



Stanford – Vienna Transatlantic Technology Law Forum

A joint initiative of
Stanford Law School and the University of Vienna School of Law



Transatlantic Antitrust and IPR Developments

Bimonthly Newsletter

Issue No. 2/2016 (June 5, 2016)

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Antitrust

United States

U.S. Supreme Court denies Apple's request to review an order in the e-books antitrust case

By Nicole Daniel

On [7 March 2016](#), the US Department of Justice (DOJ) announced that the Supreme Court denied Apple's request for a review of the order that found that Apple and five major e-book publishers engaged in a price-fixing conspiracy.

Apple's request concerns a case originally filed by attorney generals of 33 states and a private class of e-book purchasers in April 2012 in the U.S. District Court for the Southern District of New York. It was alleged that Apple and five major e-book publishers conspired to not only fix prices, but also restrict e-book retailers' freedom to compete on prices. This resulted in substantially higher prices paid by consumers for e-books. Before the trial, settlements with the defendant publishers were reached. The DOJ and the plaintiff-states proceeded with the case and in July 2013, Judge Cote issued her opinion and

order, thereby finding Apple liable for conspiring to fix prices. This decision was affirmed by the U.S. Court of Appeals for the Second Circuit in June 2015. Apple then petitioned for a writ of certiorari to the Supreme Court so as to prevent finality in the lower court decisions.

The Supreme Court's decision denying Apple's request now triggers its obligation to pay damages of 400 million dollars. The e-book purchasers will receive such damages as reimbursements for the higher prices caused by the price-fixing conspiracy by way of automatic credits from their e-book retailers.

Settlements with the five major publishers resulted in damages of \$ 166 million dollars. Inclusive of the damages Apple has to pay the overall settlement sum amounts to more than twice the amount of losses suffered by the e-book purchasers.

Antitrust

European Union

Google formally investigated on Android operating system and applications

By Gabriele Accardo

On 20 April 2016, the European Commission issued a [statement of objections](#) (see also the [fact sheet](#), and infographic) to Google and its parent company, Alphabet, based on the preliminary view that Google has implemented a strategy on mobile devices to preserve and strengthen its dominance in general internet search, allegedly in breach of Article 102 of the Treaty on the Functioning of the European Union that prohibits the abuse of a dominant position that may affect trade and prevent or restrict competition, substantially upholding what the Commission had stated when it [opened](#) the investigation (for additional background, see [Newsletter issue 2/2015](#), p. 6).

According to the Commission's preliminary findings, **Google is dominant** in the markets for general internet search services, licensable smart mobile operating systems and app stores for the Android

mobile operating system, with more than 90% market share in each of these markets.

The **allegedly abusive practices** carried out by Google are three-fold:

- requiring manufacturers to pre-install Google Search and Google's Chrome browser and requiring them to set Google Search as the default search service on their devices, as a condition to license certain Google proprietary apps;
- preventing manufacturers from selling smart mobile devices running on competing operating systems based on the Android open source code;
- giving financial incentives to manufacturers and mobile network operators on the condition that they exclusively pre-install Google Search on their devices.

Besides consolidating Google's dominant position in general internet search services, these practices may affect the ability of competing mobile browsers to compete with Google Chrome, and hinder the development of operating systems based on the Android open source code and the opportunities they would offer for the development of new apps and services.

This investigation is distinct and separate from the Commission's ongoing formal investigation under EU antitrust rules on other aspects of Google's behavior in the EEA, including the favorable treatment by Google in its general search results of its

own other specialized search services (see [Newsletter issue 2/2015](#), [Newsletter 1/2014](#), [Newsletter 5-6/2013](#), [Newsletter No. 2/2013](#), [Newsletter 2/2010](#), for additional background), and concerns with regard to the copying of rivals' web content (known as 'scraping'), advertising exclusivity and undue restrictions on advertisers.

Antitrust

European Union

Higher Regional Court of Frankfurt asks EU Court of Justice to rule on restriction of sales on online platforms in selective distribution systems

By Gabriele Accardo

On 19 April 2016, the Higher Regional Court of Frankfurt (the Court) made a [request for a preliminary ruling](#) (available only in German) to the Court of Justice of the European Union (CJEU) about the legality of a ban imposed in the context of a selective distribution system to sell on online platforms.

The request stems from a dispute before the Court between Coty, a cosmetics manufacturer, and one of its authorized distributors, Parfümerie Akzente, whereby Coty claimed that, by selling perfumes on Amazon.de, Akzente infringed the terms and conditions of its selective distribution system that prohibited sales on such online platforms. The Court asked the CJEU to rule on the following questions:

- Whether protection of a “luxury image”

is a legitimate reason for a selective distribution system.

- Whether it is permissible to impose on distributors an outright ban on sales via third party platforms regardless of whether the distributor failed to meet legitimate quality criteria set by the manufacturer.
- Whether a sales ban on internet platforms results in a restriction on “passive sales” to end users.

It is worth recalling here that the Vertical Guidelines state that the use of third party platforms by authorized distributors shall only be done in accordance with the “standards and conditions” agreed upon between the supplier and its distributors for the distributors’ use of the internet. Yet, it is not clear whether “the standards and conditions” only relate to quality issues of a website, or whether they can go as far as to prohibit the use of certain third party platforms (e.g. eBay or Amazon).

As it may be expected, the CJEU ruling will be particularly relevant beyond the specific case at stake.

A consistent approach on online sales is much needed across Europe. Interestingly though, even cases dealt with by the Federal Cartel Office and other German courts have shown somewhat divergent approaches vis-à-vis online sales restrictions imposed by well-known brands.

For instance, two German courts adopted a rather lenient approach holding that manufacturers (*Amer Sports* and *Scout-Schulranzen*) could legitimately prohibit

their distributors from reselling products through auction websites (such as eBay), insofar as such a restriction would amount to a quality requirement related to internet sales, while distributors would remain free to sell online using other means than auction websites.

More recently, instead, the Federal Cartel Office has investigated *Asics'* and *Adidas'* selective distribution systems, which restricted sales on online marketplaces on their retailers. While Asics has modified its selective distribution system in compliance with the prescriptions of the Federal Cartel Office, Adidas, instead, has challenged the authority's decision before the court.

Antitrust

European Union

Italian Competition Authority investigates alleged abuse in the market for professional legal software

By Gabriele Accardo

On 20 May 2016, the Italian Competition Authority (ICA) launched an [investigation](#) (text only in Italian) against Net Service, holding that the company may have carried out allegedly abusive practices in the market for software applications used to create and manage online legal documents and files on the online civil proceedings platform, in breach of Article 102 of the Treaty on the Functioning of the European Union.

The ICA found that Net Service had been granted the contract (extended in various instances until today) to build, manage and service the infrastructure used to manage online civil proceedings, and as a result, the company gained a dominant position (a monopoly) in such (upstream) market.

Besides being the exclusive service provider of that online platform, Net Service also develops software applications that are used to create and

manage online legal documents and files on the platform for online civil proceedings. In such (downstream) market, Net Service holds a 30-35% market share.

According to the ICA, Net Service has put in place certain allegedly abusive practices on the downstream market against competing developers of software applications, leveraging its dominant position held in the upstream market for the management of the platform, ultimately seeking to foreclose competing software applications providers.

In particular, Net Service did not provide its competitors all the technical information required in a timely and complete fashion to ensure full interoperability between the online platform and the software applications that can run on such platform.

In addition, Net Service had made available a model office (that is a working prototype of the product that shall be used for testing) to competitors different from the one Net Service uses to develop its own software applications.

Finally, Net Service either installed patches without informing competitors about the problems the patches would fix, or did not even inform about the existence of the patches altogether.

As a result of such practices, competing software application developers would only be able to develop a final functioning version of their own applications after Net Service has released its own products. This entails an advantage in terms of marketing of about one year since Net

Services releases its products, whereas in practice, professional users of legal software applications appear to consider Net Services as the most reliable provider of such software applications.

The ICA considers that Net Service has an obligation to share the same technical information on which it relies on to develop its own software applications, so that competitors are able to offer new and reliable products, thus allowing consumers a wider and better choice of products.

Antitrust

European Union

Joint report on competition law and Big Data, and the Facebook investigation

By Gabriele Accardo

On 10 May 2016, French and German Competition Authorities published their [joint report](#) on competition law and Big Data. Separately, the French Competition Authority [announced](#) the launch of a full-blown sector inquiry into data-related markets and strategies.

The joint report provides an overview of how the two authorities would look at relevant competition issues raised by the collection and commercial use of data, in particular the assessment of data as a factor in establishing market power

Interestingly, the authorities make reference to established antitrust principles (e.g. data as a barrier to entry, or use of data in exclusionary or exploitative abuses), and not to new theories to look at such issues. In fact, a number of past cases illustrates how competition authorities have analyzed the “data advantage” in “non-digital” markets, and provides useful guidance on which issues the authorities are likely to focus on in

future cases.

While it is noted that there are several possible “data-based” conducts, whether exclusionary or exploitative, which may lead, depending on the circumstances, to enforcement action, however, the theories of harm underlying the prohibition of such conducts are premised, mainly, on the capacity for a firm to derive and sustain market power from data unmatched by competitors. Yet, before concluding whether a company’s “data advantage” has created or strengthened market power, enforcers should undertake case-specific assessments on whether data is scarce or easily replicable, and whether the scale and scope of data collection matters.

Two considerations are worth singling out.

First, the two authorities recall that refusal to access to data can be anticompetitive if the data is an *essential facility* to the activity of the undertaking asking for access. Based on existing EU case law, compulsory access to essential facilities can be granted only in exceptional circumstances as even a dominant company cannot, in principle, be obliged to promote its competitors’ business. In this context it is further noted that access to company’s data may raise privacy concerns as forced sharing of user data could violate privacy laws if company exchange data without asking for consumer’s consent before sharing their personal information with third companies with whom the consumer has no relationship.

Secondly, with specific regard to privacy

concerns, it is recalled that under EU case law, any issues relating to the sensitivity of personal data are not, as such, a matter for competition law, but may be resolved on the basis of the relevant provisions governing data protection. Still, according to the two authorities, Decisions taken by an undertaking regarding the collection and use of personal data can have parallel implications on economic and competition dimensions. Therefore, privacy policies could be considered from a competition standpoint whenever these policies are liable to affect competition, notably when they are implemented by a dominant undertaking for which data serves as a main input of its products or services. In such instances, there may be a close link between the dominance of the company, its data collection processes and competition on the relevant markets, which could justify the consideration of privacy policies and regulations in competition proceedings.

For instance, looking at excessive trading conditions, especially terms and conditions which are imposed on consumers in order to use a service or product, data privacy regulations might be a useful benchmark to assess an exploitative conduct.

Facebook investigation in Germany

The presence of excessive trading conditions is the underlying theory of harm for the [investigation](#) launched by Germany's Federal Cartel Office (FCO) *Bundeskartellamt* into Facebook to assess whether it has abused its dominant position in the market for social networks through its specific terms of service on the use of user data. In particular, the FCO will

assess whether Facebook's position allows it to impose contractual terms that would otherwise not be accepted by its users.

Andreas Mundt, President of the FCO, stated that dominant companies are subject to special obligations, including the use of adequate terms of service as far as these are relevant to the market. For internet services that are financed by advertisements such as Facebook, user data is very important. For this reason, it is essential to also examine the abuse of market power and whether consumers are sufficiently informed about the type and extent of data collected.

In order to access the social network, users must first agree to the company's collection and use of their data by accepting the terms of service. It is difficult for users to understand and assess the scope of the agreement accepted by them. According to the FCO, there is considerable doubt as to the admissibility of this procedure, in particular under applicable national data protection law. If there is a connection between such an infringement and market dominance, this could also constitute an abusive practice under competition law.

The FCO is conducting the proceeding closely with the competent data protection officers, consumer protection associations as well as the European Commission and the competition authorities of other EU Member States.

Antitrust

European Union

UK's CMA fines fridge suppliers for restricting online discounts

By Gabriele Accardo

On 26 April and 24 May 2016, the Competition and Market Authority (CMA) has fined fridge suppliers [Ultra Finishing Limited](#) (Ultra) and Foster Refrigerator (Foster) a division of [ITW Ltd](#) (full non-confidential decision available [here](#)), in connection with the restrictions imposed on their dealers to offer online discounts, in breach of competition rules. The CMA issued separate statements of objections to [Ultra](#), and [ITW](#), early in 2016.

Each was alleged to have introduced a “minimum advertised price” (MAP) for internet sales, which effectively limited the ability of retailers of their products to make online sales below a specified price level. The CMA alleged that both cases were a form of resale price maintenance (RPM) and infringements of competition law.

In particular, both companies operated a MAP policy and threatened dealers with sanctions including threatening to charge them higher cost prices for their respective products or stopping supply if they advertised below that minimum price.

The CMA found that such MAP policies constituted RPM because, by restricting the price at which goods were advertised online, they prevented dealers from deciding the resale price for those goods.

The CMA found that there is a clear link between the advertised price and the resale price when goods are purchased online.

Antitrust

European Union

Hellenic Competition Commission launched its largest investigation to date

By Nikolaos Theodorakis

On 18 May 2016, the Hellenic Competition Commission (HCC) issued a statement of objections addressed to undertakings active in the construction sector regarding an alleged infringement of Article 1 of the Greek Competition Act (Law 703/1977 as amended by Law 3959/2011) and Article 101 of the Treaty on the Functioning of the European Union. This is the largest investigation HCC has launched in its history.

The *ex officio* investigation pertains to alleged collusion regarding tenders for public works of infrastructure. This includes road construction, rail transport, metro rail and concession projects (public-private partnerships). The statement of objections includes several companies that allegedly participated in illegitimate behavior, including Greek construction giants like Ellaktor, J&P-Avax, Gekterna, Aegek, Technical Olympic, and Intrakat. The investigation includes varying starting points ranging from 1989 to 2016 and examines aspects of bid-rigging for public

construction works.

The statement of objections overall alleges that a group of companies, including *inter alia* Siemens, FCC, and Hochtief, each participated in individual anti-competitive tenders, and for varying time-periods, in the said collusive scheme. It also mentions that other companies participated in the illegal agreements, yet too much time has lapsed so that it can impose fines.

The investigation alleges that the implicated construction companies coordinated their business conduct when bidding for tenders, so as to maximize their profit. In doing so, they allegedly submitted cover bids and agreed amongst them beforehand as to who will be the one to submit the winning bid. They also allegedly fixed the level of bids and suppressed bids in return for monetary compensation. They are also accused for agreeing to execute sub-contracts before submitting their respective bids or alternatively from withdrawing from bidding in return for jointly executing the respective works.

According to the statement of objections, this collusive scheme was implemented through regular meetings of representatives of the implicated competing undertakings and/or the conclusion of compensatory contracts. One of the construction companies, Technical Olympic, assisted in substantiating the infringement by submitting a leniency application. This application came as a result of the dawn raids conducted by the Hellenic Competition Commission back in February 2013. During the raid, HCC confiscated documents, correspondence,

and hard disk drives.

Ultimately, the investigation explores potential competition distortions over a series of years, as well as the damage that the Greek public sector has suffered, as a result. In fact, there are fears that, if allegations prove correct, the European Commission will demand that funds are to be returned to Brussels due to this market distortion since some of these projects had European funding.

Construction companies are currently preparing their line of defense. As a preliminary point, they posit that the Greek legal framework for public tenders endorses, or even requires, cooperation between the bidders. *A contrario*, these practices are anti-competitive pursuant to the competition legal framework. Construction companies claim that they faced this controversial legal framework and that they did not aim to violate the law.

On a related note, right after the HCC launched this case, the Greek government introduced a new bill before the parliament, seeking to decriminalize all cartel infringements. In particular, the proposal suggests discarding criminal liability for companies that pay fines. This would further extend to other types of criminal conduct that go beyond the antitrust offense of bid-rigging, for instance fraud during public tenders.

As the draft stands, only companies that pay fines are absolved of criminal liability. This creates certain lacunas since, taking the current investigation as an example, the lenient applicant Technical Olympic

would still be exposed to criminal liability as it will not be called to pay a fine due to it having blown the whistle.

The Hellenic Competition Commission will convene on 21 July to allow the companies to answer to the allegations. The case files are considered rather voluminous and they comprise approximately 1,000 pages per company. It is noteworthy that the HCC has practically included all the construction companies that were active in the Greek market in its statement, namely more than 60 construction companies, out of which 20 are foreign based.

It is reminded that the statement of objections is not binding to the Hellenic Competition Commission. The Commission will decide upon the case after having considered all the evidence and the arguments that all the implicated parties will put forward.

Intellectual property

United States

We all root for a single conceptual separability test

By Marie-Andrée Weiss

On 2 May 2016, the U.S. Supreme Court agreed to answer this question: “[w]hat is the appropriate test to determine when a feature of a useful article is protectable under § 101 of the Copyright Act”? The answer is likely to impact the U.S. fashion industry, as it may make copyright protection of designs easier or more difficult.

Clothes cannot be protected by copyright in the U.S. because they are uncopyrightable useful works, but some of their features or elements may be protected if they can be identified separately and exist independently of the utilitarian aspect of the garment. However, the circuit courts are using different tests to decide whether a particular feature can be conceptually separated from the useful article and thus protected by copyright.

Now, an ongoing dispute between two cheerleader uniform companies over whether the designs adorning uniforms can be protected by copyright will allow the Supreme Court to unify the conceptual separability test and provide clearer guidelines to designers seeking to protect

at least some features of the clothes they create.

Varsity Brands (Varsity) designs, manufactures and sells cheerleading uniforms. It registered its copyright in five two-dimensional designs featuring various combinations of color blocks and stripes, some forming chevrons. In 2010, competitor Star Athletica (Star) published a catalog of cheerleading uniforms which Varsity believed to be infringing of its designs. Varsity filed a copyright infringement suit in the Western District Court of Tennessee against Star, which moved for summary judgment, claiming that the pictorial, graphical or sculptural elements of Varsity’s designs were not physically or conceptually separable from the utilitarian functions of the cheerleading uniforms.

Indeed, while [§102\(a\)\(5\) of the Copyright Act](#) expressly protects pictorial, graphic and sculptural works, useful articles are not protected by copyright. [§101 of the Copyright Act](#) defines a useful article as “an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information.” However, §101 of the Copyright Act also states that a useful article may be protected if it “incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.”

On 1 March 2014, the Western District Court of Tennessee entered [summary judgment](#) in favor of Star, finding that the aesthetic features of the uniforms had

merged with their functional features and were thus not conceptually separated from the utilitarian uniforms. Varsity appealed to the Sixth Circuit, which [reversed](#) the judgment. Star then filed a [petition for certiorari to the Supreme Court](#), which was granted.

Physical separability

In order to find out whether a particular design which is part of a useful article can nevertheless be protected by copyright, courts determine if the design is separable, whether physically or conceptually, from the utilitarian aspects of the article or sculptural work.

[§ 924.2\(A\) of the Copyright Office Compendium](#) defines physical-separability as meaning “that the useful article contains pictorial, graphic, or sculptural features that can be physically separated from the article by ordinary means while leaving the utilitarian aspects of the article completely intact.” This stems from the 1954 [Mazer v. Stein](#) Supreme Court case, where a statuette which served as a lamp base was held to be copyrightable.

Conceptual separability

However, it is often not possible to physically separate a design from the utilitarian article, and thus courts also use a conceptual separability test. However, there is not just one separability test. Petitioner’s brief to the Supreme Court notes that there are nine conceptual separability tests, and that the Ninth Circuit rejected all of them in our case to create a tenth one.

For instance, the Second Circuit uses the [Kieselstein-Cord](#) test and checks whether the artistic features are “primary” and the utilitarian features “subsidiary.” The Seventh Circuit uses the aesthetic influence test, first applied in [Pivot Point v. Charlene Products, Inc.](#), where conceptual separability exists if the elements at stake “reflect the independent, artistic judgment of the designer.”

Law professors weighted in on the issue as well. For instance, Professor Paul Goldstein proposed a test to find out whether “a pictorial, graphic or sculptural feature incorporated in the design of a useful article is conceptually separable if it can stand on its own as work of art traditionally conceived, and if the useful article in which it is embodied would be equally useful without it.” Professor David Nimmer proposed the marketability test, where “conceptual severability exists when there is any substantial likelihood that even if the article had no utilitarian use, it would still be marketable to some significant segment of the community simply because of its aesthetic qualities.”

Varsity had unsuccessfully argued in front of the federal district court that because it sketches uniform designs independently of functional influences, the designs are conceptually separable from the utilitarian features of the uniforms, and thus protected by copyright under the Seventh Circuit’s aesthetic influence test. Instead, the district court found the Second Circuit [Jovani Fashion Inc. v. Fiesta Fashions](#) case persuasive, where the court had found the designs of prom dresses not protectable by copyright, because the

decorative choices made to create the dresses had merged with their function of covering the body in an attractive way. The Second Circuit noted that the “design elements are used precisely to enhance the functionality of the dress as clothing for a special occasion.” Similarly, the District Court found in *Varsity*, citing *Jovani*, that a cheerleading uniform, just like a prom dress, is “a garment specifically meant to cover the body in an attractive way for a special occasion” and concluded that “a cheerleading uniform loses its utilitarian function as a cheerleading uniform when it lacks all design and is merely a blank canvas.”

The Sixth Circuit conceptual separability test

The Sixth Circuit created a five-part test to find whether a particular design is copyrightable. First, the court must find out whether a design is a pictorial, graphic or sculptural work. Such was the case here. Then the court must find out if the design is the design of a useful article. Such was the case here as well. Thirdly, the court must find out “[w]hat are the utilitarian aspects of the useful article.” The Sixth Circuit found that the function of the designs was to decorate the uniforms, noting that it is “well established” that fabric designs are protected by copyright. The fourth part of the test asks whether the viewer of a design can identify the pictorial, graphic or sculptural features separately from the utilitarian aspects of the useful article. The Sixth Circuit answered affirmatively, noting that “[t]he top and skirt are still easily identified as cheerleading uniforms without any stripes, chevrons,

zigzags or color-blocking.” Finally, the fifth part of the test asks whether the design features exist independently of the utilitarian aspects of the useful article. The Sixth Circuit answered affirmatively, as the designs of the uniform are “wholly unnecessary to the performance of the garment’s ability to cover the body, permit free movement and wick moisture.”

The Sixth Circuit concluded that because the graphic features of *Varsity*’s designs can be identified separately and are capable of existing independently of the utilitarian aspects of the uniforms, they can be protected by copyright. It gave as an example the famous [Mondrian dress](#) created by Yves Saint Laurent, and noted that “the graphic features of *Varsity*’ cheerleading-uniforms designs are more like fabric design than dress design.”

Toward a single conceptual separability test

It is likely that the Supreme Court will coin its own conceptual separability test, which will then have to be used by all the courts. The fashion industry has much at stake in this case, as such a test may help designers to claim copyright protection for clothes and other useful works, such as handbags or shoes, or could make claiming copyright protection even more difficult.

Intellectual property

United States

Re-appropriation, disparagement, and free speech. The Slants, continued

By Marie-Andrée Weiss

We saw in the [last issue of the TTLF newsletter](#) that the Federal Circuit held *en banc* that the disparagement provision of § 2(a) of the Trademark Act, [15 U.S.C. 1052\(a\)](#), which forbids registration of disparaging trademarks, violates the First Amendment.

The case is about the mark THE SLANTS, which Simon Tam is seeking to register in connection for live performances of his dance-rock music group. The United States Patent and Trademark Office (PTO) refused to register it, claiming it was an ethnic slur disparaging to persons of Asian ancestry. The Trademark Trial and Appeal Board (TTAB) affirmed, but the Federal Circuit ruled in favor of Mr. Tam and remanded the case for further proceeding.

Now the PTO has filed a [petition for a writ of certiorari](#) asking the Supreme Court to answer “[w]hether the disparagement provision in 15 U.S.C. 1052(a) is facially invalid under the Free Speech Clause of the First Amendment.”

The Federal Circuit held that §2(a)

“penaliz[es] private speech merely because [the government] disapproves of the message it conveys.” The PTO argues in its petition that §2(a) does not prohibit any speech, but only “directs the PTO not to provide the benefit of federal registration to disparaging marks” (petition p. 8).

Would refusing to register THE SLANTS as a trademark merely deny Mr. Tam the benefits of federal trademark registration, or would his freedom of speech be violated?

PTO argument: Mr. Tam is merely denied the benefits of federal registration

The petition notes that federal registration does not create trademarks, but is merely “*a supplement to common-law protection*” and that a person who first uses a distinct mark in commerce acquires rights to this mark, citing the 1879 [In re Trade-Mark Cases](#) Supreme Court case (petition p. 3 and p. 11). The PTO further argues that “[t]he holder of a trademark may use and enforce his mark without federal registration” (petition p. 3). Mr. Tam would still have federal remedies available to him to protect his mark, even if THE SLANTS is not federally registered. For example, the Anti-Cybersquatting Consumer Protection Act, [15 U.S.C. § 1125\(D\)](#), does not require the mark seeking protection to be registered (petition p. 12).

For the PTO, Section 1052(a) is not unconstitutional, as it does not prohibit speech, nor does it proscribe any conduct or restrict the use of any trademark. Instead, it merely “directs the PTO not to

provide the benefits of federal registration to disparaging marks.” Since a mark can function as a mark without the benefit of federal registration, even if a mark is speech, it does not need the benefit of federal registration to be expressed, and therefore, it is not a violation of the First Amendment to refuse to register it.

The PTO further argues that the purpose of Section 1052(a) is to avoid the federal government “affirmatively promot[ing] the use of racial slurs and other disparaging terms by granting them the benefits of registration” (petition p. 10) and that “Congress legitimately determined that a federal agency should not use government funds to issue certificates in the name of the United States of America conferring statutory benefits for use of racial slurs and other disparaging terms” (p. 15-16).

However, in [*In re Old Glory Condom Corp.*](#) (at FN3), the Trademark Trial and Appeal Board noted that “the issuance of a trademark registration for applicant’s mark [does not amount] to the awarding of the U.S. Government’s “imprimatur” to the mark.”

PTO argument: no violation of free speech, as Mr. Tam can still use his mark to convey his message

The PTO also argues that Section 1052(a) is not an affirmative restriction on speech because the federal law does not prevent Mr. Tam “from promoting his band using any racial slur or image he wishes,” does not limit Mr. Tam’s choice of songs played, or the messages he wishes to convey

(petition p. 12).

The PTO gives [*Sons of Confederate Veterans, Inc.*](#) as an example of a case where the Supreme Court recognized the government’s right to “take into account the content of speech in deciding whether to assist would-be private speakers.” However, this case can be distinguished from our case. The Supreme Court held in *Sons of Confederate Veterans* that a state can refuse to issue a specialty license plate if it carries a symbol which the general public finds offensive, in that case a confederate flag. But the owner of a car can still reap the government benefits of car registration, which is mandatory to operate a motor vehicle, even though his speech has been suppressed by the government as disparaging, while, in our case Mr. Tam cannot reap the benefits provided to the holder of a federally registered mark. The fact that he still has some benefits as the owner of a common law mark is irrelevant.

The petition also gives [*National Endowment for the Arts v. Finley*](#) as an example of a case where the Supreme Court upheld the government’s right to take moral issues into consideration when denying a federal benefit. In this case, a court of appeals had held that [§954\(d\) \(1\) of the National Foundation of the Art and the Humanities Act](#) violated the First Amendment. This federal law requires the Chairperson of the National Endowment for the Arts (NEA) to make sure “that artistic excellence and artistic merit are the criteria by which applications are judged, taking into consideration general standards of decency and respect for the diverse beliefs

and values of the American public.” The Supreme Court found in *Finley* that §954(d) (1) was constitutional.

However, *Finley* can also be distinguished from our case. The Supreme Court noted there that respondents had not “allege[d] discrimination in any particular funding decision” and that, therefore, the Supreme Court could not assess whether a particular refusal for the NEA grant was “the product of invidious viewpoint discrimination.” In our case, we do know that the only reason the PTO refused to register THE SLANTS is because it assessed the mark to be disparaging, and so the Supreme Court could very well find this decision to be an “invidious viewpoint discrimination.” Also, while not receiving a grant from the NEA may make it more difficult for an artist to create art, it does not entirely prevent it, even a particular piece of art which would shock standards of decency.

If a mark is a racial slur, should the intent of applicant for registering the mark matter?

The TTAB affirmed the refusal to register THE SLANTS because it was disparaging to persons of Asian ancestry and because the mark was disparaging to a substantial composite of this group. The PTO noted in its petition that the TTAB had determined “that Section 1052(a) prohibits registration of respondent mark **despite** the fact that respondent’s stated purpose for using the mark is to “reclaim” the slur as a sign or ethnic pride” (emphasis in original text, p. 13 of the petition). The PTO seems to argue that Section 1052(a) views

disparaging content neutrally, without questioning the intent behind the choice of disparaging speech as trademark.

Judge Dyk from the Federal Circuit wrote in his concurring/dissenting opinion that he would have held that Section 1052(a) is facially constitutional because “the statute is designed to preclude the use of government resources not when the government disagrees with a trademark’s message, but rather when its meaning “may be disparaging to a substantial composite of the referenced group,” citing [In re Lebanese Arak Corp.](#)” In this case, the USPTO had refused to register KHORAN as a trademark for alcoholic beverages because it was disparaging to the beliefs of Muslims.

For Judge Dyk, the purpose of Section 1052(a) is “to protect underrepresented groups in our society from being bombarded with demeaning messages in commercial advertising” and Section 1052(a) “is constitutional as applied to purely commercial trademarks, but not as to core political speech, of which Mr. Tam’s mark is one example.” Judge Dyk argued further that, while the First Amendment protects speech which is offensive to some in order to preserve a robust marketplace of ideas, “this principle simply does not apply in the commercial context,” giving as example racial or sexual harassment in the workplace.

But this argument seems to make a difference between registrants: Mr. Tam could register a racial slur to make a point, but could not do so if his purpose for registering the same mark would be to

insult people of Asian descent. This interpretation of Section 1052(a) is troubling, as courts would have to determine if a particular mark is indeed political speech, then decide if it is “good” political speech or “bad” political speech. This is noted by the PTO in a footnote to the petition as being viewpoint discrimination which violates the First Amendment (p. 13).

The PTO argues that if Section 1052(a) is unconstitutional, then the PTO can no longer refuse to register as a trademark “even the most vile racial epithet” (p.10). Mr. Tam does not deny that “slant” is an ethnic slur. Indeed, he choose to name his band “The Slants” because it is a slur, in order to “take on stereotypes” about Asians (petition p. 5). Therefore, the mark may be an ethnic slur, but it is not disparaging. It all depends on the eyes and ears of the beholder. This was also the idea behind the attempted registration of [HEEB](#) or [DIKES ON BIKE](#) as trademarks.

Therefore, the question of who are the members of the group of reference is important. But it should not be.

Is it possible to protect minorities and the First Amendment?

If Mr. Tam would be authorized to register his trademark, it would be a victory for freedom of speech. The Slants would be able to promote further their anti-xenophobic message, and this would benefit the nation as a whole. But what if a person or an entity wishes to trademark a racial slur in order to advocate xenophobia? Owning the trademark could then

serve as a tool to censor speech opposing racism. It would not be the first time that [trademarks are used to suppress speech](#).

One can also argue that allowing disparaging trademark to be registered could confuse consumers about the origin of the product. Some consumers would not understand that a particular term is a racial slur. Others may understand it, but not know that it was meant to be used to fight prejudice. Since the function of a trademark is also to reduce consumer search costs, federal law could create a sign informing consumers that the trademark is used in an ironic way. I propose adding in these cases an [irony punctuation](#) (¿) after®. Is it a good idea?¿

Intellectual property

United States

Recent developments in the Apple-Samsung dispute over iPhone patents

By Nicole Daniel

On [22 March 2016](#), it emerged that the final Apple-Samsung trial is likely to be delayed for more than a year as a reaction to the Supreme Court's [decision](#) granting Samsung's [request](#) to review \$ 399 million in design patent damages resulting from the 2012 jury verdict in the first Apple-Samsung trial.

Following the trial in August 2012 Apple was awarded damages of \$ 1.05 billion as it was held that Samsung's smartphones infringed three design patents and three software patents belonging to Apple. Due to a damages retrial in 2013 the damages were then pared to approximately \$ 930 million, including \$ 399 million for infringement of design patents. In May 2015 the US Court of Appeals for the Federal Circuit affirmed the verdict on design patents but tossed out other damages. This decision therefore necessitated a second damages retrial which was originally scheduled to start on 28 March 2016.

In December 2015, Samsung asked the

Supreme Court to review the case arguing that it was inappropriate to award to a patent-holder the infringer's entire profits from the sale of an item that is highly complex. That way design patents are rewarded far beyond the value of the inventive contribution.

The Supreme Court granted Samsung's request but limited its inquiry to a single issue, namely whether the award of the infringer's profits should be limited to the infringed components only in a case where the design patent applied only to a component of a product and not to the whole product.

It remains to be seen how the Supreme Court will decide on this important issue.

Intellectual property

United States

Microsoft and Google make up

By Nicole Daniel

On 22 April 2016, Microsoft and Google announced that following their patent settlement, they have decided to end their long-running feud.

Microsoft's spokesperson said that Microsoft will withdraw its regulatory complaints against Google. This step reflects its changing legal priorities. Google's spokesperson said that the two companies came to an understanding that they wanted to compete on the merits of their products as opposed to legal proceedings.

In fall 2015, the two companies have since entered into a settlement agreement thereby dropping a number of patent lawsuits in the US and Germany.

Complaints to be dropped by Microsoft include a complaint filed in 2011 at the European Commission and complaints filed in Latin America.

This announcement is a further sign that the so-called worldwide smartphone wars are indeed winding down.

Intellectual property

European Union

EU trademark law reform enters into force

By Martin Miernicki

The adoption of [Regulation \(EU\) 2015/2424](#) in December 2015 concluded a comprehensive reform process regarding trademark protection in the European Union. Most importantly, the regulation extensively amends [Council Regulation \(EC\) No 207/2009](#) on the Community trade mark. On 23 March, important parts of the reform entered into force.¹ At the same time, [Directive \(EU\) 2015/2436](#) was adopted, which establishes a new framework for the harmonization of national trademark laws.

Important changes to Council Regulation (EC) No 207/2009

Terminology: Throughout the entire regulation, the term (European) Community is replaced by (European) Union so that, most prominently, the trademarks granted under Regulation No 207/2009 are called “European Union trade marks” (EU trade marks) from now on. Moreover, the Office for Harmonisation in the Internal Market is renamed to European Union Intellectual Property Office – Article 2 [hereinafter: EUIPO]. Further terminological adaptations were

made in addition.

Subject matter of trademark protection (effective as of 2017): It is no longer a requirement that EU trade marks be capable of being represented graphically. Instead, prospective trademarks must be capable of i) distinguishing goods and services of one undertaking from another; ii) “being represented on the Register of European Union trade marks [...] in a manner which enables the competent authorities and the public to determine the clear and precise subject matter of the protection afforded to its proprietor.” – Article 4. The second criterion was newly introduced by the reform. Furthermore, sounds and colors are now explicitly mentioned in Article 4.

Application & registration procedure: All applications must be filed with the EUIPO; it is not possible anymore to file such applications with national offices – Article 25(1); the fee structure is changed to a “one-class-per-fee-system”, meaning that fees are payable for single classes of goods and services rather than for multiple classes – Article 26(2). The [EUIPO](#) highlights that the fee for one single class will be lower, the same for two classes and higher for more than two classes than prior to the reform.² Moreover, renewal fees are reduced. Furthermore, trademark applications must be made in accordance with the [Nice Classification](#) established by the [Nice Agreement](#) as well as the standards of clarity and precisions – Article 28. As regards the registration procedure, the search report is no longer mandatory – Article 38.

¹ A number of rules will enter into force in October 2017.

² The applicable fees are listed in Annex I of the regulation.

Exclusive rights: The existence of rights acquired prior to the filing date is expressly acknowledged – Article 9(1). Furthermore, EU trade marks confer – in cases where goods from third countries bear identical or not distinguishable signs – the right to prevent third parties from bringing such goods into the Union, even if they are not intended to be released to the European market, unless it is proved that the exclusive rights would not be enforceable in the country of final destination – Art 9(4) (goods in transit).

Limitations to exclusive rights: Amongst other changes, it is specified that (only) a *natural person* cannot be enjoined from using his or her name in the course of trade on the basis of an EU trade mark – Article 12.

Certification marks (effective as of 2017): A new chapter – Articles 74a-74k – is introduced which provides for a new type of EU trade mark, the EU Certification mark. Such trademarks are capable of distinguishing goods and services which are certified by the owner in respect of material, mode of manufacture etc. from goods and services where this is not the case.

Numerous **further amendments** were made and include changes to the absolute and negative grounds for refusal (Article 7, 8), the new intervening right which provides for a defense in infringement proceedings (Article 13a) and many administrative and procedural adaptations.

Impact of the reform

The reform modernizes the trademark framework and adapts it in many respects to what had been common practice or established case law. However, novelties introduced by [Regulation \(EU\) 2015/2424](#) such as the intervening right or the rules regarding goods in transit should be kept in mind. The terminological changes lack substantive content, but underline the development from the European Communities to the European Union as a consequence of the [Treaty of Lisbon](#). As regards the harmonization of national trademark law, one will be able to assess the broader impact of [Directive \(EU\) 2015/2436](#) on the respective national statutes once transposition is completed, a task for which member states are given several years. The [previous directive](#) is repealed as of January 2019.

Intellectual property

European Union

Another opinion on hyperlinks: No copyright infringement, according to Advocate General

By Martin Miernicki

On 7 April 2016, Advocate General (AG) *Wathelet* delivered his opinion on the questions referred to the ECJ in *GS Media vs. Sanoma Media Netherlands* ([C-160/15](#)). The case centers the concept of communication to the public contained in Article 3(1) of the [Copyright Directive](#).

Legal Background

Starting with its decision in *SGAE v. Rafael Hoteles* ([C-306/05](#)), the ECJ has developed an impressive body of case law regarding the communication of protected content to the public. A special subset of cases within this field concerns the question whether the setting of a hyperlink to copyrighted material infringes the exclusive rights of the copyright holder. Relevant case law includes *C More Entertainment v. Linus Sandberg* ([C-279/13](#)), *BestWater International v. Michael*

Mebes ([C-348/13](#))³ and *Nils Svensson v. Retriever Sverige* ([C-466/12](#))⁴. In the latter case, the court ruled that the setting of a hyperlink to works which are freely accessible online does not infringe copyright law, unless the link addresses a “new public”, i.e. a public that was not taken into account by the right holders when they authorized the initial upload (paras 24-27).

The questions referred

The case involves a website containing links which direct users to pictures originally made for the *Playboy* magazine which were illegally uploaded to a website operated by a third party. In this context, the referring court asked the ECJ to give its opinion on the following questions (paraphrased form):

Is there a communication to the public, if a hyperlink is placed on a website which directs users to a protected work uploaded – without the right holder’s consent – to a third party website which is accessible to the general public?

Is it relevant whether the person who sets the link is or ought to be aware of the illegal nature of the upload of the protected work or whether the hyperlink has facilitated access to this work?

The AG’s opinion

In addressing the question, the AG takes a different approach as compared to the ECJ in *Svensson*. While the court in that case

³ Only available in German or French.

⁴ For more details on these cases see [Transatlantic Antitrust and IPR Developments](#) Issues No. 2/2015, No. 6/2014 and No. 1/2014

ruled that hyperlinking constitutes an act of communication to the public (*Svensson*, C-466/12 para 20), AG *Wathelet* argues that no such act has occurred in the first place, because hyperlinks are not *indispensable* to access the works in question; the fact that the person setting the link is aware of the illegality of the upload is irrelevant for this appraisal (para 51-63). Consequently, there is no copyright infringement. Additionally, the AG also considers the second cumulative criterion of the concept of communication to the public, namely the “public” element. In this respect, he concludes that the notion of “new public” is not applicable, since the copyright holder had not authorized the upload of the material to the third party website and that the mere facilitation of the access to protected content is not enough to trigger copyright infringement (paras 67-74). As an effective remedy for right holders, the AG refers to injunctions against online intermediaries (paras 80-87).

What can be expected?

It is apparent that the AG wishes to trigger a departure from the ECJ's ruling in *Svensson* (cf. para 44). This can be explained by the concerns raised in his opinion that hyperlinks are of fundamental importance for the internet architecture and that a restrictive approach could impair its functioning (paras 77-79). Whether the ECJ accepts these arguments will depend on the question, if the court considers the protection of right holders to be sufficiently safeguarded, even if acts like those in the case at hand are deemed not to infringe copyright. This might be problematic especially in cases where the person

providing hyperlinks is well aware of the initial infringement and seeks as his or her primary aim to generate profit from this activity.

In this connection, it should not be forgotten that posting links which help circumvent protection measures necessarily constitutes copyright infringement; this is also highlighted by AG *Wathelet* (para 73).

Intellectual property

European Union

Read this before going on holidays in the EU: a panorama of freedom of panorama

By Marie-Andrée Weiss

Article 5.3(h) of the [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 (the “InfoSoc Directive”) gives Member States of the European Union (EU) the choice to provide or not exceptions or limitations to the reproduction and communication rights for “use of works, such as works of architecture or sculpture, made to be located permanently in public places.”

[Not every Member State has chosen to implement this exception](#) in their legal framework. While, Germany and the United Kingdom recognize it, Finland and Norway recognize it only for buildings, and Iceland recognizes it only for non-commercial use. Sweden, Greece, Italy, Belgium and France do not recognize freedom of panorama at all. The issue of whether this exception should be implemented by every Member State is currently debated in the European Union, by the Commission and

the Parliament, and by several of its Member States.

Harmonization of freedom of panorama in the EU

Julia Reda, Member of the European Parliament from the Pirate Party, presented in January 2015 a draft report on the current copyright framework for the European Parliament. It [recommended](#) “adding an exception for full panorama freedom across Europe in order to “[i]mprove legal certainty of everyday activities.” Ms. Reda’s report was amended during the debates. While she had proposed an unfettered freedom of panorama across the EU, the legal affairs committee voted to adopt [amendment 421](#) restricting it to non-commercial use of photographs, video footage or other images of works permanently located in physical public places. However, this amendment was stricken down by the (non-binding) [resolution](#) adopted by the Parliament on 9 July 2015.

The EU Commission is currently seeking to [harmonize copyright in the EU](#), as part of its ‘[Digital Single Market](#)’ project, first unveiled in May 2015. On 23 March 2016, the European Commission launched a [public consultation](#) on neighboring rights and panorama exception in EU copyright, which seeks “views as to whether the current legislative framework on the “panorama exception” gives rise to specific problems in the context of the Digital Single Market.”

In the mean time, in the Member States...

Meanwhile, some Member States are addressing the issue in their own legal framework. On 4 April 2016, the Swedish Supreme Court [ruled](#) (English translation [here](#)) against *Wikimedia Sverige*, an independent nonprofit organization that supports the Wikimedia movement and hosts the [Offentligkonst.se](#) database, which features maps, descriptions and pictures of works of art in public places and is available to the public free of charge. A Swedish association representing artists in copyright matters, *Bildkonst Upphovsrätt i Sverige*, filed a copyright infringement suit against *Wikimedia Sverige*, claiming that the database could not reproduce the works without permission of the copyright holders, and won. Michelle Paulson, Wikimedia's legal director, [wrote](#) in a blog post that "this ruling undermines the fundamental purpose of the freedom of panorama: the right for people to capture and share, online or otherwise, the beauty and art of their public spaces."

In France, legislators are currently debating a comprehensive bill, [Economie: pour une République numérique](#) (*Economy: for a digital Republic*), which was presented by Axelle Lemaire, a junior minister of the French government in charge of digital issues (in France, the government can propose bills to be voted on by the legislators). The bill addresses many issues raised by the new digital economy, from Internet neutrality to online privacy and online piracy. One of the issues debated, hotly debated as a matter of fact, is whether it is judicious to add

freedom of panorama to the list of exceptions to copyright infringement enumerated by [Article L 122-5](#) of the French Intellectual Property Code.

Ms. Lemaire did not want freedom of panorama to be addressed by the bill, and had not included it in the bill, because she wanted the issue to be addressed at the EU level. However, during the debate, Representative Lionel Tardy introduced an amendment to create a freedom of panorama exception for all, even if the use of the reproduction is commercial, noting during the [debates](#) that "it is very difficult to determine where commercial use begins." Mr. Tardy gave as example "the case of an individual who disseminates his holiday pictures on his blog: the mere fact that his blog features some advertising is sufficient to be considered commercial use of these photos."

This argument had been made by Julia Reda as well, who had [noted](#) on her blog that without a broad exception, social media users cannot upload pictures of works in a public space protected by copyright on Facebook, as they agreed to the site's terms of service giving permission to Facebook to use their uploaded pictures commercially.

The Representatives voted in favor Mr. Tardy's amendment and the [text of the bill](#) that they forwarded to the Senate included an exception to copyright infringement for "representations and reproductions of sculptures and architectural works placed permanently placed in public places, which are taken by individuals for non-profit purposes." The exception is written in such

a way that there must be four cumulative conditions for the exception to take place: it is still unlawful to take a picture of a work which is not a sculpture or an architectural work, or which is only temporally placed in public place (One day? One year?), or if the picture is taken by an individual who may receive some revenue, however meager, from advertising on her blog. [The Senate](#) somewhat broadened the scope of the exception by adding non-profit-organizations as entities allowed to take advantage of the freedom of panorama exception. The debates are ongoing.

Belgium is also [currently](#) debating a [bill](#) recognizing freedom of panorama, which, if enacted, would be broader than the French bill as it would also include all works in the public space, not only sculptural and architectural works.

Public v. copyright holders?

The freedom of panorama debate seems to pit the general public against the copyright holders. Mr. Tardy argued that “the artists involved, the architects for instance, have other sources of income, much more consistent than they could from these photographic reproductions.” But several organizations representing French copyright owners have [published](#) a common position against freedom of panorama, claiming that the exception must remain strictly limited to individuals, and for non-profit use only. In the U.S., there is no *per se* freedom of panorama exception, but it would be generally covered (or not) by fair use and its four factors.

Maybe the EU Commission could take inspiration from [Section 107 of the Copyright Act](#) and propose a set of factors to analyze whether a particular use of the public panorama is legal or not, including the effect of the use upon the potential market and value of the copyrighted work, without even having to consider who has the right to take these pictures. It can be argued that, in most cases, the effect would be nil.

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