

■ **Adoption of the law to prevent infringements**

The prevention of infringements law, adopted by the Parliament on October 17, 2007 and published in the Official Journal of the 31st of October 2007, was enacted into French law by the Directive No. 2004/48/EC of April 29, 2004 on the enforcement of intellectual property rights.

The aim of this law is to combat more effectively infringements of 2 intellectual property rights and strengthen the legal means to protect creations.

The new text, completing the Intellectual Property Code, covers literary and artistic property, trademarks, designs and models, patents, certificates of breeders' rights, designations of origin and geographical indications.

The measures in the law of enactment are very much more repressive than the EU text, particularly as they are not just limited to presumed infringements committed on a commercial scale, contrary to the Directive.

The new law in fact covers **all infringements to intellectual property rights, irrespective of whether the aim of the infringement is commercial or not**, which some Internet users find threatening because they might then be directly targeted on the same basis as industrial infringers when they download files in breach of copyright.

In addition to creating specific units in courts, specialising in intellectual property to be appointed by decree, the law's intention is above all to facilitate the search and seizure of infringing products and reinforce the scale of sanctions with an emphasis more particularly on victims' compensation

■ **Increased means of actions**

First, the law consolidates seizure procedures: besides the petition for authorisation of the physical seizure of supposedly infringing products, the text now also allows seizures of the "*materials and equipment used to produce or distribute the allegedly infringing items*".

In addition, the time allowed to bring legal proceedings, following a seizure in connection with an infringement, formerly 15 days, will be extended by regulatory means.

The text also introduces a new summary procedure to prevent any "*imminent infringement*" of intellectual property rights. In the former procedure, particularly for trademarks, it had to be shown to the judge that an action on the merits had been brought against the infringer on the basis of the infringement.

With the adoption of these new provisions, the summary proceeding will be more effective and it will no longer be necessary to bring an action on the merits for it to be admissible. However, this new procedure is not totally risk-free since certain rights holders might be tempted to stifle competition by claiming prematurely that there is a risk "of imminent infringement".

Secondly, the law creates "**a right of information for the judge**", authorising him to require the production of all documents or information (quantities and prices of the goods, previous holders, recipients, etc.) in the infringer's keeping or held by any person found in possession of infringing items, to determine the origin and distribution networks of such products. This innovative provision will therefore allow investigators to work their back up the commercialisation or production channels to reach the source of the network.

Some of the more noteworthy modifications are those concerning the **customs provisions** in connection with trademarks and designs and models.

On the one hand these rules will not apply to goods having Community status, put into free circulation in a member State and being subject to the *transit procedure* rules. On the other hand, the customs administration will be able to impound goods that could infringe filed trademarks or designs, even *without a written request* made by the holder of the rights, which gives the authorities greater latitude to look for infringing goods.

It is Article 32 of the law which seems to have raised the most criticism, as it sets up a kind of "private police force" in the web through a slight "tweaking" of Article L.331-2 of the Intellectual Property Code. This now allows any professional body of authors' defence (and no longer just a "professional body of authors") to take legal action, conduct investigations or bring a civil claim for damages when it becomes aware of infringing activities.

Associations like the ALPA (Association to Combat Audiovisual Piracy) or anybody authorised by the Ministry of Culture will now be able to use these measures against any person breaching the rules of copyright.

However, the government has recalled that these new provisions will have to be harmonised with the future proposals of the Olivennes commission, which has been asked to find effective means to combat piracy and whose conclusions are expected mid November.

Finally, apart from the increased protection afforded to rights holders by the addition of provisions facilitating the means of action against infringers, the text increases the sanctions and particularly addresses the question of victims' compensation

■ **Increased sanctions**

One of the principal innovations of this text lies in the place given to **victims' compensation**.

The courts' determination of the amount of damages will now take into account:

- the loss of earnings suffered by the injured party,
- the *profits realised by the author* of the infringement of the rights.

If a lump sum award is made, the courts may take into account *the amount of the royalties which should have been paid* if the infringer had asked for an authorisation to use the right which he infringed.

This provision in fact weakens current case law, as the courts usually refuse to award damages on the basis of the infringer's turnover. This new rule is obviously in the victims' favour, but questions remain about the necessity of using the infringer's turnover as a reference, knowing that there is nothing to prove that the victim would have made a profit equal to such a turnover.

For the additional sanctions, the law provides that the court can order the **withdrawal from the commercial circuits** and the destruction of objects held to be infringing.

The text also introduces a new aggravating circumstance: when the facts concern **goods which are a danger to health, public safety or the safety of animals**, the sanctions are increased to 5 years imprisonment and a 500,000 euro fine.

Finally, to protect the claimant against the supposed infringer's insolvency, the court hearing the case may order directly **the interim attachment of the infringer's movable and real property, including the blocking of its bank accounts and other assets**.

In conclusion, we can only applaud the adoption of these new repressive provisions which will mean that creations of all kinds will be better protected.

NEWS FLASH:

■ *Is this almost the end of the French on-line gambling monopoly?*

Online gambling is more than ever in the limelight since the 31st of October, the day when the manager of Unibet, a Swedish online betting company, was placed under formal investigation in Paris and then put under judicial control. He had been arrested in Amsterdam on October 22, 2007 by the Dutch police, which was acting on the basis of a warrant for this arrest, issued by France for infringing our national legislation formally prohibiting any company from organising gambling for money except for the PMU and Française des Jeux.

However, Brussels strongly criticised France's initiative as this formal examination is in direct contradiction of the European recommendations on gambling.

For the record, France had already been chastised by the European Commission in June 2007 by announcing the intention to open a procedure against France to commit to opening the sector of on-line gambling to competition.

The "Zeturf Ltd / GIE Pari Mutuel Urbain (PMU)" judgment of July 10, 2007 of the French Supreme Court was a kind of mouthpiece for a certain liberalisation movement. In this case, a Maltese company called Zeturf had put a website online on which Internet users could place bets on French horse-racings. The judgment, after comparing EU law with the French horse-racing regulations, clarified that, if protective laws were granted to the PMU, they had to be construed in the light of Community criteria, allowing restrictions on the free provision of services.

The opening demanded by the Commission would be something that gambling operators could look forward to, particularly casino owners, who will then be able to propose gambling legally on their sites and thereby avoid the criminal sanctions which have recently been inflicted on them.

As an illustration the Groupe Partouche International (GPI) decision of March 15, 2007 of the Nanterre Criminal Court which sentenced the President of GPI to a 12 months imprisonment and a 40,000 euro fine for having lent his name to a poker website based in the tax haven of Belize. Although gambling sites are being located outside France, French criminal law is still applicable as these sites are accessible to French Internet users.

GPI is not the only one investing in online gambling sites: taking advantage of the breach opened by the European Commission's recommendations, the Lucien Barrière group announced in September 2007 that it was also intending to create a website which will not initially be a paying site but could become so, once the government has agreed to the liberalisation of online gambling.

It appears that France is on the right track to follow the Commission's recommendations, taking the statement of Eric Woerth, Minister of the Budget, into consideration, that the government was ready "to move towards a controlled opening of the gambling system".

France will have to answer the Commission's recommendations in March 2008 in front of the European Court of Justice: the unknown quantity is what the French government's concrete proposals will be and what then will be the real extent of the State control of the on-line gambling system. To be continued...

■ *Microsoft turns the page...*

On September 17, 2007, the European Court of First Instance confirmed the European Commission's ruling, that Microsoft was abusing its dominant position in the area of operating systems and multimedia players.

The European jurisdiction accused Microsoft in particular of refusing to disclose information about the interoperability of its systems with other software and complained about its practice of tied sales, as its operating system Windows is only sold accompanied by the Windows Media Player.

For the interoperability question, the court followed the well known solution of the "IMS Health" judgment (ECJ 29 April 2004), which provides that the abuse of a dominant position results from the refusal of the holder of an intellectual property right to grant a third party a licence to use a product when the following three circumstances are met:

- the refusal must concern a product or service which is indispensable to carry on a business activity on a neighbouring market;
- the refusal must be likely to exclude all effective competition on such market;
- and the refusal must prevent the emergence of a new product for which there is potential consumer demand.

As these three conditions met in this case, the Court could only confirm the Commission's decision.

For the tied sales, the Court decided that as Microsoft was in a dominant position on the market, it should bring a version of its operating system without Windows Media player on the market, so that consumers are free to choose between the tied version and the simple version.

The outcome is that at the end of October, the Redmond firm decided to comply with the obligations imposed on it, proposing to disclose its information to licensed developers in the terms demanded by the Commission.

■ *Online right of reply*

A decree published in the Official Journal of October 26, 2007 has clarified the conditions of the online right of reply stipulated in Article 6 of Chapter IV of the law of June 21, 2004 on Confidence in the Digital Economy (LCEN).

Following the same practice as the right of reply in the written press, the request must be sent to the director of publications of the implicated websites. However, it will sometimes be more difficult to obtain the director's identity than in the written press area and hosting providers will with no doubt be solicited to give the necessary information.

In addition, the request cannot be made unless the users are able to respond directly to the message implicating them. This leads to the deduction that blogs, chats or other web pages, giving Internet users the opportunity to post comments online, are not concerned by the right of reply procedure. The answer will always be in written form, whatever the format of the initial message (limited to 200 lines); so that a video on the Internet cannot be answered by another video, as it is the case in audiovisual matters.

Finally, for the record, the right of reply must be sent within the first three months after the first time the message in issue was put online.

■ *Legal obligations of video sharing sites (Web 2.0)*

The role and legal obligations of video-sharing sites can be identified more precisely after the judgment of the October 19, 2007 of the Paris Court of First Instance.

After the "Dailymotion" case of July 13, 2007, it is now the Google Video site's turn to be the subject of a decision.

The documentary entitled "Les enfants perdus de Tranquillity Bay" ("The Lost Children of Tranquillity Bay"), produced by ZADIG Productions, had been put online on the site by an Internet user. After several formal notices, Google had finally withdrawn the video from its pages, but had been unable to follow the repeated re-appearance of this documentary at different addresses.

The judges held that Google Video could not be qualified as the editor of the content "insofar as it is consistently held that such content is supplied by the users themselves (...)".

On the other hand the court adjudged Google Inc. to pay damages of 35,000 euros to ZADIG Productions on the grounds that as being the hosting provider, Google Inc. had to "employ all necessary means to avoid any further broadcasting" from the first notification on.

Therefore, this judgment greatly increases the liability of providers hosting content-sharing sites.

The "Dailymotion" case had explained that the hosting provider was held liable for unlawful content put online, when he was fully aware of its unlawfulness. This judgment of October 19, 2007 clarifies that the hosting provider who is aware that videos are being put online without authorisation and has withdrawn them, must take the necessary measures to avoid any further broadcasting.

In these most recent decisions, the 2.0 websites involved, were not considered as being the editors (as opposed to what the TGI had decided in the Lafesse/Myspace case of June 22, 2007) which would make them fully accountable.

However, they now have an obligation of increased control in consideration of the sharing services they provide. In view of the thousands of videos posted on these sites every day, it seems necessary to set up a filtering system to facilitate this control before the content is actually placed online.

P.D.G.B Société d'Avocats

174, avenue Victor Hugo
75116 Paris

Tel. : 00 (01) 44.05.21.21

Fax : 00 (01) 44 05 21 05

www.pdgb.com

Julie Jacob – Benjamin Jacob
Sandy Hervé – Olivia Micenmacher