the posters to be sold on the market (where Allposters acquired them), but did not allow Allposters to perform a "canvas transfer"

Question before Court

Does the **rule of exhaustion** of the distribution right set out in Article 4(2) of Directive 2001/29 apply in a situation where a reproduction of a protected work, after having been marketed in the European Union with the copyright holder's consent, has undergone **an alteration of its medium**, such as the transfer of that reproduction from a paper poster onto a canvas, and is placed on the market again in its new form?

Key findings

Key Finding 1: Relevance of the Right of Adaption

Without having to interpret the concept of '**adaptation**' within the meaning of Article 12 of the Berne Convention, it is sufficient to state both the paper poster and the canvas transfer contain the image of a protected artistic work and thus fall within the scope of Article 4(1) of the InfoSoc Directive (para. 24-28).

Key findings (continued)

Key Finding 2: Exhaustion

The exhaustion of the distribution right under the InfoSoc Directive applies to the **tangible object into which** a protected work or its copy is incorporated (para. 34-40)

Key findings (continued)

Key finding 3: new reproduction

A creation of a new object incorporating the image of the protected work, which provides a result closer to the original while the old object ceases to exist, is sufficient to constitute a **new reproduction** of that work within the meaning of Article 2(a) of the InfoSoc Directive which is not covered by the consent of the copyright holder (para. 42-46)

Key findings (continued)

Key Finding 3 – a closer look:

It does not matter if there is no multiplication of the work, nor that the ink incorporating the work gets transferred without alterations. What is important is whether the **altered object itself, taken as a whole, is, physically, the object that was placed onto the market** with the consent of the rightholder (para. 44-45)

Outcome

The rule of exhaustion does not apply in the case before the court

Relevance

- Exploitation Rights of the InfoSoc Directive are **fully harmonized**
 - The court's interpretation is (indirectly but effectively) binding for all Member States
 - Member States have to use all constitutional means of interpreting their national law to comply with it, even by special means of interpretation like an analogy, etc.
- Berne Convention sets a minimum standard

Impact on selected EU countries

Impact on selected EU countries - **AUSTRIA**



Speaking to you now:

Egon Engin-Deniz, CMS Reich-Rohrwig Hainz (Vienna)

Impact on selected EU countries - **AUSTRIA**

Right of Adaptation (Key Finding 1)

- Right of Adaptation as granted in Sec 5 and 14 of the Austrian Copyright Act (Urheberrechtsgesetz). The right of adaptation is a copyright in itself but dependent on the license granted by the creator of the original work
- Most probably there is a need of a consent by the rightholder for a preparatory copy up until the publication or commercial exploitation

Impact on selected EU countries - **AUSTRIA**

Exhaustion (Key Finding 2)

- Most of the Austrian courts and the opinions in literature already required a tangible medium and emphasized the relation to the tangible medium. There are some exceptions to the general rule in regard to computer programmes
- Thus, there is no need for a change of law of exhaustion with regard to the distribution right

Impact on selected EU countries - **AUSTRIA**

New Reproduction (Key Finding 3)

- The Reproduction Right in the Austrian Copyright Act is called "Vervielfältigungsrecht" (Sec. 15 Urheberrechtsgesetz)
- "Vervielfältigung" carries the meaning of multiplication, and so far a first or an additional fixation of the work was required
- Courts are likely to consider the transfer of the initial reproduction into a canvas as a new and additional reproduction according to Art 2a Info Soc Directive

Impact on selected EU countries - **BELGIUM**



Speaking to you now:

Alexis Hallemans, CMS DeBacker (Antwerp)

Impact on selected EU countries - **BELGIUM**

Right of Adaption (Key Finding 1)

- Art. XI.165 Belgian Economic Law Code: exclusive right of the copyright holder
- Reproduction of the concept or ideas is not an adaptation
- Consent of the copyright holder is needed
- With consent : the adaptation of the work as such can be protected by copyrights
- Without consent : protection possible in practice, at the latest until infringement is decided by court

Impact on selected EU countries - **BELGIUM**

Exhaustion (Key Finding 2)

- The Belgian scholar literature and case law has been in line with the CJEU's decision : exhaustion merely relates to the object containing the copyright protected work, marketed in the EEA

Impact on selected EU countries - **BELGIUM**

New Reproduction (Key Finding 3)

- Reproduction is the materialisation of the protected work, independently of the used technic.
- In line with CJEU's decision.
- Strict interpretation: f.i. no exhaustion regarding the copy of a wrinkled, and as such not marketable copyright protected poster.

Impact on selected EU countries - **FRANCE**



Speaking to you now:

Jean-Guillaume MONIN, CMS Bureau Francis Lefebvre (Lyon)

Impact on selected EU countries - **FRANCE**

Right of Adaption (Key Finding 1)

- According to French law, adaptation implies the creation of a **derived work** based on an original work
Ex. : movie adaptation from a book.
- In the case at stake, with regards to French law, the right of adaptation would be irrelevant because there is **no creation of a derived new work**; the original work remains the same, only the medium changes.
- In accordance with the CJEU decision, this case would rather fall within the scope of the right of reproduction under French Law.

Impact on selected EU countries - **FRANCE**

Exhaustion (Key Finding 2)

- Article L122-3-1 CPI provides that exhaustion of the distribution right exclusively applies to tangible objects/copies incorporating a protected work.
- The author cannot forbid the sale of such tangible objects/copies after he gave his consent to their sale.
- French legal doctrine considers that the distribution right and exhaustion do not apply to digital online exploitation of works
- Consequently, French law is in accordance with the CJEU interpretation of article 4) of Directive 2001/29.

Impact on selected EU countries - **FRANCE**

New Reproduction (Key Finding 3)

- In point 43, CJEU took into consideration the observations of the French government for the interpretation of the notion of “new reproduction”.
- Article L122-3 of the French IP Code gives a broad definition of “reproduction”: physical fixation of a work by any process permitting to communicate it to the public (in particular, by printing, drawing, engraving, photography, casting and all processes of the graphical and plastic arts, mechanical, cinematographic or magnetic recording).
- The author’s consent is required for any type of reproduction of his work. In the absence of written consent of the author for one type of reproduction of the protected work, such a reproduction will be considered as an infringement of his right of reproduction.
- The transfer of the work from a poster to a canvas thus constitutes a new reproduction under French law.

Impact on selected EU countries - **GERMANY**



Speaking to you now:

Dr. Frederik Leenen, CMS Hasche Sigle (Berlin)

Impact on selected EU countries - **GERMANY**

Right of Adaption (Key Finding 1)

- Right of Adaption as granted in Sec. 23 of the German Copyright Act (Urheberrechtsgesetz) privileges the person preparing an alteration throughout his process of creation
- No need of a consent by the rightholder for a preparatory copy up until the publication or commercial exploitation
- Possible conflict

Impact on selected EU countries - **GERMANY**

Exhaustion (Key Finding 2)

- Most of the German courts and the opinions in literature already required a tangible medium and emphasized the relation to the tangible medium
- Thus, there will not be any major change of law with regard to the distribution right

Impact on selected EU countries - **GERMANY**

New Reproduction (Key Finding 3)

- The Reproduction Right in the German Copyright Act is called "Vervielfältigungsrecht" (Sec. 16 Urheberrechtsgesetz)
- "Vervielfältigung" carries the meaning of multiplication, and so far a first or an additional fixation of the work was required
- Courts are likely to grant an unnamed exploitation right in such (rare) cases to comply with the InfoSoc Directive

Impact on selected EU countries - **HUNGARY**



Speaking to you now:

Dóra Petrányi, CMS Cameron McKenna (Budapest)

Impact on selected EU countries - **HUNGARY**

Right of Adaptation (Key Finding 1)

- Right of Adaptation as granted in Sec. 29 of the Hungarian Copyright Act is broadly worded: any alteration of the work as a result of which another work is derived from the original shall be regarded as adaptation.

Impact on selected EU countries - **HUNGARY**

Exhaustion (Key Finding 2)

- Based on Section 23 of the Hungarian Copyright Act, the opinions in literature connect the exhaustion rule to a tangible medium into which a protected work or its copy is incorporated. There is no court practice on that.
- There will not be any major change of law with regard to the distribution rights.

Impact on selected EU countries - **HUNGARY**

New Reproduction (Key Finding 3)

- In line with Article 2 of 2001/29 directive, any kind of direct and indirect fixation of the work classifies as reproduction.
- The Hungarian Copyright Act provides a long – not exhaustive – list of the cases that qualify as reproduction. This includes the reproduction by "mechanical" or "magnetic" way.

Impact on selected EU countries - **ITALY**



Speaking to you now:

**Paola Nunziata – CMS Adonnino Ascoli & Cavasola
Scamoni (Rome)**

Impact on selected EU countries - **ITALY**

Right of Adaption (Key Finding 1)

References:

- Art. 18 of the Italian Copyright Law: the exclusive right of adaptation includes **any kind** of modification, elaboration and change of the protected work.
- Art. 119 of the Italian Copyright Law: unless differently provided for by the parties, the transfer of the economic rights related to the exploitation of protected works do not include the possible adaptations and changes.

Impact on selected EU countries - **ITALY**

Exhaustion (Key Finding 2)

- Reference: Art. 17 of the Italian Copyright Law
- CJEU ruling is in line with the content and interpretation of Art. 17: the exhaustion of the distribution right operates only with respect to **the tangible object** into which a protected work or its copy is incorporated.

Worth noting: Art. 17 (3) of Italian Copyright Law excludes applicability of exhaustion to immaterial copies distributed via download on the Internet.

Impact on selected EU countries - **ITALY**

New Reproduction (Key Finding 3)

- Reference: Art. 13 of the Italian Copyright Law
- Subject-matter of the exclusive right of reproduction is the «**Multiplication**» («*moltiplicazione*») of the protected work's copies.



Creation of a new, additional product

Consequence  Possible conflict with the CJEU decision.

Impact on selected EU countries - **SPAIN**



Speaking to you now:

Blanca Cortés, CMS Albiñana & Suárez de Lezo (Madrid)

Impact on selected EU countries - **SPAIN**

Right of Adaption (Key Finding 1)

- Right of adaptation as granted in Sec. 21 LPI privileges the person creating a derivative work throughout his process of creation:

The transformation of a work shall include its translation, adaptation and any other alteration of its form from which a different work is derived.

(...) The intellectual property rights in the work resulting from the transformation shall pertain to the author of the latter, without prejudice to the author of the pre-existing work's right to license, throughout the term of protection of his rights therein, the exploitation of those results in any form (...)

Impact on selected EU countries - **SPAIN**

Exhaustion (Key Finding 2)

- Sec. 19.1 of the Spanish Copyright Act (“LPI”) already requires a tangible medium for the act of distribution
 - Preparatory legislative works contained a reference to “*the same object*”
- Most of the Spanish courts and literature opinions already emphasized the relation to the particular tangible support
 - Judgements by the Spanish Supreme Court (06/09/1998 and 12/12/2001) and the Provincial Court of Seville (02/11/2008), among others
- Digital marketing is deemed an act of public communication (Sec. 20.2.i LPI)

Impact on selected EU countries - **SPAIN**

New Reproduction (Key Finding 3)

- The Reproduction Right is defined by Sec. 18 LPI
 - *Reproduction shall be construed as the fixation, directly or indirectly, permanently or provisionally, in any mode or form, of all a work or part thereof, enabling it to be communicated or copied*
- Courts are likely to consider Allposters' conduct to be a reproduction, rather than an alteration of the original work
 - The process is mechanical and absent of all creative intention
 - Similar cases (e.g. pictures of paintings, small scale replicas of sculptures) have been considered as acts of reproduction

Impact on selected EU countries - **the NETHERLANDS**



Speaking to you now:

Hendrik Struik, CMS Derks Star Busmann (Utrecht)

Impact on selected EU countries - **the NETHERLANDS**

Case is (was) about Exhaustion → Distribution right

- Art. 12b Dutch Copyright Act:
 - ‘If a copy of a (...) work has been distributed by transfer of ownership for the first time in [EU/EEA] by its author (...) or with his consent, the distribution of that copy in another manner (...) does not constitute an infringement of copyright.’
- “copy” means: specimen (*exemplaar*)

Impact on selected EU countries - the **NETHERLANDS**

NL precedent:

Poortvliet case (Supr. Ct 1979)

- Calendars with works of Poortvliet
- Plates torn off, stuck on hard board and sold as 'pictures'
- Court: new exploitation of the work → no exhaustion

Impact on selected EU countries - the NETHERLANDS

European Court in *AllPosters*

Two questions (33), two answers

- 1) (pt 34-40) Exhaustion applies to *tangible medium* (no discussion in NL)
- 2) Which alteration is 'sufficient' to prevent exhaustion?
 - pt 45 (very clear): whether the altered object as a whole is, physically, still the object as placed on the market;
 - pt 46 (confusing): whether the altered object “constitutes a **new reproduction**”
 - pt 47-48 (it *seems*): where the alteration’s “economic value significantly exceeds” that of the initial object, the court is willing to rule out exhaustion
 - although it only says (pt 49) “... undergone **an alteration** of its medium, such as...”

Impact on selected EU countries - **UK**



Speaking to you now:

Tom Scourfield, CMS Cameron McKenna (London)

Impact on selected EU countries - **UNITED KINGDOM**

Right of Adaption (Key Finding 1)

- Longstanding exclusive right to make adaptations in UK – first introduced in 1956 Copyright Act
- s.16(1)(e) and 21(1) – infringement to make adaptation AND to carry out any of the subsequent acts (e.g. distribution of an adaptation)
- Applies to whole or substantial part of original copyright

Impact on selected EU countries - **UNITED KINGDOM**

Exhaustion (Key Finding 2)

- UK has traditionally taken strict view in respect of exhaustion of rights in general
- No case law as regards “physical” vs “digital” outside the software industry
- May be unclear as to what amounts to a reproduction of the original and what is an adaptation – but both would be an infringement

Impact on selected EU countries - **UNITED KINGDOM**

New Reproduction (Key Finding 3)

- Issue of copies to the public . s.18(1) or s.21 distribution adaptation
 - The expression “issue of copies” is also to be understood as including the issue of any ‘original’ work.
- s.18 makes the act of putting particular copies of a work into circulation in the UK a restricted act, *even where* the work has already been published in the sense that other copies of it have been put into circulation
- Argument reminiscent of *Sebago* [1999!]) – exhaustion for those specific goods, not goods to that style/similar etc.

Your Questions

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