



Reports of Cases

JUDGMENT OF THE COURT (Fourth Chamber)

19 December 2018*

(Reference for a preliminary ruling — Copyright and related rights — Directive 2001/29/EC — Article 4(1) — Distribution right — Infringement — Goods bearing a copyrighted motif intended for sale — Storage for commercial purposes — Storage facility separate from place of sale)

In Case C-572/17,

REQUEST for a preliminary ruling under Article 267 TFEU from the Högsta domstolen (Supreme Court, Sweden), made by decision of 21 September 2017, received at the Court on 28 September 2017, in the criminal proceedings against

Imran Syed,

THE COURT (Fourth Chamber),

composed of T. von Danwitz, President of the Seventh Chamber, acting as President of the Fourth Chamber, K. Jürimäe (Rapporteur), C. Lycourgos, E. Juhász, and C. Vajda, Judges,

Advocate General: M. Campos Sánchez-Bordona,

Registrar: A. Calot Escobar,

having regard to the written procedure,

after considering the observations submitted on behalf of:

- the Riksåklagaren, by M. Hedström and K. Skarp, acting as Agents,
- the European Commission, by J. Samnadda and K. Simonsson, acting as Agents,

after hearing the Opinion of the Advocate General at the sitting on 3 October 2018,

gives the following

Judgment

- 1 This request for a preliminary ruling concerns the interpretation of Article 4(1) of Directive 2001/29/EC 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 2001 L 167, p. 10).

* Language of the case: Swedish.

- 2 The request has been made in criminal proceedings brought by the Riksåklagaren (Prosecutor-General, Sweden) against Mr Imran Syed concerning the infringement of trade marks and infringements of copyright in literary and artistic works.

Legal context

International law

- 3 The World Intellectual Property Organisation (WIPO) adopted in Geneva, on 20 December 1996, the WIPO Copyright Treaty (“CT”), which was approved on behalf of the Community by Council Decision 2000/278/EC of 16 March 2000 (OJ 2000 L 89, p. 6) and came into force, as regards the European Union, on 14 March 2010 (OJ 2010 L 32, p. 1).
- 4 Article 6 of the CT, headed ‘Right of distribution’, provides in paragraph 1:

‘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.’

European Union law

- 5 Article 4 of Directive 2001/29, entitled ‘Distribution right’, provides in paragraph 1:

‘Member States shall provide for authors, in respect of the original of their works or copies thereof, the exclusive right to authorise or prohibit any form of distribution to the public by sale or otherwise.’

Swedish law

- 6 The lagen (1960:729) om upphovsrätt till litterära och konstnärliga verk (Law (1960:729) on copyright in literary and artistic works) transposes Directive 2001/29 into Swedish law.
- 7 Paragraph 53 of that law provides:
- ‘Any person who, intentionally or through gross negligence, takes measures relating to a literary or artistic work which constitute an infringement of the copyright in that work held by a person in accordance with Chapter 1 or Chapter 2, or an infringement of Paragraph 41, second subparagraph, or of Paragraph 50, shall be liable to a fine or to a custodial sentence of up to two years.’
- 8 According to Paragraph 2 of that law, such a measure may comprise, for example, exploiting that work by making it available to the public without the rightholder’s consent. The third subparagraph, point 4, of that paragraph specifies that a work is made available to the public, *inter alia*, when copies of the work are offered for sale, rent or loan, or are otherwise distributed to the public.
- 9 That law does not expressly prohibit the storage of protected goods for the purpose of sale.

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

- 10 Mr Syed ran a retail shop in Stockholm (Sweden) in which he sold clothes and accessories with rock music motifs. In addition to offering the items for sale in that shop, Mr Syed stored such goods in a storage facility adjacent to the shop and in another storage facility located in Bandhagen (Sweden), in a suburb of Stockholm. It is established that Mr Syed's shop was regularly restocked with merchandise from those storage facilities.
- 11 It has been determined that the sale of several of those items infringed trade marks and copyrights. Criminal proceedings were brought against Mr Syed for trademark infringement and breach of Law (1960:729) before the tingsrätten (District Court, Sweden). According to the åklagaren (Public Prosecutor, Sweden), Mr Syed infringed the claimants' copyright by unlawfully making available to the public clothes and flags bearing the motifs protected by copyright. The prosecutor therefore took the view that all of the goods bearing such motifs which were in the shop and in the storage facilities were being offered for sale or distributed to the public, and that such acts therefore constituted an infringement of Law (1960:729).
- 12 The tingsrätten (District Court) found Mr Syed guilty of trade mark infringement concerning all the goods discovered. That court also found him guilty of infringing Law (1960:729) with regard to the goods bearing a copyrighted motif which were in the shop he was running, as well as with regard to the goods stored in both the storage facilities at issue, in so far as identical goods were offered for sale in the shop. The tingsrätten (District Court) took the view, in holding Mr Syed liable for the goods in the storage facilities as well, that the concept of 'offering for sale' goods which infringe the copyright held by the claimants did not apply solely to the goods which, at a given point in time, were located in Mr Syed's shop, but also applied to the identical goods in the storage facilities. In contrast, that court held that the other goods in the storage facilities could not be regarded as having been offered for sale. For all of those infringements, the tingsrätten (District Court) sentenced Mr Syed to a suspended custodial sentence and to 80 per diem fines.
- 13 Hearing the case on appeal, the Svea hovrätt, Patent- och marknadsöverdomstolen (Svea Court of Appeal, Stockholm, Sweden: patent and commercial division) found that Mr Syed had infringed Law (1960:729) only in so far as the goods located in his shop were concerned and not in relation to the goods in the storage facilities. That court took the view that Mr Syed had stored those goods for the purpose of sale. However, it could not be considered that those goods had been offered for sale or distributed to the public. Similarly, the handling of goods in the storage facilities did not, according to the court hearing the appeal, constitute an attempt or preparation to commit an infringement of Law (1960:729). The sentence given to Mr Syed was reduced, in so far as Mr Syed was sentenced to a suspended custodial sentence and 60 per diem fines.
- 14 Before the Högsta domstolen (Supreme Court, Sweden), the referring court in this case, the Riksåklagaren (Prosecutor-General) claimed that Mr Syed should be found guilty in respect of the same goods as those which the tingsrätten (District Court) had found to establish an infringement of Law (1960:729). He also submitted that the Högsta domstolen (Supreme Court) should refer the matter to the Court of Justice for a preliminary ruling concerning the interpretation of Article 4(1) of Directive 2001/29.
- 15 Before the referring court, Mr Syed argued that it followed from the case-law of the Court of Justice that infringement of a rightholder's distribution right by an offer for sale requires acts directed towards the public with the aim of transferring each specific item. He contended that the purchase and storage of goods cannot be considered to be such acts. An interpretation to the contrary would extend the scope of criminal liability, in breach of the principle of legality.

- 16 The referring court notes that Law (1960:729) and Directive 2001/29 do not expressly prohibit the storage of goods bearing a copyrighted motif for the purpose of sale. It adds that, following the decision of the Court of Justice of 13 May 2015, *Dimensione Direct Sales and Labianca* (C-516/13, EU:C:2015:315), there may be an infringement of an author's exclusive right under Article 4(1) of Directive 2001/29 as a result of measures or steps that take place prior to the performance of a contract of sale. Nonetheless, the question arises whether goods bearing a protected motif which are kept, by a person, in storage facilities can be regarded as being offered for sale when that person offers identical goods for sale in a retail shop run by him.
- 17 In those circumstances, the Högsta domstolen (Supreme Court) decided to stay the proceedings and to refer the following questions to the Court of Justice for a preliminary ruling:
- '(1) When goods bearing protected motifs are unlawfully offered for sale in a shop, can there also be an infringement of the author's exclusive right of distribution under Article 4(1) of Directive 2001/29 as regards goods with identical motifs, which are held in storage by the person offering the goods for sale?
- (2) Is it relevant whether the goods are held in a storage facility adjacent to the shop or in another location?'

Consideration of the questions referred

- 18 By its questions, which it is appropriate to examine together, the referring court asks, in essence, whether Article 4(1) of Directive 2001/29 must be interpreted as meaning that the storage, by a retailer, of goods bearing a motif protected by copyright on the territory of the Member State where the goods are stored may constitute an infringement of the copyright holder's exclusive right of distribution, as referred to in that provision, when that retailer offers for sale in a shop, without the authorisation of the copyright holder, goods identical to those which the retailer is storing without that rightholder's authorisation. The referring court also asks the Court of Justice to specify whether it is relevant, in that regard, to consider the distance between the place of storage and the place of sale.
- 19 Under Article 4(1) of Directive 2001/29, Member States are to provide an exclusive right for authors, in respect of the original of their works or of copies thereof, to authorise or prohibit any form of distribution to the public by sale or otherwise.
- 20 It should be observed that, since Directive 2001/29 serves to implement in the European Union the obligations of the Union under, inter alia, the CT and since, according to settled case-law, EU legislation must, so far as possible, be interpreted, in a manner that is consistent with international law, in particular where its provisions are intended specifically to give effect to an international agreement concluded by the European Union, the notion of 'distribution' contained in Article 4(1) of that directive must be interpreted in accordance with Article 6(1) of the CT (judgment of 13 May 2015, *Dimensione Direct Sales and Labianca*, C-516/13, EU:C:2015:315, paragraph 23 and the case-law cited).
- 21 The notion of 'distribution to the public by sale' in Article 4(1) of that directive therefore has the same meaning as the expression 'making available to the public ... through sale' in Article 6(1) of the CT (judgment of 13 May 2015, *Dimensione Direct Sales and Labianca*, C-516/13, EU:C:2015:315, paragraph 24 and the case-law cited).
- 22 Taking that context into account, the Court has found that distribution to the public is characterised by a series of acts going, at the very least, from the conclusion of a contract of sale to the performance thereof by delivery to a member of the public. A trader in such circumstances bears

responsibility for any act carried out by him or on his behalf giving rise to a distribution to the public in a Member State where the goods distributed are protected by copyright (judgment of 13 May 2015, *Dimensione Direct Sales and Labianca*, C-516/13, EU:C:2015:315, paragraph 25 and the case-law cited).

- 23 It follows from that line of case-law, including the words ‘at the very least’ used by the Court, that it is not excluded that the acts or steps preceding the conclusion of a contract of sale may also fall within the concept of ‘distribution’ and be reserved, exclusively, to the holders of copyright (judgment of 13 May 2015, *Dimensione Direct Sales and Labianca*, C-516/13, EU:C:2015:315, paragraph 26).
- 24 In that regard, if distribution to the public must be considered as proven where a contract of sale and dispatch has been concluded, the same is true of an offer of a contract of sale which binds its author, since such an offer constitutes, by its very nature, an act prior to a sale being made (judgment of 13 May 2015, *Dimensione Direct Sales and Labianca*, C-516/13, EU:C:2015:315, paragraph 27).
- 25 The Court has also held, in essence, that such an act can constitute an infringement of the exclusive distribution right, provided for in Article 4(1) of Directive 2001/29, even if that act is not followed by the transfer of ownership to a purchaser of the protected work or a copy thereof (see, to that effect, judgment of 13 May 2015, *Dimensione Direct Sales and Labianca*, C-516/13, EU:C:2015:315, paragraph 32).
- 26 Therefore, an act prior to the actual sale of a work or a copy thereof protected by copyright, which takes place without the rightholder’s consent and with the objective of making such a sale, may infringe the distribution right as defined in Article 4(1) of Directive 2001/29 (see, to that effect, judgment of 13 May 2015, *Dimensione Direct Sales and Labianca*, C-516/13, EU:C:2015:315, paragraph 28).
- 27 Although carrying out the sale is not a necessary element for the purpose of establishing an infringement of the right of distribution, it must nonetheless be proven, to that end, that the goods concerned are actually intended to be distributed to the public without the rightholder’s consent, inter alia by their being offered for sale in a Member State where the work at issue is protected (see, by analogy, judgment of 13 May 2015, *Dimensione Direct Sales and Labianca*, C-516/13, EU:C:2015:315, paragraphs 29 and 32 and the case-law cited).
- 28 In the case in the main proceedings, Mr Syed was storing goods bearing copyrighted motifs and was selling — without the rightholder’s consent — identical goods in a shop.
- 29 It must be established whether such storage can be considered to be an act prior to a sale which may constitute an infringement of the exclusive distribution right, as defined in Article 4(1) of Directive 2001/29.
- 30 In that regard, it should be noted that the storage of goods bearing copyrighted motifs may be considered such an act if it is established that those goods are actually intended to be sold to the public without the rightholder’s authorisation.
- 31 In this respect, the fact that a person, who sells in a shop goods bearing copyrighted motifs without the rightholder’s authorisation, stores goods which are identical may be an indication that the stored goods are also intended to be sold in that shop and, accordingly, that that storage may constitute an act prior to a sale being made, which is liable to infringe that rightholder’s distribution right.
- 32 However, it cannot be inferred from the mere fact that the stored goods and the goods sold in the person’s shop are identical that the storage constitutes an act carried out with the aim of making a sale on the territory of the Member State in which those goods are protected by copyright.

- 33 It cannot be excluded that all or part of the goods stored in circumstances such as those in the main proceedings are not intended to be sold on the territory of the Member State in which the motif displayed on the goods is protected, even when those goods are identical to those which are offered for sale in the retailer's shop.
- 34 In such a situation, if an approach such as that outlined in paragraph 32 of the present judgment were adopted, that would lead to the actual purpose of the goods considered not being taken into account and to all the stored goods being treated identically, although they may, in principle, be intended for different purposes.
- 35 Such an approach would thus result in extending the protection conferred by the exclusive distribution right beyond the framework established by EU law.
- 36 Therefore, it is for the referring court to determine, in the light of the evidence available to it, whether all of the stored goods identical to those sold in the shop at issue, or only some of them, were intended to be marketed in that shop.
- 37 In that regard, the Court considers it useful to provide the following guidance.
- 38 As regards the determination of the purpose of the goods considered, account must be taken of all the factors which may demonstrate that the goods concerned are stored with a view to their being sold, without the rightholder's consent, on the territory of the Member State where the motifs displayed on the goods are protected by copyright.
- 39 Although, among those factors, the distance between the storage facility and the place of sale may constitute evidence that can be used in seeking to establish that the goods concerned are intended to be sold in that place of sale, that evidence cannot, on its own, be decisive. It may, on the other hand, be taken into account in a concrete analysis of all the factors likely to be relevant, such as, for example, the regular restocking of the shop with goods from the storage facilities at issue, accounting elements, the volume of sales and orders as compared with the volume of stored goods, or current contracts of sale.
- 40 In the light of all the foregoing considerations, the answer to the questions referred is that Article 4(1) of Directive 2001/29 must be interpreted as meaning that the storage by a retailer of goods bearing a motif protected by copyright on the territory of the Member State where the goods are stored may constitute an infringement of the exclusive distribution right, as defined by that provision, when that retailer offers for sale, without the authorisation of the copyright holder, goods identical to those which he is storing, provided that the stored goods are actually intended for sale on the territory of the Member State in which that motif is protected. The distance between the place of storage and the place of sale cannot, on its own, be a decisive element in determining whether the stored goods are intended for sale on the territory of that Member State.

Costs

- 41 Since these proceedings are, for the parties to the main proceedings, a step in the action pending before the national 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 (Fourth Chamber) hereby rules:

Article 4(1) of Directive 2001/29/EC 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 must be interpreted as meaning that the storage by a retailer of goods bearing a motif

protected by copyright on the territory of the Member State where the goods are stored may constitute an infringement of the exclusive distribution right, as defined by that provision, when that retailer offers for sale, without the authorisation of the copyright holder, goods identical to those which he is storing, provided that the stored goods are actually intended for sale on the territory of the Member State in which that motif is protected. The distance between the place of storage and the place of sale cannot, on its own, be a decisive element in determining whether the stored goods are intended for sale on the territory of that Member State.

[Signatures]