Reports of Cases

JUDGMENT OF THE COURT (Second Chamber)

7 July 2016 *

(Reference for a preliminary ruling — Approximation of laws — Directive 2004/48/EC — Enforcement of intellectual property rights — Notion of 'intermediary whose services are being used by a third party to infringe an intellectual property right' — Tenant of market halls subletting sales points — Possibility of an injunction against that tenant — Article 11)

In Case C-494/15,

REQUEST for a preliminary ruling under Article 267 TFEU from the Nejvyšší soud (Supreme Court, Czech Republic), made by decision of 25 August 2015, received at the Court on 21 September 2015, in the proceedings

Tommy Hilfiger Licensing LLC,

Urban Trends Trading BV,

Rado Uhren AG,

Facton Kft.,

Lacoste SA,

Burberry Ltd

v

Delta Center a.s.,

THE COURT (Second Chamber),

composed of M. Ilešič (Rapporteur), President of the Chamber, C. Toader, A. Rosas, A. Prechal and E. Jarašiūnas, Judges,

Advocate General: M. Wathelet,

Registrar: A. Calot Escobar,

having regard to the written procedure,

* Language of the case: Czech.

after considering the observations submitted on behalf of:

— Tommy Hilfiger Licensing LLC, Urban Trends Trading BV, Rado Uhren AG, Facton Kft., Lacoste SA and Burberry Ltd, by L. Neustupná, advokátka,

— the Czech Government, by M. Smolek and J. Vláčil, acting as Agents,

— the French Government, by D. Colas and D. Segoin, acting as Agents,

— the European Commission, by F. Wilman and P. Němečková, acting as Agents,

having decided, after hearing the Advocate General, to proceed to judgment without an Opinion,

gives the following

Judgment

1 This request for a preliminary ruling concerns the interpretation of Article 11 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 OJ 2004 L 195, p. 16).

2 The request has been made in proceedings between (i) Tommy Hilfiger Licensing LLC, Urban Trends Trading BV, Rado Uhren AG, Facton Kft., Lacoste SA and Burberry Ltd and (ii) Delta Center a.s. regarding injunctions which the applicants in the main proceedings want to see granted against Delta Center for the purposes of compliance with their intellectual property rights.

Legal context

EU law

3 Recitals 10 and 23 of Directive 2004/48 state:

‘(10) The objective of this Directive is to approximate [l]egislative systems [of the Member States] so as to ensure a high, equivalent and homogeneous level of protection in the internal market.

…

(23) … rightholders should have the possibility of applying for an injunction against an intermediary whose services are being used by a third party to infringe the rightholder’s industrial property right. The conditions and procedures relating to such injunctions should be left to the national law of the Member States. As far as infringements of copyright and related rights are concerned, a comprehensive level of harmonisation is already provided for in 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)]. Article 8(3) of Directive 2001/29/EC should therefore not be affected by this Directive.’

4 Article 2 of Directive 2004/48, which defines the scope of the directive, provides in paragraph 1:

'Without prejudice to the means which are or may be provided for in [European Union] 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 … to any infringement of intellectual property rights as provided for by [European Union] law and/or by the national law of the Member State concerned.'

5 Chapter II of Directive 2004/48, entitled 'Measures, procedures and remedies', contains six sections, the first of which, entitled 'General provisions', includes Article 3, which 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 … be effective, proportionate and dissuasive and shall be applied in such a manner as to avoid the creation of barriers to legitimate trade ...'

6 Section 5 of Chapter II of Directive 2004/48 is entitled 'Measures resulting from a decision on the merits of the case'. It comprises Articles 10 to 12 entitled 'Corrective measures', 'Injunctions' and 'Alternative measures' respectively.

7 Under Article 11 of Directive 2004/48:

'Member States shall ensure that, where a judicial decision is taken finding an infringement of an intellectual property right, the judicial authorities may issue against the infringer an injunction aimed at prohibiting the continuation of the infringement. Where provided for by national law, non-compliance with an injunction shall, where appropriate, be subject to a recurring penalty payment, with a view to ensuring compliance. Member States are also to ensure that rightholders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe an intellectual property right, without prejudice to Article 8(3) of Directive 2001/29/EC.'

8 Article 8(3) of Directive 2001/29, provides:

'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.'

Czech law

9 According to the documents before the Court that Article 11 of Directive 2004/48 was transposed into Czech law by Article 4 of zákon č. 221/2006 Sb., o vymáhání práv z průmyslového vlastnictví (Law No 221/2006 on the compliance with intellectual property rights; 'Law No 221/2006').

10 Article 4(1) of Law No 221/2006 provides:

'Where there is an unjustified infringement of [intellectual property] rights, the person injured may apply for a court order to force the infringer to refrain from the actions infringing or affecting the right and for the elimination of the consequences thereof …'

11 Under Article 4(3), injured parties may also apply for a court order to exercise the rights granted also 'against any person whose means or services are used by a third party to infringe intellectual property rights'.

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

12 Delta Center is the tenant of the marketplace named 'Pražská tržnice' (Prague market halls, Czech Republic). It sublets to market-traders the various sales areas situated in that marketplace. The rental contracts concluded with those market-traders impose on the latter the obligation to respect the regulations to which their activities are subject. Moreover, a brochure written in Czech and Vietnamese bearing the words 'Warning for traders' is distributed to them. That brochure states that the sale of counterfeits is forbidden and may lead to the termination of the contract for the rental of the sales area.

13 The applicants in the main proceedings manufacture and distribute brand products. Having established that counterfeits of their goods were sold in those Prague market halls, they brought the matter before the Městský soud v Praze (City Court, Prague), asking it inter alia to order Delta Center:

— to refrain from any conclusion or extension of contracts for the rental of sales areas in those halls with persons whose conduct was held by the judicial or administrative authorities with final effect to constitute an infringement or a risk of infringement of the rights conferred by the marks mentioned in the application;

— to refrain from any conclusion or extension of such contracts where the terms of those contracts do not include the obligation on market-traders to refrain from infringing the applicants' intellectual property rights or the clause according to which Delta Center may terminate the contract in the event of the infringement or likelihood of infringement of those rights, and

— to submit, in some situations described by the applicants, its excuses in writing and to have a report published, at its own expense, in the *Hospodářské noviny* journal.

14 By judgment of 28 February 2012, the Městský soud v Praze (City Court, Prague) dismissed that application for an injunction. Whilst considering that Delta Center is a 'person whose means or services are used by a third party' within the meaning of Article 4(3) of Law No 221/2006, it held that there was no infringement or risk of infringement of the applicants' rights given that it was evident for buyers that the goods at issue are counterfeits and are therefore neither produced nor distributed by the applicants.

15 The applicants brought an appeal against that judgment before the Vrchní soud v Praze (High Court, Prague).

16 By judgment of 5 December 2012, for reasons which are different than those upheld by the first court, that court confirmed the rejection of the request for an injunction. According to that court, a broad interpretation of the words 'means or services … used by a third party to infringe' set out in Article 4(3) of Law No 221/2006 and the words 'the services … used by a third party to infringe an intellectual property right' referred to in Article 11 of Directive 2004/48 would lead to absurd situations in which inter alia the supply of electricity or the grant of a commercial licence to a market-trader would be considered to constitute a means of enabling the infringement of intellectual property rights.

17 The applicants brought an appeal on a point of law before the Nejvyšší soud (Supreme Court).

18 The latter court observes that the wording of Article 4(3) of Law No 221/2006 corresponds to that of the third sentence of Article 11 of Directive 2004/48 and recalls that the national legislation which transposes a directive must, to the greatest extent possible, be interpreted in the light of the wording and the purpose of that text.

19 Taking the view therefore that the dispute pending before it will have to be resolved by taking account of the interpretation of the third sentence of Article 11 of Directive 2004/48 provided by the Court in the judgment of 12 July 2011 in *L'Oréal and Others* (C-324/09, EU:C:2011:474), the Nejvyšší soud (Supreme Court) nevertheless states that the dispute which led to that interpretation concerned infringements of intellectual property rights in an online marketplace. The question arises whether that interpretation must also be followed when infringements of intellectual property rights took place in a physical marketplace.

20 In those circumstances, the Nejvyšší soud (Supreme Court) decided to stay the proceedings and to refer the following questions to the Court for a preliminary ruling:

'(1) Is a person with a lease of premises in a market, who provides stalls and pitches on which stalls may be placed to individual market-traders for their use, an intermediary whose services are used by a third party to infringe an intellectual property right within the meaning of Article 11 of Directive 2004/48?

(2) Is it possible to impose on a person with a lease of premises in a market, who provides stalls and pitches on which stalls may be placed to individual market-traders for their use, measures, as provided for in Article 11 of Directive 2004/48 under the same conditions as those formulated by the Court of Justice [in the judgment of 12 July 2011 in *L'Oréal and Others*, C-324/09, EU:C:2011:474] with regard to the imposition of measures on the operators of an online marketplace?'

Consideration of the questions referred

The first question

21 By its first question, the referring court essentially asks whether the third sentence of Article 11 of Directive 2004/48 must be interpreted as meaning that the tenant of market halls who sublets the various sales points situated in those halls to market-traders, some of whom use their pitches in order to sell counterfeit goods of branded products, falls within the concept of 'an intermediary whose services are being used by a third party to infringe an intellectual property right' within the meaning of that provision.

22 It is settled case-law that the third sentence of Article 11 of Directive 2004/48, like Article 8(3) of Directive 2001/29 to which it refers, obliges Member States to ensure that an intermediary whose services are used by a third party in order to infringe an intellectual property right may, regardless of any liability of its own in relation to the facts at issue, be ordered to take measures aimed at bringing those infringements to an end and measures seeking to prevent further infringements (see to that effect, in particular, judgments of 12 July 2011 in *L'Oréal and Others*, C-324/09, EU:C:2011:474, paragraphs 127 to 134, and 24 November 2011 in *Scarlet Extended*, C-70/10, EU:C:2011:771, paragraphs 30 and 31).

23 For an economic operator to fall within the classification of 'intermediary' within the meaning of those provisions, it must be established that it provides a service capable of being used by one or more other persons in order to infringe one or more intellectual property rights, but it is not necessary that it maintain a specific relationship with that or those persons (see, to that effect, judgment of 27 March 2014 in *UPC Telekabel Wien*, C-314/12, EU:C:2014:192, paragraphs 32 and 35).

24 Nor is such a classification subject to the condition that the economic operator provide a service other than the one which is used by the third party in order to infringe the intellectual property right.

25 Thus, as far as concerns electronic commerce, the Court held that an access provider which merely permits Internet access without proposing other services or exercising a review provides a service which is capable of being used by a third party to infringe intellectual property rights and must be classified as an 'intermediary' (see, to that effect, order of 19 February 2009 in *LSG-Gesellschaft zur Wahrnehmung von Leistungsschutzrechten*, C-557/07, EU:C:2009:107, paragraph 43, and judgment of 27 March 2014 in *UPC Telekabel Wien*, C-314/12, EU:C:2014:192, paragraph 32).

26 In the present case, it is not contested that Delta Center is the tenant of the 'Pražská tržnice' market halls and exercises an economic activity which consists in subletting the sales points situated in those market halls. Such an activity for reward constitutes a provision of services.

27 Nor is it contested that some of the market-traders to which Delta Center sublets those sales points use them in order to offer visitors to those market halls counterfeit goods of branded products.

28 Without there being a need to determine whether other service providers, such as those — mentioned as a hypothesis in the decision to refer — providing electricity to infringers, fall within the scope of the third sentence of Article 11 of Directive 2004/48, it should be stated that, in any event, an operator which provides to third parties a service relating to the letting or subletting of pitches in a marketplace, thanks to which they have access to that marketplace and offer for sale in that marketplace counterfeit branded products, must be classified as an 'intermediary whose services are being used by a third party to infringe an intellectual property right' within the meaning of that provision.

29 The fact that the provision of sales points concerns an online marketplace or a physical marketplace such as market halls is irrelevant in that connection. It is not apparent from Directive 2004/48 that the scope of the directive is limited to electronic commerce. Moreover, the objective stated in recital 10 of that directive of ensuring a high, equivalent and homogeneous level of protection of intellectual property in the internal market would be substantially weakened if an operator which provides third parties with access to a physical marketplace such as that at issue in the main proceedings, on which those third parties offer in that marketplace the sale of counterfeit branded products, could not be the subject of the injunctions referred to in the third sentence of Article 11 of that directive.

30 Having regard to the foregoing, the answer to the first question is that the third sentence of Article 11 of Directive 2004/48 must be interpreted as meaning that the tenant of market halls who sublets the various sales points situated in those halls to market-traders, some of whom use their pitches in order to sell counterfeit branded products, falls within the concept of 'an intermediary whose services are being used by a third party to infringe an intellectual property right' within the meaning of that provision.

The second question

31 By its second question, the referring court asks, in essence, whether the third sentence of Article 11 of Directive 2004/48 must be interpreted as meaning that the conditions for an injunction within the meaning of that provision against an intermediary who provides a service relating to the letting of sales points in market halls are identical to those for injunctions which may be addressed to intermediaries in an online marketplace, set out by the Court in the judgment of 12 July 2011 in *L'Oréal and Others* (C-324/09, EU:C:2011:474).

32 In paragraph 135 of that judgment, the Court first of all noted, referring to recital 23 of Directive 2004/48, that the rules for the operation of the injunctions for which the Member States must provide under the third sentence of Article 11 of the directive, such as those relating to the conditions to be met and to the procedure to be followed, are a matter for national law.

33 Next, it stated that those rules of national law must be constructed so as to achieve the objectives of Directive 2004/48. For that purpose, and in accordance with Article 3(2) of that directive, injunctions must be effective and dissuasive (judgment of 12 July 2011 in *L'Oréal and Others*, C-324/09, EU:C:2011:474, paragraph 136).

34 Lastly, the Court held that injunctions must be equitable and proportionate. They must not therefore be excessively expensive and must not create barriers to legitimate trade. Nor can the intermediary be required to exercise general and permanent oversight over its customers. By contrast, the intermediary may be forced to take measures which contribute to avoiding new infringements of the same nature by the same market-trader from taking place (see, to that effect, judgment of 12 July 2011 in *L'Oréal and Others*, C-324/09, EU:C:2011:474, paragraphs 138 to 141).

35 The Court thus took the view that any injunction within the meaning of the third sentence of Article 11 of Directive 2004/48 may be pronounced only if it ensures a fair balance between the protection of intellectual property and the absence of obstacles to legitimate trade (see, to that effect, judgment of 12 July 2011 in *L'Oréal and Others*, C-324/09, EU:C:2011:474, paragraph 143).

36 While, admittedly, in the case which gave rise to the judgment of 12 July 2011 in *L'Oréal and Others* (C-324/09, EU:C:2011:474), the Court had to interpret the third sentence of Article 11 of Directive 2004/48 in the context of injunctions which may be addressed to an intermediary in an online marketplace, it interpreted that article in the light of the general provisions formulated in Article 3 of that directive, without specific considerations relating to the nature of the marketplace at issue. Nor is it apparent from Article 3 of the directive that its scope is limited to situations which occur in online marketplaces. Moreover, it follows from the wording of Article 3 of the directive that it applies to any measure referred to by that directive, including those provided for in the third sentence of Article 11 of the directive.

37 Therefore, the answer to the second question is that the third sentence of Directive 2004/48 must be interpreted as meaning that the conditions for an injunction within the meaning of that provision against an intermediary who provides a service relating to the letting of sales points in market halls are identical to those for injunctions which may be addressed to intermediaries in an online marketplace, set out by the Court in the judgment of 12 July 2011 in *L'Oréal and Others* (C-324/09, EU:C:2011:474).

Costs

38 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 (Second Chamber) hereby rules:

1. **The third sentence of Article 11 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 meaning that the tenant of market halls who sublets the various sales points situated in those halls to market-traders, some of whom use their pitches in order to sell counterfeit branded products, falls within the concept of 'an intermediary whose services are being used by a third party to infringe an intellectual property right' within the meaning of that provision.**

2. **The third sentence of Article 11 of Directive 2004/48 must be interpreted as meaning that the conditions for an injunction within the meaning of that provision against an intermediary who provides a service relating to the letting of sales points in market halls are identical to**

those for injunctions which may be addressed to intermediaries in an online marketplace, set out by the Court in the judgment of 12 July 2011 in *L'Oréal and Others* **(C-324/09, EU:C:2011:474).**

[Signatures]