



Reports of Cases

OPINION OF ADVOCATE GENERAL
JÄÄSKINEN
delivered on 29 March 2012¹

Case C-5/11

**Criminal proceedings
against
Titus Alexander Jochen Donner**

(Reference for a preliminary ruling from the Bundesgerichtshof (Germany))

(Free movement of goods — Industrial and commercial property — Sale of goods copyright protected in the Member State of the buyer but not in the Member State of the seller — Penal sanction imposed on a person involved in sale and delivery — Distance sales contracts — Distribution of copies of works — Directive 2001/29)

I – Introduction

1. Dimensione Direct Sales Srl ('Dimensione') is a company that is located in Bologne, Italy. Dimensione sells reproductions of well-known pieces of furniture and designs ('the items') and some of its marketing is targeted at customers located in Germany. This occurs through advertisements and supplements in German newspapers, direct publicity letters, and a German language website.

2. The items are sold and delivered to German buyers with the assistance of an Italian transport company called In. Sp. Em. Srl ('Inspem'). In Germany the items are considered to be copies of copyright protected works of applied art. In Italy the items are either unprotected under national copyright law or copyright in them is unenforceable in practice.

3. The Court has been asked to consider whether Article 36 TFEU,² and more specifically its provisions concerning industrial and commercial property, can be relied on by the German authorities in the course of a criminal prosecution that has been brought against Mr Titus Donner, who is the manager and majority shareholder of Inspem. The prosecution relates to Mr Donner's role in the distribution of the items in Germany, in alleged breach of national copyright law. The question concerning Article 36 TFEU has arisen because it is uncontested that the prosecution results in a measure equivalent to a quantitative restriction on imports between Member States under Article 34 TFEU. The issue therefore arises as to whether this can be justified under Article 36 TFEU.

4. The nub of the matter therefore concerns the scope of the 'protection of industrial and commercial property' in Article 36 TFEU, and whether, in a cross border transaction, there are links to the Federal Republic of Germany that are sufficient to trigger its application. An answer to this question depends on the preliminary issue as to whether there has been, within the territorial scope of application of

1 — Original language: English.

2 — While the preliminary question at issue refers to Articles 34 and 36 TFEU, the relevant provisions, *ratione temporis*, are Articles 28 and 30 EC. For reasons of clarity, however, I refer in the following to Articles 34 and 36 TFEU, even when discussing classical case-law that was developed under Articles 30 and 36 EEC.

German copyright law, an infringement of the exclusive distribution right of the author in the sense of Article 4(1) of Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society ('the Copyright Directive')³ given that this provision has harmonised the notion of distribution rights.

5. If there has been an infringement, the question then arises as to whether the application of Article 36 TFEU would lead to partitioning of the internal market, or a disproportionate or arbitrary interference with trade.

6. The meaning of the phrase in Article 4(1) of the Copyright Directive 'any form of distribution to the public by sale or otherwise' has important consequences both for the internal market and external trade relations. Article 4(1) of the Copyright Directive harmonises a patchwork of national rules concerning distribution rights. Moreover, the meaning and scope of distribution under Article 4(1) impacts on both the remedies available to the copyright holder within the EU, and the protection available at the international level for trade in pirated copyright goods.

7. In the light of the contemporary challenges presented by online marketing and electronic commerce, the rules developed by the EU to protect copyright, such as Article 4(1) of the Copyright Directive, must be interpreted in a way that is sufficient to ensure that these rights are fully protected in the era of the internet. The meaning given to Article 4(1) must be capable of checking activities that could have been caught with the assistance of the customs authorities of the Member States prior to the abolition of intra-EU border controls of goods. In other words, the obligations of the EU and the Member States under the TRIPS Agreement,⁴ to help prevent the importation of unauthorised copies of copyright protected works that are in free movement in the internal market can no longer be achieved with measures taken by national customs authorities in the case of goods. Such activities are now to be dealt with through the application of harmonised EU provisions on copyright.

8. These issues, along with the problems entailed in applying the territoriality principle to a cross border distance selling arrangement, afford the Court with an opportunity to consider its classical case-law concerning the free movement of goods, in the context of the new EU rules concerning distribution rights relating to copies of copyright protected works.

II – The dispute in the main proceedings and the question referred for a preliminary ruling

9. Mr Donner, a German national, exercises his business activities principally from his residence in Germany. During the period from 1 January 2005 to 15 January 2008 ('the relevant period') Dimensione, with whom Mr Donner has cooperated, had not secured permission from the copyright holders to sell the items in Germany. Nor had they secured permission to sell them in Italy.⁵

3 — Directive of the European Parliament and of the Council of 22 May 2001 (OJ 2001 L 167, p. 10), as amended by Corrigendum to Directive 2001/29 of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society (OJ 2002 L 6, p. 70).

4 — The Agreement on Trade-Related Aspects of Intellectual Property Rights ('the TRIPS Agreement'), which constitutes Annex 1 C of the Agreement establishing the World Trade Organisation (WTO), signed in Marrakech on 15 April 1994, was approved by Council Decision 94/800/EC of 22 December 1994 concerning the conclusion on behalf of the European Community, as regards matters within its competence, of the agreements reached in the Uruguay Round multilateral negotiations (1986-1994) (OJ 1994 L 336, p. 1).

5 — The following items were sold by Dimensione without the permission of the authors in either country: 'Aluminium Group' chairs designed by Charles and Ray Eames; 'Wagenfeld' lights designed by Wilhelm Wagenfeld; chairs created by 'Le Corbusier'; an 'Adjustable Table' and 'Tubelight' lamps designed by Eileen Gray; stainless steel cantilever chairs, created by Mart Stam. The furnishings designed by Eileen Gray were not protected by an Italian copyright between 1 January 2002 and 25 April 2007; the protection was renewed only as of 26 April 2007. The remaining items were copies of works that were protected under Italian law during the relevant period, but the protection could not be enforced with respect to producers who had reproduced, offered for sale and/or marketed the works before 19 April 2001.

10. Prior to the relevant period, and from around April 1999, Mr Donner had been involved in the distribution of 'Bauhaus' furniture reproduced by Dimensione, so that the furniture was delivered from Italy to a warehouse located in Germany. The goods were then sold, with Inspem, Mr Donner's company, delivering them to purchasers in Germany. After the public prosecutor's office brought charges against Mr Donner for commercial exploitation without permission of works protected by copyright, it was decided before the Amtsgericht München that no further action would be taken, on the payment by Mr Donner of a fine of EUR 120 000.

11. Later Dimensione acquired a warehouse in Sterzing in Italy. The packaging of each item sold was marked with the name and address of the person who had ordered it, or at minimum it was marked with the order number. Under the conditions of sale, purchasers were bound to either pick up the items themselves, or arrange for them to be picked up. If the purchaser did not wish to do this, or could not arrange transportation, Dimensione would advise the purchaser to contact Inspem. When the items were ordered without personal contact with Dimensione, purchasers would receive an advertising pamphlet, in which Inspem offered to transport the items from Italy to Germany. Dimensione's advertising material stated that the purchasers would be acquiring the items in Italy, but would only pay for them upon delivery in Germany. Dimensione sent its invoices directly to the purchasers.

12. Inspem's drivers would pay Dimensione for the items that had been designated to a specific buyer when they were picked up from the warehouse in Sterzing. The drivers would then secure reimbursement of the price from the purchaser upon delivery in Germany, along with their fee for delivering them. But if the purchaser declined to pay, the item(s) would be returned by Inspem to Dimensione in Italy, and the latter would reimburse Inspem for the price of the goods and pay the delivery costs.

13. The contract between Dimensione and purchasers is governed by Italian law. Under Italian law ownership passed from Dimensione to purchasers in Italy upon individualisation of the item sold to a named customer at Dimensione's warehouse.

14. On the other hand, transfer of ownership under German law can only complete when the goods are in the hands of the purchaser in the sense that de facto power of disposal of them has been transferred to the purchaser. This took place in Germany when the buyers received the items from Inspem's drivers against payment.

15. A prosecution was brought against Mr Donner on the basis of this new arrangement. He was convicted before the Landgericht München II of aiding and abetting the prohibited commercial exploitation of copyright protected works. According to the order for reference, the Landgericht also found that Dimensione had distributed copies of works by putting the items into circulation.

16. Mr Donner appealed to the Bundesgerichtshof arguing inter alia that the prosecution amounted to a breach of the Article 34 TFEU prohibition on measures having an equivalent effect to quantitative restrictions on imports, and resulted in artificial partitioning of the markets. While it was agreed by the prosecutor that the proceedings resulted in such a restriction, it was argued that this restriction was justifiable by reference to Article 36 TFEU and the imperative of the protection of industrial and commercial property.

17. The Bundesgerichtshof considered it necessary to refer the following question for a 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 works⁶ 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,

6 — There seems to be a slight terminological imprecision in the wording of the preliminary question. What are distributed are copies of the works, not the works themselves.

— 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?’

18. Mr Donner, the Generalbundesanwalt beim Bundesgerichtshof, the Czech Government, and the European Commission have submitted written observations. All except the Czech Government participated in the hearing of 26 January 2012.

III – Analysis

A – Preliminary observations

1. The scope of the question referred

19. The Bundesgerichtshof has limited its question to the Court to the interpretation of Articles 34 and 36 TFEU. There is no reference in the question referred to the meaning of Article 4(1) of the Copyright Directive, which the Bundesgerichtshof interpreted itself prior to making the order for reference.

20. Although it is not the purpose of the preliminary ruling procedure for the Court to scrutinise interpretations of EU law made by the national courts, or less still question factual findings, it is not possible to interpret Article 36 TFEU in this case absent any consideration of Article 4(1) of the Copyright Directive. Given that Article 4(1) fully harmonises EU distribution rights, Article 36 TFEU cannot be invoked unless distribution has occurred as defined by Article 4(1) of the Copyright Directive. Moreover, the public prosecutor relies on Article 36 TFEU to defeat a defence in criminal proceedings grounded in Article 34 TFEU. This renders full analysis of all relevant legal principles even more important.

21. The Commission has also observed that it is necessary, before responding to the questions referred, to determine the extent to which, in the present case, the distribution rights of the author have been breached under German law or under Article 4(1) of the Copyright Directive. The result of this analysis, the Commission argues, is an important step in answering the question in issue; namely, whether the restriction on the free movement of goods resulting from Mr Donner’s prosecution can be justified by the protection of copyright.

22. I will therefore consider the meaning of Article 4(1) of the Copyright Directive, in the context of relevant general principles of EU copyright law, in section C below. Given that copyright law is grounded on the creation of territorially limited rights, and the application of this principle is intimately bound up with the interpretation of Article 4(1) of the Copyright Directive, I will address the principle of territoriality in copyright law in section B. These issues, along with the application of Article 36 TFEU to the facts to hand, as referred by the national court, form the heart of the problem requiring resolution. The interpretation of Article 36 TFEU will be addressed in section D.

23. Finally, given that the remedies available to enforce copyright have been the subject of EU legislation,⁷ and that there are EU legal principles applicable when Member States choose to implement EU law by way of criminal sanctions, as is the case here, I will close with some observations on this issue in section E.

⁷ — See Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights (OJ 2004 L 157, p. 45, and corrigendum OJ 2004 L 195, p. 16, ‘the Enforcement Directive’).

2. The harmonisation of copyright law

24. Copyright in the EU, as is the case elsewhere, remains largely a creature of national law. Today a bundle of perhaps more than 150 territorial copyright rules of national or regional origin co-exist in the world.⁸ Without attempting to give a complete picture of EU legislative acts in the field of copyright, for the purposes of the present case it is useful to make following observations.

25. Harmonisation of copyright law in the EU has been a mixed process of partial and full harmonisation. For example, some of the so called neighbouring rights have been subjected to only minimal harmonisation, by EU legislation, and in a manner that leaves considerable discretion to the Member States.⁹ On the other hand, some other exclusive rights such as those reflected in Articles 2 to 4 of the Copyright Directive have been harmonised completely.

26. There has also been partial harmonisation at Union level of the remedies applicable to copyright infringements. Under the combined effects of the TRIPS Agreement and the Enforcement Directive, rightholders are entitled to effective remedies for infringement of copyright originating both inside and outside the EU.¹⁰ However, EU legislation on counterfeit and pirated goods¹¹ is applicable only in relation to third countries.¹² This background is relevant to the case to hand because Article 51 of the TRIPS Agreement provides for a minimum right to stop importation of unauthorised copies to the territory of protection.¹³ This right can, however, be exercised in the context of external customs controls only and it is thus not available in relation to intra-EU flow of goods.

27. That being so, enforcement of copyright and neighbouring rights depend essentially on national law. This means that their existence and the conditions for their exercise are defined by national measures,¹⁴ and the rights are valid and enforceable only in the national territory of the State in which enforcement is sought.

28. Therefore, in the case to hand, German law alone decides whether the items in issue are copyright protected within that territory. Whether or not there has been a 'distribution' in that territory is governed, however, by Article 4(1) of the Copyright Directive.

8 — See Peukert, A. 'Territoriality and Extraterritoriality in Intellectual Property Law', in Handl, G. and Zekoll, J. (eds) 'Beyond Territoriality: Transnational Legal Authority in an Age of Globalisation', *Queen Mary Studies in International Law*, Brill Academic Publishing, Leiden/Boston, 2011, p. 2. Available at SSRN: <http://ssrn.com/abstract=1592263>.

9 — See recital 20 of Council Directive 92/100/EEC of 19 November 1992 on rental right and lending right and on certain rights related to copyright in the field of intellectual property (OJ 1992 L 346, p. 61). With effect from 17 January 2007 Directive 92/100 was replaced by Directive 2006/115/EC of the European Parliament and of the Council of 12 December 2006 on rental right and certain rights related to copyright in the field of intellectual property (codified version) (OJ 2006, L 376 p. 28). See also Case C-192/04 *Lagardère Active Broadcast* [2005] ECR I-7199, paragraph 46.

10 — See Article 61 of the TRIPS Agreement: 'Members shall provide for criminal procedures and penalties to be applied at least in cases of wilful trade mark counterfeiting or copyright piracy on a commercial scale. Members may provide for criminal procedures and penalties to be applied in other cases of infringement of intellectual property rights, in particular where they are committed wilfully and on a commercial scale.' These remedies are preserved by recital 5 of the Enforcement Directive. Recital 5 states, inter alia, that this 'Directive should not affect Member States' international obligations, including those under the TRIPS Agreement'. See also recital 6.

11 — Note 14 b to Article 51 of the TRIPS Agreement defines 'pirated copyright goods' as 'any goods which are copies made without the consent of the rightholder or person duly authorised by the rightholder in the country of production and which are made directly or indirectly from an Article where the making of that copy would have constituted an infringement of a copyright or a related right under the law of the country of importation'.

12 — Council Regulation (EC) No 1383/2003 of 22 July 2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights (OJ 2006 L 196, p. 7).

13 — See Peukert, A., op. cit., p. 15.

14 — Recent case-law of the Court has established that when a copyright issue is governed by EU law, only works that amount to the author's own intellectual creation, and are therefore original in this sense, will be eligible for copyright protection. See, for example, Case C-5/08 *Infopaq International* [2009] ECR I-6569, paragraph 37; and Case C-145/10 *Painer* [2011] ECR I-12533, paragraph 87. As Advocate General Mengozzi observed in Case C-604/10 *Football Dataco and Others* at points 39 to 41 of his Opinion, this definition is closer to the continental legal tradition than common law traditions.

29. Further, the Member States have no discretion to exclude works of applied arts and industrial designs and models, such as the items here in issue, from the scope of copyright protection.¹⁵ This is so because of Directive 98/71/EC on the legal protection of designs¹⁶ which binds the Member States to afford copyright protection in this area.

30. Finally, in the realm of copyright law, conflict of laws issues are governed by *lex loci protectionis*, as reflected in Article 8 of Regulation (EC) No 864/2007 ('Rome II Regulation')¹⁷ and Article 5 of the Berne Convention. This principle is of relevance to the dispute at hand because it supports the competence of Member States to assert jurisdiction over copyright infringements that occur within their territory.

3. EU protection of works of applied arts

31. In Italy there has been persistent reluctance to apply copyright protection to works of applied art.¹⁸ But on 27 January 2011, in the *Flos* judgment the Court held incompatible with Article 17 of Directive 98/71 a 10 year moratorium, under Italian law, on the protection of designs, starting on 19 April 2001.¹⁹ The Italian law that was held to be incompatible with Article 17 of Directive 98/71 seems to be the same law that was considered by the Bundesgerichtshof in the case to hand prior to sending the order for reference.²⁰ In my opinion, the judgment in *Flos* indicates that the items here in issue, although unprotected under Italian copyright law during the relevant period, were entitled to protection under EU copyright law.

32. Moreover, the ruling in *Flos* post-dated the judgment in *Peek and Cloppenburg*.²¹ Neither the Court of Justice nor the Advocate General had the benefit of the ruling in *Flos* at the time of the issue of the judgment in *Peek and Cloppenburg*.

B – *The principle of territoriality in copyright law*

33. The national legal systems of the Member States, international conventions, and EU law are built on the premise that copyright law creates territorially limited rights. As the Court has observed, 'the principle of the territoriality of [copy]rights, which is recognised in international law and also in the EC Treaty...are therefore of a territorial nature and, moreover, domestic law can only penalise conduct engaged in within national territory'.²² It has been further explained in legal doctrine that rights can be protected by courts only if both the activity and its market effect take place in the national territory. In practice this means that the rightholder seeks protection according to the principle *lex loci protectionis* in the country where infringement of copyrights is claimed, in our case Germany, and the courts of that country decide whether a breach has occurred by reference to national law. This exercise may also catch activities partly or completely situated outside of national borders.²³

15 — This option was opened up by Article 2(7) of the Berne Convention for the Protection of Literary and Artistic Works (Paris Act of 24 July 1971), as amended on 28 September 1979 ('the Berne Convention'). The EU is not a contracting party to the Berne convention but in the case-law of the Court, the Berne Convention has been relied on to a point that it has achieved a status that is comparable to that of an international agreement concluded by the EU.

16 — Directive 98/71/EC of the European Parliament and of the Council of 13 October 1998 on the legal protection of designs (OJ 1998 L 289, p. 28).

17 — Regulation of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations (OJ 2007 L 199, p. 40, 'Rome II Regulation'). It is important to note that the parties are not free to derogate from the principle *lex loci protectionis* (see Article 8(3) of Rome II Regulation).

18 — At the hearing before the Court, the Commission observed that there has been an intense debate in Italy, as there has been in other Member States, concerning the distribution of 'design' furniture. The legislation has been modified in small steps. For a discussion see Fittante, A: 'The issue of Conformity of Article 239 of the Italian Industrial Property Code with European Law', Issue 1, *The European Legal Forum*, (2010) p. 23.

19 — Case C-168/09 [2011] ECR I-181.

20 — This is so because the date from which the suspension of copyright applies is the same in the *Flos* judgment as that appearing in the order for reference. That is, a 10 year moratorium, starting on 19 April 2001, during which 'the protection conferred on designs ... shall not be enforceable as against those persons who engaged before that date in the manufacture, supply or marketing of products based on designs that were in, or had entered into, the public domain'. See *Flos*, cited in footnote 19, paragraph 17.

21 — Case C-456/06 [2008] ECR I-2731.

22 — See *Lagardère Active Broadcast*, cited in footnote 9, paragraph 46.

23 — See Peukert, A. op. cit., pp. 7 and 13.

34. Such situations, resulting in at least limited extraterritoriality, arise more typically in the context of activities relating to intangible protected subject-matter such as broadcasting or online distribution of works. However, activities concerning tangible copies of works protected by intellectual property law, like cross border distant sales, may lead to similar issues. To date the Court has considered these questions in the context of cross border transactions on two occasions. In both the Court confirmed that behaviour that takes place outside of the territory where rights were protected, but which was aimed at that territory, fell within the reach of provisions of intellectual property law that have been harmonised by EU law. The two cases that addressed this were as follows.

35. *L'Oréal and Others* concerned, inter alia, the protection of trade marks in relation to offers for sale originating outside of the European Economic Area, but which were accessible within it through an online marketplace.²⁴ *L'Oréal* argued that this activity amounted to an infringement of its European trade marks. The Court held that it was for the national court to determine whether, in all the circumstances, an offer for sale or advertisement displayed on an online marketplace accessible from a territory covered by an EU trade mark is targeted at consumers in that territory. But the trade mark proprietor was able to prevent such sales, offers for sale, or advertising by virtue of either Article 5 of First Council Directive 89/104/EEC on the approximation of the laws of the Member States relating to trade marks,²⁵ or Article 9 of Council Regulation (EC) No 40/94 on the Community trade mark.²⁶

36. *Stichting de ThuisKopie*²⁷ was a copyright case, and concerned Article 5(2)(b) and (5) of the Copyright Directive. Those provisions allow for exceptions to copyright concerning private copying of protected works, provided that authors receive fair compensation. A company based in Germany sold, via the internet, blank media and its activities were particularly focussed on the Netherlands. The Court held as follows;

'Directive 2001/29, in particular Article 5(2)(b) and (5) thereof, must be interpreted as meaning that it is for the Member State which has introduced a system of private copying levies chargeable to the manufacturer or importer of media for reproduction of protected works, and on the territory of which the harm caused to authors by the use for private purposes of their work by purchasers who reside there occurs, to ensure that those authors actually receive the fair compensation intended to compensate them for that harm. *In that regard, the mere fact that the commercial seller of reproduction equipment, devices and media is established in a Member State other than that in which the purchasers reside has no bearing on that obligation to achieve a certain result.*²⁸ It is for the national court, where it is impossible to ensure recovery of the fair compensation from the purchasers, to interpret national law in order to allow recovery of that compensation from the person responsible for payment who is acting on a commercial basis.'²⁹

37. The selling arrangement in *Stichting de ThuisKopie* resembled the one in the main proceedings. The purpose of the legal arrangements, in both cases, was to create a situation in which distribution was legally construed as having taken place abroad and the goods passed over a border as a matter of private importation to another Member State in which copyright was in place and invoked. Both cases featured a distance selling arrangement targeting customers situated in the latter Member State and

24 — Case C-324/09 [2011] ECR I-6011. A similar situation has arisen in Case C-523/10 *Wintersteiger* where the focus relates, however, to the competence of the courts under Council Regulation (EC) No 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (OJ 2001 L 12, p. 1, 'the Brussels I Regulation') in the Member States where a trade mark is registered. See the Opinion of Advocate General Cruz Villalón in Case C-523/10, pending before the Court.

25 — (OJ 1989 L 40, p. 1). With effect from 28 November 2008 Directive 89/104 was replaced by Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks (Codified version) (OJ 2008 L 299, p. 25).

26 — (OJ 1994 L 11, p. 1). With effect from 13 April 2009, Regulation No 40/94 was replaced by Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark (OJ 2009 L 78, p. 1). *L'Oréal and Others*, cited in footnote 24, paragraph 67.

27 — Case C-462/09 [2011] ECR I-5331.

28 — My italics.

29 — *Stichting de ThuisKopie*, cited in footnote 27, paragraph 41. The core principles of *Stichting de ThuisKopie* were affirmed by the Court in Case C-277/10 *Luksan van der Let* [2012] ECR, paragraph 106.

the transfer of ownership took place, under the terms of the contract of sale, outside of the territory of the Member State in which copyright was protected. The figure of a transport company acting as an agent for the buyer was also present in *Stichting de Thuiskopie*, although it had a more limited role than Inspem, in that it did not act as an agent passing payment from the buyer to the seller.

38. It is important to draw a line, however, between the availability of copyright protection for transborder transactions in civil cases, and the applicability of penal sanctions for copyright infringements. Both *L'Oréal and Others* and *Stichting de Thuiskopie* were civil cases in which the owners of rights protected by intellectual property law had brought, in their own names, civil actions before a domestic court seeking civil remedies. In the case to hand, it is a public prosecutor who is seeking to enforce copyrights protected under German law, and this is being done via a criminal procedure.

39. For obvious reasons, findings leading to the conclusion that there is an infringement of copyright or related rights are not immediately transposable to a criminal context in the sense that the infringement in question would justify the application of penal sanctions to the infringer. Nonetheless, it is established under the above cited case-law of the Court that behaviour emanating from outside of national territory, and which is targeted at the territory where intellectual property rights are protected, can be captured by the application of intellectual property rights rules that have been harmonised by EU law.

C – Article 4(1) of the Copyright Directive

1. Preliminary observations

40. The essence of copyright protection is that the author, in addition to enjoying moral rights that are recognised by international and national law, decides whether and how his or her work is to be economically exploited. This basic position is translated, in legislative acts, into various exclusive rights of the author to authorise or prohibit specific exploitation of the works. Different legal systems use various legislative techniques to protect and regulate the exclusive rights of authors.

41. They can be defined in positive terms or implied by stating exceptions and limitations to them. Moreover, the system of exclusive rights may be based on different definitions and conceptual hierarchies. For example, a lending and rental right can be conceived in one legal system as included in the distribution right and in another as a separate right. Divergences of approach in the various Member States have contributed significantly to the fragmentary nature of the harmonisation process of copyright law in the EU.

42. In this context it is useful to note that, in many national legal systems, the distribution right, which is an indispensable corollary to the basic right of reproduction,³⁰ is defined by terms referring to offer for sale, making available, or putting into movement or circulation. Some national copyright statutes also forbid unauthorised importation of protected works as a form of activity falling under or derived from the distribution right.³¹

43. In 1996 a separate international law rule on the meaning of the right to distribution was introduced in Article 6 of the Copyright Treaty (the 'CT').³² According to this provision, authors 'of literary and artistic works shall enjoy the exclusive right of authorising the making available to the public of the original and copies of their works through sale or other transfer of ownership'. That provision has been implemented in EU law by Article 4(1) of the Copyright Directive. I will now turn to this provision.

30 — Article 2 of the Copyright Directive states that 'Member States shall provide for the exclusive right to authorise or prohibit direct or indirect, temporary or permanent reproduction by any means and in any form, in whole or in part: (a) for authors, of their works ...'.

31 — The great variations in national law as to how distribution rights are conceived and formulated have been detailed in the comparative study on the implementation of the Copyright Directive. See Westkamp, G. 'The Implementation of Directive 2001/29/EC in the Member States', available at http://www.ivir.nl/publications/guibault/InfoSoc_Study_2007.pdf

32 — The Copyright Treaty adopted by the World Intellectual Property Organisation (WIPO) in Geneva on 20 December 1996 was approved on behalf of the European Community by Council Decision 2000/278/EC of 16 March 2000 (OJ 2000 L 89, p. 6). Recital 15 of the Copyright Directive states that the directive also serves to implement a number of the new international obligations under the CT. See also paragraph 31 of *Peek and Cloppenburg*, cited in footnote 21; 'It is common ground that, as recital 15 in the preamble to Directive 2001/29 makes clear, that directive is intended to implement at Community level the Community's obligations under the CT and the [Performances and Phonograms Treaty].'

2. The meaning of Article 4(1) of the Copyright Directive

44. The wording of Article 4(1) of the Copyright Directive differs slightly from the corresponding provision in Article 6 of the CT. Article 4(1) of the Copyright Directive states that ‘Member States shall provide for authors, in respect of the original of their works or of copies thereof, the exclusive right to authorise or prohibit any form of distribution to the public by sale or otherwise’. Article 6 of the CT includes the words ‘making available to the public’ whereas the Copyright Directive speaks about ‘any form of distribution to the public’.

45. Despite this difference in wording, I adopt and build on the approach adopted by the Court of Justice in *Peek and Cloppenburg*³³ to the effect that Article 4(1) of the Copyright Directive should be interpreted in line with the corresponding provision of the CT. Moreover, despite the fact that the CT provides only rules relating to the minimum level of copyright protection that the contracting parties agree to afford, in *Peek and Cloppenburg* the Court took the view that the Copyright Directive does not seek to establish any higher level of protection for authors.³⁴

46. Further, as I have already noted, in my view the Copyright Directive fully harmonises the three exclusive rights provided in Articles 2 to 4, namely the reproduction right, the communication right in relation to a public not present at the place of communication, and the distribution right. There is no indication in the Copyright Directive that Member States are free to deviate from these provisions in national copyright law by either extending or limiting their scope.

47. In their differing interpretations of the Article 4(1) distribution right, the Bundesgerichtshof, the parties, the Czech Government and the Commission rely on the answer the Court gave to the first preliminary question in *Peek and Cloppenburg*. All of them emphasise the importance of transfer of ownership in conceptualising the distribution right in Article 4(1) of the Copyright Directive. But in my opinion that discussion is somewhat unhelpful.

48. In *Peek and Cloppenburg* the Court answered a question that substantively concerned how distribution otherwise than by sale should be understood. That case concerned the display in store windows and the making available for use in the rest areas of menswear and womenswear stores, in Germany, of replicas of furniture that had been produced by an undertaking in Italy but which were copyright protected in Germany. The preliminary reference was connected to the fact that many national legal systems include, in the concept of distribution, situations that do not entail transfer of ownership. This so-called inclusive interpretation was rejected by the Court in *Peek and Cloppenburg*. The Court held that distribution *otherwise than by sale* under Article 4(1) of the Copyright Directive occurs only where there is transfer of ownership of the original or copy of the protected work.³⁵

49. In the case at hand the issue is distribution by sale. It is beyond contention that there has here been a *sale* of items with respect to which a dispute has arisen concerning copyright. Sale entails, by definition, transfer of ownership against consideration. Therefore, in this case, the real issue is whether, in the light of all of the facts, this particular sale has resulted in an infringement of copyright in Germany.

50. Mr Donner and the Bundesgerichtshof approach this question on the basis of the civil law notion of transfer of property. According to Mr Donner, there was no distribution in Germany because the ownership of the items, under the Italian law applicable to the contract, was transferred to the buyers in Italy. According to the Bundesgerichtshof, the decisive factor was not that of transfer of ownership in Italy, but transfer of the effective possession of the items which German law requires for transfer of

33 — Cited in footnote 21, paragraphs 29 to 36.

34 — Cited in footnote 21, paragraphs 38 to 39.

35 — Cited in footnote 21, paragraph 41.

ownership to be complete. This took place in Germany. The Commission also submits that the distribution took place in Germany, but not because of the transfer of effective possession, but because the items became available to the public only in Germany where the buyers paid Mr Donner's drivers for them.

51. In my opinion the meaning of the EU law notion of distribution under Article 4(1) of the Copyright Directive cannot depend on such factors. Article 8(3) of the Rome II Regulation states that the parties may not choose the law applicable to non-contractual obligations concerning intellectual property rights. Allowing the law of the sales contract chosen by the parties to decide whether and where distribution by sale of copies of copyright protected works has occurred would conflict with this principle, and enable the parties to evade the rights of copyright holders.³⁶

52. I would also question whether distribution by sale can take place only where a transaction has been successfully completed. If that were the case, the offer for sale of copies of copyright protected works without the permission of the author would not amount to distribution. The same would hold true for hire purchase transactions. Under the latter arrangements, transfer of ownership takes place much later than the transfer of effective possession.

53. In my opinion the notion of distribution by sale must be interpreted in a manner which gives authors practical and effective control over the commercialisation of copies of their work, from its reproduction through channels of commerce to exhaustion of copyright under Article 4(2) of the Copyright Directive.³⁷ For this reason the notion of 'distribution to the public by sale' in Article 4(1) must be understood as having the same meaning as the words 'making available to the public ... through sale' in Article 6(1) of the CT.

54. Making available to the public through sale covers the chain of activities from offers of sale through to the conclusion of sales contracts and their implementation. On the other hand, in my opinion the mere advertising of copies of copyright protected works falling short of the making of an offer for sale is not included in the exclusive distribution right of authors, even though protection extends to this under trade mark law.

55. In the situation of cross border distance selling arrangements, the assessment of whether copies are made available to the public in the Member State where enforcement of copyright is sought must be based on the criteria elaborated by the Court in *L'Oréal and Others*.³⁸ If a seller targets consumers in a given Member State and creates or makes available to them a specific delivery arrangement and method of payment that enables consumers to purchase copies of copyright protected works in that Member State, then there is distribution by sale in that Member State.³⁹ The existence of a German language website, the content of Dimensione's marketing material, and their sustained cooperation with Inspem, as an undertaking engaged in sales and delivery to Germany, all point toward a targeted exercise. What is important is whether the seller has created a targeted sales and delivery channel for buyers to acquire works that are copyright protected in the buyer's Member State.

36 — See points 56 to 58 of my Opinion in *Stichting de Thuiskopie*, cited in footnote 27. Note also that the Commission observed at the hearing that it has received many complaints concerning imitations of designer furniture produced on a massive scale in Sterzing. There are also similar problems in the United Kingdom. The Commission is in the process of looking into them.

37 — Recital 28 of the Copyright Directive states: 'Copyright protection under this Directive includes the exclusive right to control distribution of the work incorporated in a tangible article. The first sale in the Community of the original of a work or copies thereof by the rightholder or with his consent exhausts the right to control resale of that object in the Community ...'

38 — Cited in footnote 24. As the Court observed in *L'Oréal and Others*, when 'the offer for sale is accompanied by details of the geographical area to which the seller is willing to dispatch the product, that type of detail is of particular importance' (paragraph 65) to determining whether offers for sale displayed on a website 'are targeted at consumers in that territory' (paragraph 64). According to the criteria developed by the Court in *L'Oréal and Others* at paragraph 67, an offer for sale or an advertisement displayed on an online marketplace accessible from the territory covered by the trade mark is targeted at consumers in that territory if the goods concerned have not previously been put on the market in the European Economic Area or, in the case of a Community trade mark, in the European Union, and (i) the goods are sold by an economic operator on an online marketplace without the consent of the trade mark proprietor to a consumer located in the territory covered by the trade mark or (ii) are offered for sale or advertised on such a marketplace targeted at consumers located in that territory.

39 — See also, with respect to the notion of targeted behaviour, Joined Cases C-585/08 and C-144/09 *Pammer and Hotel Alpenhof* [2010] ECR I-12527, which concerned targeted behaviour via the internet in the context of consumer contracts in the context of the Brussels I Regulation.

56. In this respect the way the delivery of the copies is organised is of secondary importance. There is distribution by sale from Member State A to the targeted public in Member State B even if under the distribution scheme the copies of the works are delivered by mail or a distribution service. But the extent of the involvement of the carrier in the selling arrangement affects the question whether the carrier is to be considered as a participant in the distribution scheme or merely an intermediary referred to in Article 8(3) of the Copyright Directive,⁴⁰ whose services are used by a third party. Such an intermediary may be made subject to injunctions, but not to sanctions under Article 8(1) of the Copyright Directive and the corresponding provision in Article 11 of the Enforcement Directive.

57. On the other hand, if the seller in Member State A does not create a specific channel for the buyers in Member State B to secure access to works that are copyright protected in Member State B, there can be no distribution by sale in Member State B.⁴¹

58. In the light of this analysis, in my opinion the Bundesgerichtshof did not err in concluding that there has been distribution by sale in Germany in the sense of Article 4(1) of the Copyright Directive, although I do not share the reasoning with which it reached this conclusion. Just as the Court in *L'Oreal and Others* interpreted the relevant provisions of EU trade mark law to encapsulate targeted behaviour, and Articles 5(2)(b) and (5) of the Copyright Directive in *Stichting de ThuisKopie* to achieve the same, so too is a similar interpretation required of Article 4(1) of the Copyright Directive, particularly in the light of the challenge to intellectual property law presented by internet marketing. Moreover, as I mentioned in the introduction, in the absence of national customs procedures to stop intra-EU trade in unauthorised copies of copyright protected goods, the only way to secure compliance by the EU and its Member States with their obligations under international copyright law is to ensure that EU harmonising measures are interpreted in compliance with these rules.

D – On the interpretation of Articles 34 and 36 TFEU

1. The Court's classical case-law on Article 36 TFEU and disguised restrictions on trade

59. The case at hand does not address the classical problem that has arisen under Article 36 TFEU of determining whether a holder of copyright or related rights has exhausted them by placing the works concerned on the market in an EU Member State, or engaging in some other activity which precludes their assertion.⁴² On the contrary, it is plain that the owners of the copyright in the items have undertaken no act that could be considered as exhausting their rights.⁴³ Moreover, as I have already mentioned, as a matter of EU law, as interpreted by the Court in *Flos*, it remains doubtful whether the items were lawfully marketed in Italy.⁴⁴

60. This means that if Mr Donner distributed the works to the public in breach of the Copyright Directive, the Court will only preclude reliance by the prosecutor on Article 36 TFEU if thereby is created an artificial barrier to trade between Member States,⁴⁵ or if the national copyright rules in issue discriminate on the basis of the nationality of persons,⁴⁶ or the geographical origin of goods.⁴⁷

40 — Article 8(3) of the Copyright Directive states: 'Member States shall ensure that rightholders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe a copyright or related right.'

41 — Here I refer to a situation where the buyers travel to Member State A themselves to pick up the copies, or hire themselves a carrier who is a stranger to the selling transaction and who, without knowledge of the copyright related aspects of the sale, executes the delivery under usual business terms applicable between parties at arms length.

42 — See, for example, Case 78/70 *Deutsche Grammophon* [1971] ECR 487 and Case 341/87 *EMI Electrola* [1989] ECR 79.

43 — See Joined Cases C-427/93, C-429/93, and C-436/93 *Bristol-Myers Squibb and Others v Paranova* [1996] ECR I-3457. For the sake of completeness, I observe that there can, of course, be chains in which many illegal distributions follow each other and where, therefore, no exhaustion occurs.

44 — Cited in footnote 19.

45 — See *Bristol-Myers Squibb and Others v Paranova*, cited in footnote 43, paragraphs 52 to 57.

46 — See Joined Cases C-92/92 and C-326/92 *Phil Collins* [1993] ECR I-5145 and Case C-360/00 *Ricordi* [2002] ECR I-5089. The prohibition on discrimination on grounds of nationality is now protected by Article 18 TFEU.

47 — See Cases 35/87 *Thetford and Another v Fiamma and Others* [1988] ECR 3585; C-317/91 *Deutsche Renault v Audi* [1993] ECR I-6227; and Case C-28/04 *Tod's and Tod's France* [2005] ECR I-5781.

61. However, the case-law of the Court relied on by Mr Donner, and which placed limits on the operation of Article 36 TFEU, is not directly relevant to the main proceedings, or at least it does not appear to assist his case.

62. *Commission v Ireland*⁴⁸ supports the proposition that derogation to the principle of the free movement of goods must be interpreted strictly, but adds nothing to the interpretation of Article 36 TFEU as such that is relevant to the case to hand.

63. In *Merck v Stephar and Exler*⁴⁹ the holder of a patent over certain medication in Member State A was precluded from relying on Article 36 TFEU to stop the importation of the same product from Member State B, where the product could not be patent protected. This was so because the holder of the patent in Member State A had elected to market the product in Member State B, the absence of patent protection notwithstanding. The Court held that a rightholder who decides to follow this course of action must then accept the consequences of that choice as regards the free movement of the product in the Common Market. A contrary finding would have amounted to a partitioning of the national markets, which would be contrary to the aims of the Treaty.

64. However, the facts in this case do not entail any action on the part of the copyright holders in the works, in Italy, Germany, or elsewhere, that would preclude them from relying on Article 36 TFEU.

65. Similarly, *EMI Electrola*⁵⁰ concerned a producer of sound recordings who had not consented to the marketing of those sound recordings in Member State A, and who then sought to rely on Article 36 TFEU, and its rights with respect to reproduction and distribution, to stop their importation into Member State B. The Court of Justice held that, given that the works were not lawfully marketed in Member State A due to an act or the consent of the rightholder or any licensee, but due to the expiry of the protection period provided for by the legislation of Member State A, the rightholder was entitled to invoke the protection of Member State B. The problem stemmed from the differences between national legislation regarding the period of protection of copyright and related rights, and not from action on the part of the rightholder.

66. Given that the problem in the main proceedings equally arises from legal and factual differences in copyright protection of the items in Italy and Germany, this case is most similar to *EMI Electrola*.⁵¹ The principles elaborated in that judgment are applicable to the present circumstances. The problem in the main proceedings, as was the case in *EMI Electrola*, resulted from disparities in copyright protection between Member States, rendering Article 36 TFEU fully operable, subject to the general principles which I will now address.

2. No disproportionate partitioning of national markets or impediment to the freedom to provide services

67. The application of Article 36 TFEU does not place a disproportionate restriction on the free movement of goods. It simply requires traders like Dimensione and Mr Donner to seek the permission of copyright holders before engaging in acts that amount to a form of distribution to the public by sale in Germany. As I have explained, this includes commercialisation of the items targeted at that Member State.

68. If this route were taken, unlawful partitioning of national markets would not result. Given the need to balance the free movement of goods with the protection of industrial and commercial property that is mandated by Articles 34 and 36 TFEU, a requirement on traders to comply with copyright protection in the Member State where there is distribution cannot be said to result in disproportionate effects on the free movement of goods. Further, any restriction on the free movement of goods that ensures compliance by the EU and its Member States with their international copyright law obligations cannot be disproportionate.⁵²

48 — Case 113/80 [1981] ECR 1625.

49 — Case 187/80 [1981] ECR 2063, paragraphs 11 and 13.

50 — Cited in footnote 42.

51 — Mr Donner also relies on Case 402/85 *Basset v SACEM* [1987] ECR 1747. This case does not appear to bear any relationship to the issues before the Court.

52 — See point 34 of my Opinion in *Stichting de Thuiskopie*, cited in footnote 27.

69. If distribution to the public by sale or otherwise under Article 4(1) of the Copyright Directive were to be interpreted so as to capture independent carriers who had not engaged in acts entailing distribution by sale, then I acknowledge that a disproportionate disruption to transport and delivery services across the Union might well have resulted. This is so because such an interpretation would require transport undertakings to check whether goods they were carrying were copyright protected in the Member State to which they were to be delivered or risk prosecution. Such a general monitoring obligation would amount to a serious deterrent against the provision of transportation services across national borders within the Union.

70. However, I have not reached this conclusion. Mr Donner falls within Article 4(1) of the Copyright Directive, and therefore the scope *ratione materiae* of Article 36 TFEU, because he engaged in acts that fall within the notion of distribution by sale in the protected works. This occurred through financing himself the payment of the price in Italy, having his drivers accept the payment price of the items from buyers in Germany, and agreeing to return the works to Italy with a view to seeking reimbursement of the price and delivery costs from Dimensione, in Italy, in the event of the refusal of the buyer to meet these costs. These activities show an involvement in the transaction that goes far beyond what an independent transport undertaking, acting outside the distribution scheme of Dimensione, would be prepared to accept in the usual course of transborder delivery of furniture.

3. No arbitrary discrimination

71. The principle of equal treatment applies to the exhaustion of copyright rules in Article 4(2) of the Copyright Directive. Under the principle of equal treatment, comparable situations must not be treated differently, and different situations must not be treated in the same way unless such treatment is objectively justified. Moreover, it is established under the case-law of the Court that copyright and related rights which, by reason of their effects on intra-Community trade in goods and services, fall within the scope of application of the Treaty, are subject to the general principle of non-discrimination on the basis of nationality.⁵³

72. Therefore, the general principles of EU law prevent any interpretation of Article 36 TFEU or Article 4(1) of the Copyright Directive that would result in comparable situations being treated differently without objective justification.

73. However, no discrimination results from the interpretation of EU law that I am advocating. Buyers who travel to Italy to collect works that they have purchased from Dimensione, or who instruct an independent carrier who is not involved in the distribution scheme, are not in a comparable situation to Mr Donner. They engage only in private importation of copies of copyright protected works, which appears to be permissible in Germany.

E – Sanctions

74. EU law does not prevent Member States from imposing proportionate criminal sanctions to combat targeted behaviour of the kind that has occurred in this case. On the contrary, recital 28 of the Enforcement Directive expressly states that ‘criminal sanctions also constitute, in appropriate cases, a means of ensuring the enforcement of intellectual property rights’,⁵⁴ while Article 8(1) of the Copyright Directive requires Member States to supply appropriate sanctions and remedies in respect of infringements of the rights and obligations set out in that directive, and an obligation to ensure that they are applied. In keeping with the relevant general principles of EU law, Article 8(1) of the Copyright Directive goes on to say that the sanctions so provided must be ‘effective, proportionate and dissuasive’.⁵⁵

53 — See case-law cited in footnote 46. This extends to a prohibition on discrimination with respect to the geographical origin of the goods. See case-law cited in footnote 47.

54 — In this sense, the situation here is the reverse of that addressed in Case C-61/11 PPU *El Dridi* [2011] ECR I-3015, where the imposition of a criminal penalty was inconsistent with the standards and procedures provided under a directive, and risked jeopardising, rather than securing, the attainment of the objective pursued by the directive. See also Case C-329/11 *Achughbabian* [2011] ECR I-12695.

55 — See similarly recital 58 of the Copyright Directive.

75. Whether the sanction proposed is proportionate will be a matter for assessment by the national court, which must take due account of the fact that the EU Charter of Fundamental Rights (‘the Charter’) provides both for the protection of intellectual property,⁵⁶ and a requirement for the proportionality of criminal penalties.⁵⁷ Further, recital 17 of the Enforcement Directive states that remedies should be determined with account taken of ‘the specific characteristics’ of each case, ‘including the specific features of each intellectual property right and, where appropriate, the intentional or unintentional character of the infringement’.

76. It should also be observed that behaviour that can lead to sanctions or remedies under civil law, or under the law of civil procedure, because of its abusive nature, may nevertheless remain outside the reach of criminal law because of the requirement of predictability inherent in the principle of *nulla poena sine lege*, which is reflected in Article 49(1) of the Charter.⁵⁸ Finally, there is a further safeguard in the case-law of the Court that applies to remedies when Member States choose to implement directives by way of criminal sanction. It is established that, when a range of criminal sanctions are available, Member States are precluded from relying on the relevant directive to aggravate criminal liability or impose, retroactively, the more severe available punishment.⁵⁹

IV – Conclusion

77. For these reasons I propose that the Court should answer the question posed by the Bundesgerichtshof as follows:

Articles 34 and 36 TFEU governing the free movement of goods do not preclude the criminal offence of aiding and abetting the prohibited distribution of copies of copyright protected works resulting from the application of national criminal law where copies of copyright protected works are distributed by sale in a Member State by making them available to the public in that Member State through a cross border distance selling arrangement originating in another Member State of the European Union in which copyright protection for the work did not exist or was unenforceable.

56 — See Article 17(2) of the Charter.

57 — See Article 49 of the Charter.

58 — See Case C-352/09 P *ThyssenKrupp Nirosta v Commission* [2011] ECR I-2359, paragraph 80.

59 — Joined Cases C-387/02, C-391/02, and C-403/02 *Berlusconi and Others* [2005] ECR I-3565, paragraphs 70 to 78. For limits on the principle precluding the retroactive application of the more severe available penal sanction see Case C-17/10 *Toshiba Corporation and Others* [2012] ECR, paragraphs 64 to 66. Mr Donner has also sought to rely on Joined Cases C-338/04, C-359/04 and C-360/04 *Placanica* [2007] ECR I-1891, where the Court observed at paragraph 68 that it had consistently held that criminal legislation cannot restrict the fundamental freedoms guaranteed by Community law. However, given that I have concluded that any restriction on Article 34 TFEU can be justified by Article 36 TFEU, the imposition of a criminal penalty in this case would not be in breach of the free movement of goods.