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The Donner case and the “target country” principle

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“A generalised principle of the “targeted” country might well become a recognised point of attachment in copyright conflicts of laws, at least in cases where such target jurisdictions can clearly be identified.”

The distribution of industrial products protected by copyright law can amount to a criminal offence as a violation of the distribution right. In CJEU, 21 June 2012, case C 5/11 (Donner), the CJEU clarified the interface between European law and national criminal sanctions in case such products are protected in the country of export but not in the originating country. The CJEU took the view that European legislation does not stand in the way of applying criminal law provisions contained in national copyright law where goods are marketed for a particular national market, in this case Germany.

In short, the case centred on the export of certain replica designer furniture and similar products from Italy to Germany. These were protected under German though not under Italian copyright law. The question was whether transporting such goods from Italy to Germany amounted to an act of distribution in Germany and, if so, whether the application of German copyright law was a violation of the principle of the free of goods.

The central aspect was, therefore, the extent of the national right of distribution versus the freedom to export goods not protected by copyright in the country of origin. The products in question were stored in an Italian warehouse and potential German customers were asked to collect them or to commission a freight forwarder that was instructed by an Italian company. The issue before the German courts was whether these acts (that occurred in Italy) amounted to aiding and abetting an act of copyright infringement in accordance with Articles 106, 108a and 17 of the German Author’s Rights Act, that is, whether they fell within the right of distribution in general. According to German law, an act of distribution means a transfer of property, that is, a contractual agreement according to which the seller will lose the power to dispose of the goods and an actual disposal to the public. Transfer of the power to dispose of the goods took place in Germany at the point in time where the goods were actually handed over to the customer.

The Landgericht Munich II found that applying German criminal law in such case was not in conflict with the principle of the free movement of goods given that any such restriction by criminal law was justified for the protectuion of industrial property under Treaty law. Upon appeal, the BGH asked the CJEU to clarify the interface between national copyright law and treaty law in this regard and posed the following questions for preliminary ruling:

- 'Are Articles 34 and 36 TFEU governing the free movement of goods to be interpreted as precluding the criminal offence of aiding and abetting the prohibited distribution of copyright-protected works resulting from the application of national criminal law where, on a cross-border sale of a work that is copyright protected in Germany,
- that work is taken to Germany from a Member State of the European Union and de facto power of disposal thereof is transferred in Germany
- but the transfer of ownership took place in the other Member State in which copyright protection for the work did not exist or was unenforceable as against third parties?'

The CJEU first considered whether in such case there could be a distribution to the public under Article 4(1) of Directive 2001/29/EC. The CJEU again asserted that the meaning of "distribution to the public" had to be interpreted in accordance with European law only, and that national differences in interpretation were irrelevant.

The CJEU gave a broad construction which includes any acts necessary for the product to reach the customer. The trader bears responsibility specifically where the public in a particular member state was targeted specifically. With regard to the issue of legal responsibility for actions by a third party, the CJEU stated that "where the delivery to a member of the public in another Member State is not effected by or on behalf of the trader in question, it is therefore for the national courts to assess, on a case-by-case basis, whether there is evidence supporting a conclusion that that trader, first, did actually target members of the public residing in the Member State where an operation giving rise to a 'distribution to the public' under Article 4(1) of Directive 2001/29 was carried out and, second, whether he must have been aware of the actions of the third party in question".

Thereby, any act that is required en route to bringing the article in question to the public falls within Article 4(1) – the traditional German distinction between the conclusion of a contract for sale and the passing of the power to dispose thus becomes irrelevant for the purpose of European copyright law. The question whether German copyright law can be applied at all – an issue at the centre of the dispute given that the property passed in Italy – was therefore not conclusively answered.

The CJEU did not assess any private international law aspects. The main issue, in this regard, was the fact that if Italian law governed the act of first distribution in Italy – by way of passing the power to dispose following a contract for sale – the preliminary question as to whether the works concerned were protected under copyright law would have arisen. Certainly, the German courts must clarify which law will govern the issue of protectability in such a case, as a preliminary question in order to determine whether the "European" distribution concept is applicable at all. However, this still depends upon national law – though applying the principle of the protecting country will yield the same conclusion.

Whether Article 4(1) EUCD is engaged thus depends upon whether a particular member state is targeted. In this regard, the CJEU is potentially establishing a conflict rule through the backdoor: national copyright law (and hence protection under the national notion and extent of the

distribution right) thus is applicable in any case where an act leading towards a distribution to the public is carried out, and given that this was Germany the notion of distribution thus leads to German, rather than Italian, copyright law. The relevant point of attachment therefore is the targeted public rather than the location of where the contract is concluded. Therefore, the CJEU confirmed that "that a trader who directs his advertising at members of the public residing in a given Member State and creates or makes available to them a specific delivery system and payment method, or allows a third party to do so, thereby enabling those members of the public to receive delivery of copies of works protected by copyright in that same Member State, makes, in the Member State where the delivery takes place, a 'distribution to the public' under Article 4(1) of Directive 2001/29".

As regards European law, national deviances in interpretation are obsolete given that a "distribution to the public" entails any thinkable act directed towards distribution. A potential side effect as regards the question of applicable law concerns more general issues of copyright liability on the internet – a generalised principle of the "targeted" country might well become a recognised point of attachment in copyright conflicts of laws, at least in cases where such target jurisdictions can clearly be identified. It should be noted, however, that the decision is not concerned as such with private international law aspects but exclusively with the extent of the distribution right under European law.

The second prong of the issues in question concerned the effect of the principles of the free movement goods on such wide construction of the distribution right – bearing in mind that the products were not protected under Italian copyright law. The CJEU dealt with these issues briefly: a justification for the restriction on the free movement of goods may be found in Article 36 TFEU only where there was a disparity of rules between member states, and such disparity "results not from differences between the legal rules in force in the different Member States in question, but rather because those rules are, in practice, not enforceable as against third parties in one of those Member States. The restriction on a trader established in a Member State resulting from the prohibition on distribution under criminal law in another Member State is also, in that type of situation, based not on an act or the consent of the right holder, but on the disparity, between the different Member States, in the conditions of protection of the respective copyrights". The applicability of national criminal law was considered a disparity but justified under Article 36 TFEU. In other words: no collision with the free movement principle is established by applying the "target country" principle given that this is now a European concept, and the application of disparate criminal law will usually be justified.

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