Football Dataco Limited & others v Sportradar GmbH & another

[2010] EWHC 2911 (Ch)

In a hearing on cross applications on jurisdiction and the amendment of pleadings, it was held that the UK High Court did have jurisdiction over arguable claims of authorisation and joint liability for copyright, and database right infringement in the UK.

The First Claimant was involved in creating and exploiting data relating to football matches. The Defendants provide live scores, results and statistics relating to football and other sports - including UK football matches - to customers via the internet. Copyright and database right infringement was alleged of a database known as 'Football Live' which contained data from UK football matches. The Defendants (a German and a Swiss company) compete with the Claimants with a service called 'Sport Live Data'. The data is stored on servers in Germany and Austria, but is accessible from the UK and elsewhere. The Defendants deny copying.

Proceedings were commenced in the UK on 23 April 2010. The Defendants then commenced proceedings in Germany for a declaration of non-infringement. The Defendants said that any claim of which the UK Court was not first seized, the German proceedings will now determine as the Court first seized thereof.

Jurisdiction

Normally, the Defendants would have to be taken to court in their country of domicile unless an infringement can be shown to have taken place in the UK. The Defendants said they have committed no infringing acts in the UK. Customers of the Defendants provide online betting services to end-user customers located in the UK through web sites. No customers were parties to the proceedings. The pleading failed to allege primary infringement or reproduction by the Defendants in the UK, although the Judge was prepared to hold that the pleading did allege reproduction by the intermediary customers in the UK and authorisation of such acts and joint liability for the same by the Defendants. Having noted that, provided the act of infringement occurs in the UK, the act of authorisation need not, the Judge held that the First Defendant did exercise complete control over the content of pop up windows in the Defendant's service provided to customers in the UK. Also, the terms and conditions show the Second Defendant undertaking to provide the relevant services and receiving payment. There was jurisdiction of the UK court over the joint liability and authorisation copyright claims and over the joint liability database right claim.

Copyright

The Defendants questioned whether the database was a copyright work or if there was any evidence of copying. Noting that the Claimants had pleaded under a statement of truth that the compilation involved considerable skill, effort and intellectual input by experienced personnel to generate, select and/or arrange its contents and that certain errors in the Claimant's database were said to be reproduced in the Defendant's data, the Judge allowed the authorisation and joint liability copyright claim to go forward for determination at trial. The Judge's view was that 'making available' happens only where the transmission takes place and not the country where the data is received. The Judge noted this was not acte clair, but he felt able to decide the point and did not refer this question to the Court of Justice of the European Union (CJEU).

Database right

The Judge held that, unlike copyright, there was no statutory provision which prevents authorisation of database right infringement and so primary infringement or joint tortfeasorship of the Defendants must be shown for database right infringement. The Judge held the Defendants did not extract any data in the UK, the customers did that. With regard to reutilisation of data, since making available meant the place of transmission not the place of reception, the Defendants were not reutilising in the UK and only the customers were reutilising the data. As such, there was no good arguable case of primary database right infringement by the Defendants, but there was a good arguable case with regard to joint liability with the customers which the Judge would allow to go forward for determination at trial.

Amendment of pleadings

Having noted that he should not allow any amendment which raised a new cause of action if it was within the scope of the proceedings before the German court, the Judge allowed amendments to clarify the case on joint liability. However, noting that he had held there could not be primary liability of the Defendants for communication to the public in the UK which had been performed by the customers, the Judge did not give permission for the pleadings to be amended to allege primary infringement by communication of the Defendants.

Comment

Clearly, the determination on 'making available' is of major importance and it will be most interesting to see if the Judge's findings are confirmed at trial or if a reference to the CJEU is made on the point later on in the case.

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Sociedad General de Autores y Editores v Padawan S.L. (Part II)

ECJ Case C-467/08, 21 October 2010

The EU Court of Justice confirmed that the indiscriminate application of the private copying levy to all types of digital reproduction equipment for purposes clearly unrelated to private copying, does not comply with the EU Copyright Directive.

This article will examine the 21 October 2010 judgment of the European Court of Justice (ECJ), which refers to the questions submitted by the Provincial Court of Barcelona on 15 September 2008.

Background

The national proceedings

One should bear in mind that the legal dispute at the heart of this case started when the *Sociedad General de Autores y Editores* (SGAE) which is one of the bodies responsible for the collective management of intellectual property rights in Spain, claimed payment of € 16,000 from Padawan, S.L., a company that markets electronic storage media in the form of CD-Rs, Cd-RWs, DVD-Rs and MP 3 players, in compensation for a private copying levy.

Padawan refused to proceed with such a payment on the grounds that the electronic storage media it commercialises are not used for private copies.

SGAE's claim was upheld in its entirety, but Padawan appealed against that judgment and the Provincial Court of Barcelona decided to refer to the ECJ for preliminary ruling concerning the interpretation of the concept of 'fair compensation'.

The Advocate General's conclusions

On 11 May 2010, Advocate General Verica Trstenjak issued her conclusions to these proceedings - they were the subject of a separate article in this publication atthe time they were released[1].

As is well-known, even if the ECJ is not bound by these conclusions, they represent an exhaustive study of the Spanish system of 'fair compensation' establishing clear and concise responses concerning the arbitrary character of how the private copying levy is applied in Spain.

The meaning of the ECJ's decision

The ECJ's judgment confirms from beginning to end the conclusions reached by the Advocate General. In response to the fifth question, it clearly states that it is up to national courts to determine, in light of the answers provided to the other four questions, the compatibility of the Spanish private copying levy with the Copyright Directive 2001/292 ('the Directive').

The Provincial Court of Barcelona pretended to obtain a clear response concerning the origin of the private copying levy and its compatibility with European Union law. However, since this competence belongs to national courts, this proceeding will not be concluded until the Provincial Court of Barcelona rules regarding this main aspect. Consequently, all the apocalyptic headlines which have appeared in the press and were published immediately after the notification of the ECJ judgment pointing out the illegality of the private copying levy, are inappropriate.

Even if we should be prudent and wait until the final decision is issued, we can highlight some of the ECJ's statements regarding the interpretation of the concept of 'fair compensation'.

Analysis

The admissibility of pleas for preliminary ruling

The judgment mentions the pleas of admissibility for a preliminary ruling. The first one, filed by the *Centro Español de Derechos Reprográficos* (CEDRO) - a literary copyright right holder association - and the Spanish Government, argues that a preliminary ruling is irrelevant to the outcome of the dispute since the national provisions preceding the entry into force of those implementing the Directive are applicable to the present dispute.

The second opposition submitted by SGAE states that the questions referred by the national court are inadmissible insofar as they concern situations of national law which are not harmonised by the Directive.

However, the ECJ dismisses both pleas of admissibility. Firstly, it did so because they concern the interpretation of a provision of EU law, namely Article 5 (2) (b) of the Directive which falls within the jurisdiction of the Court. Secondly, because SGAE's plea alleging that the Directive is inapplicable to the dispute in the main proceedings does not relate to the admissibility of these proceedings but concerns the substance of those questions.

The substance of the claims: the concept of 'fair compensation'

An EU law concept

Going into the substance of the matter, it is firstly confirmed that that the concept of 'fair compensation' is an autonomous concept of EU law which must be interpreted uniformly in all Member States. Once this is borne in mind, each Member State can introduce a private copying exception, irrespective of the power conferred on them to determine, within the limits imposed by EU law and in particular by that Directive, the form, detailed arrangements for financing and collection, and the level of that fair compensation.

In other words, the fact that each Member State opts for - and continues to implement - a system of 'fair compensation' is not in accordance with the European Union law principles.

● *The correlative notion of 'fair balance': the second question*

The second question refers to the idea of 'fair balance' and who the persons affected by the system of 'fair compensation' are.

Recital 31 in the preamble to the Directive provides for the maintenance of a 'fair balance' between the rights and interests of the right holders who are to receive the fair compensation, on the one hand, and those of the users of protected works on the other. It follows that the person who reproduces a protected work without seeking prior authorisation from the right holder damages the rights of the right holder in such a way that he should be compensated.

In principle, the 'creditors' of this compensation are the authors or right holders whereas the 'debtors' are the users who make private copies without authorisation. However, given the practical difficulties in identifying private users according to the Directive, it is up to the Member States to establish a 'private copying levy' chargeable to those who have the digital reproduction equipment', devices and media and those who, on that basis, in law or in fact, make that equipment available to private users or who provide copying services for them. Under such a system, the debtors of the financial compensation are not the users enjoying of the protected subject-matter.

Since Spanish law enables the people liable to pay compensation to pass on the cost of the levy to private users and that, therefore, the latter assume the burden of the private copying levy, it must be regarded as consistent with a 'fair balance' between the interests of authors and those of the users of the protected subject-matter.

● *The application of the notion of 'fair balance': the third and fourth questions*

Examining the third and fourth questions, the ECJ states that the indiscriminate application of the private copying levy to all types of digital reproduction equipment, devices and media does not comply with the 'fair balance'.

In the light of the above, there are two essential conditions which should be borne in mind to reach the 'fair balance'. These conditions rely on a 'double discrimination' standard based on the object and on the individual:

- The levy should apply to the digital reproduction equipment, devices and media, provided they are going to be used for private copies.
- The levy should only apply to individual private users. Therefore, companies and individuals not acting as private users are excluded from the field of application of this concept.

To build up this conclusion, the ECJ has based its reasoning on a controversial presumption, assuming that once the digital reproduction equipment, devices and media are acquired by individuals for private purposes, it is assumed these are completely exploded in all their functions, including reproduction.

Conclusions

The limitations of the 'fair compensation' levy

The main conclusion of this judgment is that the payment of a levy to guarantee the existence of 'fair compensation' cannot be established independently by each Member Estate exceeding the limits of the Directive. It cannot either be an indiscriminate application to all types of equipment and to all types of individuals.

According to the ECJ, this indiscriminate application is not in accordance to the Directive.

The threat to the Spanish system of 'fair compensation' and the impact on other EU jurisdictions

The pleas of inadmissibility filed by CEDRO, the Spanish Government and SGAE show that the Spanish system of 'fair compensation' through the 'copy levy' is at risk. We consider that it is of the essence for all to clarify whether or not this system is in accordance with EU law.

The problem is that, from now on, dozens of claims against the SGAE or other collecting societies will be filed requesting the refund of the amounts unduly paid by those companies that did not use the equipment and devices they acquired for private copying purposes.

Several Spanish City Halls, Autonomous Communities and public entities such as Chambers of Commerce have already advised the claims they will file against the SGAE once the Provincial Court of Barcelona issues its decision.

Therefore, if the national court's conclusions ever go in the same direction as the ECJ's, the national jurisdiction should clarify if the decision applies retroactively.

The EU Member States which have a 'fair compensation' system similar to the Spanish one could find in this judgment a guide to adapt their national laws while avoiding the situation that is taking place in Spain.

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1. See Volume 10 Issue 03 [2010], *E-Commerce Law Reports* 1-24, at pages 22 and 23, referring to the Advocate General's Opinion for Case C-467/08, 11 May 2010.

The Advocate General issued the following detailed conclusions: 'The concept of "fair compensation" according to Article 5 [of the Directive] is

an autonomous Community law concept which must be interpreted uniformly in all the Member States and transposed by each Member State; it is however for each Member State to determine...the most appropriate criteria for assuring...compliance with that Community concept'. We also wrote, in reference to the Opinion, that 'The concept of "fair compensation" must be understood as a payment to the right holders, which, taking into account all the circumstances surrounding the permitted private copy, constitutes an appropriate reward for the use of their protected work or other subject matter. Regardless of the system used by each Member State to calculate fair compensation, Member States are obliged to ensure a fair balance between the persons affected - the copyright holders to whom the compensation is owed, on the one hand, and the people directly or indirectly liable to pay the compensation, on the other. Where a Member State opts for a levy system in respect of compensation for private copies on digital reproduction equipment, devices and media, that levy must, in accordance with the aim pursued by Article 5 of the Directive and the context of that provision, necessarily be linked to the presumed use of the equipment and media for making reproductions covered by the private copying exception.'

Further on: 'A national system which indiscriminately provides for a levy for compensation for private copying on all equipment, devices and media, infringes Article 5 of the Directive. Indeed, there is an insufficient correlation between the fair compensation and the limitation of the private copying right justifying it because it cannot be assumed that the equipment, devices and media will be used for private copying. Although there are no express references to the Spanish system regarding "fair compensation", it is more than clear the AG's conclusions refer to it. They state that the levy system established under Spanish law exceeds the EU law concept of "fair compensation" to the detriment of users who obtain digital reproduction equipment (for purposes other than deliberate private copying).'

2. Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society.

3. In Spain, the equipment, devices and media have been taxed since 1987.