

**C L I F F O R D**  
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**GLOBAL INTELLECTUAL PROPERTY NEWSLETTER**  
**IP TOPICS FROM AROUND THE GLOBE**  
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## 24<sup>TH</sup> EDITION

### Introduction

Welcome to the 24<sup>th</sup> Edition of the Clifford Chance Global IP Newsletter. In this last edition of 2019, we would like to present recent trends and hot topics in the world of Intellectual Property around the globe.

We will start with patent law, particularly by discussing a recent judgment by the Paris Court of Appeal concerning the **use of evidence collected during a seizure of a patented drug in France for proceedings abroad**. Then, our Barcelona IP team will take a look at a landmark decision of the Court of Justice of the European Union on the issue of **preliminary injunction-derived liability**. Meanwhile, in Germany, industry's demands for patent law reform to tackle the **threat of patent trolls** are growing. We will consider **potential legislative solutions**.

Turning to Tech, our Australian IP Team explores Australia's current position regarding **ownership of works generated by AI**. Our colleagues from Hong Kong/China will provide you with an update on **personal data, Artificial Intelligence and interim measures in arbitration in China**.

Further, our Milan IP team examines the **liability of Internet Service Providers** and a recent judgment of the Court of Rome based on a distinction between active and passive providers, seemingly contradicting the CJEU ruling in the *Facebook/Glawischnig-Piesczek* case which was issued the following day.

Our London-based IP team focuses on **joint authorship in copyright under English law** and elaborates on a recent judgment of the English Court of Appeal in the case of *Martin vs Kogan*. Another copyright case is discussed in a further article from our Spanish colleagues, in relation to a Spanish Supreme Court decision on the available **compensation in cases of copyright infringement**.

After that, you will find two trademark-related articles: first, our Italian team provides you with an update on **changes to Italian trademark law** following the implementation of the 2015 Trademark (EU) Directive in Italy. Our colleagues in Warsaw also discuss **legislative developments in Poland**, where the Polish Parliament has recently adopted amendments to the Polish Industrial Property Act granting Polish lawyers a right to represent clients in front of the Polish Patent Office in matters regarding registration and maintenance of geographical indications and industrial designs.

In previous editions, we have already covered progress in the implementation of the Trade Secrets Directive in Germany. Now, with the German Trade Secrets Act in effect, we examine the **first decisions of courts in Munich and Berlin on this new act**.

On an internal note: we are more than happy to **welcome Loïc Lemerrier and Tom Blanchet in Paris to our CC Global IP Team**. Curious about our new French colleagues? Learn more about them in this newsletter. In addition, we present you the newly launched Italian "IP, digital and data" team led by our colleague **Andrea Tuninetti Ferrari in our Milan office**.

As always, we hope you enjoy reading this edition. We look forward to receiving your feedback.

**Seasons greetings to all our readers and best wishes for 2020!**

**Your Global CC IP Team**

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## PARIS

Loïc Lemerancier / Tom Blanchet

### USE OF SEIZURE EVIDENCES COLLECTED IN FRANCE FOR PROCEEDINGS ABROAD

Paris Court of Appeal, Pole 5, Chamber 2, 4 October 2019, MYLAN v. SANOFI, Docket No. 18-23120

#### Facts

**SANOFI** holds the French part of the European patent EP2346552 (hereinafter EP'552) entitled "Drug delivery device and process for manufacturing a drug delivery device".

BIOCON developed a biosimilar drug to be marketed in several countries outside Europe under the name "Basalog", with an injection pen entitled "Basalog One", and partnered with **MYLAN** to market this product in Europe under the name "Semglee". SANOFI considered the development as infringing the rights it held in France under EP'552.

#### Procedure

SANOFI requested and obtained an order allowing it to seize infringing goods from MYLAN's premises on the basis of an infringement of the French part of EP'552. A few days later, MYLAN sought to annul the order and to obtain the release of the seized products.

By an order of 5 October 2018, a Judge dismissed the requests for annulment of the seizure orders, but ordered the release of most of the items placed under seal during the seizures.

**The Court of appeal confirmed that goods seized in France can be used in pending overseas trials if some specific requirements are met, as explained below:**

*"The first Judge exactly held (...) that it is not necessary to prohibit the disclosure of evidence lawfully obtained in France whose content can be verified in support of other legal proceedings abroad on the alleged infringement, while being observed that it has previously been held that seizure orders have been obtained fairly and do not violate the principle of proportionality".*

The Court of Appeal added that it was unlikely that the seized goods would be used for purposes other than the prohibition of the infringement or the prevention of the marketing of the alleged infringing product. Therefore, the principle of proportionality was not violated.

#### Our new colleagues

We are glad to inform you that **Loïc Lemerancier, Counsel**, has joined our team in order to strengthen our Paris IP practice.

Loïc focuses his practice at Clifford Chance on litigation and advisory in the field of intellectual property including patents, SPCs, trademarks, copyright, designs and trade secrets. This includes initiating and defending preliminary injunction proceedings, actions on the merits dealing with validity and/or infringement of the intellectual property rights. In addition to his litigation work, Loïc also advises his clients on the negotiation and drafting of contracts (e.g. R&D, trademark or patent licensing, pledge agreement) and in the context of M&A transactions, for instance with respect to the due diligence of IP rights and contracts or the negotiation of representations and warranties.

Loïc will be assisted by a junior associate, **Tom Blanchet**, with whom he works for over two years. Tom assists clients in the course of infringement seizure proceedings, action on the merits (patent invalidity or infringement), and PI proceedings in various sectors such as life sciences, cosmetics, electronics, mechanics, and telecommunication (FRAND issues). He also advises clients in dispute resolution and in negotiating contracts.

The first instance order was therefore upheld on this point.

As a take-away message, French law does not prohibit the extraterritorial use of seized goods, provided that any confidential information is preserved.

**The Court of Appeal also confirmed that an imminent marketing of an alleged infringing product in France can be evidenced by a Community marketing authorisation (MA):**

MYLAN claimed that the presentation of the facts by SANOFI tended to mislead the Judge. According to MYLAN, SANOFI knew that MYLAN was not in a position to infringe EP'552 in France, as it could not market *Semglee* without a national MA and reimbursement price.

The Court of Appeal followed the reasoning of the lower court according to which the mere fact of claiming that MYLAN was about to market insulin glargine in the *Basalog One* pen in France and Europe under the name *Semglee*, arguing that there was a risk of marketing starting on 1 July 2018, was not sufficient to establish a disloyalty from the claimant to obtain seizure orders.

However, the Court went a little further and stated that: “*while SANOFI clearly indicated in the presentation of the facts submitted to the Judge that MYLAN had obtained a Community MA, it did not rely in any way on MYLAN companies carrying out such actions. It merely claimed that the publication of a press release announced the grant of this MA and the launch in Europe of the Semglee from the second semester 2018, submitting these elements to the Judge thus able to assess whether they were, or not, sufficient to justify the seizure orders*”.

In light of the foregoing, the Court found that acts of infringement could exist independently of the marketing of the injection device, as infringing goods could be imported or held in order to be used and offered for sale.

### Key Issues

- The results obtained pursuant to an infringement seizure in France can be used as evidence in proceedings abroad as long as their seizure passed the proportionality test carried out by the French Judge regarding the French case.
- In addition, a patentee can use a community market authorisation (MA) obtained by the alleged infringer as evidence of an imminent threat of infringement, without needing to prove that a national MA procedure has been initiated or that a reimbursement price has been obtained.



## **BARCELONA**

Adrián Crespo

### **LANDMARK CJEU JUDGMENT CURBS LIABILITY ARISING FROM “WRONGFUL” INJUNCTIONS IN LAUNCH-AT-RISK SITUATIONS**

In some European jurisdictions, a strategic consideration of IP holders when applying for a preliminary injunction in a “launch-at-risk” situation is the potential liability if the injunction were set aside at a later stage. In a landmark decision, the Court of Justice of the European Union has established a common European approach on this issue and opted for a classical fault-based regime: the applicant will only be held liable in cases of “abuse” of injunctive measures.

#### **The Bayer v Richter Gedeon case**

The Court of Justice of the European Union (“CJEU”) has ruled on the issue of preliminary injunction-derived liability in a judgment published on 12 September 2019 (C-688/17 *Bayer Pharma AG v Richter Gedeon Nyrt and Exeltis Kft*).

The background of the case is the following: two Hungarian pharmaceutical companies (Richter Gedeon and Exeltis) launched at risk generic contraceptive drugs containing the active ingredient drospirenone. In parallel, they brought patent revocation and non-infringement actions before the Hungarian Intellectual Property Office (Hungary follows a bifurcated patent system). Bayer, which held a patent protecting drospirenone, applied for a preliminary injunction, which was granted in mid-2011. However, the injunction was later set aside and lifted in early 2012 on procedural grounds. The Office went on to revoke Bayer’s patent in a decision which was confirmed on appeal by the competent Hungarian courts. Subsequently, Richter Gedeon and Exeltis each brought an action for damages seeking compensation from Bayer for lost profits in the period during which the interim injunction had been in force. The grounds for these actions were the general provisions of Hungarian tort law.

In these circumstances, the referring Hungarian court sought the following guidance from the CJEU in the context of Directive 2004/48/EC on the enforcement of intellectual property rights (the “Enforcement Directive”):

- Whether the expression “provide...appropriate compensation” referred to in Article 9(7) of the Enforcement Directive means that Member States must establish the substantive rules on the liability of preliminary injunction applicants for “wrongful” injunctions (i.e. preliminary injunctions which have been subsequently set aside for a number of possible reasons).
- If so, whether the Enforcement Directive is compatible with the application of the general rules of tort law to the above situation, pursuant to which the court cannot oblige the applicant to compensate the defendant for the “wrongful” preliminary injunction, provided that the defendant has failed to act as would be generally

#### **Key Issues**

- The CJEU ruled on liability deriving from injunctions which have been subsequently set aside, unifying the approaches to this issue across Europe. The CJEU opted for a fault-based approach: upon the lifting of provisional injunction measures, the applicant can only be held liable in cases of “abuse” of the measures and their related procedures. However, the exact definition of “abuse” in the context of injunctions calls for further fact-specific case law from the Member States’ national courts.
- This decision will probably trigger a shift in case law in some core jurisdictions (e.g. Spain) and has a strategic impact for the pharmaceutical industry.



expected in the circumstances in question, and further provided that, when requesting the injunction, the applicant acted as would generally be expected in those circumstances.

As regards the first question, the CJEU found that Article 9(7) of the Enforcement Directive indeed obliged the Member States to provide for the possibility of their courts holding applicants liable for damages caused by preliminary injunctive measures. However, an independent, uniform pan-European interpretation of the notion of “appropriate compensation” was called for – this should not be left to the competence of the Member States.

The CJEU then went on to consider whether or not it would be in line with Article 9(7) of the Enforcement Directive to interpret that the lifting of a preliminary injunction must always automatically trigger compensation for damages. In this regard, the CJEU concluded that the mere fact of the injunction being lifted “...cannot be regarded in itself as decisive factor in proving the unjustified nature of the application which gave rise to the provisional measures”. Otherwise this might discourage right holders from resorting to preliminary injunctions, which would run counter to the Enforcement Directive’s objective of ensuring a high level of IP protection.

The CJEU then took a closer look at the circumstances where the applicant might be held liable. According to the CJEU, an interim preliminary injunction should be justified if there is an objective risk of irreparable harm to the patent holder. This will generally be the case in a launch-at-risk situation. In contrast, the applicant might only be held liable if the domestic court finds that, taking account of the particular objective circumstances of the case, it has “abused” the injunction measures and procedures. Whether an abuse exists or not should be assessed in light of all objective circumstances of the case, including *inter alia* the parties’ conduct.

### What next in a post-Bayer world?

The key finding from this landmark judgment is that the domestic courts must now examine whether or not the applicant has “abused” the right to apply for preliminary injunctive measures. This has an obvious implication: the CJEU has opted for a classic “fault-based” regime, as opposed to a “strict” (i.e. objective) liability regime where the preliminary injunction’s revocation will unavoidably lead to the applicant’s liability. This is welcome news for right holders, notably in the pharmaceutical industry where follow-on disputes about liability in connection with injunctions has become commonplace, particularly in certain European jurisdictions where local courts have chosen to apply strict liability rules, as opposed to general fault-based tort law. For instance, this is the case in Spain, where the influential Court of Appeals of Barcelona has found on several occasions that the revocation of a preliminary injunction (for any reason) will automatically give rise to the applicant’s liability – even if it were to finally prevail in the main proceedings on the merits! Similar cases exist *inter alia* in France and Scandinavia. It is likely that those domestic courts will now revisit their case law in the wake of the CJEU’s findings in *Bayer v Richter Gedeon*.

However, this CJEU decision still leaves a fundamental open question: under which specific circumstances may domestic courts find that an applicant has “abused” the injunctive measures? By restricting liability to circumstances of “abuse”, *Bayer v Richter Gedeon* seems to have narrowed the scope of liability to rather unusual cases. Nevertheless, this is a complex issue, which calls for a sensible balance to be struck, and which should be further clarified in future decisions.

## **DÜSSELDORF**

**Fabian Wild / Laura Rayak**

### **PATENT TROLLS AND THE GERMAN PATENT LAW REFORM**

Despite its widely acknowledged efficiency, major players in German industry, particularly in the telecommunications and automotive sectors, have long complained about the German patent enforcement system. In particular, they are concerned that the current system creates severe risks of targeting by patent trolls. This may, among other things, be addressed by upcoming legislative developments in patent law. However, whether and how the legislator will meet industry's demands remains to be seen.

#### **Legal Framework**

In general, Germany is praised for the efficiency of its patent enforcement system. In comparison to other jurisdictions, patent owners may seek injunctive relief in case of patent infringements rather easily. This is partly due to the fact that current German statutory patent law does not explicitly provide any general test to restrict injunctive relief such as a balance of interest test. Further efficiency is added by the availability of preliminary injunctions ("PIs"). PIs are not only a suitable option for swiftly enforcing patent rights, but they are also capable of bringing opposing parties to the negotiation table in the short term and, thereby, avoiding years of litigation in the long term.

However, for those same reasons, the system is also criticized as permitting "automatic injunctions", a popular buzzword used by critics. The term "automatic injunctions", however, neglects the facts that (i) the patent owner needs to present prima facie evidence supporting a patent infringement, (ii) due to unclear validity, pending validity proceedings prevent the courts from granting PIs as long as there is no first instance decision upholding the patent, (iii) the test of urgency includes some sort of balancing; and (iv) in case a PI is lifted at a later stage, the alleged infringer can claim damages.

Still, the bifurcation of the German patent law system may imply that the validity of the patent may not be considered sufficiently. In fact, main infringement proceedings and patent validity proceedings are separate and may only be connected by requesting to stay the main infringement proceedings until a final decision on the patent's validity has been reached. Such requests are granted only on an exceptional basis if the court handling the infringement claim acknowledges a strong likelihood that the patent will be eventually revoked. Thus, if the patent owner provides sufficient evidence in support of an infringement, the court determining the infringement may issue an enforceable injunction rather quickly with the patent office still taking months to decide on the patent's validity. Hence a second buzzword "injunction gap".

#### **Key Issues**

- German industry's demands for reform to German patent law are growing as the threat of targeting by so-called patent trolls increases.
- Several options to address these demands are being discussed.
- Apparently, German patent law reform is under way. However, the content and extent of any reforms is still unclear.

## Patent Trolls and the Industry's Concerns

This legal landscape also causes risks for industry since companies active in sectors covered by a vast amount of patents may become a target of patent infringement claims and PIs quite easily. Due to constantly advancing digitalization, products like smartphones or cars are becoming more and more complex which may easily lead to one individual good being dependent on a fairly large number of patents. Companies can find it challenging to comprehensively check all suppliers and the entire production chain for compliance with third party patents and so ensure their freedom to operate. As a consequence of these complex products, the grant of injunctive relief in relation to just one given patent may easily bring entire production lines to a standstill. Companies facing such a threat are more likely to accept paying elevated royalties than they would be otherwise.

To make matters worse for such companies, this vulnerability encourages so-called patent trolls. "Patent troll" is the commonly-used name for non-practicing entities that strategically acquire a large number of patents in order to obtain high royalties from allegedly infringing companies. Patent trolls do not enforce their patents in order to protect their market position against competitors but rather to extract profits.

## Current Discussions and Considerations

In the light of the above, discussions on how to reform German patent law in this regard are not simply academic in nature. As legislative amendments appear to be under way, this discussion may gain further traction. Some proposals are already on the table.

Arguably the most prominent one is the introduction of a balance of interest test, which appears to be favoured by parts of German industry. Proposals have already been made as to which factors should be taken into account, including whether the patent owner is a practicing entity (making use of the relevant patent in its business) or whether patents are only exploited for profit without being used practically. This way, the questionable business practices of patent trolls may be efficiently challenged. However, as there are inventors legitimately making inventions without exploiting them (e.g. universities or research institutes), a careful balance needs to be struck in any legislation. Other issues that could be considered in a balance of interest test include the importance of a patented invention which is only one of many inventions incorporated in a particular good and how that should be assessed in relation to the value of the allegedly infringing product as a whole, as well as the severity of effect that a granted injunction might have on the production chain.

To address the disproportionate hardship which would be imposed on an entity and its production line by the granting of an injunction, the introduction of a grace period could be a helpful change. The German Federal Court of Justice has already considered such a grace period in the obiter dictum of its infamous "Wärmetauscher" decision (decision of 10 May 2016, X ZR 114/13). However, the court applied a rather strict standard (the component in question must be necessary for the functioning of the product, which was not the case in "Wärmetauscher"). In general, a grace period may give infringing parties more time to replace the patent-infringing component of their product and avoid an immediate standstill of their entire production line. However,

as the consequences for infringement could become rather restricted (a cease and desist order with a grace period, and damages calculated on the basis of license analogy), this could incentivize parties to make use of patent-protected solutions in the first instance and adopt a wait and see approach.

One further idea originates from German copyright law: the option for a non-negligent infringer to avoid a cease and desist order and instead simply be required to compensate the owner of the infringed patent. However, such a right to compensate the patent owner would not significantly mitigate the practice of patent trolls, as fundamentally their only interest is to receive compensation.

To deal with the demands of industry in relation to the injunction gap, a further alignment in the timelines of the infringement proceedings and patent validity proceedings may become necessary. An obvious approach to bringing the length of patent validity proceedings into line with the duration of a first instance proceedings on patent infringement would be to employ more staff at the notoriously overloaded Federal Patent Court. As the Federal Patent Court is not the only public body lacking employees, that is of course easier said than done. Detailed guidelines and a fixed rule as to when a preliminary assessment on the patent's validity has to be submitted could help to further align the proceedings. The latter may interplay with softening the standards for staying infringement proceedings when there are (serious) doubts (or an early preliminary assessment) about the validity of the patent.

Finally, even where an injunction has been granted by a court in infringement proceedings whilst the validity proceedings remain in full swing, restricting the enforcement of such an injunction may be a further option. For example, the value of the security deposit required for the enforcement of a provisionally enforceable decision may be increased.

## **Prospects**

A spokesman of the ministry in charge has announced that patent law reform is under way. It is expected to be discussed in parliament soon. However, it is unclear whether this reform will be considered a big leap in relation to the two hot topics of "automatic" injunctions and the injunction gap.

At a major annual conference of *Deutsche Vereinigung für gewerblichen Rechtsschutz und Urheberrecht*, GRUR, in Frankfurt in September the government's representative was noticeably quiet on the content of the envisaged reform. It remains to be seen whether industry's calls for reform will be listened to by the legislator.

## SYDNEY

Tim Grave / Evan Thomson

### THE COPYRIGHT CONUNDRUM: AUTHORSHIP IN AI-GENERATED WORKS

In light of the growing prominence of artificial intelligence ('AI') programs, there is an emerging conversation being had in Australia as to the adequacy of local copyright laws in protecting works created by or with the assistance of these programs. Under the *Copyright Act 1968* (Cth) ('the Act'), copyright protection will only be afforded to works authored by a qualified person, being an Australian resident or citizen. The courts have been reluctant to expand this definition, considering that authorship requires some level of intellectual effort by a human. However, other jurisdictions such as the United Kingdom and New Zealand have already made changes to their copyright legislation, recognising authorship in computer generated works as belonging to the person 'by whom the arrangements necessary for the creation of the work are undertaken.'

Subsequently, there have been increased calls in Australia to amend the definition of authorship under the Act to ensure that the Australian law keeps pace with this rapidly changing space, and to provide businesses with greater certainty that their works created using AI programs will be protected. In considering such law reform, it is now more important than ever to have due regard to the ethical complications that the development of AI systems is likely to present going forward. For instance, the question of who should own the copyright to AI developed works is itself a vexed one. Additionally, in the absence of a statutory ethical framework for the responsible construction and use of AI, the way that developments in IP law will interact with this exponentially changing area will require that it be front of mind for governments and regulators.

#### The Question of Authorship

The concept of authorship is an essential element of copyright ownership.<sup>1</sup> While the Act neglects to explicitly define authorship, it recognises that copyright will only subsist in works authored by a qualified person, being an Australian citizen or resident.<sup>2</sup> For traditional works this model has, for the most part, been effective. However, with the emerging capability of AI programs to autonomously create and contribute to works, the question of authorship is increasingly being called in to question.

#### Key Issues

- Currently, Australian law only recognises copyright ownership as being capable of belonging to human authors of works created with a sufficient amount of independent intellectual effort.
- There is an increasing discussion emerging recognising the potential need for legislative reform to recognise an author of AI-generated works.
- Regulators ought to have due regard to the ethical complications that might arise when legislating in the arena of AI.

<sup>1</sup> *Copyright Act 1968* (Cth) s 35.

<sup>2</sup> *Ibid* s 32.

## Recent Cases

The following landmark cases each reaffirmed the requirement for human authorship in copyrightable works in Australia:

### ***IceTV Pty Ltd v Nine Network Australia Pty Ltd* [2009] HCA 14**

In the *IceTV* case the High Court was required to consider whether IceTV had infringed Nine's copyright in their television programming guide. IceTV had allegedly violated Nine's copyright in the production of their 'IceGuide', a digital television guide that was created using the information contained in Nine's 'Weekly Schedule' of programs (along with similar publications by other networks). Nine sought to assert that their 'Weekly Schedule' was an 'original literary work' under the Act. This work was compiled in part by human input, and substantially by an automatic computer program. In finding in favour of IceTV, the High Court determined that while copyright may have subsisted in some aspects of the publication of Nine's 'Weekly Schedule' it did not protect the programming information contained within it, as the time and title information lacked the necessary originality or creativity, instead considering this to be an expression of factual information. The Court determined that original works require some 'independent intellectual effort',<sup>3</sup> or 'sufficient effort of a literary nature' to receive copyright protection.<sup>4</sup> Nine was also unable to identify all the authors of the 'Weekly Schedule', as it was created by both humans and computers.

### ***Telstra v Phone Directories* [2010] FCAFC 149**

In the *Telstra* case the Full Court of the Federal Court of Australia was required to determine whether copyright subsisted in Telstra's White Pages and Yellow Pages telephone directories. Telstra commenced proceedings against their competitor Phone Directories, claiming that Phone Directories had infringed Telstra's copyright in the production of Phone Directories' directories. Phone Directories succeeded at both the first instance and again on appeal. In arriving at their decision, the Full Court referred to the judgement in *IceTV* (above) ultimately concluding that copyright cannot subsist in a work unless it is created as a result of the 'independent intellectual effort' of a human author. Telstra ultimately failed to identify all authors of the directories, essentially an impossible task given that large parts of the directories were generated using computer programs.

### **Time for legislative reform?**

The current status of the Australian law can have significant implications for companies that rely heavily on the use of computer programs as part of their business. For instance, in the *Phone Directories* case (above), Telstra's publication of their phone directories once translated in to annual revenues of \$300 million for the White Pages and over \$1 billion for the Yellow Pages. Understandably the challenges presented by AI, robots and machine learning could not have been anticipated at the time the Act was drafted. These challenges are only likely to be amplified going forward as more businesses across industries begin integrating AI programs in to their operations.

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<sup>3</sup> *IceTV Pty Ltd v Nine Network Australia Pty Ltd* [2009] HCA 14 [33].

<sup>4</sup> *Ibid* [99].

One possible response to this issue would be to follow the lead of the United Kingdom and New Zealand and clarify the question of authorship in computer-generated works in copyright legislation. In each of these jurisdictions, authorship of computer-generated works is ascribed to the person 'by whom the arrangement necessary for the creation of the work are undertaken'. In fact, this response was recommended for Australia by the Copyright Law Review Committee in their 1994 report titled *Computer Software Protection*,<sup>5</sup> but was not taken up. Taking this approach, the person who creates the program shall bear the fruits of their labour by holding copyright to any works which their program might produce. This approach would arguably have solved the question identified in each of the *IceTV and Phone Directories* cases as to who the author of such works was for copyright purposes. A separate question may arise though when considering AI, where the identity of the person who created the AI may be strenuously contested in circumstances where the creator of the AI could arguably be the programmer, the investor or even other software.<sup>6</sup>

While a legislative change in Australia of the type referred to above might solve what appears to be an ever increasing problem, it will be imperative for governments and regulators to also have due regard for the ethical complications that this approach might present in the future. In the likely event that history were to repeat itself, it is likely to be the case that society will be unable to reasonably anticipate the capabilities that these technologies might soon have. Many academics are already attempting to predict the most destructive capabilities that AI might soon possess, with some such as Thomas Metzinger calling for a ban on all research in to both autonomous weapons and 'synthetic phenomenology', being autonomous intelligent systems that have a sense of self.<sup>7</sup> Legitimate ethical and moral questions arise, including whether a person, or company for that matter, should reasonably be allowed to enjoy the potentially unlimited fruits that their programs might produce? Ought there be a limit on the extent of this enjoyment? And who would own the copyright to works that continue to be produced beyond the life of the person or company who created the program? In the absence of a local or international ethical framework for the responsible construction and use of AI, any legislative change in the copyright area which interacts with AI ought to have due regard to the ethical complications which might arise.

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5 Copyright Law Review Committee, 'Computer Software Protection' (1994), [13.20] <<http://www.austlii.edu.au/au/other/clrc/6.html>>.

6 Jani McCutcheon, 'The Vanishing Author in Computer-Generated Works: A Critical Analysis of Recent Australian Case Law' (2013) 36(916) Melbourne University Law Review 915, 959 <[http://www.mulr.com.au/issues/36\\_3/36\\_3\\_4.pdf](http://www.mulr.com.au/issues/36_3/36_3_4.pdf)>.

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## **HONG KONG**

Ling Ho / Iris Mok / Nicola Kung

### **LEGAL UPDATES FROM CHINA AND HONG KONG: PERSONAL DATA, ARTIFICIAL INTELLIGENCE AND INTERIM MEASURES IN ARBITRATION**

The PRC legal landscape is constantly evolving, with new draft legislation, implementing measures and guidelines being introduced at a remarkable rate. In this article, we discuss some of the most interesting recent developments in China affecting the IP and data protection spheres.

#### **Personal data: Draft Civil Code amendment**

At present, the principal piece of data protection legislation in China is the Cyber Security Law which came into effect on 1 June 2017. It provides an overarching framework which must be interpreted with reference to various sets of standards and guidelines, some of which are in draft form. The protection of personal data is also covered by various pieces of national, sectoral and local legislation. One of these is Article 111 of the General Provisions of Civil Law which provides that personal information is subject to legal protection.

On 27 August 2019, the Standing Committee of the National People's Congress released its third draft of the Compilation of Personality Rights – one of the six sections of the draft Civil Code – for public comment. The wider project to create a Civil Code based on the General Provisions of Civil Law began in 2012 and is expected to be adopted in 2020.

#### **How the amendment to the draft Civil Code will affect the PRC data protection regime**

The amended draft Civil Code functions to consolidate the existing concept of personal information, and to codify it under the civil law.

The amended draft echoes the existing provisions on personal data protection under the Cyber Security Law by setting out:

- a definition of personal information that is virtually identical to the definition set out in the Cyber Security Law (the only difference is the inclusion of a person's "email address" and "tracking information" as additional examples of what may be understood as personal information);
- the conditions for personal information collection and processing, including the need to inform data subjects of the purpose, method and scope of personal information collection, and the requirement to obtain informed consent; and
- the data subject's right to make access, correction and deletion requests.

#### **Key Issues**

- The new draft Civil Code consolidates and codifies the existing concept of personal information as set out in the Cyber Security Law. It strengthens the avenue for aggrieved parties to seek recourse for infringement through the civil law system.
- New measures have been released to spur the development of Artificial Intelligence Innovation and Development Zones and enterprise-led Artificial Intelligence Platforms in China.
- A new arbitration arrangement enabling parties in Hong Kong-seated arbitrations to apply to PRC courts for interim measures to preserve property, evidence or conduct before a final arbitral award has been made.



At present, data privacy law enforcement is often tackled through administrative routes. The PRC does not have a central privacy regulator. Various national, local and sector-specific enforcement authorities conduct investigations and impose administrative sanctions within the scope of their authority. For example, the Ministry of Industry and Information Technology regulates companies in the telecom and internet services sector. Public Security Bureaus (China's local and provincial police) are also expected to enforce the law. The Cyberspace Administration of China is the designated enforcement authority for the Cyber Security Law and actively conducts enforcement through local cybersecurity administrations. Penalties for breach of the Cyber Security Law include fines of up to RMB 1 million against the data controller, fines on the responsible individual, confiscation of illegal profits and closure of the business.

In addition to lodging complaints with enforcement authorities, aggrieved parties may seek civil sanctions through the courts. However, the civil route is generally seen as being less straightforward. The responses to privacy lawsuits by local courts have been varied, and precedents are not legally binding.

The amendments appear to offer more clarity on the scope of protection of personal information, and may strengthen the avenue for aggrieved parties to seek recourse for infringement of personal data rights through the civil law system, as opposed to administrative enforcement. It remains to be seen whether the Civil Code, once enacted, will become a preferred means for enforcing data privacy rights.

## Development of Artificial Intelligence (“AI”)

In July 2017 the State Council of China released the New Generation Artificial Intelligence Development Plan, setting out an overarching goal to make China the leading AI power by 2030. The Ministry of Science and Technology has recently issued two new sets of guidelines to implement this plan.

### AI Platforms

A set of guidelines on the establishment of national Artificial Intelligence Open Innovation Platforms<sup>1</sup> (the “**AI Platform Guidelines**”) was issued on 1 August 2019. It sets out a framework for the development of New Generation Artificial Intelligence Open Innovation Platforms (“**AI Innovation Platforms**”) in China.

AI Innovation Platforms are government-approved initiatives led by experienced technology companies. Each AI Innovation Platform focuses on boosting the development of a particular segment of AI. Several AI Innovation Platforms were already in operation prior to the release of the AI Platform Guidelines. Successful examples include the Baidu Autonomous Driving AI Innovation Platform and the Tencent Medical Imaging AI Innovation Platform.

The AI Platform Guidelines invite experienced players in the AI arena to submit applications to establish and lead new AI Platforms. They specify the qualities and capabilities that the leaders are expected to possess. For example, they must have

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<sup>1</sup> The Ministry of Science and Technology Working Guidelines for the Establishment of National New Generation AI Open Innovation Platforms.

outstanding technical strength, and must commit to providing the talent, infrastructure and capital necessary to sustain an AI Platform.

The AI Platform Guidelines set out four main tasks that each Platform is expected to carry out:

1. Joint technology innovation: collaborate on research with universities and other research organisations;
2. Technology transfer and application: promote technology transfer and the application of results of innovation, both upstream and downstream;
3. Technology sharing: provide open and accessible software and hardware services to society; and
4. Promoting entrepreneurship: assist micro, small and medium-sized enterprises and developers in their research and development, application and testing processes, encourage the exchange of knowledge, and create an ecosystem to promote innovation.

### **AI Innovation and Development Pilot Zones**

A set of guidelines<sup>2</sup> on the establishment of National New Generation Artificial Intelligence Innovation and Development Pilot Zones (the “**Pilot Zone Guidelines**”) was released on 29 August 2019. It lays down a plan to establish around 20 AI pilot zones (“**Pilot Zones**”) by 2023.

A Pilot Zone is a city that is committed to building an environment conducive to the development of AI. In a Pilot Zone, the development of AI will be integrated with the area’s economic and social development.

The Pilot Zone Guidelines set out the roles and responsibilities of Pilot Zones under four main headings:

1. Accelerating the integration of AI with the economy and in people’s lives;
2. Creating an institutional environment conducive to innovation and development of AI;
3. Objectively recording and scientifically evaluating the impact of AI technology on individual and organisational behaviour; and
4. Upgrading the technological infrastructure needed to develop AI (e.g. network infrastructure, big data infrastructure and computing technology).

The Pilot Zone Guidelines set out the criteria that a city must fulfil in order to be eligible to apply to become a Pilot Zone. For example, it must have (i) a university with an AI research institute, (ii) a clear financial policy to support the development of AI and (iii) sound technological infrastructure (such as data platforms, mobile networks and big data and cloud computing centres). Priority will be given to cities that have AI Innovation Platforms. In addition, its AI core industry must be worth at least RMB 5 billion and its AI-related industry must be worth at least RMB 20 billion.

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<sup>2</sup> Ministry of Science and Technology Working Guidelines for the Construction of National New-Generation AI Innovation and Development Pilot Zones.

The first Pilot Zones will likely be concentrated in key areas earmarked for economic growth and development: the Jingjinji Metropolitan Region (Beijing-Tianjin-Hebei), the Yangtze River Economic Belt and the Greater Bay Area (Guangdong, Hong Kong and Macau).

The new measures give us a glimpse of how major Chinese cities may operate in the future – hubs of innovation driven by giant technological enterprises.

### **The new PRC Interim Measures Arrangement and their relevance to IP disputes in Hong Kong**

A new arrangement between Mainland China and Hong Kong<sup>3</sup> concerning PRC interim measures in aid of Hong Kong arbitration (the “**Arrangement**”) came into effect on 1 October 2019. The Arrangement enables parties to Hong Kong-seated arbitration to apply to PRC courts for interim measures to preserve property, evidence or conduct before a final arbitral award is made.

In order to benefit from the Arrangement, the arbitration must be:

1. seated in Hong Kong (the seat of arbitration may be expressly agreed in an arbitration agreement between the parties or ascertained by the arbitral tribunal if there is no agreement); and
2. administered by one of six approved arbitral institutions in Hong Kong.

The measures under the Arrangement are available in relation to contemplated arbitration (as long as arbitral proceedings are commenced within 30 days) as well as arbitral proceedings that have already started.

Arbitration is becoming an increasingly popular method of resolving IP disputes. A major advantage of arbitration is that the process, and even the existence of proceedings, can be kept completely confidential. This feature is particularly relevant to IP disputes, especially where there is an interest in keeping sensitive or technical information confidential. Another advantage is that parties can select a specific arbitrator with experience in IP, or specify criteria (e.g. expertise in a particular topic) for their choice of arbitrator.

There are a number of additional factors specific to Hong Kong that make arbitration in the territory a favourable choice for IP dispute resolution. First, Hong Kong is home to numerous world-class arbitral institutions. There is also no shortage of experienced arbitrators, including those with specialist IP knowledge. Furthermore, the Arbitration (Amendment) Ordinance 2017 clarified that all IP disputes, including those on subsistence, scope, ownership, validity and infringement of IP rights are capable of resolution by arbitration in Hong Kong.<sup>4</sup> It confirmed that any arbitral award in relation to IP rights is enforceable.

<sup>3</sup> The Arrangement Concerning Mutual Assistance in Court-ordered Interim measures in Aid of Arbitral Proceedings by the Courts of the Mainland and of the Hong Kong Special Administrative Region.

<sup>4</sup> Arbitration (Amendment) Ordinance - Section 103D.

The new Arrangement strengthens Hong Kong's position as an attractive place to resolve IP disputes through arbitration, especially where the case involves a PRC counterparty or otherwise has a PRC connection. Previously, parties to Hong Kong-seated arbitration were unable to obtain interim relief from PRC courts. This meant that by choosing to resolve a dispute by arbitration in Hong Kong, a claimant risked the possibility of a counterparty dissipating its PRC assets or destroying evidence located in the PRC. The Arrangement plugs this gap. The interim measures available under the Arrangement would function in a similar way to mandatory and prohibitory injunctions. For example, a claimant can apply to freeze a counterparty's assets, or to prohibit the continued use of a trade mark.

The Arrangement helps Hong Kong maintain its position as one of the world's most preferred arbitral seats. It may encourage parties to commercial contracts or IP disputes with a PRC element to choose arbitration in Hong Kong as a preferred dispute resolution mechanism. For more information on the Arrangement, please [click [here](#) to] read our full client briefing.<sup>5</sup>

### **Link Directory**

Original Chinese text of the Ministry of Science and Technology Working Guidelines for the Establishment of National New Generation Artificial Intelligence Open Innovation Platforms: [http://www.most.gov.cn/mostinfo/xinxifenlei/fgzc/gfxwj/gfxwj2019/201908/t20190801\\_148109.htm](http://www.most.gov.cn/mostinfo/xinxifenlei/fgzc/gfxwj/gfxwj2019/201908/t20190801_148109.htm)

Original Chinese text of Ministry of Science and Technology Working Guidelines for the Construction of National New-Generation Artificial Intelligence Innovation and Development Pilot Zones [http://www.most.gov.cn/mostinfo/xinxifenlei/fgzc/gfxwj/gfxwj2019/201909/t20190905\\_148663.htm](http://www.most.gov.cn/mostinfo/xinxifenlei/fgzc/gfxwj/gfxwj2019/201909/t20190905_148663.htm)

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<sup>5</sup> [https://www.cliffordchance.com/briefings/2019/09/interim\\_measuresinaidofarbitration.html](https://www.cliffordchance.com/briefings/2019/09/interim_measuresinaidofarbitration.html).

## MILAN

Andrea Andolina / Andrea Tuninetti Ferrari

### COURT OF ROME AND CJEU AGAIN ON INTERNET SERVICE PROVIDERS' LIABILITY: TWO DAYS OF ORDINARY (DIS)HARMONISATION

October was a busy month for Courts and Internet Service Providers (“**ISPs**”) in Rome and Luxembourg. On 2 October 2019 the Court of Rome handed down its decision in the *Vid.me* case finding an ISP liable for managing a platform as an “*active* hosting provider”, hosting without authorisation the protected content of one of the most important television media providers in Italy (R.T.I. S.p.A., which is the company holding the IP rights of Mediaset Group). Just the day after, the CJEU handed down its decision in case C-18/18 (*Facebook / Glawischnig-Piesczek*) allowing Member States (and their courts) to impose some active monitoring duties on ISPs in order to remove content identical (or equivalent) to content that has previously been found unlawful.

While both the decisions touch on many interesting (and debated) points which would deserve lengthier reflections (such as damages and jurisdiction in the decision of the Court of Rome; and the notion of “equivalent content” and the extraterritorial effect of injunctions on ISPs in the decision of the CJEU), the sequence of the two rulings is particularly notable because of the opposite legal findings they draw from similar facts.

Quite surprisingly, indeed, despite the differences between the cases, the two decisions share some common factual background which however led to different conclusions, showing once again how far away we are from the harmonisation of European law with regard to ISPs' liability.

#### The Vid.me Case before the Court of Rome

On the one hand, the Court of Rome based its decision on the fact that Vid.me is an *active* hosting provider, *i.e.* a provider which is not merely hosting content uploaded by third parties (typically, the users) without any intervention (or knowledge) but which “interferes” with the hosted content in several ways: by filtering, selecting, indexing, cataloguing, aggregating and scoring as well as promoting some contents upon others in order to attract users' attention to boost Vid.me's own business. The Court of Rome's decision was particularly influenced by the fact that Vid.me uses a dedicated search engine which is powered by an “interfering index” (to use a notion derived from Italian Court of Cassation on the matter).

Referencing certain precedents of both the CJEU and the Court of Cassation, the Court of Rome found the Vid.me provider liable for the unauthorised uploading of R.T.I.'s

#### Our New Italian Practice:

We are pleased to inform that our Milan Team has recently launched a **unified «IP, digital and data» team** focusing on the protection – through IP, data and contract laws – of investments in intangible assets and innovation. The IP, data and digital team focus on the following:

- Creation, assignment, and enforcement of intellectual property rights (IPRs);
- Retail and selective distribution;
- Unfair competition;
- Trade secrets; and
- Digital transformation (AI, big data, blockchain, cyber).

#### Senior Associate Andrea Tuninetti

**Ferrari, Ph.D.**, leads this newly established team. In his 13-year experience with the Firm, Andrea has developed expertise in the fields of IPRs enforcement and tech-related litigation, transfers of technology and data, privacy, data and cyber investigations.

#### Associate Andrea Andolina, LL.M.

who joined the Firm in 2017, will support Andrea Tuninetti Ferrari continuing to deal with litigations and transactions involving IPRs, retail and selective distribution.

protected content, drawing a distinction between a passive and active hosting provider, where only the latter would be excluded by the safe harbour exemption of article 16 of Legislative Decree no. 70/2003 (implementing article 14 of the Ecommerce Directive).

### The Facebook / Glawischnig-Piesczek case before the CJEU

On the other hand, the day after the Court of Rome's decision, the CJEU answered the *Oberster Gerichtshof's* (Austrian Supreme Court) request for a preliminary ruling affirming that, to some extent and in certain cases, a hosting provider *needs to be active* in order *not* to be found liable for the content it hosts.

The case concerned an Austrian politician who sued Facebook for not having removed offensive posts about her, despite the fact that these posts were identical or very similar in their contents to other posts which had previously been found to be unlawful (and which were taken down by Facebook). The dispute focused on whether a court can order an ISP to automatically remove content that is identical (or equivalent) to content that has previously been found to be unlawful.

In its ruling, the CJEU responded affirmatively, stating that the Ecommerce Directive does not preclude Member States (and their courts) from ordering a host provider to:

- remove content which is *identical* to the content which was previously declared unlawful; and
- remove content which is *equivalent* to the content which was previously declared unlawful, "*provided that the **monitoring of and search for** the information concerned by such an injunction are limited to information conveying a message the content of which remains essentially unchanged compared with the content which gave rise to the finding of illegality and containing the elements specified in the injunction, and provided that the differences in the wording of that equivalent content, compared with the wording characterising the information which was previously declared to be illegal, are not such as to require the host provider to carry out an independent assessment of that content*" (added emphasis).

### 'Goodbye' to active / passive hosting providers distinction?

The above conclusions of the CJEU seem to overturn the distinction applied by the Court of Rome between passive and active hosting providers, because the "*monitoring of and search for*" which the European courts (and lawmakers) can now impose upon ISPs fall among the "*interfering index*" that the Court of Rome (and certain previous case law precedents) listed as grounds to characterise the ISP as 'active' and thus excluded from the safe harbour exemption.

In a nutshell: if the ISP filters, it is *active*, thus liable; if it does not ... it may be liable anyway.

### Key Issues

- 'Passive vs. active' hosting provider: the Court of Rome applies this distinction to declare Vid.me liable for unlawful content uploaded on its platform.
- Monitoring, filtering and searching by a dedicated engine qualifies as one of the "*interference indexes*" used to conclude that a hosting provider is 'active'.
- The CJEU on the request for the preliminary ruling from the Austrian Supreme Court, meanwhile found that courts can order ISPs to monitor and search content that is identical or equivalent to content that was already found to be unlawful.
- The distinction between 'passive' and 'active' hosting providers is thus called into question as a basis for the application of the safer harbour exemption of article 14 of the Ecommerce Directive.

## LONDON

Vanessa Marsland / Leigh Smith / Roland Scarlett

### COURT OF APPEAL CLARIFIES RULES FOR JOINT AUTHORSHIP OF COPYRIGHT

The case concerned Ms Kogan, a writer and opera singer, and Mr Martin, a screenwriter. The two were involved in a romantic relationship, during which time Ms Kogan suggested they write a screenplay based on the story of Florence Foster Jenkins.

Florence Foster Jenkins was an American socialite and wannabe-Soprano during the 1920s-1940s who has been described by author Stephen Pile as *“the world’s worst Opera singer”*. She proved a colourful subject, and the script went on to become an internationally-successful film.

Mr Martin brought proceedings in the Intellectual Property Enterprise Court (IPEC) against Ms Kogan for a declaration of sole authorship. He claimed that he *“wrote every word and made every decision”* of the screenplay, and that Ms Kogan’s participation was merely *“to proof read, to provide historical background... to provide many suggestions for and about the music... to provide a very limited number of observations about scenes... to act as a sounding board and provide an invaluable source of encouragement and support.”*

Although Ms Kogan accepted that Mr Martin was the main writer, she claimed to have made significant contributions to many aspects of the screenplay, including the original idea, the characters, the story and the dialogue. According to her, the screenplay amounted to a work of joint authorship under the Copyright, Designs and Patents Act 1988 (CDPA 1988).

In November 2017, the IPEC granted Mr Martin the declaration of sole authorship. Ms Kogan appealed.

#### Judgment

In order to arrive at a decision, the Court of Appeal analysed and summarised the existing law on joint authorship.

Works of joint authorship are defined by s.10 of the CDPA 1988 as being works *“produced by the collaboration of two or more authors in which the contribution of each author is not distinct from that of the other author or authors.”*

The Court of Appeal therefore identified four elements necessary for establishing joint authorship: (a) collaboration; (b) authorship; (c) contribution; and (d) the non-distinctiveness of contributions.

#### Key Issues

- The Court of Appeal identified four elements necessary to establish joint authorship in copyright under English law: (a) collaboration; (b) authorship; (c) contribution; and (d) the non-distinctiveness of contributions.
- Based on the four elements of joint authorship, the Court developed 11-points which it found to be the essential considerations for establishing joint authorship.
- The Court found that (a) collaboration would be established where there is a joint undertaking to create a work based on a „common design“. This highlights the potential for subjective intentions to play a role in an assessment of joint-authorship.

The Court looked at each of these in turn and summarised what it found to be the essential considerations in establishing each element:

**(a) Collaboration:**

1. A work of joint authorship is a work produced by the collaboration of all the people who created it.
2. There will be a collaboration where those people undertake jointly to create the work with a common design as to its general outline, and where they share the labour of working it out.
3. Derivative works do not qualify. Works where one of the presumed authors only provides editorial corrections or critique, but where there is no wider collaboration, do not qualify. In addition, ad hoc suggestions of phrases or ideas where there is no wider collaboration do not qualify.

**(b) Authorship:**

4. In determining whether there is a collaboration to create a literary or artistic work it is never enough to ask, „Who did the writing?“. Authors can collaborate to create a work in many ways. For example, there may be joint authorship if one person creates the plot and the other writes the words, or if either or both types of labour is shared.
5. Joint authors must be authors, in the sense that they must have contributed a significant amount of the skill which went into the creation of the work. Again, it is not correct to focus exclusively on who fixed the work in writing.

**(c) Contribution:**

6. Contributions which are not „authorial“ in the above sense do not count. What counts as an authorial contribution is acutely sensitive to the nature of the copyright work in question.
7. The question of what is enough of a contribution is to be judged by the *Infopaq* test, i.e. whether the supposed joint author has contributed elements which expressed that person's own intellectual creation. The essence of that term is that the person in question must have exercised free and expressive choices. The more restrictive the choices, the less likely it will be that they satisfy the test.

**(d) Non-distinctiveness of contribution:**

8. The contribution of a supposed joint author must not be distinct.
9. There is no further requirement (other than that required to show „common design“ at point 2 above) that the authors must have subjectively intended to create a work of joint authorship.
10. The fact that one of the authors has the final say on what goes into the work may have some relevance to whether there is a collaboration but is not conclusive. The author with the final say must be given credit in deciding on the relative proportions of ownership, for the extra work involved in making those choices.
11. It follows that the respective shares of joint authors are not required to be equal, but can reflect, pro rata, the relative amounts of their contributions.



The Court found it “*entirely realistic*” that Ms Kogan’s contribution was made as part of a collaboration and passed the quantitative threshold for joint authorship. The Court of Appeal therefore sent the case back to the IPEC for a new trial before a different judge.

## Analysis

The judgment serves as a reminder of the importance of establishing positions on ownership *before* collaborating on a work.

In determining whether a work should be considered one of joint authorship, the Court found that collaboration would be established by a joint undertaking to create a work based on a “common design” (even making substantial changes or amendments to a work would not be enough without such a common design).

This highlights the potential for subjective intentions to play a role in an assessment of joint-authorship. If a work is anticipated to be of commercial value, it is prudent where possible (and in this case it was understandably not) to clearly establish at the outset intentions regarding ownership in order to avoid any reliance on determinations of ownership based on authorship.

The remedies sought by the parties to the case are also a good reminder that the effect of joint ownership in some forms of IP can be counter-intuitive. Ms Kogan sought injunctions through her counter-claim which could have had the effect of restraining the film production companies from exploiting the film, and damages or an account of profits for infringement of copyright.

It is often the case that parties agreeing to joint ownership of IP expect that it will allow each party the independent right to exploit the work however they see fit. This however is not the effect of joint ownership of copyright.

While a joint owner may exploit their rights in a work itself, under English law, performing essential commercial actions with the work, such as assigning or licensing of rights in the work, will require the consent of co-owners. As such, joint ownership can prove to be very restrictive despite commercial intent to the contrary.



## **BARCELONA**

Juan Cuerva de Cañas

### **SPANISH SUPREME COURT DECLARES THAT IN INFRINGEMENT CASES, A COPYRIGHT HOLDER NOT EXPLOITING ITS WORK CAN CHOOSE TO APPLY THE “PROFITS EARNED BY THE INFRINGER” COMPENSATION CRITERIA**

Good news in Spain for copyrights holders. The Spanish Supreme Court, in its recent judgment of 30 September 2019, has declared that copyright holders do not need to be exploiting their works in order to be able to request, as compensation for the damages suffered, the recovery of profits earned by the infringer of its rights.

#### **Mediaset v ITV**

The Spanish Supreme Court has ruled on the different compensation criteria available to copyright holders whose rights are infringed, in judgment 504/2019, dated 30 September 2019,<sup>1</sup> handed down in a dispute between Gestevisión Telecinco, S.A. (currently, Mediaset España Comunicación, S.A. (“**Mediaset**”)) and ITV Global Entertainment Limited (“**ITV**”).

The background of the case is as follows:

Mediaset, owner of Spanish television channel Telecinco, brought a claim against ITV in which, to summarise, it asked the Court to declare the nullity of certain agreements signed between the two parties, the main aim of which was the licence granted by ITV to Mediaset for the rights to produce and broadcast in Spain the “Pasapalabra” television programme.<sup>2</sup> Mediaset argued that it committed an essential error by entering into those agreements, since ITV did not hold the copyrights to the television programme format necessary to produce and broadcast the programme, nor the rights to the programme’s name.

In its defence to the claim, ITV argued there to be no grounds to seek the nullity of the agreements, as invoked by Mediaset. In a nutshell, it alleged that Mediaset had breached the agreements whose nullity it sought, and therefore it requested that they be declared terminated. In addition, ITV lodged a counterclaim and (i) requested compensation for the loss and damage deriving from contractual breach; and (ii) likewise alleged that the production and broadcast of the programme “Pasapalabra” by

#### **Key Issues**

- The Spanish Supreme Court has declared that a copyright holder not exploiting its work can choose to apply the “*profits earned by the infringer*” compensation method to quantify the loss and damage suffered.
- This decision clearly strengthens the position of copyright holders in two ways: it prevents infringers from retaining the profit earned from an infringement and, at the same time, attributes to the copyright holder certain financial earnings which they would likely not have obtained where they are not exploiting a work.

<sup>1</sup> Cassational Appeal and Appeal on the grounds of a Procedural Breach 3888/2016. Judge Rapporteur: His Lordship Mr Rafael Sarazá Jimena.

<sup>2</sup> Based on the original game show format of the English version television programme “The Alphabet Game”.

Telecinco over several years amounted to an infringement of the copyrights held by ITV to the programme's format and name, and therefore took actions of cessation, prohibition, removal and indemnification.

The Court of First Instance dismissed Mediaset's claim in its entirety and partly upheld ITV's counterclaim, declaring that Mediaset had breached the agreements entered into with ITV and that the use made by Mediaset of the "Pasapalabra" television programme format constituted a violation of ITV's copyrights. Consequently, it ordered Mediaset to compensate ITV for, on the one hand, breach of contract<sup>3</sup> and, on the other hand, *"for the negative economic consequences deriving from the profits earned by the defendant as a result of using the format and title of the work "pasapalabra"*.<sup>4</sup> The judgment of the Court of First Instance was appealed, and the Court of Appeal maintained the decision ordering Mediaset *"to compensate ITV for the negative economic consequences deriving from the profits earned by the defendant as a result of using the format and title of the work "pasapalabra"*. Both parties lodged an appeal to the Supreme Court.

### **The Supreme Court ruled that a copyright holder not exploiting its work can choose to apply the "profits earned by the infringer" form of compensation**

Against this background, the Spanish Supreme Court was asked to decide whether the form of compensation awarded by the lower courts to sentence Mediaset (i.e. the negative economic consequences deriving from the profits earned by the defendant) had been correctly applied.

The Spanish Copyright Act<sup>5</sup> in force, following the transposition of Directive 2004/48/EC on the enforcement of intellectual property rights, currently allows copyrights holders to choose from one of three methods to calculate the loss and damage caused to them by infringers:

- a) the negative economic consequences, including lost profits, which the injured party has suffered;
- b) any unfair profits made by the infringer; and
- c) a lump sum on the basis of elements such as at least the amount of royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question.

In the present case, ITV requested to apply the "unfair profits made by the infringer" method (letter b) above). In reply, Mediaset argued that that quantification criteria for loss and damage was inappropriate because ITV only exploited the television

<sup>3</sup> While such agreements were in force.

<sup>4</sup> Once the licence agreements had already terminated.

<sup>5</sup> Royal Decree 1/1996, dated 12 April 1996.

programme format through licences it granted to third parties. In other words, ITV did not directly exploit the programme format which was the subject of the infringement.

The Spanish Supreme Court found that, in order to be able to recover the profit earned by the infringer:

- It is irrelevant whether the holder of the infringed right exploits those rights or not, because any profit it may have earned is irrelevant. What is relevant is how much profit the infringer has earned unfairly (as it was not entitled to earn it) for encroaching on an economic right which entitles its holder to earn monetary amounts.
- It is not necessary for the holder of the infringed copyright to have suffered capital losses, nor for the recovery amount to correspond to such loss.

In short, the Supreme Court considered that applying the “profit earned by the infringer” method to quantify the loss and damage appropriately reflected the rationale of *recovery due to encroachment*. In other words, the aim is to prevent the financial earnings obtained through copyright infringement from remaining in the assets of the infringer.

Additionally, while the Supreme Court judgment of 30 September 2019 does not address this issue directly –although it was an issue disputed before the lower courts– it does confirm that in Spain, television programme formats can be protected by copyright, provided that such formats are “*original*”, which is the requirement established in the Spanish Copyright Act in order for a certain creation to be considered a “work” for legal purposes.



## MILAN

Andrea Andolina / Andrea Tuninetti Ferrari

### ITALY IMPLEMENTS THE EU TRADEMARK DIRECTIVE

With Legislative Decree no. 15/2019, Italy implemented Directive (EU) 2436/2015 (the “**Trademark Directive**”), harmonising the Legislative Decree no. 30/2005 (Italian Industrial Property Code, “**IP Code**”) with European law.

The IP Code has thus been amended in several points. Among them we will focus on some of the most interesting ones, *i.e.*: graphic representation (which is no longer a requirement for registration); guarantee or certification marks and collective marks; (new) rights for the trademark owner; and the new procedure before the Trademark Office for invalidity / revocation.

#### The deletion of the “graphic representation”: new signs are coming

In accordance with the Trademark Directive, the “graphic representation” has been deleted from Article 7 of the IP Code which sets out the requirements for registration.

This opens the door to the registration of “**atypical trademarks**”, such as sounds, movement sequences, flavours and other non-conventional signs which are, at least in principle, distinctive enough to be registered as trademarks. The sign in question must nevertheless be able to be described in writing / represented in such a way that the Office (and third parties) can understand the scope of protection sought.

#### Guarantee or certification marks and collective marks

The Trademark Directive also tackled guarantee or certification marks and collective marks. Both types of marks were already available and used in Italy, but the implementation of the Trademark Directive presented the occasion to reorganise the provisions of the IP Code concerning them.

Thus, harmonization required domestic law to expressly introduce **guarantee or certification marks** (in the “new” art. 11-*bis* of the IP Code), regulated mostly as collective marks.

**Collective marks** (which were already regulated in art. 11 of IP Code) may now be owned only by authorities, collective bodies or consortiums, meaning that such marks cannot be owned by natural persons or private companies.

The regulations governing the use of both guarantee or certification marks and collective marks must be submitted alongside an application. This will result in the regulations being stored in a comprehensive database that is freely accessible to stakeholders.

#### Key Issues

- Italy has implemented the Trademark Directive harmonising domestic trademark law with EU law on several issues.
- Graphic representation is no longer a registration requirement, which opens the door to “atypical signs” (such as sounds, flavour, sequences of movements) being registered.
- Collective marks can be owned only by authorities, collective bodies or consortia, precluding ownership by natural persons and private companies.
- Trademark owners can prevent the use of their sign for purposes other than the ones related to the goods and services for which it has been registered, insofar as that use is unjustified and derives undue gain from or harms the registered trademark.
- A new procedure before the Trademark Office has been introduced aimed at obtaining a declaration of invalidity / revocation. This procedure is an alternative to Court litigation.
- The exclusive licensee can start an infringement claim in lieu of the licensor, if the licensor does not take appropriate actions within a reasonable timeframe.

## **The “unjustified” uses beyond the goods / services of the registration and other rights: more power to the trademark owner**

Italy has opted to use the flexibility allowed by art. 10, par. 6 of the Trademark Directive. The Trademark Directive widened the trademark owner's rights, which are regulated by art. 20 of the IP Code.

This key provision now allows the owner of a mark to prevent any third party from using the owner's sign (whatever the goods and services may be) in all cases where – lacking a preponderant reason (due cause, “*giusto motivo*”) – the use of that sign would take in unfair advantage, or would jeopardise the distinctive character or the reputation of, the prior trade mark.

Furthermore, amended article 20 of the IP Code now provides for the owner's right to prohibit preparatory acts in relation to the use of packaging (implementing article 11 of the Trademark Directive) and to request that dictionaries flag that a sign is protected by a registered trademark (in accordance to the provision against the risk of “vulgarisation” set forth by art. 12 of Trademark Directive).

## **A “new route” to the declaration of invalidity / revocation: the procedure before the Trademark Office**

The introduction into Italian law of a new procedure aimed at requesting a declaration of invalidity / revocation of already registered trademarks will also have a significant impact.

Until now, the owner of a prior trademark who lost the chance to oppose a registration in the Trademark Office's opposition procedure was forced to start Court proceedings, seeking a judicial decision which is rarely issued before the end of the third year of litigation (first instance proceedings) and incurring material fees.

Similar to the procedure before the EUIPO for an EU trademark, with the implementation of the Trademark Directive the owner of a prior trademark can now opt for a procedure before the Trademark Office seeking the invalidity or revocation of an infringing trademark. This administrative solution will be an alternative to the abovementioned judicial route, which will likely remain the preferred option for claimants in at least the most complex cases, and in cases where the claim is joint with an infringement and/or damages claim (for which the judiciary retains exclusive competence).

The administrative procedure before the Office is already regulated by art. 184-*bis* of the IP Code but is not yet operative: it will come into force thirty days after the issue of technical specifications by the Ministry of Economic Development.

## **Other noteworthy amendments**

In addition to the above, the IP Code now provides that:

- As soon as a trademark is registered the effects of the registration date back to the day following the one when the first registration application was filed;
- In cases where a petitioner seeks a declaration of trademark invalidation for prolonged non-use (five years), it is now the trademark owner (and not the petitioner) who must give positive evidence that the trademark has been used during the relevant period;
- Unless the license agreement provides otherwise, the general rule is that a licensee can file for an infringement claim only subject to the licensor's prior consent. In cases where the licensee has exclusivity, it can file for infringement also in cases where it notifies the licensor and the licensor remains passive.

## WARSAW

Krzysztof Hajdamowicz

### OVERVIEW OF CHANGES TO THE POLISH INDUSTRIAL PROPERTY ACT

In its very last sessions (held after the elections) the outgoing Polish Parliament adopted amendments to the Polish Industrial Property Act (“**IPA**”) which will enter into force in February 2020. In addition to numerous changes aimed at aligning the IPA with the European Patent Convention (“**EPC**”), the revised act grants Polish qualified lawyers a right to represent clients in front of the Polish Patent Office in matters regarding the registration and maintenance of geographical indications and industrial designs (in addition to trademark matters).

#### Alignment with the EPC

Numerous changes were made to the IPA with the purpose of removing discrepancies between the scope of patent protection under the IPA and the EPC, and clarifying the definition of solutions that cannot constitute patentable inventions. The amended act creates some space for the patentability of certain computer-assisted inventions as well as certain gaming solutions.

#### Simplified procedure for patent invalidation and objections against granted patents

The new act simplifies procedures in front of the Polish Patent Office concerning both patent invalidation and objections to granted patents. In particular, a party seeking invalidation of a patent will no longer be required to prove their so-called legal interest in pursuing the invalidation claim against the patent holder (which was often a heavily disputed part of the proceedings).

#### New rights for qualified lawyers to act in front of the Polish Patent Office

Historically, lawyers admitted to practice in Poland as “adwokat” and/or “radca prawny” (“qualified lawyers”) could represent their clients in court disputes regarding various types of intellectual and industrial property rights but had no rights to act as attorneys in front of the Polish Patent Office.

This partially changed in 2015 when qualified lawyers were granted the right to handle trademark registration and maintenance matters. Since then there has been a debate over possible further extensions of qualified lawyers’ rights. The main focus of debate was whether or not a right to represent clients in patent matters should be included in qualified lawyers’ revised scope of authority. It has ultimately been decided that for now the scope of authority will be extended only to the extent of adding registration and maintenance of geographical indications and industrial designs.

The monopoly over the remaining industrial property rights (i.e. patents on inventions, utility models, medicinal products, plant protection products and topographies of integrated circuits) remains with patent attorneys (including EU qualified attorneys rendering cross-border services).

The new act is dated 16 October 2019 will enter into force in February 2020.

#### Key Issues

- Alignment with the EPC
- Simplified procedure for patent invalidation and objections against granted patents
- New rights for qualified lawyers to act in front of the Polish Patent Office.

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**Nicolas Hohn-Hein**

### **THE GERMAN TRADE SECRETS ACT – RECENT CASE LAW**

On 24 April 2019 the German Trade Secrets Act (“**TSA**”) came into force implementing into German law *Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure*. Since the TSA coming into force, the Higher Regional Court of Munich, the District Court of Munich and the Administrative Court of Berlin have each rendered first decisions which provide helpful guidance on various aspects of the new TSA.

#### **Higher Regional Court of Munich, decision dated 8 August 2019, 29 W 940/19 – assumption of urgency not applicable under TSA claims**

##### **Facts of the Case**

The applicant, an intermediary company for medical professionals, sought an interim injunction against its former employee under Section 6 TSA, claiming that he used the applicant’s customer database for work he performed for his new employer without the applicant’s consent. The question was, *inter alia*, whether the facts passed the urgency test for an interim injunction, and, if not, whether there was a statutory presumption of urgency.

##### **Legal Analysis**

An interim injunction under German Law generally requires the applicant to credibly substantiate (i) the grounds for an injunction and (ii) the grounds for the injunction pursuant to Sections 936, 920(2) of the German Code of Civil Procedure (“**CCP**”). “Credibly substantiate” means that the applicant must demonstrate with sufficient likelihood that an alleged fact is true, i.e. the applicant is not required to provide “hard” evidence to prove its case.

However, despite the reduced evidentiary burden for an interim injunction, applicants must still pass an “urgency test” which may be more challenging. Passing the “urgency test” requires demonstrating the applicant’s serious interest in a swift court decision in order to avoid irreparable damage. Establishing urgency is especially difficult in cases where the applicant waits too long before taking action and case law is not entirely consistent among German courts. Timeframes imposed by the Courts for the urgency test range between six weeks to three months (beginning from the date the applicant gains first knowledge of an infringement), after which the applicant forfeits its right to an interim injunction.

#### **Key Issues**

- In order to be awarded an interim injunction under Section 6 of the German Trade Secrets Act, an applicant must credibly substantiate the urgency of the case. There is no (statutory) presumption of urgency.
- An intervening party is usually entitled to full inspection of case records even if these contain the trade secrets of the other parties, unless the particular facts of the case otherwise require that such an inspection should be denied to protect the interests of the secret-holder.
- Public law provisions regarding the handover of confidential information may override the provisions of the German Trade Secrets Act (for instance, in the case of constitutionally-protected information claims).



In the present case, the applicant could not credibly substantiate the need for urgent action. This led the Court to consider whether Section 12(2) of the German Unfair Competition Act ("**UCA**"), under which the urgency of claims is rebuttably presumed, could apply to Section 6 TSA.

However, the court held that Section 12(2) UCA was not applicable since, according to the court, the legislator could have easily implemented such a rebuttable presumption provision in the new TSA (as done, for example, in the recently modernized German trademark law). In consequence, the court concluded that the legislator deliberately did not implement such a provision in the TSA, and therefore ruled Section 12(2) UCA was not applicable in the present case.

## **District Court of Munich, decision dated 13 August 2019, 7 O 3890/19 – inspection of records by intervening parties**

### **Facts of the Case**

The plaintiff invoked patent rights against the defendant. An intervening party (a supplier of the defendant) joined the defendant and requested full inspection of the documents filed by the parties (while refusing to enter into a non-disclosure agreement ("**NDA**") with the plaintiff). The plaintiff asked the Court to reject the intervening party's request given the existence of documents containing trade secrets including documents regarding fair, reasonable, and non-discriminatory ("**FRAND**") draft license agreements, emails between the parties regarding their license negotiations, as well as other related documents. The plaintiff argued that disclosure of the documents should, at most, be allowed in redacted form.

### **Legal Analysis**

The court ruled that, while intervening parties are usually entitled to a full inspection of documents relating to the case, such an inspection may be refused due to trade secret protection where certain requirements are met. The burden of establishing these requirements are met is on the party invoking trade secret protection (here: the plaintiff) in accordance with Section 20(3) TSA. According to the court, the following pre-requisites must be fulfilled cumulatively:

1. The plaintiff has filed subject matter considered to be secret information.
2. The secret subject matter was filed after a NDA had been concluded with the defendant.
3. The intervening party joined the process at a later time.
4. The plaintiff's request to not disclose the subject matter to the intervening party is justified.
5. The intervening party refuses to conclude an NDA with the plaintiff.
6. The intervening party's refusal to conclude an NDA is unjustified.

In this case, the court denied the plaintiff's request for non-disclosure, holding that FRAND license agreements should only be considered confidential in very exceptional cases where the particular facts of the case justify their qualification as

trade secrets. Here, the court emphasized that a commitment to fair and non-discriminatory licensing generally requires a transparency of the licensing conditions applicable – otherwise the intervening party might be impeded to efficiently exercise its rights in the proceedings. With respect to the other documents (e.g. emails), the court applied similar principles in view of the public's substantial interest in a transparent FRAND licensing regime. However, the plaintiff was not required to disclose details justifying the license terms where this could harm its legitimate interests (Higher Regional Court Düsseldorf, decision dated 25 April 2018, I-2 W 8/18, para. 9). As mentioned by the court, establishing such legitimate interests might nevertheless expose the plaintiff to the risk that the defendant (or other participants to the case) could draw certain conclusions from the plaintiff's explanations with regard to the content of the confidential subject matter.

## **Administrative Court of Berlin, decision dated 23 September 2019, VG 27 L 98.19, TSA and Public Law Provisions**

### **Facts of the Case**

According to a media report, the German Ministry of Transport had communicated with a car manufacturer regarding an (illegal) emission control device (which is part of the “*Dieseldgate*” scandal in Germany) and related administrative fines that could be imposed.

The applicant, a journalist, requested the respondent, the Ministry of Transport, to release information concerning a meeting between the Ministry and the car manufacturer on 28 May 2018 (as well as certain other related information). The journalist made this application on the basis of their constitutional right to a free press.

The Ministry, however, denied the existence of the requested information without providing any further details. In the proceedings, the Ministry invoked trade secret protection under the TSA as a grounds for the non-disclosure of information provided by the car manufacturer to the Ministry (e.g. internal motor-measures, functioning of the emission control system and the exhaust gas recirculation system).

### **Legal Analysis**

The court held that Art. 5(1) sentence 2 of the German Basic Law (“**GBL**”) overrides the TSA as “*public law regulations on secrecy, obtaining, use or disclosure of trade secrets take precedence*” over Section 1(2) TSA. Art. 5(1) sentence 1 GBL grants journalists a direct constitutional right to information against federal authorities and is therefore a public law provision aimed at obtaining the disclosure of confidential information (including potential trade secrets).

The TSA on the other hand regulates the legal consequences of unauthorized obtaining, use and disclosure of trade secrets between private persons, but not between private persons and public authorities. Therefore, the TSA does not apply, for example, in cases of information claims against public authorities based on Art. 5(1) sentence 1 GBL and only applies in cases of trade secret-related litigation in the sense of Section 16(1) TSA. Weighing the respective interests of the applicant and the car manufacturer, the court obliged the respondent to release the requested information.

## Conclusion

The three decisions discussed here are first stepping stones towards more case law under the still-young TSA. The decisions demonstrate that despite the rather clear wording of the TSA (as well as the underlying Directive), there is still room for legal uncertainties and interpretation of the law.

It remains to be seen whether the Higher Regional Court of Munich's opinion on the (in-)applicability of a presumption of urgency under Section 6 TSA cases will be shared by other courts given that under the TSA the owner of a trade secret has a paramount interest in swift injunctive relief in order to avoid (potentially definitive) loss of the trade secrets.

The District Court of Munich has provided further insights into FRAND licensing case law, strengthening the rights of intervening third-parties to be granted access to the FRAND documents of licensors (in order to achieve transparency as well as "equality of arms" in the course of court proceedings).

Finally, the third decision clarifies the relationship of TSA provisions vis-à-vis public law in the context of the right to information against a public authority, which might become increasingly important with respect to the investigative work of journalists and the right of free press.



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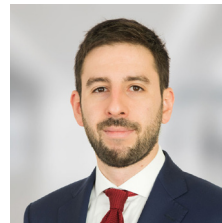
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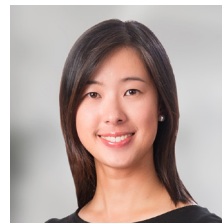
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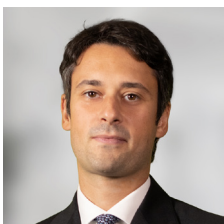
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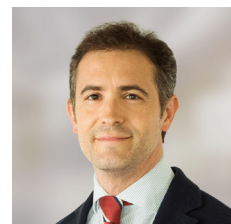
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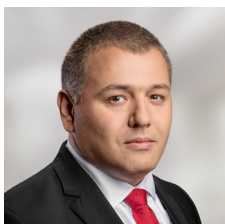
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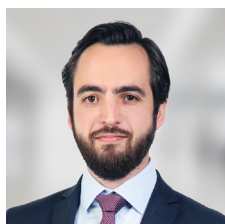
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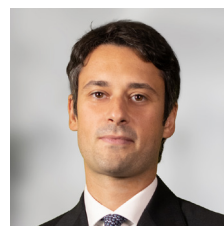
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