



Reports of Cases

JUDGMENT OF THE COURT (Fifth Chamber)

25 January 2017¹

(Reference for a preliminary ruling — Directive 2004/48/EC — Article 13 — Intellectual and industrial property — Infringement — Calculation of damages — Legislation of a Member State — Twice the amount of the royalties normally due)

In Case C-367/15,

REQUEST for a preliminary ruling under Article 267 TFEU from the Sąd Najwyższy (Supreme Court, Poland), made by decision of 15 May 2015, received at the Court on 14 July 2015, in the proceedings

Stowarzyszenie ‘Oławska Telewizja Kablowa’

v

Stowarzyszenie Filmowców Polskich,

THE COURT (Fifth Chamber),

composed of J.L. da Cruz Vilaça, President of the Chamber, M. Berger (Rapporteur), A. Borg Barthet, E. Levits and F. Biltgen, Judges,

Advocate General: E. Sharpston,

Registrar: K. Malacek, Administrator,

having regard to the written procedure and further to the hearing on 14 July 2016,

after considering the observations submitted on behalf of:

- Stowarzyszenie ‘Oławska Telewizja Kablowa’, by R. Comi and A. Comi, radcowie prawni,
- Stowarzyszenie Filmowców Polskich, by W. Kulis and E. Traple, adwokaci,
- the Polish Government, by B. Majczyna, M. Drwięcki and M. Nowak, acting as Agents,
- the Greek Government, by A. Magrippi and E. Tsaousi, acting as Agents,
- the Austrian Government, by C. Pesendorfer and G. Eberhard, acting as Agents,
- the European Commission, by J. Hottiaux and F. Wilman, acting as Agents,

after hearing the Opinion of the Advocate General at the sitting on 24 November 2016,

¹ — Language of the case: Polish.

gives the following

Judgment

- 1 This request for a preliminary ruling concerns the interpretation of Article 13 of 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 at OJ 2004 L 195, p. 16).
- 2 The request has been made in proceedings between Stowarzyszenie ‘Oławska Telewizja Kablowa’, established in Oława (Poland) (‘OTK’), and Stowarzyszenie Filmowców Polskich, established in Warsaw (Poland) (‘SFP’), concerning an action for infringement of intellectual property rights.

Legal context

International law

- 3 Article 1(1) of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) of 15 April 1994 (OJ 1994 L 336, p. 214; ‘the TRIPS Agreement’), which constitutes Annex 1 C to the Agreement establishing the World Trade Organisation (WTO) (OJ 1994 L 336, p. 3), provides:

‘Members shall give effect to the provisions of this Agreement. Members may, but shall not be obliged to, implement in their law more extensive protection than is required by this Agreement, provided that such protection does not contravene the provisions of this Agreement. ...’

- 4 Article 19 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’), provides:

‘The provisions of this Convention shall not preclude the making of a claim to the benefit of any greater protection which may be granted by legislation in a country of the Union.’

- 5 Article 2(2) of the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations, done at Rome on 26 October 1961 (‘the Rome Convention’), provides:

‘National treatment shall be subject to the protection specifically guaranteed, and the limitations specifically provided for, in this Convention.’

EU law

- 6 Recitals 3, 5 to 7, 10 and 26 of Directive 2004/48 are worded as follows:

‘(3) ... without effective means of enforcing intellectual property rights, innovation and creativity are discouraged and investment diminished. It is therefore necessary to ensure that the substantive law on intellectual property ... is applied effectively in the [European Union]. In this respect, the means of enforcing intellectual property rights are of paramount importance for the success of the internal market.

...

- (5) The TRIPS Agreement contains, in particular, provisions on the means of enforcing intellectual property rights, which are common standards applicable at international level and implemented in all Member States. This Directive should not affect Member States' international obligations, including those under the TRIPS Agreement.
- (6) There are also international conventions to which all Member States are parties and which also contain provisions on the means of enforcing intellectual property rights. These include, in particular, the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Literary and Artistic Works, and the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations.
- (7) It emerges from the consultations held by the Commission on this question that, in the Member States, and despite the TRIPS Agreement, there are still major disparities as regards the means of enforcing intellectual property rights. For instance, the arrangements for applying provisional measures, which are used in particular to preserve evidence, the calculation of damages, or the arrangements for applying injunctions, vary widely from one Member State to another. In some Member States, there are no measures, procedures and remedies such as the right of information and the recall, at the infringer's expense, of the infringing goods placed on the market.

...

- (10) The objective of this Directive is to approximate legislative systems so as to ensure a high, equivalent and homogeneous level of protection in the internal market.

...

- (26) With a view to compensating for the prejudice suffered as a result of an infringement committed by an infringer who engaged in an activity in the knowledge, or with reasonable grounds for knowing, that it would give rise to such an infringement, the amount of damages awarded to the rightholder should take account of all appropriate aspects, such as loss of earnings incurred by the rightholder, or unfair profits made by the infringer and, where appropriate, any moral prejudice caused to the rightholder. As an alternative, for example where it would be difficult to determine the amount of the actual prejudice suffered, the amount of the damages might be derived from elements such as the royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question. The aim is not to introduce an obligation to provide for punitive damages but to allow for compensation based on an objective criterion while taking account of the expenses incurred by the rightholder, such as the costs of identification and research.'

7 Article 2 of Directive 2004/48, headed 'Scope', provides:

'1. Without prejudice to the means which are or may be provided for in [EU] or national legislation, in so far as those means may be more favourable for rightholders, the measures, procedures and remedies provided for by this Directive shall apply, in accordance with Article 3, to any infringement of intellectual property rights as provided for by [EU] law and/or by the national law of the Member State concerned.

...

3. This Directive shall not affect:

...

(b) Member States' international obligations and notably the TRIPS Agreement, including those relating to criminal procedures and penalties;

...'

8 Article 3 of Directive 2004/48, headed 'General obligation', provides:

'1. Member States shall provide for the measures, procedures and remedies necessary to ensure the enforcement of the intellectual property rights covered by this Directive. Those measures, procedures and remedies shall be fair and equitable and shall not be unnecessarily complicated or costly, or entail unreasonable time limits or unwarranted delays.

2. Those measures, procedures and remedies shall also be effective, proportionate and dissuasive and shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.'

9 Article 13 of Directive 2004/48, headed 'Damages', provides in paragraph 1:

'Member States shall ensure that the competent judicial authorities, on application of the injured party, order the infringer who knowingly, or with reasonable grounds to know, engaged in an infringing activity, to pay the rightholder damages appropriate to the actual prejudice suffered by him/her as a result of the infringement.

When the judicial authorities set the damages:

(a) they shall take into account all appropriate aspects, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused to the rightholder by the infringement,

or

(b) as an alternative to (a), they may, in appropriate cases, set the damages as 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.'

Polish law

10 Article 79(1) of the ustawa o prawie autorskim i prawach pokrewnych (Law on copyright and related rights) of 4 February 1994 (consolidated text, Dz. U. of 2006, No 90, heading 631), in the version in force on the date when the main action was brought ('the UPAPP'), provided:

'A rightholder whose economic rights of copyright have been infringed may request the person who infringed those rights to:

...

(3) remedy the loss caused:

(a) on the basis of general principles, or

(b) by payment of a sum of money corresponding to twice, or, in the event of a culpable infringement, three times, the amount of the appropriate fee which would have been due at the time it was sought if the rightholder had given permission for the work to be used;

...'

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

- 11 SFP is an organisation collectively managing copyright which is licensed in Poland and entitled to manage and protect copyright in audiovisual works. OTK broadcasts television programmes by means of a cable network in the town of Oława (Poland).
- 12 After notice of termination was given on 30 December 1998 of a licensing agreement that set out the rules on payment between the parties to the main proceedings, OTK continued to make use of copyright works and filed an application with the Komisja Prawa Autorskiego (Copyright Commission, Poland) seeking, in essence, that the fee payable for use of the copyright managed by SFP be set. By decision of 6 March 2009, that commission set the fee at 1.6% of the net income, exclusive of value added tax, earned by OTK from its retransmission of works by cable, not including certain charges borne by it. OTK itself calculated the amount due on that basis and paid SFP the sum of PLN 34312.69 (roughly EUR 7736.11) in respect of the income received for the period from 2006 to 2008.
- 13 On 12 January 2009 SFP brought an action against OTK, by which it sought, on the basis, inter alia, of Article 79(1)(3)(b) of the UPAPP, an order prohibiting OTK from retransmitting the protected audiovisual works until a new licensing agreement had been entered into and requiring OTK to pay it the sum of PLN 390337.50 (roughly EUR 88005.17) together with statutory interest.
- 14 By judgment of 11 August 2009, the Sąd Okręgowy we Wrocławiu (Regional Court, Wrocław, Poland) ordered OTK to pay SFP the sum of PLN 160275.69 (roughly EUR 36135.62) together with statutory interest and, essentially, dismissed the action as to the remainder. After the appeals which both of the parties to the main proceedings brought against that judgment were dismissed, they both brought an appeal on a point of law. By judgment of 15 June 2011, the Sąd Najwyższy (Supreme Court, Poland), however, referred the case back for fresh examination to the Sąd Apelacyjny we Wrocławiu (Court of Appeal, Wrocław, Poland), which, on 19 December 2011, delivered a second judgment. This judgment was also set aside by the Sąd Najwyższy (Supreme Court) in an appeal on a point of law and the case was again referred back to the Sąd Apelacyjny we Wrocławiu (Court of Appeal, Wrocław) for fresh examination. OTK brought an appeal on a point of law against the judgment subsequently delivered by the latter court.
- 15 The Sąd Najwyższy (Supreme Court), which is now required, in the context of this most recent appeal, to examine the case for a third time, has doubts as to whether Article 79(1)(3)(b) of the UPAPP is compatible with Article 13 of Directive 2004/48. It states that under that provision of the UPAPP it is possible, at the request of a person whose economic rights of copyright have been infringed, for compensation to consist in payment of a sum of money corresponding to twice or three times the amount of the appropriate fee. That provision therefore entails a form of penalty.
- 16 Furthermore, the referring court is uncertain whether, in order for a person holding economic rights of copyright to be compensated pursuant to Directive 2004/48, he must prove the event giving rise to the loss, the loss suffered and its extent, the causal link between that event and the loss and the fact that the acts of the perpetrator of the infringement are culpable.
- 17 In those circumstances, the Sąd Najwyższy (Supreme Court) decided to stay proceedings and refer the following question to the Court of Justice for a preliminary ruling:

'Is Article 13 of Directive 2004/48 to be interpreted as meaning that the rightholder whose economic rights of copyright have been infringed may seek redress for the damage which it has incurred on the basis of general principles, or, without having to prove loss and the causal relationship between the event which infringed its rights and the loss, may seek payment of a sum of money corresponding to

twice the amount of the appropriate fee, or, in the event of a culpable infringement, three times the amount of the appropriate fee, whereas Article 13 of Directive 2004/48 states that it is a judicial authority which must decide on damages by taking into account the factors listed in Article 13(1)(a), and only as an alternative in certain cases may set the damages as a lump sum, taking into consideration the elements listed in Article 13(1)(b) of that directive? Is the award, made at the request of a party, of damages as a predetermined lump sum corresponding to twice or three times the amount of the appropriate fee permissible pursuant to Article 13 of the directive, regard being had to the fact that recital 26 thereof states that it is not the aim of the directive to introduce punitive damages?’

Consideration of the question referred

- 18 By its question, the referring court asks, in essence, whether Article 13 of Directive 2004/48 must be interpreted as precluding national legislation, such as that at issue in the main proceedings, under which the holder of an intellectual property right that has been infringed may choose to demand from the person who has infringed that right either compensation for the damage that he has suffered, taking account of all the appropriate aspects of the particular case, or, without him having to prove the actual loss and the causal link between the event giving rise to the infringement and the loss suffered, payment of a sum corresponding to twice or, in the event of a culpable infringement, three times the appropriate fee which would have been due if permission had been given for the work concerned to be used.
- 19 It should be stated at the outset that, after the order for reference in the present case was made, the national provision at issue in the main proceedings, namely Article 79(1)(3)(b) of the UPAPP, was declared partially unconstitutional by a judgment of 23 June 2015 of the Trybunał Konstytucyjny (Constitutional Court, Poland), in so far as that provision permitted a person whose economic rights of copyright were infringed to claim, in the event of a culpable infringement, payment of a sum corresponding to three times the amount of the appropriate fee. As the decision of the Trybunał Konstytucyjny (Constitutional Court) has retroactive effect, the question referred for a preliminary ruling has become hypothetical and, therefore, inadmissible in so far as it relates to legislation that has been declared unconstitutional.
- 20 Since the referring court has nevertheless maintained its question, the question referred is, accordingly, to be understood as designed to establish whether Article 13 of Directive 2004/48 must be interpreted as precluding national legislation which provides for the possibility of demanding payment of a sum corresponding to twice the appropriate fee which would have been due if permission had been given for the work concerned to be used (‘the hypothetical royalty’).
- 21 It should be noted, first of all, that, as is apparent from recital 3, Directive 2004/48 seeks to ensure that the substantive law on intellectual property is applied effectively in the European Union. Thus, Article 3(2) of the directive requires the measures, procedures and remedies provided for by the Member States to be effective, proportionate and dissuasive.
- 22 Whilst recital 10 of Directive 2004/48 refers, in this context, to the objective of ensuring a high, equivalent and ‘homogeneous’ level of protection, of intellectual property in the internal market, the fact remains that, as is apparent from Article 2(1), the directive applies without prejudice to the means which are or may be provided for, in particular, in national legislation, in so far as those means may be more favourable for rightholders. It is quite clear from recital 7 of the directive that the term ‘means’ that is used is general in nature, encompassing the calculation of damages.

- 23 Consequently, as the Court has already held, Directive 2004/48 lays down a minimum standard concerning the enforcement of intellectual property rights and does not prevent the Member States from laying down measures that are more protective (see judgment of 9 June 2016, *Hansson*, C-481/14, EU:C:2016:419, paragraphs 36 and 40).
- 24 Next, in accordance with recitals 5 and 6 and Article 2(3)(b) of Directive 2004/48, it is necessary, for the purpose of interpreting the directive's provisions, to take account of obligations on the Member States resulting from international agreements, including the TRIPS Agreement, the Berne Convention and the Rome Convention, which could apply to the dispute in the main proceedings. Article 1 of the TRIPS Agreement as well as Article 19 of the Berne Convention and Article 2 of the Rome Convention permit Contracting States to grant the holders of the rights concerned wider protection than that respectively laid down by those instruments.
- 25 Accordingly, Article 13(1)(b) of Directive 2004/48 must be interpreted as not precluding national legislation, such as that at issue in the main proceedings, which provides that the holder of economic rights of copyright that have been infringed may require the person who has infringed those rights to compensate for the loss caused by payment of a sum corresponding to twice the amount of a hypothetical royalty.
- 26 That interpretation cannot be called into question by the fact, first, that compensation calculated on the basis of twice the amount of the hypothetical royalty is not precisely proportional to the loss actually suffered by the injured party. That characteristic is inherent in any lump-sum compensation, like that expressly provided for in Article 13(1)(b) of Directive 2004/48.
- 27 Nor, secondly, is that interpretation called into question by the fact that Directive 2004/48, as is apparent from recital 26, does not have the aim of introducing an obligation to provide for punitive damages.
- 28 Contrary to the view that the referring court appears to take, the fact that Directive 2004/48 does not entail an obligation on the Member States to provide for 'punitive' damages cannot be interpreted as a prohibition on introducing such a measure.
- 29 In addition, without there being any need to rule on whether or not the introduction of 'punitive' damages would be contrary to Article 13 of Directive 2004/48, it is not evident that the provision applicable in the main proceedings entails an obligation to pay such damages.
- 30 Thus, it should be pointed out that, where an intellectual property right has been infringed, mere payment of the hypothetical royalty is not capable of guaranteeing compensation in respect of all the loss actually suffered, given that payment of that royalty would not, in itself, ensure reimbursement of any costs — referred to in recital 26 of Directive 2004/48 — that are linked to researching and identifying possible acts of infringement, compensation for possible moral prejudice (see, in this latter respect, judgment of 17 March 2016, *Liffers*, C-99/15, EU:C:2016:173, paragraph 26) or payment of interest on the sums due. Indeed, OTK confirmed at the hearing that payment of twice the amount of the hypothetical royalty is equivalent in practice to compensation of an amount remaining below what the holder would be able to claim on the basis of 'general principles', within the meaning of Article 79(1)(3)(a) of the UPAPP.
- 31 It is admittedly possible that, in exceptional cases, payment for a loss calculated on the basis of twice the amount of the hypothetical royalty will exceed the loss actually suffered so clearly and substantially that a claim to that effect could constitute an abuse of rights, prohibited by Article 3(2) of Directive 2004/48. It is apparent, however, from the Polish Government's observations at the hearing that, under the legislation applicable in the main proceedings, a Polish court would not be bound in such a situation by the claim of the holder of the infringed right.

- 32 Thirdly and finally, as regards the argument that, inasmuch as the injured party could calculate the damages on the basis of twice the amount of the hypothetical royalty, he would no longer have to prove the causal link between the event giving rise to the copyright infringement and the loss suffered, it must be stated that that argument is based on an excessively strict interpretation of the concept of ‘causality’, under which the holder of the infringed right should establish a causal link between that event and not only the loss suffered but also its precise amount. Such an interpretation is irreconcilable with the very idea of setting damages as a lump sum and, therefore, with Article 13(1)(b) of Directive 2004/48, which permits that type of compensation.
- 33 In the light of the foregoing, the answer to the question referred is that Article 13 of Directive 2004/48 must be interpreted as not precluding national legislation, such as that at issue in the main proceedings, under which the holder of an intellectual property right that has been infringed may demand from the person who has infringed that right either compensation for the damage that he has suffered, taking account of all the appropriate aspects of the particular case, or, without him having to prove the actual loss, payment of a sum corresponding to twice the appropriate fee which would have been due if permission had been given for the work concerned to be used.

Costs

- 34 Since these proceedings are, for the parties to the main proceedings, a step in the action pending before the referring court, the decision on costs is a matter for that court. Costs incurred in submitting observations to the Court, other than the costs of those parties, are not recoverable.

On those grounds, the Court (Fifth Chamber) hereby rules:

Article 13 of Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights must be interpreted as not precluding national legislation, such as that at issue in the main proceedings, under which the holder of an intellectual property right that has been infringed may demand from the person who has infringed that right either compensation for the damage that he has suffered, taking account of all the appropriate aspects of the particular case, or, without him having to prove the actual loss, payment of a sum corresponding to twice the appropriate fee which would have been due if permission had been given for the work concerned to be used.

[Signatures]