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Intellectual Property Rights Enforcement and the Internet:
International and European Perspectives

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INTELLECTUAL PROPERTY RIGHTS ENFORCEMENT AND THE INTERNET

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INTRODUCTION

The aim of the dissertation is to analyze the perspectives taken at the international, European and national level regarding the enforcement of intellectual property rights on the Internet. The dissertation will then stress the differences among the analyzed systems and offer a solution to resolve their weaknesses.

The starting point of the analysis is the WIPO Copyright Treaty of 1996, in Chapter 1. The Chapter will address the foundation laid at international level for the protection of digital IP rights. On the one hand, it will be addressed the transposition of some of the Berne Convention Articles into the digital environment; on the other, it will be pointed out at new rights and specific kinds of protection awarded by certain new technologies, such as software and databases.

Chapter 2 will instead focus on the treatment of *sui generis* IP rights, namely domain names. In particular, it will be addressed the role of a private corporation (ICANN) in the administration of domain names. The Chapter will then turn to the role of WIPO and national governments in the administration of domain names. Moreover, the Chapter will analyze the uniform procedure adopted by ICANN and carried out by different service providers, among which the WIPO Arbitration and Mediation Center, to resolve disputes concerning domain names. The system represents in fact a uniform and balanced solution for the enforcement of IP rights in the digital era.

The European reaction to the digitization of intellectual property rights will be addressed in Chapter 3. The Chapter will analyze the implementation of the WIPO Copyright Treaty as carried out at European level and other EU Directives that contributed to build the framework in which Member States implemented their national systems, namely the InfoSoc Directive, the Enforcement Directive, the Software Directive, and the Database Directive. The role of the Court of Justice of the European

Union in shaping the contours of the European legislation will be explored, especially with regard to the compliance of certain national enforcement measures with EU law.

The last Chapter will analyze the results of Member States' action in implementing the EU Directives, with particular attention to the systems adopted to enforce digital copyright in the Internet era. The examples taken will be the French example (the Law HADOPI) and the Italian one (the AGCOM Regulation). After stressing the differences between the two systems, the analysis will find that none of them can be said to be a good model to follow. More generally, it will be found that national solutions to the problem have proven to be unsatisfactory. For this reason, Chapter 4 will address two recent trends that aim at building better enforcement systems. The first trend is the switch from a top-down approach to a bottom-up approach through a stronger participation of ISPs in the fight against piracy. The second trend is the search for a new international solution, manifested by the Anti-Counterfeiting Trade Agreement (ACTA) and recent initiatives by the European Commission.

Lastly, the positive aspects from the analyzed systems will be put together in a single system, in the attempt to offer a better solution to the enforcement of IP rights in the digital environment. The author advocates a concerted international solution that could build the basis of a new and effective intellectual property rights enforcement system.

Chapter 1

**The WIPO Copyright Treaty:
Towards the International Harmonization of
Digital Intellectual Property Rights**

1.1. International Organizations Administering IP rights: An Overview.

Intellectual property and the rights attached thereof have an intangible nature. Although they may be protected by national legislation, their intangibility made their infringement possible in other countries, whose laws may choose not to protect them. Over time, countries seeking a strong protection of intellectual property rights recognized that the only suitable remedy is the international harmonization, which include standardization of national laws and enforcement procedures.¹ The fora aimed at such harmonization have been identified with international organizations, such as the World Intellectual Property Organization (WIPO) and the World Trade Organization (WTO), and regional organizations, such as the European Union (EU). To date, the WIPO is the organization administering the most part of treaties relating to intellectual property, and it is also the preferred forum for the negotiations of new treaties.² The WIPO is a specialized United Nations (UN) agency formally created in 1970 with the Convention establishing the World Intellectual Property Organization.³ It inherited its mandate⁴ from the *Bureaux Internationaux Réunis pour la Protection de la Propriété Intellectuelle* (BIRPI), which was created to administer the Berne, Paris and Rome Conventions.⁵ These three conventions constituted the very first efforts towards the internationalization of intellectual property rights protection, and were, in part, reinstated and updated by the TRIPs Agreement (Agreement on Trade-Related Aspects of

¹ Elaine B. Gin, *International Copyright Law: Beyond the WIPO & TRIPS Debate*, 86 J. Pat. & Trademark Off. Soc’y 763, 764 (2004).

² *Id.*

³ The Convention establishing the World Intellectual Property Organization was signed at Stockholm, Sweden, on 14 July 1967 and entered into force on 26 April 1970.

⁴ Convention Establishing the World Intellectual Property Organization, Article 3: “The objectives of the Organization are: (i) to promote the protection of intellectual property throughout the world through cooperation among States and, where appropriate, in collaboration with any other international organization, (ii) to ensure administrative cooperation among the Unions.”

⁵ Berne Convention for the Protection of Literary and Artistic Works of 1886, Paris Convention for the Protection of Industrial Property of 1883, and Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations of 1961.

Intellectual Property Rights) negotiated and executed in 1994.⁶

1.1.1. The WTO and the TRIPs Agreement

The TRIPs Agreement was adopted within the General Agreement on Tariffs and Trade (GATT) and WTO negotiations, unlike the aforementioned Conventions, which were instead administered by an international organization specialized in intellectual property (the WIPO). During the Uruguay Round, countries were divided on the question of whether or not the GATT (then WTO) was the more appropriate organization for an agreement on the protection of intellectual property rights.⁷ In particular, developing countries shared the view that it was for the WIPO and not for the GATT to determine the substantive standards of intellectual property protection.⁸ However, a compromise was reached so that the TRIPs negotiations were limited to trade-related aspects of intellectual property.⁹ Undoubtedly, with the adoption of the TRIPs Agreement, the role of the WTO in the global governance of intellectual property reached its peak.¹⁰ Notwithstanding that two different international organizations were trying to regulate globally the protection of intellectual property rights, the action of the one did not impair the other, and the resulting system was reasonably homogeneous.¹¹ On the one hand, many substantive norms on copyright and related rights contained in the TRIPs correspond to the level of protection previously established by the Berne, Paris and Rome Conventions.¹² On the other hand, the TRIPs contained

⁶ The TRIPs Agreement is the Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization, signed in Marrakesh, Morocco on 15 April 1994. To date, it counts 160 Contracting Parties, including the European Union.

⁷ JÖRG REINBOTHE & SILKE VON LEWINSKI, *THE WIPO TREATIES 1996: THE WIPO COPYRIGHT TREATY AND THE WIPO PERFORMANCES AND PHONOGRAMS TREATY, COMMENTARY AND LEGAL ANALYSIS 2* (2002).

⁸ *Id.*

⁹ *Id.*

¹⁰ CHRISTOPHER MAY, *THE WORLD INTELLECTUAL PROPERTY ORGANIZATION, RESURGENCE AND DEVELOPMENT AGENDA 66* (2007).

¹¹ Gin, *supra* note 1, at 786.

¹² TRIPs Agreement, Article 9 provides that “Members shall comply with Articles 1 through 21 of the Berne Convention (1971) and the Appendix thereto.”

additional clarifications on how the existing norms should be applied in respect of computer programs and databases.¹³ Furthermore, significant improvements were made with the recognition of rental rights (for certain categories of works such as computer programs, audiovisual works and for phonograms), and the extension of the minimum term of protection for the rights of performers and producers of phonograms (from 20 years, as provided in the Rome Convention, to 50 years).¹⁴ Most importantly, the TRIPs provided for a system of enforcement of intellectual property rights and extended to them the applicability of the WTO dispute settlement system.¹⁵ The TRIPs Agreement has been recognized as the symbol of the marriage between WTO and WIPO, as it integrates much of WIPO's substantive law (Berne Convention) into the WTO's trade regime.¹⁶ From the Western perspective, especially the one adopted by the United States, the integration of intellectual property protection into a trade-based sanction regime was intended to create a symbiotic institutional relationship between the WTO and the WIPO.¹⁷

1.1.2. The WIPO and the Internet Treaties

Notwithstanding the prominent role of the WTO in the TRIPs global governance of intellectual property rights, a core group of countries moved back to the WIPO to negotiate further intellectual property rights related treaties.¹⁸ The reasons were at least two: first, WIPO itself was promoting a campaign to re-acquire the power of global intellectual property policy making; second, various countries' governments were in need of a forum

¹³ WIPO Publication No. 891(E), *Guide to the Copyright and Related Rights Treaties Administered by WIPO and Glossary of Copyright and Related Rights Terms* 11 para. 27 (2003), available at

http://www.wipo.int/edocs/pubdocs/en/copyright/891/wipo_pub_891.pdf.

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ Susan A. Mort, *The WTO, WIPO & the Internet: Confounding the Borders of Copyright and Neighboring Rights*, 8 *Fordham Intell. Prop. Media & Ent. L.J.* 173, 177-78 (1997).

¹⁷ *Id.* at 181.

¹⁸ MAY, *supra* note 10, at 67.

where their interests could be better promoted.¹⁹ Developing countries agreed with developed countries on this point, as they expressed concerns that the TRIPs Agreement raised the price to obtain drugs and education materials, and blocked the transfer of technologies needed for their development.²⁰ Although the WIPO recognized the value of the TRIPs, it argued that the Agreement had only set a basic global standard, on which WIPO intended to build up further improvements and advancements.²¹

The digital (r)evolution brought an extensive change in the weight that each player had in the copyright arena. In the classic copyright history, authors and users used to occupy distinct spaces; in the digital era, instead, Internet access created symmetry between the two groups.²² On this line, and aware of the development of digital technologies,²³ the WIPO convened in 1989 a committee of experts as part of the periodic revision process for the Berne Convention.²⁴ The process culminated in a Diplomatic Conference in 1996 where the two so called “WIPO Internet Treaties” were

¹⁹ *Id.*

²⁰ RAMI M. OLWAN, *INTELLECTUAL PROPERTY AND DEVELOPMENT: THEORY AND PRACTICE* 88-89 (2013).

²¹ MAY, *supra* note 10, at 67.

²² Ruth L. Okediji, *The Regulation of Creativity Under the WIPO Internet Treaties*, 77 *Fordham L. Rev.* 2379, 2383-84 (2009).

²³ WIPO Copyright Treaty, Preamble: “The Contracting Parties, . . . [r]ecognizing the need to introduce new international rules and clarify the interpretation of certain existing rules in order to provide adequate solutions to the questions raised by new economic, social, cultural and technological developments, Recognizing the profound impact of the development and convergence of information and communication technologies on the creation and use of literary and artistic works, . . .”.

²⁴ On the periodic revision process, *see* SILKE VON LEWINSKY, *INTERNATIONAL COPYRIGHT LAW AND POLICY*, 428-32 (2008). The Berne Convention of 1886 was revised about every twenty years up to 1971. In 1971, the WIPO decided to start a “guided development” rather than a revision conference, in order to discuss and promote new standards of protection for the new kinds of works. During this period, many recommendations were issued by the WIPO together with the UNESCO. The strategy of “guided development” was however insufficient especially for industrialized countries whose right owners suffered from the weaknesses of the existing conventions. For this reason, the new approach of a “protocol” was adopted. After the TRIPs was adopted in 1994, however, the awareness and the importance of a specific regulation of IP rights on the digital world was compelling, and WIPO realized that a protocol would not have sufficed to deal with these issues. For this reason, in February 1996, the Committees of Experts opened a Diplomatic Conference to be held from 2 to 20 December 1996.

adopted: the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT).

Both the WIPO Internet Treaties negotiations and their final texts were characterized by the element of balance.²⁵ First of all, word “balance” is substantially present in the text of the WIPO Copyright Treaty,²⁶ and particularly in its Preamble, which aims to a “balance between the rights of authors and the larger public interest, particularly education, research, and access to information.”²⁷ At the same time, the balancing element characterized the whole negotiation of the Internet Treaties. At the Diplomatic Conference, in fact, two groups were many times in conflict: the so called “copyright purists,” who supported the extension of the traditional copyright principles (contained in the Berne, Rome and Paris Conventions) to digital technologies; and the “copyright innovators,” believing that the existing principles could protect digital and electronic works only if they were loosely applied or modified.²⁸ Ultimately, none of the two views prevailed over the other, and both of them somehow influenced the provisions of the Internet treaties. The content of the Treaties testifies such influence: first, it incorporates the basic standards defined by the Berne Convention; second, it adds certain provisions that the TRIPs Agreement did not previously include (at, least, explicitly), in the WIPO treaties (such as the protection of computer programs and original databases); third, it updates certain rights not necessarily linked with digital technologies (for instance, the generalized right of communication to the public); and finally,

²⁵ Graeme Dinwoodie, *The WIPO Copyright Treaty: A Transition to the Future of International Copyright Lawmaking?*, 57 Case W. Res. L. Rev. 751, 754 (2007).

²⁶ *Id.*

²⁷ WIPO Copyright Treaty, Preamble: “The Contracting Parties, . . . [r]ecognizing the need to maintain a balance between the rights of authors and the larger public interest, particularly education, research and access to information, as reflected in the Berne Convention . . .”.

²⁸ Mort, *supra* note 16, at 187.

it contains provisions specifically addressing the impact of digital technologies.²⁹

The WIPO Copyright Treaty does not only constitute a good example of balance, but also it is an example of international integrated lawmaking process.³⁰ This can be asserted mainly for four reasons. First of all, from the perspective of the Berne Union, the negotiation of the WCT was the largest diplomatic conference ever held on copyright issues, with representatives from 127 countries attending.³¹ Needless to say, only some countries played a leading role in the negotiations. In particular, the United States, the country that most influenced the development of the Internet, was identified as the “driver” of the Treaty.³² Second, the process of consolidating the national proposals was expeditious and fast, due to the pressure of some countries (again, the United States), that wanted to push for the adoption of an international treaty in order to overcome the resistance being encountered domestically to proposals pending in the Congress.³³ Third, seventy-six NGOs attended the Diplomatic Conference as observers, which is an enormous number if compared with the number of NGOs admitted in the Stockholm revision of the Berne Convention (only twenty-six).³⁴ Lastly, the lawmaking process saw an assimilation of national and international actors: not only international NGOs were accredited, but also purely national groups, which were usually closely involved in domestic lawmaking.³⁵

²⁹ WIPO Publication No. 856, *Intellectual Property on the Internet: A Survey of Issues* 27 para. 47 (2002), available at http://www.wipo.int/edocs/pubdocs/en/intproperty/856/wipo_pub_856.pdf.

³⁰ Dinwoodie, *supra* note 25, at 653.

³¹ SAM RICKETSON & JANE C. GINSBURG, *INTERNATIONAL COPYRIGHT AND NEIGHBOURING RIGHTS: THE BERNE CONVENTION AND BEYOND* 149 (2006).

³² Mihály Ficsor, *The WIPO Internet Treaties: The United States as the Driver, The United States as the Main Source of Obstruction - As seen by an Anti-Revolutionary Central European*, 6 J. Marshall Rev. Intell. Prop. L. 17, 20 (2006).

³³ Dinwoodie *supra* note 25, at 759.

³⁴ *Id.* at 761.

³⁵ *Id.* at 762.

1.2. The WIPO Copyright Treaty and Its Predecessors

1.2.1. Relation to the Berne Convention

As set forth by Article 1 of the WCT,³⁶ the WIPO Copyright Treaty takes the nature of “a special agreement within the meaning of Article 20 of the Berne Convention,”³⁷ and it therefore consists of a treaty that grants authors more extensive rights than those granted by the Berne Convention. The status of special agreement may play an impact on the interpretation of the WCT, especially in case of conflict with Article 20 of the Berne Convention.³⁸ In case a special agreement aims to contain provisions resulting in less extensive rights or in some other way contrary to the Berne Convention, the members will be obligated not to make such agreement, in order to avoid a breach of Article 20.³⁹ The same principle is expressed by Article 1(4), which provides for a safeguard provision in guaranteeing that, in case of conflict between the WCT and the Berne Convention, the Convention would prevail.⁴⁰ However, such a conflict had never occurred for the WIPO Internet Treaties.⁴¹

The provision contained in Article 1(4), although short, sets out a wide number of obligations for the Contracting Parties, and it does so by mainly recalling Articles of the Berne Convention (in particular, Articles 1 to 21 and the Appendix of the Berne Convention).⁴² As clarified by the agreed statement on Article 1(4), Articles 1 to 21 of the Berne Convention

³⁶ WIPO Copyright Treaty, Article 1(1): “This Treaty is a special agreement within the meaning of Article 20 of the Berne Convention for the Protection of Literary and Artistic Works, as regards Contracting Parties that are countries of the Union established by that Convention. This Treaty shall not have any connection with treaties other than the Berne Convention, nor shall it prejudice any rights and obligations under any other treaties.”

³⁷ Berne Convention, Article 20 “The Governments of the countries of the Union reserve the right to enter into special agreements among themselves, in so far as such agreements grant to authors more extensive rights than those granted by the Convention, or contain other provisions not contrary to this Convention. The provisions of existing agreements which satisfy these conditions shall remain applicable”.

³⁸ REINBOTHE & VON LEWINSKI, *supra* note 7, at 30.

³⁹ MIHÁLY FICSOR, THE LAW OF COPYRIGHT AND INTERNET: THE 1996 WIPO INTERNET TREATIES 423 (2002).

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² WIPO Copyright Treaty, Article 1(4): “Contracting Parties shall comply with Articles 1 to 21 and the Appendix of the Berne Convention.”

are fully applicable in the digital environment.⁴³ The effect of Article 1(4) constitutes, among others, an extension of the Berne Convention to the all WCT Parties, including the ones that were not originally Parties of the Berne Convention.⁴⁴ Moreover, the choice of incorporation by reference of the Articles 1 to 21 of the Convention, preferred over the mere reproduction of their text, allowed the inheritance of the “drafting history” of the Convention.⁴⁵ The WCT should therefore be interpreted in the same way as the Berne Convention was in its original context.⁴⁶ This means that the diplomatic conferences adopting and revising the Berne Convention can be used as “supplementary means of interpretation” pursuant to Article 32 of the Vienna Convention on the Law of Treaties.⁴⁷

The presence of the Berne Convention in the WCT is dense, unquestionable and so extensive that many authors argued that a new treaty was not needed to deal with the issue of Internet copyright, rather a revision of the Berne Convention was preferable.⁴⁸ However, at least two reasons sustained the adoption of a new treaty rather than a revision of the Convention. First of all, a revision would have required unanimity of votes cast, a procedural issue that could have lead to a failure or, at least, to a very slowed process. Secondly, there was a will to open the forum for negotiations to all WIPO member countries, and not only to the countries

⁴³ WIPO Copyright Treaty, Agreed statement concerning Article 1(4): “The reproduction right, as set out in Article 9 of the Berne Convention, and the exceptions permitted thereunder, fully apply in the digital environment, in particular to the use of works in digital form. It is understood that the storage of a protected work in digital form in an electronic medium constitutes a reproduction within the meaning of Article 9 of the Berne Convention.”

⁴⁴ FICSOR, *supra* note 39, at 423.

⁴⁵ *Id.* at 428.

⁴⁶ WIPO Publication No. 891(E), *supra* note 13, at 191 para. 4 CT-1.10.

⁴⁷ Vienna Convention on the Law of Treaties, Article 32: “Recourse may be had to supplementary means of interpretation, including the preparatory work of the treaty and the circumstances of its conclusion, in order to confirm the meaning resulting from the application of Article 31, or to determine the meaning when the interpretation according to Article 31: (a) leaves the meaning ambiguous or obscure; or (b) leads to a result which is manifestly absurd or unreasonable.”

⁴⁸ FICSOR, *supra* note 39, at 427.

party to the Convention.⁴⁹

1.2.2. Relation to the TRIPs Agreement

According to Professor Dinwoodie, whereas the TRIPs Agreement constituted an era-defining event, the WIPO Copyright Treaty represented a “watershed moment” in international copyright law.⁵⁰ As mentioned above,⁵¹ the TRIPs recalled the standards already set by the Berne Convention by incorporation of Articles 1-21,⁵² and it also contained provisions unknown to the system set up by the Berne, Paris and Rome Conventions. In particular, the TRIPs established a rental right through Articles 11 and 14(4), and integrated the provisions on exceptions and limitations of the Conventions adding a three-step test.⁵³ Undoubtedly, the provisions of the TRIPs Agreement constituted a basis for the respective provisions in the WCT.⁵⁴ The TRIPs Agreement influence in the WCT is particularly evident in Articles 2 (scope), 4 (computer programs), 5 (databases), and 13 (exceptions and limitations), analyzed below. Although the TRIPs influence is noticeable, the WIPO Internet Treaties certainly expanded the international legal environment for copyright beyond the TRIPs *minima*.⁵⁵ As it is further discussed in this Chapter, an effective national implementation of the Internet Treaties would improve efforts to raise minimum standards of copyright protection around the world, *vis-à-vis* network-based delivery of copyrighted materials.⁵⁶

⁴⁹ *Id.* at 428.

⁵⁰ Dinwoodie, *supra* note 25, at 752.

⁵¹ *Supra* para. 1.2.1.1.

⁵² TRIPs Agreement Article 9(1).

⁵³ The three-step test was already *de facto* applied in the Berne system. The TRIPs codified the test in Article 13: “Members shall confine limitations or exceptions to exclusive rights to [1] certain special cases which [2] do not conflict with a normal exploitation of the work and [3] do not unreasonably prejudice the legitimate interests of the right holder.”

⁵⁴ REINBOTHE & VON LEWINSKI, *supra* note 7, at 3.

⁵⁵ JOHN JR. T. MASTERSON, INTERNATIONAL TRADEMARKS AND COPYRIGHTS: ENFORCEMENT AND MANAGEMENT 64 (2004).

⁵⁶ *Id.*

1.3. Subjects and Objects of the WCT

1.3.1. Contracting Parties, Assembly

The incorporation of Article 1 of the Berne Convention providing for the “creation of an Union”⁵⁷ was regarded as a questionable choice,⁵⁸ as it was clear, during the negotiations of the WCT, that the Contracting Parties did not intend to form a Union and even less likely they intended to reiterate the creation of the Berne Union.⁵⁹ The word “Union” throughout the WCT has therefore to be interpreted as referring to the “Contracting Parties.”⁶⁰ To date, the WCT counts 93 Contracting Parties,⁶¹ with the recent Canada’s ratification of May 2014 and Madagascar’s accession of February 2015.⁶² To achieve the maintenance and development of the Treaty, Article 14 of the WCT sets out that Contracting Parties shall have an Assembly, into which each State is to be represented by one delegate.⁶³ The Assembly should consider all matters relating to the revision of the Treaty.⁶⁴

1.3.2. Scope and Coverage

1.3.2.1. Scope of Copyright Protection

Article 2 of the WCT provides that copyright protection is granted only to “expressions,” and not to ideas, procedures or methods of operation or mathematical concepts as such.⁶⁵ Although a similar provision was not expressly stated in the Berne Convention, the principle expressed in it was

⁵⁷ Berne Convention, Article 1: “The countries to which this Convention applies constitute a Union for the protection of the rights of authors in their literary and artistic works.”

⁵⁸ FICSOR, *supra* note 39, at 432.

⁵⁹ This is true especially because, as mentioned *supra* para. 1.1.2, the negotiations of the WCT were open not only to the Berne Union members, but also to all the other States which were WIPO members. WIPO Publication No. 891(E), *supra* note 13, at 190 para. 4 CT-1.13.

⁶⁰ *Id.* at 190 para. 4 CT-1.14.

⁶¹ The number of adhering States is 120, as the European Union ratified the WCT for its Members.

⁶² For the full list of Contracting Parties, as to January, 15, 2015, *see* <http://www.wipo.int/export/sites/www/treaties/en/documents/pdf/wct.pdf>

⁶³ REINBOTHE & VON LEWINSKI, *supra* note 7, at 182.

⁶⁴ *Id.* at 183.

⁶⁵ WIPO Copyright Treaty, Article 2.

already *de facto* applied under the Berne system.⁶⁶ The redundancy of Article 2 is even more manifest as it copies, word by word, Article 9(2) of the TRIPs Agreement.⁶⁷ The presence of this and of many other repetitions throughout the WCT was mainly due to the delegation desire to interpret the WCT in the same manner as the TRIPs Agreement.⁶⁸ The principle expressed in this provision determines the borderline between copyright protection and the public domain: on the one hand, authors have control to their creative expressions of ideas, on the other, the interest of the public to access ideas or information is safeguarded.⁶⁹

1.3.2.2. Literary and Artistic Works Covered

Article 2 of the Berne Convention defined the expression of “literary and artistic works” as including every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression,⁷⁰ and prescribed the countries of the Union to protect those works for the benefit of the author.⁷¹ Article *2bis* of the Convention, instead, left the countries of the Union free to determine the exclusion from the protection of political speeches and speeches delivered in the course of legal proceedings.

The incorporation of these Articles in the WCT simply restates that they have to be applied the same way as they were applied in the context of the Berne Convention.⁷² The point is stressed again, in a redundant way, by Article 3 of the WCT, which provides for a *mutatis mutandis* application of Berne Article 2 and *2bis*.⁷³

⁶⁶ FICSOR, *supra* note 39, at 458.

⁶⁷ TRIPs Agreement, Article 9(2): “Copyright protection shall extend to expressions and not to ideas, procedures, methods of operation or mathematical concepts as such.”

⁶⁸ FICSOR, *supra* note 39, at 458.

⁶⁹ REINBOTHE & VON LEWINSKI, *supra* note 7, at 46.

⁷⁰ Berne Convention Article 2(1)

⁷¹ Berne Convention Article 1(6).

⁷² WIPO Publication No. 891(E), *supra* note 13, at 191 para. 4 CT-1.15.

⁷³ *Id.* at 191 para. 4 CT-1.16.

1.3.2.3. *Computer Programs*

Article 4 of the WCT⁷⁴ extends the protection granted to literary works to computer programs, no matter the mode or form of their expression. The definition of “computer program” is not given in the text of the Treaty, but can be supplied by WIPO Model Provisions on the Protection of Computer Software, as well as by national⁷⁵ and regional legislation.⁷⁶ The WIPO Model Provisions adopted in 1977 provide that “computer program” means a set of instructions capable, when incorporated in a machine-readable medium, of causing a machine having information-processing, capabilities to indicate, perform or achieve a particular function, task or result.”⁷⁷ Although national legislators did not necessarily follow the Model Provisions, they certainly had an impact in inspiring national provisions.⁷⁸ The aforementioned definition was considered suitable by the International Bureau of WIPO in preparation of the WCT and during the Diplomatic Conference no delegation questioned it.⁷⁹ Thus it seems appropriate, in light of Article 32 of the Vienna Convention,⁸⁰ to retain the definition as adequate in the interpretation of the WCT. The Agreed Statement concerning Article 4⁸¹ of WCT clarifies that the scope of protection is consistent with the relevant provisions of the Berne

⁷⁴ WIPO Copyright Treaty, Article 4: “Computer programs are protected as literary works within the meaning of Article 2 of the Berne Convention. Such protection applies to computer programs, whatever may be the mode or form of their expression.”

⁷⁵ A national example is the US Copyright Act, which defines a computer program as “a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result.” 17 U.S. Code § 101.

⁷⁶ A regional example is offered by the EU Computer Programs Directive 91/250/EEC of 14 May 1991, which does not give an express definition but provides that “for the purpose of this Directive, the term “computer program” shall include programs in any form, including those which are incorporated into hardware; whereas this term also includes preparatory design work leading to the development of a computer program provided that the nature of the preparatory work is such that a computer program can result from it at a later stage.”

⁷⁷ WIPO Model Provisions on the Protection of Computer Software, Section 1(i).

⁷⁸ FICSOR, *supra* note 39, at 469.

⁷⁹ *Id.* at 468.

⁸⁰ Vienna Convention on the Law of Treaties, Article 32.

⁸¹ Agreed statements concerning Article 4: “The scope of protection for computer programs under Article 4 of this Treaty, read with Article 2, is consistent with Article 2 of the Berne Convention and on a par with the relevant provisions of the TRIPs Agreement.”

Convention and the TRIPs Agreement. As for its consistency with the Berne Convention, Article 4 of the WCT clearly recalls Article 2(1) of the Berne Convention and uses the same exact wording (computer programs are protected, just like literary and artistic works, “whatever may be the mode or form of their expression”). The TRIPs Agreement adopted instead a different wording, referring to the protection of computer programs “whether in source code or object code.”⁸² Source codes are typically expressed in words, numbers and symbols, so they easily fall within the “literary works” definition.⁸³ Conversely, object codes do not really express anything, and the possibility to categorize them under “literary works” depends on whether there is a correspondence between source and object code.⁸⁴ Such a correspondence exists when literary character of the source code is carried over the object code in a process of converting source code into object code.⁸⁵ The wording of WCT Article 4 seems more appropriate and has to be interpreted as a clarification of the TRIPs provision, given the possibility for the TRIPs distinction between source code and object code to become obsolete in the future.⁸⁶ Although the “international” definition of computer program is very similar to the ones adopted by national legislators, the same cannot be said for their regulation. In fact, the mere extension of copyright protection already granted to literary works to computer programs was not seen, by many countries, sufficient to protect those kinds of works.⁸⁷ Thus, the hybrid character of computer programs did not just comport the adjustment of the copyright system, but also frequently changes taking place in the regulation of patent laws.⁸⁸

⁸² TRIPs Agreement Article 10(1): “Computer programs, whether in source or object code, shall be protected as literary works under the Berne Convention (1971)”.

⁸³ BRAD SHERMAN & LEANNE WISEMAN, *COPYRIGHT AND THE CHALLENGE OF THE NEW* 259 (2012).

⁸⁴ *Id.*

⁸⁵ *Id.*

⁸⁶ FICSOR, *supra* note 39, at 477.

⁸⁷ ELAD HARRISON, *INTELLECTUAL PROPERTY RIGHTS, INNOVATION AND SOFTWARE TECHNOLOGIES: THE ECONOMICS OF MONOPOLY RIGHTS AND KNOWLEDGE DISCLOSURE* 74 (2008).

⁸⁸ *Id.* at 75.

1.3.2.4. Databases

Similarly to the protection of software pursuant to Article 4, Article 5 of the WCT⁸⁹ recalls the protection of Compilation of Data (databases) already provided under the TRIPs.⁹⁰ In particular, Article 10(2) of the TRIPs Agreement⁹¹ has a very broad scope as it applies to “compilation of data or other material,” and to both “electronic” and “traditional” collections and compilations.⁹² The protection extends to compilations that are “intellectual creations,” namely that, pursuant to the selection or arrangement of their contents, are original.⁹³ However, the protection of compilations does not affect or prejudice any copyright subsisting in any element of their contents, and does not extend to the data or material contained therein.⁹⁴ In substance, Article 5 of the WCT contains all the elements already provided by Article 10(2) of the TRIPs Agreement, and makes it clear in the agreed statement that its application is consistent with both the Berne Convention and the TRIPs Agreement.⁹⁵ Although both Article 10(2) of the TRIPs Agreement and Article 5 of the WCT did not bind the Contracting Parties to grant a *sui generis* protection for database makers, the European Union provided so with the Database Directive.⁹⁶

⁸⁹ WIPO Copyright Treaty, Article 5: “Compilations of data or other material, in any form, which by reason of the selection or arrangement of their contents constitute intellectual creations, are protected as such. This protection does not extend to the data or the material itself and is without prejudice to any copyright subsisting in the data or material contained in the compilation.”

⁹⁰ FICSOR, *supra* note 39, at 479-80.

⁹¹ TRIPs Agreement, Article 10(2): “Compilations of data or other material, whether in machine readable or other form, which by reason of the selection or arrangement of their contents constitute intellectual creations shall be protected as such. Such protection, which shall not extend to the data or material itself, shall be without prejudice to any copyright subsisting in the data or material itself.”

⁹² REINBOTHE & VON LEWINSKI, *supra* note 7, at 73.

⁹³ FICSOR, *supra* note 39, at 482.

⁹⁴ *Id.*

⁹⁵ WIPO Copyright Treaty, Agreed statements concerning Article 5: The scope of protection for compilations of data (databases) under Article 5 of this Treaty, read with Article 2, is consistent with Article 2 of the Berne Convention and on a par with the relevant provisions of the TRIPs Agreement.

⁹⁶ EU Database Directive 99/6/EC of 11 March 1996 (hereinafter “Database Directive”), *see infra* Chapter 3 para. 1.7.2.

1.3.3. Authors

1.3.3.1. Authors, Nationality and Coverage

The WCT applies to “authors” intended in the meaning given by Article 2(6) of the Berne Convention, and therefore the protection operates for the benefit of the author and his (or her) successors in title.⁹⁷ Although neither the Berne Convention nor the WCT contain a definition of author, it can be defined, generally, as the person who has added the original or individual elements that qualify the creation as a work.⁹⁸ Neither the Berne Convention nor the WCT tell us whether the person may be a juridical entity.⁹⁹ Although most countries have confined the authorship attribution to human creators, there are important exceptions among common law countries, especially regarding juridical entities at whose behest and expense a work is created.¹⁰⁰

The WCT refers to the “points of attachment,” or conditions of protection, which are determined by Articles 3 and 4 of the Berne Convention. In particular, those Articles specify the nationality of the authors protected under the Convention and the coverage of protection for their works, whether published or not.¹⁰¹ As for the nationality of the authors, the wording of Article 3 has to be read as to privileging the idea of habitual residence rather than domicile, as the former only poses a question of fact for the courts.¹⁰² Article 3(1)(a) of the Berne Convention ensures that authors who are Union nationals are protected regardless of the country of

⁹⁷ JORGEN BLOMQVIST, PRIMER ON INTERNATIONAL COPYRIGHT AND RELATED RIGHTS 97 (2014).

⁹⁸ *Id.*

⁹⁹ RICKETSON & GINSBURG, *supra* note 31, at 359.

¹⁰⁰ *Id.*

¹⁰¹ Berne Convention Article 3 establishes that the protection shall apply to (1)(a) authors who are nationals of one of the countries of the Union, for their works, whether published or not; and (1)(b) authors who are not nationals of one of the countries of the Union, for their works first published in one of those countries, or simultaneously in a country outside the Union and in a country of the Union. Article 3(2) then extends the protection to authors who are not nationals but have “habitual residence” in one of the countries of the Union.

¹⁰² PAUL GOLDSTEIN & BERNT HUGENHOLTZ, INTERNATIONAL COPYRIGHT: PRINCIPLES, LAW, AND PRACTICE 161 (2012).

first publication.¹⁰³ The incorporation of Article 3(3) of the Berne Convention into the WCT gives an expanded definition of “published works,” only requiring that the availability of such copies has been such as to satisfy the “reasonable requirements of the public, having regard to the nature of the work.”¹⁰⁴

In the digital environment, some issues of interpretation arise of what can and cannot qualify as “publication.”¹⁰⁵ Since many works are today published exclusively online, denying them the status of “published” works would go against the purpose of the WCT.¹⁰⁶ Therefore, it is desirable a more progressive interpretation of Article 3(3) that allows digital transmissions to be included in the universe of “publications.”¹⁰⁷ However, a counter problem would arise if “publication” is interpreted as to include the mere action of “making works available online” (and therefore all over the world), because it would lead to an unmanageable result.¹⁰⁸

1.3.3.2. Nationals of Countries Outside of the Union (Berne Convention Articles 6)

As discussed below,¹⁰⁹ Article 6 and its “back-door” protection provision are incorporated in the WCT. The same applies to Article 6*bis* of the Berne Convention, granting the author the right to claim authorship of his work and to object to any distortion, mutilation, or modification, which would be prejudicial to his honor or reputation.

1.3.3.3. Duration and Joint Authorship (Berne Convention Articles 7 and 7bis)

Berne Articles 7 and 7*bis* on the term of copyright protection and the

¹⁰³ *Id.* at 163.

¹⁰⁴ RICKETSON & GINSBURG, *supra* note 31, at 255.

¹⁰⁵ GOLDSTEIN & HUGENHOLTZ, *supra* note 102, at 164.

¹⁰⁶ *Id.*

¹⁰⁷ RICKETSON & GINSBURG, *supra* note 31, at 277.

¹⁰⁸ GOLDSTEIN & HUGENHOLTZ, *supra* note 102, at 164.

¹⁰⁹ *See infra* para. 1.4.1.

general rule of 50-year duration *post mortem auctoris* are applied to the WCT, with one exception provided in Article 9 WCT, which fixes the minimum term of protection of photographic works at 25 years.

1.4. Principles: National Treatment, Formalities Forbidden, Independence of Protection, and Minimum Protection

1.4.1. National Treatment, Formalities Forbidden and Independence of Protection

Article 5 of the Convention, as incorporated into the WCT, embodied the basic principles of national treatment, formality-free protection, and independence of protection.

The national treatment clause provided in Article 5(1) of the Berne Convention¹¹⁰ is incorporated into the WCT Articles 1(4) and 3. The exceptions to the obligation to grant national treatment allowed under the Berne Convention are also incorporated into the WCT. These exceptions concern areas where there are frequently differences in the level of protection under national law, and where such differences have a significant economic importance.¹¹¹ Four provisions are relevant in the case.

First of all, Article 2(7) establishes an exception on the protection of works of applied arts/industrial designs.¹¹² The reason why such an exception may be granted originates from the double nature of works of applied arts: on the one hand, they may be regarded artistic work; on the

¹¹⁰ Berne Convention Article 5(1): “Authors shall enjoy, in respect of works for which they are protected under this Convention, in countries of the Union other than the country of origin, the rights which their respective laws do now or may hereafter grant to their nationals, as well as the rights specially granted by this Convention.”

¹¹¹ BLOMQUIST, *supra* note 97, at 65.

¹¹² Berne Convention, Article 2(7): “Subject to the provisions of Article 7(4) of this Convention, it shall be a matter for legislation in the countries of the Union to determine the extent of the application of their laws to works of applied art and industrial designs and models, as well as the conditions under which such works, designs and models shall be protected. Works protected in the country of origin solely as designs and models shall be entitled in another country of the Union only to such special protection as is granted in that country to designs and models; however, if no such special protection is granted in that country, such works shall be protected as artistic works.”

other, their exploitation and use do not happen in the cultural markets but rather in the market of general-purpose products.¹¹³ Countries are free to determine two main aspects of this “borderline productions:” first, they can choose whether to protect works of applied arts under copyright protection or under specific industrial design protection; second, in case copyright protection is granted, they are free to fix the conditions of it, with possible disregard of minimum level of protection prescribed in the Convention.¹¹⁴

Second, Article 6(1) allows the possible retaliation by the country of first publication against non-Union countries that do not grant protection to the nationals of the member of the Union. This “back-door” provision would permit countries of the Union to deny national treatment and decrease the level of protection the same way as the country of first publication. However, the wide membership of the Berne Convention (168 countries) made over time this exception almost unsuitable.

A third exception to national treatment obligation is contained in Article 7(8).¹¹⁵ The principle underlined in this Article is the “comparison of terms,” which stresses out that a country is not obligated to provide for a longer term of protection than in the country of origin of the work.¹¹⁶

Finally, Article 14*ter* establishes an exception on the *droit de suite* (or resale right).¹¹⁷ The *droit de suite* gives the author (or his heirs or institutions authorized by national legislation) the inalienable right to an interest in any sale of the work subsequent by the first transfer. It is up to

¹¹³ WIPO Publication No. 891(E), *supra* note 13, at 33 para. 7 BC-2.67.

¹¹⁴ *Id.* at 33 para. 7 BC-2.68.

¹¹⁵ Berne Convention Article 7(8): “(8) In any case, the term [of protection] shall be governed by the legislation of the country where protection is claimed; however, unless the legislation of that country otherwise provides, the term shall not exceed the term fixed in the country of origin of the work.”

¹¹⁶ WIPO Publication No. 891(E), *supra* note 13, at 52 para. 8 BC-7-30.

¹¹⁷ Berne Convention Article 14*ter*: “(1) The author, or after his death the persons or institutions authorized by national legislation, shall, with respect to original works of art and original manuscripts of writers and composers, enjoy the inalienable right to an interest in any sale of the work subsequent to the first transfer by the author of the work. (2) The protection provided by the preceding paragraph may be claimed in a country of the Union only if legislation in the country to which the author belongs so permits, and to the extent permitted by the country where this protection is claimed. (3) The procedure for collection and the amounts shall be matters for determination by national legislation.”

each Contracting Party to establish whether to grant this right or not, and the grant is subject to reciprocity.¹¹⁸

Article 5(2) of the Convention provides for two interrelated principles: the principle of formality-free protection (or “automatic protection”) and the principle of independence of protection. The former establishes that the enjoyment and the exercise of the rights granted under the national treatment clause and the minimum protection clause are automatically protected, as the copyright protection arises with the creation of the work itself.¹¹⁹ These rights cannot be subject to formalities, namely conditions or measures which fulfillment is required in order for a work to be protected.¹²⁰ In other words, the Convention prohibits formalities such as registration or deposit of the original or a copy only to the extent they constitute conditions of the enjoyment and/or exercise of rights.¹²¹ Another formality that would go against the formality-free principle is the *caution judicatum solvi* (requiring, for instance, that authors should provide some special security before instituting a proceeding to protect their rights).¹²² The principle of independence of protection establishes instead that the enjoyment and the exercise of the rights granted under the national treatment clause and the minimum protection clause are established regardless the protection in the country of origin of the work.¹²³ For instance, the enjoyment and exercise of rights may be impacted when the 50-year minimum term of protection has expired in the country of origin, but this does not prohibit the author to enjoy and exercise his rights if the country in which protection is claimed provides for a longer term of protection.¹²⁴

¹¹⁸ WIPO Publication No. 891(E), *supra* note 13, at 91 para. 8 BC-14*ter*.

¹¹⁹ *Id.* at 41 para. 2 BC-5.4.

¹²⁰ RICKETSON & GINSBURG, *supra* note 31, at 325.

¹²¹ WIPO Publication No. 891(E), *supra* note 13, at 41 para. 2 BC-5.7.

¹²² RICKETSON & GINSBURG, *supra* note 31, at 326.

¹²³ WIPO Publication No. 891(E), *supra* note 13, at 42 para. 2 BC-5.9.

¹²⁴ *Id.*

1.4.2. Right to Claim Greater National Protection

Article 19 of the Berne Convention, incorporated into the WCT, confirms that the provisions contained in both the treaties intended to build up a minimum level of protection. Under the principle of minimum protection, States are allowed to grant a higher level of protection through their national legislation.¹²⁵

1.5. Rights

Intellectual property is neither more nor less than the sum of rights granted by law, and thus the definition of rights granted to the author represents a key issue.¹²⁶ Under both international treaties and national legislation, the owner of copyright and the owner of related rights (for instance, a licensee) are usually granted the rights of reproduction and certain acts of communication to the public, such as broadcasting and public performance.¹²⁷ Many rights contained in the WCT were already drawn by the system of the Berne, Paris and Rome Convention, and are frequently recalled and referenced by the WCT, with some adaptations, when necessary, to make them applicable in the new digital environment. However, the WIPO Copyright Treaty also establishes three “new” crucial rights: distribution, rental and communication to the public.

1.5.1. Right of Reproduction

Article 9 of the Berne Convention, dedicated to the right of reproduction, is incorporated into the WCT.¹²⁸ The negotiations of the WCT

¹²⁵ Berne Convention, Article 19: “The provisions of this Convention shall not preclude the making of a claim to the benefit of any greater protection which may be granted by legislation in a country of the Union.”

¹²⁶ WIPO Publication No. 856, *supra* note 29, at 27 para. 49.

¹²⁷ *Id.*

¹²⁸ Berne Convention Article 9: “(1) Authors of literary and artistic works protected by this Convention shall have the exclusive right of authorizing the reproduction of these works, in any manner or form. (2) It shall be a matter for legislation in the countries of the Union to permit the reproduction of such works in certain special cases, provided that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author. (3) Any sound or visual

faced a discussion already present in the negotiation of the Berne Convention, namely the definition of “reproduction.”¹²⁹ The proposal put forward by the Austrian Government at the time of the Berne Convention negotiations, stating that reproduction had to be defined as “the material fixation of the work by all methods that permit indirect communication to the public,” was rejected by other delegations, which feared the inclusion of a kind of exhaustive list might have lead to the weakening of copyright protection.¹³⁰ Other delegations opposed the Austrian proposal, as they believed that the meaning of “reproduction” was self-evident and unlikely to create confusion.¹³¹

Where the incorporation of others Articles of the Berne Convention into the WCT did not give rise to many problems of applicability, the incorporation of Article 9 required the Contracting Parties to take specific measures in order to extend the scope of the right of reproduction.¹³² Although paragraph (1) of Article 9 of the Berne Convention draws out a wide coverage for the right of reproduction (namely, reproduction “in any manner or form”), paragraph (3) of the same Article clarifies that reproduction had to be intended, under the Convention, as “[a]ny sound or visual recording.”¹³³ This wording could have not been interpreted, under the canons of the Vienna Convention on the Law of Treaties, as including recordings in an electronic memory in digital form.¹³⁴

In order to solve this issue, the Diplomatic Conference opted for an agreed statement on Article 1(4) of the Treaty.¹³⁵ While the first sentence of

recording shall be considered as a reproduction for the purposes of this Convention.”

¹²⁹ FICSOR, *supra* note 39, at 92.

¹³⁰ *Id.* at 93.

¹³¹ *Id.*

¹³² RICKETSON & GINSBURG, *supra* note 31, at 682.

¹³³ FICSOR, *supra* note 39, at 422-23.

¹³⁴ *Id.* at 423.

¹³⁵ WCT Treaty, Agreed statements concerning Article 1(4): “The reproduction right, as set out in Article 9 of the Berne Convention, and the exceptions permitted thereunder, fully apply in the digital environment, in particular to the use of works in digital form. It is understood that the storage of a protected work in digital form in an electronic medium constitutes a reproduction within the meaning of Article 9 of the Berne Convention.”

the statement appears to be unnecessary and obvious,¹³⁶ the second sentence of it clarified that it constitutes reproduction, within the meaning of Article 9 of the Berne Convention, the storage of works in an electronic memory. This kind of reproduction still meets all the criteria of a copy even though, once stored in the electronic memory, cannot be “directly perceived.”¹³⁷ In other words, the fact that the copy is intangible is irrelevant, as far as the copy is a new fixation of the work through which the work may be perceived and experienced, even if by means of special equipment, communicated to the public or reproduced.¹³⁸

In light of the digital, networked environment, the application of Article 9 of the Berne Convention in the WCT can be recapped in three points. First, “reproduction” is intended as a new fixation of the work that is sufficiently stable to allow the work being perceived, reproduced and communicated.¹³⁹ Second, for this kind of reproduction some elements are irrelevant: i) the methods and form of the reproduction; ii) the tangibility and perceivability; iii) the direct or indirect method of reproduction; and iv) the duration of the fixation, whether permanent or temporary.¹⁴⁰ Therefore, temporary copies created automatically in a computer’s random access memory (RAM) seem not to be excluded by the Treaty.¹⁴¹ Conversely, some national legislation and courts, such as the U.S. courts, excluded that temporary copies (“buffer copies”) can amount to reproduction.¹⁴²

¹³⁶ The right of reproduction under Article 9 of the Berne Convention referred to “works in any manner or form,” and therefore already included “works in digital form.” WIPO Publication No. 891(E), *supra* note 13, at 194 para. 4 CT-1.41.

¹³⁷ *Id.* at 194-95 para. 4 CT-1.42.

¹³⁸ FICSOR, *supra* note 39, at 445-46.

¹³⁹ *Id.* at 450.

¹⁴⁰ *Id.*

¹⁴¹ Julie S. Sheinblatt, *The WIPO Copyright Treaty*, 13 Berkeley Tech. L.J. 535, 541 (1998).

¹⁴² *Cartoon Network LP, LLLP v. CSC Holdings, Inc.*, 536 F.3d 121, 124-125 (2d Cir. N.Y. 2008).

1.5.2. Right of Distribution

Article 6 of the WCT provides for the right of distribution,¹⁴³ which was one of the most discussed key issues in the WIPO digital agenda. The right of distribution consists of the author's exclusive right to authorize the "making available to the public" the original or copies of their works, through sale of such works or other transfer of ownership (for example, through license). The debate was on the exhaustion of this right with the first sale of copies, and the territorial effect of such exhaustion.¹⁴⁴ The initial WIPO proposal provided two alternatives, national (or regional) exhaustion, which was supported by the United States, or global (or international) exhaustion, favored by Canada, Australia and China.¹⁴⁵ The attempts made in order to recognize a national and regional effect of exhaustion, accompanied by the recognition of a right of importation, failed all.¹⁴⁶ As the delegations did not agree on the point, Article 6(2) left the Contracting Parties the power to define exhaustion within their respective borders.¹⁴⁷

1.5.3. Right of Rental

Article 7 of the WCT provides for the right of rental¹⁴⁸ that has been

¹⁴³ WIPO Copyright Treaty, Article 6: "(1) Authors of literary and artistic works shall enjoy the exclusive right of authorizing the making available to the public of the original and copies of their works through sale or other transfer of ownership. (2) Nothing in this Treaty shall affect the freedom of Contracting Parties to determine the conditions, if any, under which the exhaustion of the right in paragraph (1) applies after the first sale or other transfer of ownership of the original or a copy of the work with the authorization of the author."

¹⁴⁴ WIPO Publication No. 891(E), *supra* note 13, at 202 para. CT-6.3 (2003).

¹⁴⁵ Mort, *supra* note 16, at 199.

¹⁴⁶ FICSOR, *supra* note 39, at 486.

¹⁴⁷ Mort, *supra* note 16, at 199.

¹⁴⁸ WIPO Copyright Treaty, Article 7: "(1) Authors of: (i) computer programs; (ii) cinematographic works; and (iii) works embodied in phonograms, as determined in the national law of the Contracting Parties, shall enjoy the exclusive right of authorizing commercial rental to the public of the originals or copies of their works. (2) Paragraph (1) shall not apply (i) in the case of computer programs, where the program itself is not the essential object of the rental; and (ii) in the case of cinematographic works, unless such commercial rental has led to widespread copying of such works materially impairing the exclusive right of reproduction. (3) Notwithstanding the provisions of paragraph (1), a Contracting Party that, on April 15, 1994, had and continues to have in force a system of equitable remuneration of authors for rental of copies of their works embodied in phonograms may maintain that system provided that the commercial rental of works

inherited from a number of Articles of the TRIPs Agreement.¹⁴⁹ In particular, it is an exclusive post-first-sale right of rental.¹⁵⁰ The works covered by the right of rental are, as a minimum: (i) computer programs,¹⁵¹ (ii) cinematographic works;¹⁵² and (iii) works embodied in phonograms, as determined in the national law.¹⁵³

As regards to computer programs, the obligation to grant a right of rental does not apply when the computer program is not an “essential object” of the rental.¹⁵⁴ For example, the contract on rental of a car, sewing machine or vacuum cleaner, which also have included a computer program therein, it is sufficient to grant also the rental of the computer program.¹⁵⁵ It would be obsolete to require a separate rental agreement and authorization for the use of such computer program, as it constitutes a non-essential object of the rental and it is not the “heart” of the rental act itself.¹⁵⁶ However, such exclusion does not apply to the computer rental into which computers programs have been installed, as in this case the program is essential to the operation of the computer.¹⁵⁷

As regards to cinematographic works, the right of rental is much more limited, since it is granted only if the commercial rental has led to a copying of such work that is so extensive to materially impair the exclusive right of reproduction.¹⁵⁸ Various authors criticized this provision, as it does not give enough weight to the phenomenon of private copying that can severely impair the rights of the author.¹⁵⁹ Moreover, even when widespread copying does not occur, the absence of a right of rental may weaken other

embodied in phonograms is not giving rise to the material impairment of the exclusive right of reproduction of authors.”

¹⁴⁹ FICSOR, *supra* note 39, at 487.

¹⁵⁰ Sheinblatt, *supra* note 141, at 539.

¹⁵¹ As already provided in Article 7 of the TRIPs Agreement.

¹⁵² As already provided in Article 7 of the TRIPs Agreement.

¹⁵³ As already provided in Article 14.4 of the TRIPs Agreement.

¹⁵⁴ RICKETSON & GINSBURG, *supra* note 31, at 694.

¹⁵⁵ REINBOTHE & VON LEWINSKI, *supra* note 7, at 97.

¹⁵⁶ *Id.*

¹⁵⁷ WIPO Publication No. 891(E), *supra* note 13, at 204 para. CT-7.4.

¹⁵⁸ *Id.* at 204 para. CT-7.5.

¹⁵⁹ FICSOR, *supra* note 39, at 489.

rights, such as the ones of reproduction and distribution.¹⁶⁰

Lastly, Article 7 provides for limitation of the right of rental concerning phonograms. Although the “rental of a phonogram” is not defined in the Article, a general accepted definition is the one contained in Article 2(f) of the draft WPPT, which describes it as “any transfer of the possession of a copy of a phonogram for consideration for a limited period of time.”¹⁶¹ As provided for cinematographic works, the right of rental concerning phonograms is granted only when an impairment test is satisfied.¹⁶² It has been argued that in today’s digital environment, a DVD player or a computer can easily make copies of rented DVDs.¹⁶³ In this case of private copying, the impairing action should not require the action of copying, but, more generally, any impairment of the right of reproduction.¹⁶⁴

1.5.4. Right of Communication to the Public (Article 8 of the WCT)

1.5.4.1. Article 8 of the WCT: the “Umbrella Solution”

Article 8 of the WCT¹⁶⁵ was one of the most debated provisions during the negotiations of the Treaty, especially apropos the definition of “right of communication to the public” through online communication. Different proposals came from the USA, Australia, Japan, Argentina and the European Community.¹⁶⁶ The most accepted proposal was the one presented by the European Community and its Member States, which extended the communication right of the Berne Convention in the traditional field to all

¹⁶⁰ *Id.*

¹⁶¹ WIPO Publication No. 891(E), *supra* note 13, at 205 para. CT-7.7.

¹⁶² FICSOR, *supra* note 39, at 490.

¹⁶³ REINBOTHE & VON LEWINSKI, *supra* note 7, at 98.

¹⁶⁴ FICSOR, *supra* note 39, at 490.

¹⁶⁵ WIPO Copyright Treaty, Article 8: “Without prejudice to the provisions of Articles 11(1)(ii), 11*bis*(1)(i) and (ii), 11*ter*(1)(ii), 14(1)(ii) and 14*bis*(1) of the Berne Convention, authors of literary and artistic works shall enjoy the exclusive right of authorizing any communication to the public of their works, by wire or wireless means, including the making available to the public of their works in such a way that members of the public may access these works from a place and at a time individually chosen by them.”

¹⁶⁶ REINBOTHE & VON LEWINSKI, *supra* note 7, at 100-02.

kinds of works.¹⁶⁷ In particular, the right so provided covered the “making available” of works to the public for “subsequent transmission” and did not require the actual transmission to take place.¹⁶⁸ In discussing this proposal, the USA expressed its understanding, not opposed by other delegations, that the right of making available could be implemented into national law by any exclusive right, and not only by the right of communication to the public.¹⁶⁹ Other countries, such as the African Group and Singapore proposed an amendment providing for a safe harbor provision for Internet Service Providers.¹⁷⁰ According to this amendment, providing facilities or means for enabling or making such communication would not have constituted an infringement.¹⁷¹ This concern was taken into account into the agreed statement on Article 8.

Article 8 is known as the “umbrella solution” and was proposed by the Assistant Director General of WIPO Ficsor Mihály, who claimed that such a provision should have granted an effective and efficient protection in the digital environment, and facilitated the interoperability between different national systems.¹⁷² The main issue of Article 8 regarded which existing rights should be applied to cover interactive transmissions.¹⁷³ In particular, one group of countries believed that the solution was found to be in the application of the right of distribution; the opposing group instead preferred a more general right of communication to the public.¹⁷⁴ The final text of Article 8 represented a compromise between the two views, which was based on four key points: (i) neutrality in the description of the interactive transmission; (ii) avoidance of technological specifications in such description, but, at the same time, expression of the interactive nature

¹⁶⁷ *Id.* 101.

¹⁶⁸ *Id.*

¹⁶⁹ *Id.* at 102-03.

¹⁷⁰ *Id.* at 103.

¹⁷¹ *Id.* at 103-04.

¹⁷² MIHÁLY FICSOR, INTERNATIONAL HARMONIZATION OF COPYRIGHT AND NEIGHBORING RIGHTS, MEXICO SYMPOSIUM BOOK, 374-7 (1995).

¹⁷³ WIPO Publication No. 891(E), *supra* note 13, at 208 para. CT-8.4.

¹⁷⁴ *Id.* at 208 para. CT-8.5.

of digital transmission; (iii) in respect of the legal characterization of the exclusive right provided in Article 8, sufficient freedom to national legislation in deciding which right or rights to apply to cover interactive transmission; and (iv) elimination of the gaps in the Berne Convention in the coverage of the right of communication to the public and the right of distribution.¹⁷⁵

1.5.4.2. Right of Communication to the Public

The first part of Article 8 complemented the fragmentary provisions on the right of communication to the public as provided under the Berne Convention.¹⁷⁶ It does so by providing an exclusive right of communication to the public for authors of all kinds of works, as far as not yet covered by the Berne Convention.¹⁷⁷ The works protected are “literary and artistic works,” including the works already protected under the Berne Convention and the ones specifically protected in the WCT (computer programs, Article 4, and databases, Article 5).¹⁷⁸ Authors have the exclusive right to make their works available to the public “in such a way that members of the public may access these works from a place and at a time individually chosen by them.” From this wording, it is inferred that merely providing technologies or a physical place to access digital content would not conflict with the right of communication to the public.¹⁷⁹ Although not expressly stated by the wording of Article 8, strong consensus emerged during the negotiations against strict liability for Internet Service Providers (ISPs) for copyright infringement.¹⁸⁰

Questions arose with regards to broadcasting, and mainly on whether

¹⁷⁵ *Id.* at 208 para. CT-8.9.

¹⁷⁶ REINBOTHE & VON LEWINSKI, *supra* note 7, at 104.

¹⁷⁷ *Id.* at 105.

¹⁷⁸ *Id.* at 107.

¹⁷⁹ Okediji, *supra* note 22, at 2395.

¹⁸⁰ *Id.* This was and remained a controversial issue under the WIPO Copyright Treaty. Sheinblatt, *supra* note 141, at 542.

broadcasting had to be intended as a form of communication.¹⁸¹ Although not specifically mentioned, broadcasting impliedly falls under Article 8, as it is a specific form of communication to the public and not a mere emission.¹⁸²

1.5.4.3. Right of Making Available to the Public

The second part of Article 8 then provides that the Contracting Parties have to recognize the “making available to the public” as an exclusive right, which extends to the action of making available both by wire and wireless means (or by combination of the two).¹⁸³ At the same time, it left the Contracting Parties free to determine and define the right of distribution, the right of communication to the public, the combination of these rights, and even create a new right.¹⁸⁴ In other words, in line with the US proposal mentioned above, Contracting Parties are free to implement the right of “making available” under a different name and/or category, and not necessarily under the right of communication to the public, as far as they ensure that the nature of such right is exclusive. This was, *inter alia*, a practice already permitted under the Berne convention, where the implementation under national laws differed in the legal characterization of a right.¹⁸⁵ For instance, in some countries the right of public performance covers also the right of broadcasting and the right of communication to the public, which, under the Berne Convention, are instead separate rights.¹⁸⁶ Conversely, in other countries, the right of communication to the public is a most general right that covers all the three rights provided in the Berne Convention.¹⁸⁷ The implementation of Article 8 of the WCT by national

¹⁸¹ WIPO Publication No. 891(E), *supra* note 13, at 210 para. CT-8.16.

¹⁸² *Id.*

¹⁸³ MIHÁLY FICSOR, INTERNATIONAL HARMONIZATION OF COPYRIGHT AND NEIGHBORING RIGHTS, NAPLES FORUM BOOK, 137-8 (1995).

¹⁸⁴ FICSOR, *supra* note 39, at 500-01.

¹⁸⁵ WIPO Publication No. 891(E), *supra* note 13, at 209 para. CT-8.11.

¹⁸⁶ *Id.*

¹⁸⁷ *Id.*

legislation gave birth, as expected, to heterogeneous systems.¹⁸⁸ The United States opted for a combination of the right of distribution and the right of communication to the public,¹⁸⁹ the European Union opted instead for the application of a broad right of communication to the public.¹⁹⁰ Noticeably, the right of “making available to the public” is not a right recognized and grounded under the provisions of the U.S. Copyright Act.¹⁹¹ U.S. Courts have restlessly repeated that Article 8 of the WIPO Copyright Treaty does not create a private right of action, as the WIPO Treaties are non-self-executing, and thus refused to recognize in the provision an enforceable making-available right.¹⁹²

The WCT provisions on these rights did, in fact, give the Contracting Parties a wide flexibility in their implementation. Moreover, States were left completely free in regulating phenomena which were not taking into account, or on which an agreement was not reached, at the time the WCT was negotiated. In particular, reference goes to the Content Providers and Internet Service Providers liability, and to the regulation of user-generated contents.¹⁹³

1.5.5. Other Rights

Other rights are recognized under the WCT through the incorporation, contained in Article 1(4) of the WCT, of Articles 1 to 21 of the Berne Convention. As mentioned above,¹⁹⁴ some of these rights have to

¹⁸⁸ FICSOR, *supra* note 39, at 501.

¹⁸⁹ The US Copyright Act provides as follows “. . . the owner of copyright under this title has the exclusive rights to do and to authorize any of the following: . . . (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending . . .”. 17 U.S. Code §106.

¹⁹⁰ Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society (hereinafter “InfoSoc Directive”), Article 3(1): “Member States shall provide authors with the exclusive right to authorise or prohibit any communication to the public of their works, by wire or wireless means, including the making available to the public of their works in such a way that members of the public may access them from a place and at a time individually chosen by them.”

¹⁹¹ Okediji, *supra* note 22, at 2397.

¹⁹² *Id.*

¹⁹³ *Id.* at 2399.

¹⁹⁴ *See supra* para. 5.

be applied *mutatis mutandis* in the context of the new digital environment; some others, instead, do not require any variation. Article 6*bis* of the Berne Convention, incorporated into the WCT, grants the author the right to claim authorship of his work and to object to any distortion, mutilation, or modification, which would be prejudicial to his honor or reputation. The right of translation pursuant to Article 8 of the Berne Convention is fully applicable to the WCT and grants the authors the exclusive right of making and of authorizing translation of their works.¹⁹⁵ The same is true for the right of adaptations contained in Article 12 of the Convention, which provides for an exclusive economic right to authorize adaptations, arrangements and other alterations.¹⁹⁶ The incorporation of Article 11, 11*bis* and 11*ter* of the Convention concerning the rights of performance, broadcast and public recitation, assumes an importance as they cover acts of communication to the public, both via wireless means, by wire and by the combinations of these two technologies.¹⁹⁷ The applicability of Article 13 of the Berne Convention on sound recordings remained unchanged in the WCT, and the proposals for the abolition of non-voluntary licenses were not adopted.¹⁹⁸ The provisions on cinematographic works of Article 14 and 14*bis* of the Berne Convention were also incorporated in the WCT, with some adaptations.¹⁹⁹

¹⁹⁵ Berne Convention, Article 8: “Authors of literary and artistic works protected by this Convention shall enjoy the exclusive right of making and of authorizing the translation of their works throughout the term of protection of their rights in the original works.”

¹⁹⁶ Berne Convention, Article 12: “Authors of literary or artistic works shall enjoy the exclusive right of authorizing adaptations, arrangements and other alterations of their works.”

¹⁹⁷ FICSOR, *supra* note 39, at 438.

¹⁹⁸ Article 6 of the draft WCT contained a provision that would have obliged the Contracting Parties to no longer apply the provision of Article 13 of the Berne Convention, which *inter alia* gives the State discretion in imposing for itself “reservations and conditions on the exclusive right granted to the author of a musical work.” The drafted provision was rejected by a large majority of States, including China and the African Group. See FICSOR, *supra* note 39, at 80.

¹⁹⁹ *Supra* para. 5.3.

1.6. Exceptions and Limitations (Berne Convention Articles 10 and 10bis, TRIPs Article 13, and WCT Article 10)

1.6.1. Copyright Exceptions and Limitations

Copyright limitations are primarily provided on defense of fundamental rights and freedoms, such as the freedom of expression, the right to receive information, and the right to privacy.²⁰⁰ The limitations provided in the international context are mainly serving educational purposes, but also allowed the use of copyrighted materials during religious or official celebration, and for administrative, parliamentary or judicial proceedings.²⁰¹ Some exceptions are more specific: for instance, Articles 10 and 10bis of the Berne Convention provided for permissible exceptions to the rights granted to authors, namely, the “fair use exception”²⁰² and the “news coverage exception.”²⁰³ The application of exceptions and limitations in the digital environment was a key topic of the “digital agenda” of the

²⁰⁰ MARTIN SENFTLEBEN, COPYRIGHT, LIMITATIONS AND THE THREE-STEP TEST: AN ANALYSIS OF THE THREE-STEP TEST IN INTERNATIONAL AND EC COPYRIGHT LAW 23 (2004)

²⁰¹ *Id.*

²⁰² Berne Convention Article 10: “(1) It shall be permissible to make quotations from a work which has already been lawfully made available to the public, provided that their making is compatible with fair practice, and their extent does not exceed that justified by the purpose, including quotations from newspaper Articles and periodicals in the form of press summaries. (2) It shall be a matter for legislation in the countries of the Union, and for special agreements existing or to be concluded between them, to permit the utilization, to the extent justified by the purpose, of literary or artistic works by way of illustration in publications, broadcasts or sound or visual recordings for teaching, provided such utilization is compatible with fair practice. (3) Where use is made of works in accordance with the preceding paragraphs of this Article, mention shall be made of the source, and of the name of the author, if it appears thereon.”

²⁰³ Berne Convention, Article 10bis: “(1) It shall be a matter for legislation in the countries of the Union to permit the reproduction by the press, the broadcasting or the communication to the public by wire, of Articles published in newspapers or periodicals on current economic, political or religious topics, and of broadcast works of the same character, in cases in which the reproduction, broadcasting or such communication thereof is not expressly reserved. Nevertheless, the source must always be clearly indicated; the legal consequences of a breach of this obligation shall be determined by the legislation of the country where protection is claimed. (2) It shall also be a matter for legislation in the countries of the Union to determine the conditions under which, for the purpose of reporting current events by means of photography, cinematography, broadcasting or communication to the public by wire, literary or artistic works seen or heard in the course of the event may, to the extent justified by the informatory purpose, be reproduced and made available to the public.”

Diplomatic Conference.²⁰⁴ For this reason, a specific Article in the WCT, Article 10, was dedicated to this issue.

1.6.2. The Three-Step Test

The first Paragraph of WCT Article 10²⁰⁵ clearly recalls the “three-step test” provided by Article 9(2) of the Berne Convention, as adopted at the 1967 Stockholm revision conference.²⁰⁶ The test was reaffirmed in Article 13 of the TRIPs, which extended the provision from “authors” to, more generally, any “right holder.”²⁰⁷

The first step of the test requires that the exception or limitation have to be a “special case.” Therefore, it has to be well defined and justifiable by some public policy considerations, such as the protection of fundamental rights, public interests concerning education, adjustment of market failure, or consumers’ protection.²⁰⁸ However, it is only the scope of the exception that has to be defined, and it is not required to identify each and every possible case in to which the exception could apply.²⁰⁹ The second step wants the exception or limitation not to be in conflict with a normal exploitation of the work, meaning not to enter into economic competition with the exercise of the right of reproduction by the author.²¹⁰ The third and last step requires the exception or limitation not to prejudice the “legitimate interests” of copyright owners. Given that any exception or limitation is

²⁰⁴ FICSOR, *supra* note 39, at 514.

²⁰⁵ WIPO Copyright Treaty, Article 10: “(1) Contracting Parties may, in their national legislation, provide for limitations of or exceptions to the rights granted to authors of literary and artistic works under this Treaty in certain special cases that do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the author.”

²⁰⁶ Berne Convention, Article 9: “(2) It shall be a matter for legislation in the countries of the Union to permit the reproduction of such works in certain special cases, provided that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author.”

²⁰⁷ TRIPs, Article 13: “Members shall confine limitations or exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder.”

²⁰⁸ FICSOR, *supra* note 39, at 516.

²⁰⁹ JERRY JIE HUA, TOWARD A MORE BALANCED APPROACH: RETHINKING AND READJUSTING COPYRIGHT SYSTEMS IN THE DIGITAL NETWORK ERA 147 (2014).

²¹⁰ FICSOR, *supra* note 39, at 516.

somehow prejudicial, this step has to be interpreted that the exception or limitation shall not exceed a certain level of prejudice which can be reasonably justified in consideration of the special and well-defined public policy consideration.²¹¹ In other words, an exception or limitation would reach an unreasonable level if it causes an unreasonable loss of income to the copyright holder.²¹² Whether the “legitimate interests” of the author can include non-economic interest depends on the interpretation of the Berne Convention.²¹³ As Article 6*bis* of the Berne Convention refers to the non-economic interest in the acknowledgement of authorship and a work’s integrity, it is recognized that, besides the author’s economic interest, the third criterion of the three-step test of Article 10 WCT includes both economic and non-economic interests.²¹⁴

The second paragraph of WCT Article 13 reinstates, redundantly, the three-step test,²¹⁵ with the result of underlying the applicability of the test to all rights under copyright, including, even if not specified, to rights arising in the digital, networked environment.

Article 13 ends with a relevant agreed statement,²¹⁶ which was included to address, specifically, the issue of the new environment. The first sentence of the agreed statement recognizes that the existing exceptions and limitations (under the Berne Convention) may be carried forward to the new environment, as far as the conditions of the “three-step test” are met.²¹⁷ Among others, exceptions and limitations already provided by the Berne

²¹¹ *Id.*

²¹² HUA, *supra* note 209, at 147.

²¹³ SENFTLEBEN, *supra* note 200, at 223.

²¹⁴ *Id.*

²¹⁵ WIPO Copyright Treaty Article 10: “(2) Contracting Parties shall, when applying the Berne Convention, confine any limitations of or exceptions to rights provided for therein to certain special cases that do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the author.”

²¹⁶ WIPO Copyright Treaty, Agreed statement concerning Article 10: “It is understood that the provisions of Article 10 permit Contracting Parties to carry forward and appropriately extend into the digital environment limitations and exceptions in their national laws which have been considered acceptable under the Berne Convention. Similarly, these provisions should be understood to permit Contracting Parties to devise new exceptions and limitations that are appropriate in the digital network environment.”

²¹⁷ FICSOR, *supra* note 39, at 520.

Convention were the free use of quotations, the free use for educational purposes, the free use of certain Articles and broadcast works, and the free use of works for the reporting of current events. The second sentence of the agreed statement then gives the Contracting Parties the power of devising new exceptions and limitations that are “appropriate in the digital network environment.”

The implementation of these provisions led some Contracting Parties, such as the European Union, to exhaustively list the exceptions and limitations which may be provided.²¹⁸

1.7. Obligations Concerning Technological Measures and Rights Management Information

1.7.1. Obligations Concerning Technological Measures

Article 11 of the WCT²¹⁹ is the first provision ever that ensured a separate protection to technological measures which are used to protect authors’ rights.²²⁰ The presence of this provision in the WCT shows the awareness of unauthorized access to or use of works protected by copyright, that can take place in various forms and it is in constant development.²²¹ On the one hand, the risks of privacy, and on the other, the technological tools more frequently used by authors to control the use and access of their protected works, gave rise to the necessity of an appropriate legislative support to technological protection measures.²²² It is clear that insecure technological measures could allow undesirable third party access and prevent rights holders from disseminating their valuable works on the

²¹⁸ InfoSoc Directive, *see infra* Chapter 3 para. 4.

²¹⁹ WIPO Copyright Treaty, Article 11: “Contracting Parties shall provide adequate legal protection and effective legal remedies against the circumvention of effective technological measures that are used by authors in connection with the exercise of their rights under this Treaty or the Berne Convention and that restrict acts, in respect of their works, which are not authorized by the authors concerned or permitted by law.”

²²⁰ REINBOTHE & VON LEWINSKI, *supra* note 7, at 139.

²²¹ FICSOR, *supra* note 39, at 545.

²²² REINBOTHE & VON LEWINSKI, *supra* note 7, at 140.

Internet.²²³ It was broadly accepted the principle that it is up to the authors the choice of using such measures or not; however, in case they opted for such a use, they should be granted adequate protection.²²⁴ Article 11 provides national legislators with a general framework for such a protection, and it does so by taking into account three key points: (i) the target of the prohibition; (ii) the balance of interests; and (iii) the indirect relation to limitation of and exceptions to the rights.²²⁵

First of all, Article 11 of the WCT obliges Contracting Parties to provide for “adequate legal protection” against circumvention of technological measures. The adequateness of the protection has to be determined by the national legislation and requires a balance between the interests of the authors to achieve strong protection and the interests of others. In general, Contracting Parties should provide protection and remedies against: (i) the unauthorized acts of circumvention and their preparatory activities (e.g. manufacture of devices); (ii) all acts in which technological measures are used to access and to copy; (iii) devices which, among their purposes, can be used for circumvention (because so advertised or marketed); and (iv) individual components of devices that can be used for circumvention.²²⁶ Only “effective technological measures” have to be protected, namely the ones used to protect the authors’ works and used by the authors (or their agents or licensees).²²⁷ The legal remedies have to be “effective,” no matter the branch of law they are located in,²²⁸ and the obligation to protect technological measures against circumvention only extends to unauthorized acts. Thus, if the author consents to the circumvention or such circumvention is permitted by the national law, no obligation exists under the WCT.²²⁹ National exceptions and limitations to

²²³ WIPO Publication No. 856, *supra* note 29, at 28 para. 56.

²²⁴ WIPO Publication No. 891(E), *supra* note 13, at 216 para. CT-11.2.

²²⁵ REINBOTHE & VON LEWINSKI, *supra* note 7, at 142.

²²⁶ WIPO Publication No. 891(E), *supra* note 13, at 218 para. CT-11.16.

²²⁷ FICSOR, *supra* note 39, at 547.

²²⁸ REINBOTHE & VON LEWINSKI, *supra* note 7, at 144.

²²⁹ FICSOR, *supra* note 39, at 548.

these obligations can be conceded only for certain purposes and are not allowed when incompatible with other provisions of the WCT.²³⁰

The implementation of Article 11 in the United States provides for anti-circumvention provisions that prohibit the circumvention of technological measures only for “access” control, and not also for the “rights” control.²³¹ Conversely, the Directive 2001/29/EC (“InfoSoc Directive”) provides protection against any kind of unauthorized circumvention, and therefore against “access control” and “rights control,”²³² and also against their “preparatory acts.”²³³

1.7.2. Obligations Concerning Rights Management Information

Article 12 of the WCT²³⁴ obliges Contracting Parties to provide for adequate and effective legal protection against: (i) the unauthorized manipulation of electronic rights management information, and (ii) the unauthorized distribution of works or copies thereof which have been manipulated. Similarly to Article 11, Article 12 embodies a new provision in the international protection of intellectual property rights.²³⁵ The inclusion of such a provision was due to the fact that information regarding the identification of the work, its author, and the terms and conditions of use

²³⁰ WIPO Publication No. 891(E), *supra* note 13, at 219 para. CT-11.20.

²³¹ US Copyright Act Section 1201(a)(1)(A): “No person shall circumvent a technological measure that effectively controls access to a work protected under this title”. 17 U.S. Code §1201.

²³² InfoSoc Directive, Article 6(1). *See infra* Chapter 3 para. 5.1.

²³³ InfoSoc Directive, Article 6(2). *See infra* Chapter 3 para. 5.2.

²³⁴ WIPO Copyright Treaty, Article 12: “(1) Contracting Parties shall provide adequate and effective legal remedies against any person knowingly performing any of the following acts knowing, or with respect to civil remedies having reasonable grounds to know, that it will induce, enable, facilitate or conceal an infringement of any right covered by this Treaty or the Berne Convention: (i) to remove or alter any electronic rights management information without authority; (ii) to distribute, import for distribution, broadcast or communicate to the public, without authority, works or copies of works knowing that electronic rights management information has been removed or altered without authority.

As used in this Article, “rights management information” means information which identifies the work, the author of the work, the owner of any right in the work, or information about the terms and conditions of use of the work, and any numbers or codes that represent such information, when any of these items of information is attached to a copy of a work or appears in connection with the communication of a work to the public.”

²³⁵ REINBOTHE & VON LEWINSKI, *supra* note 7, at 150.

of the work are often electronically attached thereof.²³⁶ It is very common, for instance, to attach a software license to the software itself, rather than have it in a printed-paper form. The manipulation of such information by third parties could cause infringement of authors' rights, when the name of the right holder or the terms of a license are altered.²³⁷ Article 12(1) obliges the parties to adopt "adequate" and "effective" remedies to protect rights management information in electronic form (information mainly embodied in numbers and codes).²³⁸ Technological systems of protection used by authors in order to protect their works include: anti-copy devices, access control, electronic envelopes, encryption, passwords, watermarking, and fingerprinting.²³⁹ Notwithstanding the trend of several industries to establish some standards for the use of technological measures (for instance, the music industry), these methods can currently all be circumvented.²⁴⁰ For this reason, Contracting Parties are required to punish such acts as a medium of deterrence. However, similarly to Article 11, Article 12 leaves the Contracting Parties with a wide flexibility in the choice of the legal remedies. Article 12(1)(i) establishes that protection has to be provided for authors against certain acts of manipulation of the information (the removal and the alteration of it); Article 12(1)(ii) covers instead acts which presupposes the performance of the acts of removal or alteration, namely the distribution, the importation, or the broadcasting and communication of works or copies of works.²⁴¹ Those acts must be performed "without authority," namely without authorization of the author and not permitted by the law, and "knowingly," thus the mere inadvertent acts are not covered.²⁴² Moreover, the person should know or should have reasonable grounds to know that the act performed "will induce, enable, facilitate or conceal an

²³⁶ WIPO Publication No. 856, *supra* note 29, at 29 para. 57.

²³⁷ *Id.*

²³⁸ FICSOR, *supra* note 39, at 565.

²³⁹ WIPO Publication No. 856, *supra* note 29, at 29 para. 59.

²⁴⁰ *Id.* at 59-60.

²⁴¹ REINBOTHE & VON LEWINSKI, *supra* note 7, at 154-55.

²⁴² WIPO Publication No. 891(E), *supra* note 13, at 221 para. CT-12.4.

infringement.”²⁴³ If these requirements are met, the person *must* be sanctioned. However, the person *may* be sanctioned for the actions covered by Article 12(1)(ii) if he only has reasonable grounds to know that the electronic information has been removed or altered, and that this happened without authority.²⁴⁴ The agreed statements on Article 12²⁴⁵ first clarifies that “any rights covered by this Treaty” refers to both exclusive rights and possible rights of remuneration, and then points out that the regulation of the application of rights management information may in no way undermine the principle of formality-free.²⁴⁶

The implementation of such provision was carried out, in the United States, with a provision in the Copyright Act that copies word by word Article 12(1) of the WCT, except for the fact that it applies not only to electronic rights management information, but to any rights management information.²⁴⁷ The implementation carried out with the InfoSoc was different.²⁴⁸

1.8. Enforcement Provisions

Article 14 of the WCT,²⁴⁹ in its first provision recalls Berne

²⁴³ *Id.*

²⁴⁴ REINBOTHE & VON LEWINSKI, *supra* note 7, at 157. For the principle of formality-free, see *supra* para. 4.1.

²⁴⁵ WIPO Copyright Treaty, Agreed statement concerning Article 12 of the WCT: “It is understood that the reference to “infringement of any copyright covered by this Treaty or the Berne Convention” includes both exclusive rights and rights of remuneration. It is further understood that Contracting Parties will not rely on this Article to devise or implement rights management systems that would have the effect of imposing formalities which are not permitted under the Berne Convention or this Treaty, prohibiting the free movement of goods or impeding the enjoyment of rights under this Treaty.”

²⁴⁶ FICSOR, *supra* note 39, at 565.

²⁴⁷ US Copyright Act, Section 1202(b): “(b) Removal or Alteration of Copyright Management Information.— No person shall, without the authority of the copyright owner or the law— (1) intentionally remove or alter any copyright management information . . . ” 17 U.S. Code §1202(b).

²⁴⁸ See *infra* Chapter 3 para. 5.2.

²⁴⁹ WIPO Copyright Treaty, Article 14: “(1) Contracting Parties undertake to adopt, in accordance with their legal systems, the measures necessary to ensure the application of this Treaty. (2) Contracting Parties shall ensure that enforcement procedures are available under their law so as to permit effective action against any act of infringement of rights covered by this Treaty, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements.”

Convention Article 36(1).²⁵⁰ Both provisions embody a general compliance clause, with a slight difference between the two: while the Berne Convention states that the Parties have to adopt measures necessary to ensure the application of the Convention in accordance to their “constitution,” the WCT speaks of implementation of the WCT in compliance with their “legal systems.” The WCT provision is also similar to Article 1(1) third sentence of the TRIPs Agreement that leaves the Members free to determine the appropriate method of implementation within “their own legal system and practice.”²⁵¹ Compared with the Berne provision, the TRIPs and WCT versions seem to leave more freedom to the Contracting Parties in choosing the legal means of implementing their obligations under the Treaty.²⁵² According to the legal system of each Contracting Party, appropriate implementation measures may be legislative, administrative, or a mixture of both.²⁵³

Article 14(2) of the WCT contains instead enforcement provisions. During the negotiations of the WCT, countries were divided on the point. On the one hand, some countries, including the European Commission with its Member States, called for the extension of the international enforcement system adopted under the TRIPs to the WCT;²⁵⁴ on the other hand, mainly Asian countries argued that the enforcement was to be left to the national legislation of each Contracting Party.²⁵⁵ The majority of countries shared the view that enforcement provisions were, in any case, necessary.²⁵⁶ In light of the final text of Article 14(2), the view that wanted to extend the enforcement provisions of the TRIPs to the WCT did not succeed and the enforcement mechanisms were left to the discretion of national legislation.

²⁵⁰ Berne Convention Article 36(1): “Any country party to this Convention undertakes to adopt, in accordance with its constitution, the measures necessary to ensure the application of this Convention.”

²⁵¹ REINBOTHE & VON LEWINSKI, *supra* note 7, at 171.

²⁵² FICSOR, *supra* note 39, at 580.

²⁵³ WIPO Publication No. 891(E), *supra* note 13, at 223 Para CT-14.2.

²⁵⁴ Article 64 of the TRIPs extended the applicability of the WTO dispute settlement system to the disputes on intellectual property rights.

²⁵⁵ REINBOTHE & VON LEWINSKI, *supra* note 7, at 170.

²⁵⁶ *Id.*

Article 14(2) obliges the Contracting Parties to provide for: (i) “effective action” to allow enforcement procedures “against any act of infringement of rights covered by the WCT;” and (ii) “expeditious remedies to prevent infringements,” which “constitute a deterrent to further infringements.”

As for the implementation of Article 14, the United States implemented the enforcement through the Digital Millennium Copyright Act (DMCA), while the European Union issued the InfoSoc and Enforcement Directives.²⁵⁷

1.9. Censorship (Berne Convention Article 17)

The controversial Article 14 of the Berne Convention, which makes safe the right of the Government of each Contracting party to permit, control or prohibit by legislative or regulatory means the circulation, presentation, or exhibition of any work or production as the authority may find necessary, is entirely applicable to the WCT.

1.10. Application in Time (Berne Convention Article 18 and WCT Article 13)

Article 13 of the WCT requires the Contracting Parties to apply the provisions of Article 18 of the Berne Convention to all protection provided for in the WCT. Therefore the WCT applies to all works that, at the moment of the Treaty coming into force, have not yet fallen into the public domain in the country of origin.²⁵⁸ If a work has fallen into the public domain and the reason for its fall was the expiry of the term of protection previously granted, the work cannot be protected anew.²⁵⁹ Under Paragraph 3 of Article

²⁵⁷ See *infra* Chapter 3 para. 6.

²⁵⁸ Berne Convention, Article 18: “(1) This Convention shall apply to all works which, at the moment of its coming into force, have not yet fallen into the public domain in the country of origin through the expiry of the term of protection.”

²⁵⁹ Berne Convention, Article 18: “(2) If, however, through the expiry of the term of protection which was previously granted, a work has fallen into the public domain of the country where protection is claimed, that work shall not be protected anew.”

18 of the Berne Convention,²⁶⁰ certain temporary provisions and transitional measures are allowed (for a maximum period of two years) in order limit the protection of certain “acquired rights,” which may be related to “copies of works, and also object specifically intended for reproduction, that were completed or in the process of being completed on the entry into force of the Convention.”²⁶¹

1.11. Conclusive Remarks

The WIPO Copyright Treaty undoubtedly constituted an essential step toward the protection of intellectual property rights in the information technology society. The Treaty not only dealt with the adaptation of intellectual property rights protection to the advances in technology, but also created an *ex novo* international protection of certain works, such as databases and software. For such reasons, it has to be considered a central pillar in the international protection of copyright that transposed and adapted the Berne Convention and the TRIPs to the world of the Internet.

²⁶⁰ Berne Convention, Article 18: “(3) The application of this principle shall be subject to any provisions contained in special conventions to that effect existing or to be concluded between countries of the Union. In the absence of such provisions, the respective countries shall determine, each in so far as it is concerned, the conditions of application of this principle.”

²⁶¹ FICSOR, *supra* note 39, at 578-79.

Chapter 2

**The Enforcement of *sui generis* IP Rights:
the Case of ICANN and Domain Names**

2.1. Domain Names: the New IP Rights

2.1.1. What Are Domain Names?

In order to make possible for users to have contacts with each other through the Internet, number groups are assigned to each computer.¹ All communications on the Internet are directed thanks to domain names, or IP numbers.² Each IP address is a sequence of numbers consisting of four bytes³ (e.g. 74.125.224.72). From the mid-1990, the growing commercialization of the Internet and the emergence of the World Wide Web were associated with a change in the status and function of domain names.⁴ Since users would have faced difficulties in remembering the IP numbers needed to navigate the Internet, a global uniform hierarchical retrieval system (domain name system) was created in 1985.⁵ This system associates one or several names to each number and makes it easier for the users to be remembered.⁶ For example, instead of typing the sequence of numbers 74.125.224.72, each user can access the Google search engine by typing *google.com* in the browser.

A domain name can be considered similar to a trademark when two conditions are met: if it is used as a trademark and if satisfies the requirement of distinctiveness essential for all trademarks.⁷ Domain names' functions, however, are not solely commercial, while trademarks always have commercial function of market branding and distinctiveness: trademarks are source identifiers that aim to create a memorable link in the public mind between the product or service and the supplier. Some domain names address concerns other than the ones typical of a trademark, such as

¹ Matthias Hartwig, *ICANN – Governance by Technical Necessity*, in *THE EXERCISE OF PUBLIC AUTHORITY BY INTERNATIONAL INSTITUTIONS: ADVANCING INTERNATIONAL INSTITUTIONAL LAW* 575, 578 (A. von Bodgandy et al. (eds.), 2010).

² KONSTANTINOS KOMAITIS, *THE CURRENT STATE OF DOMAIN NAME REGULATION: DOMAIN NAMES AS SECOND-CLASS CITIZENS IN A MARK-DOMINATED WORLD* 41 (2010).

³ TORTSTEN BETTINGER ET AL., *DOMAIN NAME LAW AND PRACTICE: AN INTERNATIONAL HANDBOOK* 4 (2005).

⁴ DAVID LINDSAY, *INTERNATIONAL DOMAIN NAME LAW: ICANN AND THE UDRP* 95 (2007).

⁵ BETTINGER ET AL., *supra* note 3, at 4.

⁶ HARTWIG, *supra* note 1, at 578.

⁷ BETTINGER ET AL., *supra* note 3, at 991.

domain names that address free speech.⁸ Since it would be improper to generally classify domain names as trademarks, some authors suggested treating them as *sui generis* rights, namely e-property rights.⁹ Other distinctions between trademarks and domain names can be drawn. First of all, domain name registration does not depend on trademark rights, and, *a fortiori*, the mere registration of a domain name is not sufficient to acquire intellectual property rights.¹⁰ Secondly, it is not for national trademark registries to perform the registration or cancellation of domain names, given that usually domain name registrars are private entities with no link to trademark registries. Third, domain names use is global, where trademarks tend to distinguish products in a territorially defined area. Finally, the nature of trademarks differs from that of domain names: the former can be a name, logo, sign, slogan, brand, color and others, while the latter is only a word and number-based sequence and can come in a large variety of permutation.

2.1.2. Domain Name Regulation: gTLDs and ccTLDs

Depending on the nature of each domain name, a different authority has competence to their regulation. Domain names can be divided into two main categories: Generic Top-Level Domains (gTLDs) and Country Code Top-Level Domains (ccTLDs).¹¹ Generic Top-Level Domains – such as *.com*, *.net* and *.org* – are registered by more than 200 Registrars accredited by ICANN.¹² They are considered “open” gTLDs because there are no restrictions on eligibility for registration.¹³

Registration of other gTLDs – such as *.gov* and *.edu* – are instead under the United States Government control and are known as “closed,” as

⁸ KOMAITIS, *supra* note 2, at 62.

⁹ *Id.* at 62-63.

¹⁰ BETTINGER ET AL., *supra* note 3, at 911.

¹¹ LINDSAY, *supra* note 4, at 9.

¹² For the history and functions of ICANN, *see infra* para. 2.2.

¹³ LINDSAY, *supra* note 4, at 10.

registrations are limited, respectively, to US federal government organizations and US educational institutions.¹⁴

The registration of Country Code Top-Level Domains is mainly controlled by national governments.¹⁵ Some countries, such the United Kingdom, have opted for an unrestricted registration procedure, which allows an individual to register a domain (in this case, *.uk*) without any requirement of nationality, place of residence, or registered office, as far as that domain name has not been already registered.¹⁶ Other countries, such as Canada and Italy, opted for a semi-restrictive policy, requiring nationality and residency, or proof of registered business activities in the country.¹⁷ Finally, a few countries still follow a restrictive registration procedure, requiring the Registrant to provide proof of a trademark or name right that corresponds to the domain name (e.g. Australia).¹⁸ The administration of such domain names only apparently deals exclusively with technical issues, as political impacts cannot be denied.¹⁹ One may argue whether Palestine has a right to a top-level domain name, or whether Taiwan does.²⁰ Also commercial impacts cannot be denied, not only for businesses and corporations but also for countries. On the business side, for instance, owners of adult-content websites and producers of adult content objected to ICANN's delegation of the domain *.xxx* to the ICM Registry arguing that was violating U.S. antitrust laws.²¹ On the public side, the very small

¹⁴ *Id.*

¹⁵ For a full list of Country Code Top-Level Domains, see http://www.wipo.int/amc/en/domains/cctld_db/output.html (accessed on 10/25/14).

¹⁶ BETTINGER ET AL., *supra* note 3, at 37.

¹⁷ *Id.*

¹⁸ *Id.* at 38.

¹⁹ Hartwig, *supra* note 1, at 579.

²⁰ Taiwan domain name *.tw* was even contested by the Republic of China in 2003, that ultimately withdrew its claims. *Id.* at 580.

²¹ In *Manwin Licensing Int'l S.A.R.L. v. ICM Registry, LLC*, 2012 U.S. Dist. LEXIS 125126 (C.D. Cal. Aug. 14, 2012), Manwin brought a suit against both ICANN and ICM under the US antitrust laws on claims including conspiracy in restraint of trade in violation of Section 1 and conspiracy to monopolize trade in violation of Section 2 of the Sherman Act. Plaintiffs argued, *inter alia*, that viewers looking for adult content would have gravitated toward the *.xxx* domain because the letters uniquely connote such content. The Court recognized that a nonprofit entity that operated the domain name system could be held

country Lucky Tuvalu increased its state income by more than twenty million of dollars by leasing its appealing country code .tv to televisions companies.²² Another concern arises with the admissible characters for domain names, which have been, for years, only Latin characters, and not also the Chinese, Arabic or Hebrew ones.²³ Relevant to this matter is the collaboration between ICANN and UNESCO, which entered into a partnership to promote a linguistically diverse Internet.²⁴ On November 16, 2009, ICANN began accepting requests from representatives of countries and territories around the world for new country codes in Arabic, Chinese and other scripts.²⁵ *A fortiori*, the principle of state sovereignty can be questioned in these cases, and some countries already called for the recognition of equal rights to manage the Internet, including the matters of allotment and assignment of domain names.²⁶

2.2. The ICANN

2.2.1. The Creation of ICANN

The debate over the choice of the authority that had to control the root server involved mainly two sides.²⁷ On one side, there was the International Telecommunications Union (ITU) and groups of experts of the Internet Society (ISOC); on the opposite side there was the U.S.

liable under 15 U.S.C.S. §§ 1 and 2 of the Sherman Act for granting the sole authority to a registry to operate a new top-level domain in exchange for money as that transaction was “quintessential commercial activity.” The conspiracy to monopolize and attempt to monopolize claims under 15 U.S.C.S. § 2 were dismissed as the owner of an adult-oriented website domain name portfolio and film maker had failed to adequately plead the affirmative registration market.

²² Hartwig, *supra* note 1, at 580.

²³ *Id.* at 581.

²⁴ UNESCO and ICANN sign partnership agreement to promote linguistic diversity on Internet (Dec. 2009), available at http://portal.unesco.org/ci/en/ev.php-URL_ID=29372&URL_DO=DO_TOPIC&URL_SECTION=201.html.

²⁵ *Id.*

²⁶ See WSIS Tunis Agenda para. 63 “Countries should not be involved in decisions regarding another country’s ccTLD.”

²⁷ Bruno Carotti & Lorenzo Casini, *A Hybrid Public-Private Regime: The Internet Corporation for Assigned Names and Numbers (ICANN) and the Governance of the Internet*, in GLOBAL ADMINISTRATIVE LAW: THE CASEBOOK 185, 187 (Cassese et al. (eds.), 2012).

Government.²⁸ The former group wished for a separate and independent international sectorial authority, the International Council of Registrars (CORE), while the latter proposed a model based on private self-regulation.²⁹ The U.S. model, in the end, prevailed over the international one.³⁰ Many scholars would have expected that an authority with power to establish Internet standards around the world should resemble the forms of an international organization, or at least, be an entity under international law.³¹ The truth is that private corporations were and are the principal participants in setting the standards and organizing the Internet.³² State actors and international organizations are sometimes in competitions with private actors, sometimes they partly deferred to these, and occasionally they try to recapture governance authority they deferred.³³ Among the private actors is the Internet Corporation for Assigned Names and Numbers (ICANN), which is neither an international organization nor an entity under international law.³⁴ ICANN is a non-profit benefit corporation incorporated under California law, and is, to date, the unique multi-stakeholder responsible for decisions regarding the Domain Name System (DNS).³⁵ As mentioned above,³⁶ the United States was the cradle of the Internet, and thus the leading country in administering (or pushing for the administration of) it. It was the U.S. Government to create the ICANN in 1998 with the intent to guarantee a government neutral management of the Internet, followed by the bottom-up principle in the area of policy making.³⁷ Although both the

²⁸ *Id.*

²⁹ *Id.*

³⁰ *Id.*

³¹ Hartwig, *supra* note 1, at 576.

³² *Id.*

³³ Take Ingo, *Regulating the Internet Infrastructure: A Comparative Appraisal of the Legitimacy of ICANN, ITU and the WSIS*, in 6 *Regulation & Governance* 499, 504 (2012).

³⁴ Hartwig, *supra* note 1, at 576.

³⁵ David Lindsay, *ICM registry v. Internet Corporation for Assigned Names & Numbers (ICDR)*, *Introductory note*, 49 *ILM* 956, 956 (2010).

³⁶ *See supra* Chapter 1 para. 1.1.2.

³⁷ Memorandum of Understanding Between The U.S. Department of Commerce and Internet Corporation for Assigned Names And Numbers (November 25, 2008) *available at* https://www.icann.org/resources/unthemed-pages/icann-mou-1998-11-25-en?routing_type=path.

U.S. government and ICANN describe their relationship as a mere technical management, ICANN was undoubtedly called to make choices that are more closely related to public policy rather than technical issues.³⁸ On the one hand, the government created a private body to ensure the neutrality in the management of the Internet, on the other hand, the U.S. Department of Commerce collaborated with ICANN's to ensure that the goals set were achieved.

2.2.2. ICANN's Structure and Functions

The ICANN presents a complex internal structure, composed of a Board of Directors, three Supporting Organizations and four Advisory Committees. The Board of Directors is the executive component of ICANN and it is composed of sixteen voting members.³⁹ Eight of them are selected by the Nominating Committee, six by the three supporting organizations,⁴⁰ one by the At-Large Community, and the President is voting member *ex officio*. The composition of the board should reflect diversity in geography, culture, skills, experience and perspectives.⁴¹ The directors are usually experts in gTLD registries and registrars and Internet standards and protocols.⁴² In order to maintain neutrality, it is excluded the eligibility of officials of national governments to serve as directors.⁴³ The three supporting organizations play a key role in the nomination of the directors and are the main source of policy recommendation within specialized areas. The Address Supporting Organization advises the Board on policy issues relating to the operation, assignment, and management of Internet

³⁸ Jonathan Weinberg, *ICANN and the Problem of Legitimacy*, 50 Duke L.J. 187, 216 (2000).

³⁹ ICANN, *Bylaws* Article VI Section 2(2).

⁴⁰ ICANN, *Bylaws*, Article VI Section 2(2). Each supporting organization selects two directors. The supporting organization are the Address Supporting Organization, the Country-Code Names Supporting Organization, and the Generic Names Supporting Organization.

⁴¹ ICANN, *Bylaws*, Article VI Section 2(2).

⁴² ICANN, *Bylaws*, Article VI Section 3(4).

⁴³ ICANN, *Bylaws*, Article VI Section 4(1).

addresses.⁴⁴ The Country-Code Names Supporting Organization is instead responsible for developing and recommending global policies relating to country-code top-level domains.⁴⁵ Finally, the Generic Names Supporting Organization develops and recommends to the Board substantial policies relating to gTLDs.⁴⁶ Moreover, four Advisory Committees provide advice to the Board within their area of expertise. The Security and Stability Committee advises the Board on issues relating to the security and integrity of the allocation and naming address systems.⁴⁷ The Root Server System Committee instead advises the Board on the operation, administration and security of the Internet's Root Server System.⁴⁸ Individual Internet users are represented in the At-Large Advisory Committee, which conveys into the ICANN community issues for which input and advice is appropriate.⁴⁹ Finally, and most importantly, to rebalance ICANN's private nature with the public interest, a specific place for governments was created within the ICANN:⁵⁰ a Governmental Advisory Committee, that, although not binding on ICANN's Board, is very influential.⁵¹ The Governmental Advisory Committee is the forum through which governments' concern on ICANN policies are communicated to the Board.⁵² This Committee is open to all national governments and it is considered the most powerful committee, as it can put issues to the Board directly and can specifically recommend actions or new policy development.⁵³

In order to ensure a stable and secure operation of the Internet's system, ICANN assigns, through its Board's decisions, domain names and the Internet protocols.⁵⁴ The implementation of such decisions is possible

⁴⁴ ICANN, *Bylaws*, Article VIII Section 1.

⁴⁵ ICANN, *Bylaws*, Article VIX.

⁴⁶ ICANN, *Bylaws*, Article X.

⁴⁷ ICANN, *Bylaws*, Article XI Section 2(2).

⁴⁸ ICANN, *Bylaws*, Article XI Section 2(3).

⁴⁹ ICANN, *Bylaws*, Article XI Section 2(4).

⁵⁰ Carotti & Casini, *supra* note 27, at 189.

⁵¹ The Governmental Advisory Committee powers are further discussed in para. 2.2.3.2.

⁵² ICANN, *Bylaws*, Article XI Section 1.

⁵³ ICANN, *Bylaws*, Article XI Section 1(i).

⁵⁴ Hartwig, *supra* note 1, at 584.

thanks to agreements that ICANN enters into with the registries of domain names.⁵⁵ Registries may be private corporations, state entities or public-private partnerships managing a generic domain name or a country code domain name.⁵⁶ Registries enter into agreements with the registrars, which ultimately assign Internet addresses to users.

For generic domain names, ICANN had discretion to choose the company (registry) which should administer the domain (for example, VeriSign for the administration of *.com*).⁵⁷ For country code domain names, instead, it is usually for the respective State to determine the registry which should manage the top level domain and which has to be accredited by ICANN (for instance, EURid for *.eu*).⁵⁸

Pursuant to the registry agreements between ICANN and the registries of gTDL, the latter undertake the obligation to respect the policies of ICANN. Among the principles to be respected that are the principle of allocating registered names on a first-come first-served basis, the timely renewal, the prohibition of speculation of domain names, the obligation of maintaining an updated database of domain name registrations, the resolution of disputes regarding domain names.⁵⁹ If the registry does not conform with the agreement, ICANN can refuse the renewal of the agreement when a breach is determined by an arbitrator or court.⁶⁰ ICANN does not conclude registry agreements with country code domain names. However, national registries chosen by each state for the assignment of names have to be accredited by ICANN and they commit themselves to securing the stability and interoperability of the Internet's Domain Name

⁵⁵ *Id.*

⁵⁶ *Id.*

⁵⁷ Registry Agreement between ICANN and VeriSign, Inc. (Dec. 2012) *available at* https://www.icann.org/resources/pages/agreement-2012-12-05-en?routing_type=path.

⁵⁸ Regulation (EC) 733/2002 of the European Parliament and of the Council (Apr. 22, 2002) designated a *.eu* TLD Registry, commonly known as "EURid." *See* <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32002R0733&from=EN>.

⁵⁹ Registry Agreement between ICANN and VeriSign, Inc., *supra* note 57, at Section 3.1(b).

⁶⁰ *Id.* at Section 3.1(d).

System.⁶¹ In any case, there is no general obligation to follow *in toto* ICANN's policies, and the ultimate public policy authority over the relevant ccTLD rests with the relevant government.

Among the policies contained in the agreements between ICANN and gTLD, one of the most important concerns the settlement of disputes surrounding domain names. ICANN developed a rapid and effective procedure for the resolution of conflicts over domain name ownership by instituting, with the collaboration of WIPO, the Uniform Domain Name Dispute Resolution Policy.⁶² Such a procedure, although not applicable to ccTLD, has been a model for States which instituted a specific system for domain names dispute resolutions.⁶³

2.2.3. ICANN as a Private/Public Hybrid

ICANN is an unusual organization, a private Californian corporation vested with substantial global and public functions.⁶⁴ ICANN's hybrid nature can be addressed on three main points: 1) applicable law, 2) public-private partnership, and 3) relations with international organizations.

2.2.3.1. Applicable Law

One of the big challenges of international law is the accountability of non-state actors that perform transnational governance functions.⁶⁵ Given that ICANN is a Californian corporation, it is subject, first of all, to California laws. It has to be addressed the issue of whether, and if so to what extent, international principles may be applicable to such a hybrid

⁶¹ For a list of ccTLD Agreements, see <https://www.icann.org/resources/pages/cctlds/cctlds-en>.

⁶² The UDRP will be further discussed *infra* para. 2.3 et seq.

⁶³ For instance, Singapore has adopted the SDRP (Singapore Domain Name Dispute Resolution Policy) available at http://web.sgnic.sg/sites/default/files/SDRP_0.pdf, which has striking similarities with the UDRP. Three points distinguishes the two systems: (i) the possibility of mediation, (ii) the enlarged scope of the procedure, which embraces cases involving unlawful registrations of "names" and not only trademarks, (iii) the domain name has been registered *or* (instead of *and*) is being used in bad faith.

⁶⁴ Lindsay, *supra* note 35, at 958.

⁶⁵ *Id.*

private/public entity. Article 4 of ICANN's Articles of Incorporation provides that "[t]he Corporation shall operate for benefit of the internet community as a whole, carrying out its activities in conformity with the relevant principle of international law and applicable international conventions and local law . . ."⁶⁶ As pointed out by Professor Goldsmith, the Article has to be interpreted as including the law of California, international treaties, and principles of international law, which includes the general principle of good faith.⁶⁷ In *ICM Registry, LLC, v. ICANN*, it was at issue, *inter alia*, the extent to which principles of international law, and in particular the principle of good faith and allied principles (estoppel, legitimate expectations and abuse of rights) could be deemed applicable to ICANN.⁶⁸ ICANN argued that it did not adopt principles of international law indiscriminately, but rather to ensure consistency between its policies and substantive international law on matters relevant to various stakeholders in the Internet community.⁶⁹ Specifically, ICANN pointed out that the principles of international law applicable are only those "relevant," as indicated in Article 4, and therefore only the general principles on trademark law and on freedom of expression.⁷⁰ Moreover, ICANN argued that its private nature would render impossible the application of international legal principles to a dispute between private parties.⁷¹ In this non-binding Independent Review Process, the ICDR Panel was not persuaded on this point, and held that the applicable principles of international law are not confined to the ones indicated by ICANN, rather they include international legal principles of "general applicability," such as the fundamental principle of good faith and allied principles.⁷² Moreover, since ICANN has governance on an "intrinsically international resource of

⁶⁶ Articles Of Incorporation Of Internet Corporation For Assigned Names and Numbers as Revised November 21, 1988, Article 4.

⁶⁷ *ICM Registry, LLC, v. ICANN*, ICDR Case No. 50 117 T 00224 08 (Feb. 19, 2010).

⁶⁸ *Id.*

⁶⁹ *Id.* at Para 106.

⁷⁰ *Id.*

⁷¹ *Id.* at Para 107.

⁷² *Id.* at Para 137.

immense importance to global communication and economies” (the Internet), the intention that animated the inclusion of principles of international law in the Articles of Incorporation can only be interpreted as the desire to be subject to the general principles of international law.⁷³

2.2.3.2. Public-Private Partnership

Over time, the mere advisory role given to the Government Advisory Committee (GAC) was often debated.⁷⁴ The European Commission and many of its member States (especially France, Germany, and Spain) pointed out that ICANN was remitting issues historically preserved of governments, and called for a stronger involvement.⁷⁵ ICANN recognized that governments participation was “critical to its success,”⁷⁶ and in 2002, due to the pressure from governments outside the U.S. and as a consequence of the terror attacks of 2001, it transformed the status of the GAC from a general conference to an integrated part of ICANN.⁷⁷ Together with this change, ICANN agreed to duly take into account the issues raised by the GAC, and in case the Board of Directors intends not to follow the GAC’s advise, it has to provide reasons upon which a mutually solutions would be sought.⁷⁸ However, when such a solution is not reached, the ICANN Board decision will prevail.⁷⁹ Nevertheless, some authors believe

⁷³ *Id.* at Para 140.

⁷⁴ George Christou & Seamus Simpson, *International policy implementation through gate keeping: the Internet Corporation for Assigned Names and Numbers*, in INTERNATIONAL ORGANIZATIONS AND IMPLEMENTATION 75, 81 (Joachim et al. (eds.), 2008).

⁷⁵ *Id.*

⁷⁶ Stuart M. Lynn, *President's Report: ICANN – The Case for Reform* of 23 February 2002.

⁷⁷ Hartwig, *supra* note 1, at 576.

⁷⁸ ICANN, *Bylaws*, Article XI(2)(1)(j): “The advice of the Governmental Advisory Committee on public policy matters shall be duly taken into account, both in the formulation and adoption of policies. In the event that the ICANN Board determines to take an action that is not consistent with the Governmental Advisory Committee advice, it shall so inform the Committee and state the reasons why it decided not to follow that advice. The Governmental Advisory Committee and the ICANN Board will then try, in good faith and in a timely and efficient manner, to find a mutually acceptable solution.”

⁷⁹ ICANN, *Bylaws*, Article XI(2)(1)(k): “If no such solution can be found, the ICANN Board will state in its final decision the reasons why the Governmental Advisory Committee advice was not followed, and such statement will be without prejudice to the

that would not be possible for ICANN to take decisions against the will of the GAC, as sovereign States preserve their competences for public policy issues, including the administration of the Internet under the national control.⁸⁰ Obviously, the U.S. government has a greater influence over ICANN's decision, which sometimes is not fully transparent. The deliberative process privilege protects, in fact, the disclosure of the debates within the Department of Commerce.⁸¹

2.2.3.3. Relations with International Organizations in the Global Internet Governance

As mentioned above, ICANN is the leading authority in the administration of the Domain Name System. This does not mean, however, that the international Internet regulation is exclusively reserved to a private arrangement.⁸² The International Telecommunication Union (ITU) is an international organization and specialized UN agency establishing the formulation of worldwide technical standards for information and communication technologies (ITCs).⁸³ On its 150th anniversary, the ITU counts 193 Member States.⁸⁴ Membership is also open to ICTs regulators, academic institutions, and private companies. Similarly to ICANN, even though with a different balancing system, ITU's action involves both public (States) and private (companies) actors. ITU's areas of actions are mainly

rights or obligations of Governmental Advisory Committee members with regard to public policy issues falling within their responsibilities.”

⁸⁰ Hartwig, *supra* note 1, at 584.

⁸¹ In *ICM Registry, LLC v. United States DOC*, 538 F. Supp. 2d 130 (D.D.C. 2008), Plaintiff ICM Registry, LLC. argued that the U.S. Department of Commerce (DOC) intervened behind the scenes to urge the ICANN to reject the company's application for a .xxx domain. The District Court granted summary judgment in favor of the U.S. DOC, holding that absent some showing that the DOC exceeded its powers or that it opposed the domain name for nefarious purposes, the DOC's action was not misconduct within the meaning of the government misconduct exception to the deliberative process privilege. The government showed that a debate took place, and ultimately a final policy decision was never reached because ICANN did not approve the application. The government did not have to reveal what those debated options were.

⁸² Ingo, *supra* note 33.

⁸³ For more details on ITU, see <http://www.itu.int/en/about/Pages/default.aspx>.

⁸⁴ Full list of ITU Member States available at http://www.itu.int/online/mm/scripts/mm.list?_search=ITUstates&_languageid=1.

three: (i) the management of the international radio-frequency spectrum and satellite orbit resources (ITU Radio communication Sector, ITU-R); (ii) the establishment of global communications standards (ITU-T); and (iii) the improvement of telecommunication infrastructure in the developing world (ITU-D).

The United Nations General Assembly welcomed the ITU proposal for the institution of a World Summit on the Information Society (WSIS) and recognized ITU as the leading actor of it.⁸⁵ The summit occurred in two phases: the first in Geneva in December 2003, the second in Tunis in November 2005. In the first phase was stressed out the importance of a multilateral international administration of the Internet, with the full involvement of governments, the private sector, civil society and international organizations. The Geneva Report proposed a model in which ITU-T can assist ICANN to ensure world-wide representation of both the public and the private sectors, taking care of issues of concern to governments, ensuring that the sovereign rights of all Member States are served.⁸⁶ Also, it proposed a deeper cooperation on ccTLDs and on certain domain names which are still under the ICANN management, such as the *.int* (for intergovernmental organizations).⁸⁷ The Bush administration strongly opposed the proposal for the United Nations to give ITU the control over the top-level services that direct traffic data for all domain names. On the one hand, U.S. was demanding to maintain a key role in the management of the Internet (through ICANN), on the other hand, the European Union was pushing for a multilateral approach.⁸⁸ In particular, the EU Information Technology Commissioner Viviane Reding affirmed that an Internet dominated by one nation and which does not belong to all the

⁸⁵ G.A. Res. 56/183 U.N. Doc. A/RES/56/183 (Jan. 31, 2002) available at http://www.itu.int/wsis/docs/background/resolutions/56_183_unga_2002.pdf

⁸⁶ ITU, *Report: ITU and its Activities Related to Internet-Protocol (IP) Networks, Annex 1: ITU and ICANN Reform 90-91* (Apr. 2004) available at <http://www.itu.int/osg/spu/ip/itu-and-activities-related-to-ip-networks-version-1.pdf>.

⁸⁷ *Id.*

⁸⁸ Richard Wray, *EU says internet could fall apart*, in *The Guardian*, October 12, 2005, available at <http://www.theguardian.com/business/2005/oct/12/newmedia.media>.

nations “could fall apart.”⁸⁹ In the second phase, the UN Secretary General Kofi Annan pointed out that purpose of the UN in the WSIS was to ensure the Internet’s global reach, and not to “take over, police, or otherwise control the Internet.”⁹⁰ After recognizing the leading role of the United States in the management of Internet, however, Annan agreed that “it is an authority that many say should be shared with the international community.”⁹¹ Annan established a Working Group on Internet Governance which proposed four models. Two of the proposed models were based on a stronger participation of the governments, and one of the two aimed at the substitution of the U.S. government in the supervision of ICANN.⁹² The other two were instead aimed at the creation of an international body: one of them aimed at the transfer of the most important competences of ICANN to a World Internet Corporation for Assigned Domain Names and Numbers; the other proposed instead the establishment of an International Internet Council which should defend the interests of the public *vis-à-vis* ICANN.⁹³ Needless to say, the U.S. government did not intend to give up its supervisory functions over the Internet administration and therefore the basic structure of the Internet administration and ICANN were maintained. The U.S. Government offered two arguments against the creation of an international body.⁹⁴ The first concern regarded the excessive bureaucratization of the UDRP if administered by an international body.⁹⁵ The second concern was the possible damages that the free world of Internet could suffer due to the participation of some countries such as China.⁹⁶ Under the Obama administration, however, the U.S. government seemed to

⁸⁹ *Id.*

⁹⁰ Kofi A. Annan, *The U.N. Isn't A Threat to the Net*, November 5, 2015, Washington Post, available at <http://www.washingtonpost.com/wp-dyn/content/article/2005/11/04/AR2005110401431.html>.

⁹¹ *Id.*

⁹² Hartwig, *supra* note 1, at 600-01.

⁹³ *Id.*

⁹⁴ Ben Norton, *Constitutional Internationalization of ICANN's UDRP*, 29 *Ariz. J. Int'l & Comp. L.* 137, 166 (2012).

⁹⁵ *Id.*

⁹⁶ *Id.*

have reconsidered its unilateral approach toward a multilateral one.⁹⁷

2.2.3.4. ICANN to Transition to the Global Multi-Stakeholder Community

In March 2014, the National Telecommunications and Information Administration (NTIA), an arm of the Commerce Department, announced that it intended to “transition key Internet domain name functions to the global multi-stakeholder community” when the current contract with the Internet Corporation for Assigned Names and Numbers (ICANN) expires on September 30, 2015.⁹⁸ The principles to which the transitional process should conform are the enhancement of the multistakeholder model, and the security, stability and openness of the Internet.⁹⁹ The NTIA also affirmed that it would not accept a government-led or an intergovernmental solution.¹⁰⁰ ICANN created two working groups to solicit input from the multi-stakeholder community. The IANA Stewardship Transition Coordination Group (ICG), established in June 2014, is formed by thirty individuals from thirteen stakeholder communities and is charged with ensure that the transition will comply with the requirements outlined by the NTIA.¹⁰¹ The ICANN Accountability and Governance Cross Community Working Group (CCWG), established in October 2014, is instead charged with developing proposals that would enhance ICANN’s accountability towards all stakeholders after the U.S. supervisory role will see an end. The Governmental Advisory Committee, together with the other Committees, is also working to give insights and opinions on the reforming process. The GAC is working within the CCWG to develop proposals on ICANN’s

⁹⁷ *Id.* at 170.

⁹⁸ NTIA Announces Intent to Transition Key Internet Domain Name Functions (Mar. 14, 2014) *available at* <http://www.ntia.doc.gov/press-release/2014/ntia-announces-intent-transition-key-internet-domain-name-functions>.

⁹⁹ *Id.*

¹⁰⁰ *Id.*

¹⁰¹ ICG Draft *available at* <https://www.icann.org/en/system/files/files/cwg-naming-transition-01dec14-en.pdf>.

accountability and public policy principles.¹⁰² Interestingly, the GAC also established a Working Group on Human Rights Issues and the Application of International Law, as “these matters relate to ICANN activities.”¹⁰³

Public meetings and consultations have been recently held in Singapore, and the following one will be in Buenos Aires in June 2015 (ICANN 53). Although the working groups already held various meetings and released some proposal drafts, the final transition proposal that will have to be approved by the NTIA will unlikely see completion by September 2015. The NTIA has specified that September 2015 is not a deadline, rather a target date.¹⁰⁴ According to some, is highly likely that the Department of Commerce will exercise its option to extend the contract with ICANN for two years in order to postpone the target date of the transitional process.¹⁰⁵

2.3. The ICANN-WIPO Collaboration to Create and Manage a Global Domain Names Dispute Resolution Procedure

2.3.1. Creation of the UDRP

Until the UDRP system was created, no global uniform procedure for resolving disputes concerning domain names existed.¹⁰⁶ In order to protect their rights, especially threatened by the practice of cybersquatting, trademark owners had to go through the ordinary track of litigation.¹⁰⁷ It was because of the pressure of trademark holders, but especially thanks to

¹⁰² Governmental Advisory Committee, *GAC Communiqué – Singapore*, February 11, 2005 available at https://gacweb.icann.org/download/attachments/27132037/GAC_SINGAPORE52_COMM_UNIQUE_FINAL2.pdf.

¹⁰³ *Id.*

¹⁰⁴ ICANN, *An Update on IANA Stewardship Discussion* (Feb. 24, 2015) available at <https://www.icann.org/news/blog/update-on-iana-stewardship-discussion-24-february-2015>.

¹⁰⁵ Shaefer D. Brett et al., *Time is Running Out: The U.S. Must Be Prepared to Renew the ICANN Contract*, February 3, 2015 available at http://www.heritage.org/research/reports/2015/02/time-is-running-out-the-us-must-be-prepared-to-renew-the-icann-contract#_ftn1.

¹⁰⁶ BETTINGER ET AL., *supra* note 3, at 937.

¹⁰⁷ *Id.*

the action undertaken by the National Telecommunications and Information Administration (NTIA), a U.S. governmental agency, that WIPO initiated the process of developing a domain name dispute resolution system.¹⁰⁸ The current UDRP system originated from recommendations of both Registrars and WIPO contained in the Final Report and transmitted to the ICANN Domain Name Supporting Organization (DNSO).¹⁰⁹ Originally, the system was meant to be a balanced, non-binding mechanism, applicable in the circumstances described in paragraph 4(a) of the WIPO Final Report of April 1999.¹¹⁰ The Final Report recommended the adoption of a quick, cost-effective uniform dispute resolution policy that had to be mandatory when agreed by domain name Registrants in open gTLDs.¹¹¹ However, it reserved the right of the Parties to retain the ability to initiate litigation in national courts, as a prevailing track over the UDRP administrative procedure. From May to August 1999, the DNSO working groups exchanged drafts and recommendations with WIPO and ICANN board. The process was open to the public, and at many stages of it WIPO conducted consortia of Internet stakeholders with the aim to realize an international consultative process.¹¹² However, some authors have questioned whether the process was “truly broad-based and transparent,” making a comparison with the traditional WIPO rulemaking, which generally goes through additional review by national governments.¹¹³

The process ended in the ICANN Board’s approval, on 26 August 1999, of the Uniform Domain Name Dispute Resolution Policy (hereinafter

¹⁰⁸ LINDSAY, *supra* note 4, at 100.

¹⁰⁹ KOMAITIS, *supra* note 2, at 82.

¹¹⁰ WIPO, *The Management of Internet Names and Addresses: Intellectual Property Issues, Final Report of the WIPO Internet Domain Name Process* (Apr. 30, 1999) available at <http://www.wipo.int/amc/en/processes/process1/report/finalreport.html>.

¹¹¹ LINDSAY, *supra* note 4, at 101.

¹¹² Lisa B. Bingham, *Control over Dispute-System Design and Mandatory Commercial Arbitration*, 67 *Duke L.J.* 211, 247 (2004).

¹¹³ Helfer R. Laurence & Graememe B. Dinwoodie, *Designing Non-National Systems: The Case of the Uniform Domain Name Dispute Resolution Policy*, 43 *William and Mary Law Review* 141, 168 (2001).

the “Policy”) and the Rules for Uniform Domain Name Dispute Resolution Policy (hereinafter the “Rules”).

The benefits that such a procedure has carried are undeniable. First of all, it applies globally to gTLDs (domain names ending in *.com*, *.net*, and *.org*), notwithstanding the place of the registration and the place of business or residence.¹¹⁴ This kind of policy impedes either Party from raising an issue concerning personal jurisdiction. Secondly, the Proceeding is relatively rapid and cost-effective, given that the Parties do not have to appear before the Panel personally, and the filings have to be made electronically. For the latter feature, the UDRP system is considered to be an example, and for some authors a model, of Online Dispute Resolution (ODR) processes.¹¹⁵ Third, the UDRP is called to apply the law contained in the policy, overcoming the problems of conflicting interpretation in national trademark laws. Finally, since ICANN has control over the server that assigns domain names, it can itself enforce the Panel’s decisions without submitting the matter to national courts.¹¹⁶

2.3.2. Scope and Nature of the UDRP

For gTLDs, one of the conditions prescribed by ICANN for Registrars of domain names, in order to be accredited, is to agree to submit the disputes to the UDRP. In this sense, many authors described the UDRP system as one of “mandatory nature.” Paragraph 4(a)(i) of the Policy states that “[a domain-name holder] is required to submit to a mandatory Administrative Proceeding in the event that [a Complainant] asserts to the applicable [administrative-dispute-resolution service provider], in compliance with the Rules of Procedure, that (i) [the disputed domain name] is identical or confusingly similar to a trademark or service mark in which

¹¹⁴ Elizabeth G. Thornburg, *Fast, Cheap and Out of Control: Lessons from the ICANN Dispute Resolution Process*, 6 Computer L. Rev. & Tech. J. 89, 95 (2001-2002).

¹¹⁵ Julia Hörnle, *The Uniform Domain Name Dispute Resolution Procedure: Is Too Much of a Good Thing a Bad Thing?*, Julia Hörnle, 11 SMU Sci. & Tech. L. Rev. 253, 253 (2007-2008).

¹¹⁶ *Id.*

the Complainant has rights.” On the one hand, once the Complainant has commenced a Proceeding under the UDRP Policy and Rules, the other Party has no right to stop the Proceeding (and it if chooses not to file a response, it will be considered in default). However, on the other hand, Parties are still free to commence litigation in their national courts. In case a legal proceeding in respect of a domain-name dispute is initiated before a court prior to or during an Administrative Proceeding, the Panel has the discretion to decide whether to suspend or terminate the Administrative Proceeding, or to proceed to a decision.¹¹⁷

Originally, the Domain Name System (DNS) was designed for internal purposes and domain names were not identified nor perceived as intellectual property rights.¹¹⁸ Although domain names can embrace much broader interests than the ones of IP rights such as trademarks, the UDRP solely embraces cases of “deliberate, bad-faith, abusive registrations,” leaving the resolution of other (trademark and non-trademark) disputes to national courts.¹¹⁹ The Policy was drafted with the purpose of combating the Internet phenomenon known as “cybersquatting” – namely the registration of a domain name similar to a trademark of an illegitimate purpose.¹²⁰ Illegitimate purposes typical of cybersquatting practice include the practice of selling the domain name to the trademark owner at an inflated price or to a competitor of the trademark owner, and redirecting Internet traffic from the trademark owner onto the Registrant’s own site in the attempt to increase advertising revenue.¹²¹ Pursuant to UDRP Paragraph 4(a), a trademark owner who intends to seek relief under the procedure has to prove three elements: (i) the domain name is identical or confusingly similar to a trademark or service mark in which the complaint has rights, (ii) the domain holder has no rights or legitimate interests in respect of the domain

¹¹⁷ Rules, Paragraph 18(a).

¹¹⁸ LINDSAY, *supra* note 4, at 95.

¹¹⁹ BETTINGER ET AL., *supra* note 3, at 946.

¹²⁰ Hörnle, *supra* note 115, at 254.

¹²¹ *Id.* at 253.

name, and (iii) the domain name has been registered and is being used in bad faith. As for the elements the plaintiff has to prove and how they are described, ICANN made minor changes to the language recommended by the WIPO's Final Report in order to create a formula that clearly recalls the US Lanham Act.¹²²

Because domain names could potentially embrace a wider range of disputes other than cybersquatting, a number of authors have criticized the UDRP system for exclusively addressing trademark holders concerns.¹²³ Among these disputes are disputes concerning First Amendment and freedom of expression claims where a domain name registrant has registered a name corresponding with a trademark in order to comment on or criticize the trademark holder.¹²⁴ In such cases, the WIPO recognized that the outcome is not homogenous and that Panels are divided among two views: according to the first one, the right to criticize does not necessarily extend to registering and using a domain name that is identical or confusingly similar to the complainant's trademark; the second one, preferred when both parties are from U.S. or there is U.S. jurisdiction, holds that the respondent has a legitimate interest in using the trademark as part of the domain name as far as such use is fair and noncommercial.¹²⁵ More generally, a number of authors addressed the critique that the UDRP is biased in favor of trademark holders.¹²⁶

¹²² Cf. "Cyberpiracy prevention" lett. (d)(1)(A), 15 U.S.C.A. § 1125.

¹²³ Jacqueline Lipton & Mary Wong, *Trademarks and Freedom of Expression in ICANN's New gTLD Process*, 39 *Monash University Law Review* 188, 188 (2013).

¹²⁴ *Id.* at 191.

¹²⁵ WIPO, *Overview of WIPO Panel Views on Selected UDRP Questions, Second Edition ("WIPO 2.0")* (2011) available at <http://www.wipo.int/amc/en/domains/search/overview2.0/>.

¹²⁶ This is proven by the fact that trademark owners prevail in 85% of proceedings. Elizabeth C. Woodard, *The UDRP, ADR, and Arbitration: Using Proven Solutions to Address Perceived Problems with the UDRP*, 19 *Fordham Intell. Prop. Media & Ent. L.J.* 1169, 1186-87 (2009).

2.3.3. Dispute Resolution Service Providers

Complaints under the UDRP may be submitted to any of the ICANN-approved dispute-resolution service providers.¹²⁷ Currently, the approved service providers are the Asian Domain Name Dispute Resolution Centre, the National Arbitration Forum, the WIPO Mediation and Arbitration Center, the Czech Arbitration Court (Arbitration Center for Internet Disputes), and the Arab Center for Domain Name Dispute Resolution (ACDR).¹²⁸ So far, the WIPO Mediation and Arbitration Center have been administering the most number of cases (almost than 30.700).¹²⁹

Particular requirements have to be met in order to be recognized by ICANN as a Uniform Domain Name Dispute Resolution Service Provider.¹³⁰ Among others, relevant requirements to be included in the application are: (i) having a well-established track record in handling the clerical aspects of ADR Proceedings; (ii) providing a list with (at least twenty) highly qualified neutrals; and (iii) a description of training and education measures the applicant proposes to employ for the Panelists with respect to domain name disputes, UDRP Policy, and UDRP Rules.¹³¹ UDRP Providers are expected to adhere *in toto* to the policy.¹³² The Provider can maintain supplemental rules in order to administer the Proceedings, as far as they are not inconsistent with the policy; otherwise, the policy would lose the standard of uniformity it aims to preserve.¹³³ In particular, ICANN has the authority, during the examination of the provider's application, to determine the compliance of the proposed supplemental rules (including the

¹²⁷ Updated list of dispute-resolution service providers available at <https://www.icann.org/resources/pages/providers-6d-2012-02-25-en>.

¹²⁸ *Id.*

¹²⁹ WIPO statistics, *Total Number of Cases per Year*, available at <http://www.wipo.int/amc/en/domains/statistics/cases.jsp>.

¹³⁰ ICANN, *Information Concerning Approval Process for Dispute-Resolution Service Provider*, available at <http://archive.icann.org/en/dndr/udrp/provider-approval-process.htm>.

¹³¹ *Id.*

¹³² ICANN, *UDRP Providers and Uniformity of Process – Status Report* (Jul. 2013) available at <https://www.icann.org/en/system/files/files/uniformity-process-19jul13-en.pdf>.

¹³³ *Id.*

fee schedule).¹³⁴ Even if such a case has never occurred, ICANN retains the power to revoke its approval of any UDRP Provider.¹³⁵ This authority is limited to cases in which a provider is found to be acting in violation with the UDRP, or when the provider adopted Supplemental Rules conflicting with the UDRP, and it failed to remedy that conflict.¹³⁶ For the aforementioned requirements, the system may appear to be strict in its uniformity, so that service providers may be perceived to be mere extensions of ICANN. The real status is, instead, considerably different. In stating the powers of the Panel,¹³⁷ Paragraph 15(a) of the UDRP confers the Panel a broad discretion in applying to the case before it “any rules and principles of law that it deems applicable.”

It is clear that, beyond determining the scope and the procedural rules of the UDRP, ICANN left a wide substantial autonomy to the Panels. In fact, Panels have the power to decide when (and which) national legal principles have to be taken into account, and if recurring to national legislation and judicial decisions is appropriate.¹³⁸ The WIPO Arbitration and Mediation Center, among other providers, has contributed enormously to fill the gaps left by the UDRP Rules and has established, over time, a concrete case law on domain name disputes. Such autonomy gave rise to concerns regarding the potential for “forum shopping,” allowing the Complainant to choose the provider it believes will grant a most favorable result.¹³⁹ In the last status report of July 2013, ICANN seemed to disguise this issue, affirming that as far as providers are performing the standards prescribed by the UDRP, it remains appropriate to give the Complainant the choice over the UDRP provider it wishes to use.¹⁴⁰ ICANN further clarified

¹³⁴ ICANN, *supra* note 130.

¹³⁵ ICANN, *supra* note 132.

¹³⁶ *Id.*

¹³⁷ The powers of the Panels will be further discussed in para. 2.4.3.2.

¹³⁸ LINDSAY, *supra* note 4, at 143.

¹³⁹ ICANN, *supra* note 132.

¹⁴⁰ *Id.*

that, if it receives reports on UDRP providers' non-compliance with the UDRP or the Rules, it will start an investigation and a corrective action.¹⁴¹

2.4. The Uniform Domain Name Dispute Resolution Proceeding

2.4.1. The Parties

2.4.1.1. Complainant and Complaint

Pursuant to Paragraph 3(a) of the UDRP Rules, "(a) Any person or entity may initiate an Administrative Proceeding by submitting a complaint in accordance with the Policy and these Rules to any Provider approved by ICANN." Although the wording of Paragraph 3(a) refers to a singular Complainant, if more than one Party holds the rights to the trademark jointly, they are entitled to file a complaint jointly or individually.¹⁴²

The UDRP Rules do not prescribe a specific format to be followed for a complaint under the procedure. Although the Rules allow certain flexibility and informality, each dispute resolution provider offers model complaints the Parties are encouraged to follow in order to include all the information required in Paragraph 3(b) of the Rules. The WIPO Model Complaint¹⁴³ suggests the Complainant to indicate: (i) Complainant¹⁴⁴ and Respondent¹⁴⁵ information with authorized representatives; (ii) the domain name(s) at issue and Registrar(s);¹⁴⁶ (iii) the language of Proceedings;¹⁴⁷ (iv) the jurisdictional basis for the Administrative Proceeding;¹⁴⁸ (v) factual and legal grounds on which the complaint is based;¹⁴⁹ (vi) the remedies

¹⁴¹ *Id.*

¹⁴² BETTINGER ET AL., *supra* note 3, at 958. See also *Asprey & Garrard Limited and Garrard Holdings Limited v. www.24carat.co.uk*, WIPO Case No. D2001-1501 available at <http://www.wipo.int/amc/en/domains/decisions/html/2001/d2001-1501.html>, on the point that the Panel interprets the singular as including the plural "where appropriate."

¹⁴³ WIPO UDRP Model Complaint available at <http://www.wipo.int/amc/en/domains/complainant/>.

¹⁴⁴ Rules, Paragraphs 3(b)(ii) and (iii).

¹⁴⁵ Rules, Paragraph 3(b)(v).

¹⁴⁶ Rules, Paragraphs 3(b)(vi), (vii).

¹⁴⁷ Rules, Paragraph 11.

¹⁴⁸ Rules, Paragraphs 3(a), 3(b)(xv).

¹⁴⁹ Policy, Paragraphs 4(a), (b), (c); Rules, Paragraph 3.

sought;¹⁵⁰ (vii) the choice between a single-member or a three-member administrative Panel;¹⁵¹ (viii) whether are pending or there have been other legal Proceedings in connection with or relating to the domain name(s) at issue;¹⁵² (ix) the choice of one mutual jurisdiction;¹⁵³ (x) the means by which and date on the complaint and other communications are transmitted to the Respondent and the Registrar;¹⁵⁴ (xi) a certification in which the Complainant agrees that the dispute is submitted to that forum;¹⁵⁵ and (xii) payment.¹⁵⁶ A noticeable change in the policy is the one that binds the Parties in submitting their documents in electronic form only.¹⁵⁷

Pursuant to Paragraph 4(a) of the UDRP Rules, the dispute resolution service provider who received the complaint must review it in order to determine whether it satisfies the requirements as requested by the UDRP Rules and Supplemental Rules.¹⁵⁸ If the complaint is complete and accurate, the provider forwards the complaint to the Respondent within three calendar days after receipt of the fee paid by the Complainant,¹⁵⁹ employing “reasonable available means” in order to achieve actual notice.¹⁶⁰ Among these means are included the transmission of the complaint via postal-mail to addresses shown in the domain name’s registration database, via e-mail to the e-mail address for the technical, administrative and billing contacts; to any address the Respondent has notified the provider as preferred.¹⁶¹ If the complaint is incomplete, the provider gives prompt notice of such deficiencies to the Complainant, who has five days to correct

¹⁵⁰ Rules, Paragraph 3(b)(x).

¹⁵¹ Rules, Paragraph 3(b)(iv); Supplemental Rules, Paragraph 8(a).

¹⁵² Rules, Paragraph 3(b)(xi).

¹⁵³ Rules, Paragraph 3(b)(xiii).

¹⁵⁴ Rules, Paragraphs 2(b), 3(b)(xii); Supplemental Rules, Paragraphs 3, 4, 12.

¹⁵⁵ Rules, Paragraph 3(b)(xiv); Supplemental Rules, Paragraph 14.

¹⁵⁶ Rules, Paragraph 19; Supplemental Rules Paragraph 10, Annex D.

¹⁵⁷ As of December 14, 2009 it was left to the Parties the choice to file their documents in hard copy or electronic form. As of March 1, 2010, Parties are required to file all pleadings in electronic format only, *see* <http://www.wipo.int/amc/en/domains/rules/eudrp/>.

¹⁵⁸ BETTINGER ET AL., *supra* note 3, at 954.

¹⁵⁹ Rules, Paragraph 19.

¹⁶⁰ Rules, Paragraph 2(a).

¹⁶¹ LINDSAY, *supra* note 4, at 137.

them.¹⁶² In case the Complainant does not comply, the Administrative Proceeding is deemed withdrawn without prejudice to submission of a different complaint by Complainant.¹⁶³

The Proceeding commences once the provider verified the complaint to comply with the UDRP Rules and it notifies the complaint to the Respondent indicated therein.¹⁶⁴ The provider immediately notifies the Parties, the Registrar(s) and ICANN of the date of commencement of the Proceeding.¹⁶⁵

2.4.1.2. Respondent and Response

According to Paragraph 1 of the UDRP Rules, Respondent is the holder of a domain-name registration against which a complaint is initiated. The Respondent shall submit a response to the provider within twenty days of the date of commencement of the Administrative Proceeding.¹⁶⁶ As for the complaint, the Rules do not require a specific format to be followed, but Paragraph 5(b) requires the response to: (i) specifically respond to the statements and allegations contained in the complaint, and include any and all grounds on which the Respondent may retain the registration and use of the domain name at issue;¹⁶⁷ (ii) provide his contacts and the ones of his any representatives (postal and e-mail addresses, telephone and telefax numbers);¹⁶⁸ (iii) specify a preferred method for communications;¹⁶⁹ (iv) if the Complainant has elected a single-member Panel, state whether the Respondents elects to have the dispute decided by a three-member Panel;¹⁷⁰ (v) if both the Parties elects a three-member Panel, provide the names and

¹⁶² Rules, Paragraph 4(b).

¹⁶³ Rules, Paragraph 4(b).

¹⁶⁴ Rules, Paragraph 4(c).

¹⁶⁵ Rules, Paragraph 4(d).

¹⁶⁶ Rules, Paragraph 5(a).

¹⁶⁷ Rules, Paragraph 5(b)(i).

¹⁶⁸ Rules, Paragraph 5(b)(ii).

¹⁶⁹ Rules, Paragraph 5(b)(iii).

¹⁷⁰ Rules, Paragraph 5(b)(iv).

contacts of the three candidates to serve as one of the Panelist.¹⁷¹ As required to the Complainant, the Respondent has to identify any other legal proceedings that have been commenced or terminated in connection with the disputed domain names.¹⁷²

If the Respondent does not file its response by the deadline communicated by the dispute resolution service provider, the Respondent will be considered in default and the Panel shall decide the dispute based upon the complaint, absent “exceptional circumstances.”¹⁷³ As repeatedly held in WIPO’s cases, a Panel should not decide in the Complainant’s favor solely because of the Respondent’s default.¹⁷⁴ The wording “exceptional circumstances” in which the Panel does not proceed to make a decision in Respondent’s default has been interpreted in a restrictive way, demanding legitimate reasons for accepting a late response.¹⁷⁵ In recent cases, such as *Philip Morris USA Inc. v. Arik Casden*,¹⁷⁶ the Panels stressed out how time is extremely important to have an effective system: allowing late-filed response, absent a good reason, would make feel free the Parties to disregard deadlines and Respondents will regularly submit late responses.

2.4.2. The Panel

2.4.2.1. Appointment of the Panel

An administrative UDRP Panel can be composed of one or three independent and impartial persons.¹⁷⁷ The persons sitting as Panelists are usually international trademark attorneys, professors or retired judges.¹⁷⁸ If none of the Parties have elected a three-member Panel, the dispute

¹⁷¹ Rules, Paragraph 5(b)(v).

¹⁷² Rules, Paragraph 5(b)(iv).

¹⁷³ Rules, Paragraph 5(e).

¹⁷⁴ See *Oxygen Media Corporation v. Spiral Matrix*, WIPO Case No. D2006-0521; see also *Cortefiel S.A. v. Miguel García Quintas*, WIPO Case No. D2000-0140; see also *Ebay Inc. v. Wangming*, WIPO Case No. D2006-1107.

¹⁷⁵ LINDSAY, *supra* note 4, at 141.

¹⁷⁶ *Philip Morris USA Inc. v. Arik Casden* (2014), WIPO Case No. D2014-0687 available at <http://www.wipo.int/amc/en/domains/search/text.jsp?case=D2014-0687>.

¹⁷⁷ BETTINGER ET AL., *supra* note 3, at 956.

¹⁷⁸ *Id.* at 957.

resolution service provider appoints, within five calendar days following the receipt of the response by the provider, a single Panelist from the ICANN-approved list of Panelists.¹⁷⁹ It will be for the Complainant to pay the entire fees for the single member Panel.¹⁸⁰ The Complainant will pay the entire fees, also, if he opted for a three-member Panel.¹⁸¹ However, if the choice for a three-member Panel was made by the Respondent, the fees are shared equally between the Parties.¹⁸²

When opting for a three-member Panel, the Complainant or the Respondent shall submit, at the time of the filing of the complaint (or response), or within five calendar days of communication of the response, a list of three candidates.¹⁸³ The provider appoints two Panelists: one from the list of candidates submitted by Complainant, one from the list submitted by the Respondent.¹⁸⁴ The third Panelist is appointed by the provider, taking into account the preferences expressed by the Parties on a list of five candidates submitted by the provider to the Parties.¹⁸⁵ When appointing a Panel, the providers take into account factors such as the nationality of the Parties, the language of the Proceedings, the experience of the Panel, the location, and the possible prior dispute involvement by the Panelists with the Parties.¹⁸⁶

2.4.2.2. Impartiality of the Panel

The Panel shall be independent of the dispute resolution service provider, the Parties, the Registrar, and ICANN.¹⁸⁷ Paragraph 7 of the Rules requires Panelists to disclose to the provider any circumstances giving rise to “justifiable doubt” as to their impartiality or independence. Such a

¹⁷⁹ Rules, Paragraph 6(b).

¹⁸⁰ Rules, Paragraph 6(b).

¹⁸¹ Rules, Paragraph 6(c).

¹⁸² Rules, Paragraph 6(c).

¹⁸³ Rules, Paragraph 6(d).

¹⁸⁴ Rules, Paragraph 6(e).

¹⁸⁵ Rules, Paragraph 6(e).

¹⁸⁶ BETTINGER ET AL., *supra* note 3, at 957.

¹⁸⁷ *Id.* AT 956.

disclosure shall be made before accepting the appointment.¹⁸⁸ In particular, the Supplemental Rules of the WIPO Arbitration and Mediation Center require Panelists to issue a Declaration of Impartiality and Independence before appointment.¹⁸⁹ However, if new circumstances arise during the Administrative Proceeding, the Panelist shall promptly disclose them to the provider, which has the discretion to appoint a substitute Panelist.¹⁹⁰ In *Britannia Building Society v. Britannia Fraud Prevention*,¹⁹¹ the Panel found that, although the rules do not provide specific examples of circumstances that might give rise to recusal of a Panelist and there are not UDRP decisions addressing this issue, a justifiable doubt as to impartiality or independence may arise when: a) the Panelist has demonstrated personal bias for or against one of the Parties; b) the Panelist possesses a financial interest in the outcome of the dispute; or c) the Panelist represents or has represented one of the Parties or a third-party in a dispute with one of the Parties. The test to apply whether there is evidence that would lead to “a justifiable doubt” as to the Panelist’s impartiality was defined as “that a reasonable, objective person would be justified in doubting the Panelist’s impartiality after consideration of the proffered evidence.”¹⁹² In a more recent case, *Grupo Costamex, v. Vertical Axis Inc.*,¹⁹³ the Panel held that the standard to be followed is the one consistent with arbitration Panels across the world, allowing Panelists, in absence of a robust body of UDRP precedents, to draw upon existing literature to guide their decision. The Panel further recalled and analyzed the case *Two Way NV/SA v. Moniker*

¹⁸⁸ Rules, Paragraph 7.

¹⁸⁹ WIPO Supplemental Rules Section 9, <http://www.wipo.int/amc/en/domains/supplemental/eudrp/>.

¹⁹⁰ Rules, Paragraph 7.

¹⁹¹ *Britannia Building Society v. Britannia Fraud Prevention* (2001), WIPO Case No. D2001-0505, available at <http://www.wipo.int/amc/en/domains/decisions/html/2001/d2001-0505.html>.

¹⁹² *Id.*

¹⁹³ *Grupo Costamex, S.A. de C.V. (COSTAMEX), Operación y Supervisión de Hoteles, S.A. de C.V. (OPYSSA) v. Vertical Axis Inc.* (2013), WIPO Case No. D2013-1829, available at <http://www.wipo.int/amc/en/domains/search/text.jsp?case=D2013-1829>.

Privacy Services,¹⁹⁴ whose wording suggested that the UDRP system does not expressly allow Parties to challenge the Panelists because it would go against the “*unchallenged right* to Parties in three-member Panel cases to *nominate* one Panelist and *influence*, to some extent, the choice of the third Panelist” (emphasis added). The interpretation of this wording would indicate a system in which, basically, the Party-appointed Panelists could be biased. The Panel in *Grupo Costamex* took a step away from the determination made in *Two Way*, referring to Paragraph 10(b) of the Rules, which requires that a Panel “shall ensure that the Parties are treated with equality.” In particular, the Panel held that the UDRP was not set up, as some arbitration systems are, in a way that allows a Party to appoint a Panelist who may be biased or an advocate for the Party; rather, the UDRP expressly requires all three Panelists to be independent and impartial.¹⁹⁵

Although the WIPO Rules require the Panel to itself decide on an allegation of partiality in informal Proceedings and to confirm whether the Panel was properly constituted, not all the dispute resolution service providers have aligned themselves with this policy. For instance, the Supplemental Rules of the National Arbitration Forum give the responsibility to decide on a Panelist’s partiality to the Forum (the central organ of the NAF) and not to the Panel itself.¹⁹⁶ This last system to challenge Panel’s members appears to be fairer than the WIPO’s, and evokes provisions adopted by many arbitral institutions. As a matter of example, ICDR Article 14 gives the Administrator the power to decide over

¹⁹⁴ *Two Way NV/SA v. Moniker Privacy Services, LLC / [4079779]: Domain Administrator* (2012), WIPO Case No. D2012-2413, available at <http://www.wipo.int/amc/en/domains/search/text.jsp?case=D2012-2413>.

¹⁹⁵ *Grupo Costamex*, *supra* note 193.

¹⁹⁶ NAF Supplemental Rules to ICANN’s Uniform Domain Name Dispute Resolution Policy, Paragraph 10(c) available at [http://domains.adrforum.com/users/icann/resources/UDRP%20Supplemental%20Rules%20eff%20July%201%202010%20\(final\).pdf](http://domains.adrforum.com/users/icann/resources/UDRP%20Supplemental%20Rules%20eff%20July%201%202010%20(final).pdf).

the challenge of an arbitrator;¹⁹⁷ similarly, ICC Article 14 provides that such a submission shall be made to the Secretariat and the Court shall decide.¹⁹⁸

2.4.2.3. Powers of the Panel

Paragraph 10 of the Rules sets the general powers of the Panel. In particular, Panel has the powers to: conduct the Proceeding in a manner it considers appropriate;¹⁹⁹ ensure that the Parties are treated equally and that each Party has a fair opportunity to present its case;²⁰⁰ ensure that the Proceeding takes place with due expedition;²⁰¹ determine the admissibility, relevance, materiality and weight of the evidence;²⁰² and decide to consolidate a multiple domain name disputes when requested by a Party.²⁰³

In *The Cartoon Network LP, LLLP v. Mike Morgan*²⁰⁴ and subsequent cases,²⁰⁵ the Panel held that when there is a genuine unilateral consent by the Respondent, it falls within Paragraph 10 the power of the Panel to proceed to make an immediate order for transfer of the disputed domain name to the Complainant, without consideration of Paragraph 4(a) elements.²⁰⁶ In particular, as held in *Indian Oil Corporation Limited v. RareNames, WebReg*,²⁰⁷ the Panel has the power to make such a decision in such manner as it deems *appropriate* under the Policy and the Rules, and to

¹⁹⁷ ICRD, *International Dispute Resolution Procedures* (Jun. 2014) available at <https://www.icdr.org/icdr/ShowProperty?nodeId=/UCM/ADRSTAGE2020868&revision=latestreleased>.

¹⁹⁸ ICC, *Rules of Arbitration* (Jan. 2012) available at http://www.iccwbo.org/Products-and-Services/Arbitration-and-ADR/Arbitration/ICC-Rules-of-Arbitration/#article_14.

¹⁹⁹ Rules, Paragraph 10(a).

²⁰⁰ Rules, Paragraph 10(b).

²⁰¹ Rules, Paragraph 10(c).

²⁰² Rules, Paragraph 10(d).

²⁰³ Rules, Paragraph 10(e).

²⁰⁴ *The Cartoon Network LP, LLLP v. Mike Morgan* (2005), WIPO Case No. D2005-1132, available at <http://www.wipo.int/amc/en/domains/decisions/html/2005/d2005-1132.html>.

²⁰⁵ See also *Frutarom Netherlands B.V. v. Mr. Frode Bohan*, WIPO Case No. D2013-1273, available at <http://www.wipo.int/amc/en/domains/search/text.jsp?case=D2013-1273>.

²⁰⁶ In particular, the respondent in the *Cartoon Network* case stated that he did not wish to contest the complaint, he consented to the transfer of the disputed domain names and also requested that no judgement was made as he agreed to the transfer. *The Cartoon Network LP, LLP*, *supra* note 204.

²⁰⁷ *Indian Oil Corporation Limited v. RareNames, WebReg* (2010), WIPO Case No. D2010-2002, available at <http://www.wipo.int/amc/en/domains/search/text.jsp?case=D2010-2002>.

ensure that the Proceeding takes place with *due expedition* (emphasis added). In *NBTY, Inc. and Vitamin World, Inc. v. Texas International Property Associates – NA NA*,²⁰⁸ the Panel held that under Paragraph 10(b), which provides equality and fair opportunity to present the case for each Party, the Panel has the discretion to accept supplemental submission in appropriate cases. Panels also have the power, under Paragraphs 10(c) and (d) of the Rules, to extend time periods and to determine the admissibility, relevance and weight of the evidence filed.²⁰⁹

2.4.2.3.1. Choice of Law

As previously mentioned above,²¹⁰ pursuant to Paragraph 15(a) of the UDRP Rules, a Panel shall decide the dispute on the basis of the statements and documents submitted by the Parties, and in accordance with the UDRP and UDRP Rules “and *any rules and principles of law that it deems applicable*” (emphasis added). Known as “choice-of-law” provision, unlike the usual choice-of-law provisions required by almost any set of arbitration rules,²¹¹ it does not give the Parties the power to decide and elect the substantive law they want to be applied in the Proceeding. The provision, instead, has been interpreted in a way that gives the Panel the primary power to decide over the applicable substantive law; a power that is instead deemed to be, in many arbitral proceedings, only a residual power to be exercised absent the Parties agreement.²¹² National legal principles are

²⁰⁸ *NBTY, Inc. and Vitamin World, Inc. v. Texas International Property Associates – NA NA* (2008), WIPO Case No. D2008-1959, available at <http://www.wipo.int/amc/en/domains/decisions/html/2008/d2008-1959.html>.

²⁰⁹ *Fratelli Carli S.p.A. v. Linda Norcross*, WIPO Case No. D2006-0988, available at <http://www.wipo.int/amc/en/domains/decisions/html/2006/d2006-0988.html>.

²¹⁰ See *supra* para. 2.3.3.

²¹¹ As a matter of example, ICDR Art. 31(1): “The arbitral tribunal shall apply the substantive law(s) or rules of law agreed by the Parties as applicable to the dispute. Failing such an agreement by the Parties, the tribunal shall apply such law(s) or rules of law as it determines to be appropriate”; ICC Art. 21(1): “The Parties shall be free to agree upon the rules of law to be applied by the arbitral tribunal to the merits of the dispute. In the absence of any such agreement, the arbitral tribunal shall apply the rules of law which it determines to be appropriate.”

²¹² *Id.*

particularly useful for Panel to determine difficult issues, such as whether a Complainant is able to establish rights in an unregistered trademark or service mark under Paragraph 4(a)(i) of the Policy, or whether a Respondent has rights or legitimate interests in a disputed domain name under Paragraph 4(a)(ii) of the Policy.²¹³

Usually, when the Parties are residents or domiciled in the same jurisdiction, the Panel would apply the relevant principles and laws of that jurisdiction.²¹⁴ In case the Parties are based in different legal jurisdiction, the Panelists are more reluctant about applying national legal principles.²¹⁵ In the former case, however, if the Panel finds the applicable law not to be of assistance in the case, the Panel can find support in decisions of early Panels. In considering them, the Panel can indeed find itself to make referral to the law and judicial decisions made in other jurisdictions. In other words, a Panel that initially intended to apply the law of the country in which the Parties resides or have domicile, has discretion in considering whether that law is not sufficiently helpful, and if so, it can pick up principles and laws from its previous decisions eventually based on other jurisdictions. In *Arthur Guinness Son & Co. (Dublin) Limited v. Executive Products Ltd.*,²¹⁶ the Panel, in recognizing that both Complainant and Respondent were resident in Ireland, declared to be appropriate to apply Irish law. However, in further finding that the Irish Superior Courts did not have ruled on the question of “confusing similarity,” the Panel recalled a previous case, *Wal-Mart Stores, Inc. v. Walsucks and Walmarket Puerto*

²¹³ LINDSAY, *supra* note 4, at 143.

²¹⁴ As a matter of example, see *Lloyds TSB Bank PLC v. Paul Brittain*, WIPO Case No. D 2000-0231, “Since both Parties are resident in England it seems appropriate that the laws of England and Wales should be applied to this question”; see also *Alfred Berg Holding Aktiebolag v. P D S*, Case No. D2008-0566, “Since both Parties are domiciled in Sweden this means that applicable Swedish law and principles would apply as well.”

²¹⁵ LINDSAY, *supra* note 4, at 145.

²¹⁶ *Arthur Guinness Son & Co. (Dublin) Limited v. Executive Products Ltd.* (2000), WIPO Case No. D2000-1785, available at <http://www.wipo.int/amc/en/domains/decisions/html/2000/d2000-1785.html>.

Rico,²¹⁷ in which the applicable law was U.S. law and the test applied was the *Sleekcraft* test drawn by the U.S. Court of Appeals for the Ninth Circuit.²¹⁸ In a case in which the applicable law should have been, at least at the beginning, Irish law, the Panel thus applied U.S. law.

Besides making referral to national laws, Panels have not been hesitating in citing international sources, particularly the UNCITRAL Model Law on International Commercial Arbitration.²¹⁹ In *Grove Broadcasting Co. Ltd v. Telesystems Communications Limited*,²²⁰ the Panel discussed, absent any provision on rehearing applications in the UDRP, the circumstances in which Courts could grant review. In particular, the Panel analyzed the grounds for review provided by Article 34 of the UNCITRAL Model Law. The Panel found that many national legislations adopting the UNCITRAL Model Law included the grounds of fraud or corruption under Article 43(b)(ii) of the Model Law (referring to the setting aside of an “award in conflict with the public policy of the State”); and it further found that those grounds are certainly ground for review in the UDRP. In *Beiersdorf Ag V. Solpro, S.A. De C.V.*,²²¹ the Panel established to have competence over determining its own competence, in conformity of the “Kompetenz-Kompetenz” principle as it is contained in many arbitration rules of procedure and also in Article 16(1) of the UNICTRAL Model

²¹⁷ *Wal-Mart Stores, Inc. v. Walsucks and Walmarket Puerto Rico* (2000), WIPO Case No. D2000-0477, available at <http://www.wipo.int/amc/en/domains/decisions/html/2000/d2000-0477.html>.

²¹⁸ The test was set up in *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir. 1979) and recalled in *Brookfield Communications v. West Coast Entertainment*, 174 F.3d 1036, (9th Cir. 1999).

²¹⁹ Full Text of the Model Law accessible at http://www.uncitral.org/pdf/english/texts/arbitration/ml-arb/07-86998_Ebook.pdf

²²⁰ *Grove Broadcasting Co. Ltd v. Telesystems Communications Limited* (2000), WIPO Case No. D2000-0703, available at <http://www.wipo.int/amc/en/domains/decisions/html/2000/d2000-0703.html>.

²²¹ *Beiersdorf Ag V. Solpro, S.A. De C.V.* (2001), WIPO Case No. DMX2001-0001, available in Spanish language at <http://www.wipo.int/amc/en/domains/decisions/html/2001/dmx2001-0001.html>.

Law.²²² Panels referred to the UNCITRAL Model Law also as a tool to interpret UDRP provisions. In *Nike, Inc. v. Crystal International*,²²³ for instance, the Panel interpreted Paragraph 15(a) of the UDRP Rules as a provision which could be exemplified by Article 18 of the UNCITRAL Model Law,²²⁴ or by the equivalent Article 38(b) of the WIPO Arbitration Rules.²²⁵ Notwithstanding the Panels have been inclined to cite international sources to apply widely recognized principles to the UDRP Proceedings, they have been reluctant in using them to expand the scope of or add provision to the Rules. In *PAA Laboratories GmbH v. Printing Arts America*,²²⁶ the Panel declined to consider a supplemental filing intended to be a “counter statement according to Article 43 of the WIPO Arbitration Rules,” holding that in any event the WIPO Arbitration Rules can apply to UDRP Proceedings. Similarly, in *Pneumo Abex Corporation dba MAFCO Worldwide Corporation v. Wixon Fontarome*,²²⁷ the Panel refused to accept Respondent’s allegation that the filing date for a Response refers to business days and not calendar days, because the Rules are silent on the point and on the ground that WIPO Arbitration Rules, Article 4(e), provides so.

2.4.2.3.2. Language of the Proceeding

A further power of the Panel is the one concerning the choice of the language of the Proceedings. Although Paragraph 11 sets the general rules

²²² Article 16(1) of the Model Law reads: “(1) The arbitral tribunal may rule on its own jurisdiction, including any objections with respect to the existence or validity of the arbitration agreement. (...)”

²²³ *Nike, Inc. v. Crystal International* (2002), WIPO Case No. D2002-0352, available at <http://www.wipo.int/amc/en/domains/decisions/html/2002/d2002-0352.html>.

²²⁴ UNCITRAL Model Law, Article 18: “The Parties shall be treated with equality and each Party shall be given a full opportunity of presenting his case.”

²²⁵ WIPO Arbitration Rules, Article 37: “(b) In all cases, the Tribunal shall ensure that the Parties are treated with equality and that each Party is given a fair opportunity to present its case.”

²²⁶ *PAA Laboratories GmbH v. Printing Arts America* (2004), WIPO Case No. D2004-0338, available at <http://www.wipo.int/amc/en/domains/decisions/html/2004/d2004-0338.html>.

²²⁷ *Pneumo Abex Corporation dba MAFCO Worldwide Corporation v. Wixon Fontarome* (2003), WIPO Case No. D2003-0860, available at <http://www.wipo.int/amc/en/domains/search/text.jsp?case=D2003-0860>.

that, absent a different agreement by the Parties, the language of the Proceeding shall be the language of the registration agreement, it also recognizes that the Panel has the power to choose a different language taking into account the special circumstances of the case.²²⁸ In *Sinteplast S.a. v. Pablo Pablo, d/b/a P.S.*²²⁹ the Panel chose Spanish as the language of the Proceeding taking into account: a) the fact that each of the Parties had at least one branch in Argentina; b) the official language of Argentina is Spanish; c) many evidences presented were written in Spanish; and d) the case required to apply some Argentinian laws. A balancing test was instead applied in *Groupe Industriel Marcel Dassault, Dassault Aviation v. Mr. Minwoo Park*.²³⁰ although the registration agreement was made in the Korean language, the Panel decided that English had to be the language of the Proceeding, given that the Complainant was not able to communicate in Korean and the arbitration Proceeding would have been unduly delayed. In the same case, the Panel also considered the substantial expenses for translation in which the Complainant would have incurred, and, more generally, the level of comfort Parties have with each language.

2.4.3. Issuance of Panel Decisions and Implementation

Absent exceptional circumstances, Paragraph 15(b) of the Rules provides that the Panel shall forward its decision on the complaint to the provider within fourteen days of its appointment. The time for decision can be extended, for instance, when the Complainant is invited to submit supplemental evidence and the Respondent to submit supplemental responses based on the new evidence.²³¹ The Panel can make only three

²²⁸ Rules, Paragraph 11(a).

²²⁹ *Sinteplast S.a. v. Pablo Pablo, d/b/a P.S.* (2000), WIPO Case No. D2000-0815, available in Spanish language at <http://www.wipo.int/amc/en/domains/decisions/html/2000/d2000-0815.html>.

²³⁰ *Groupe Industriel Marcel Dassault, Dassault Aviation v. Mr. Minwoo Park* (2003), WIPO Case No. D2003-0989, available at <http://www.wipo.int/amc/en/domains/decisions/html/2003/d2003-0989.html>.

²³¹ *Paramount Pictures Corporation v. Pete Gilchrist* (2007), WIPO Case No. D2007-0128, available at <http://www.wipo.int/amc/en/domains/decisions/html/2007/d2007-0128.html>.

kinds of decisions.²³² When the decision is made in favor of the Complainant the Panel can: (a) order that the domain name at issue be transferred to the Complainant; or (b) order that the domain name at issue be cancelled.²³³ When the decision is, instead, made in favor of the Registrant, (c) the Panel denies the remedy and the domain name registration remains unchanged.²³⁴ The Panel does not have the power to make monetary awards, including those for lawyers' fees.²³⁵

The decision has to be made in writing and has to provide the reasons on which it is based, the date on which it was rendered and the name(s) of the Panelist(s).²³⁶ Decisions by a three-member Panel are made by a majority of votes,²³⁷ and any eventually dissenting opinion shall accompany the majority decision.²³⁸ The Parties, the Registrar(s), and ICANN are given communication of the full text of the decision by the provider within three calendar days after the decision was rendered.²³⁹ The provider shall publish the full text of the decision and the date of its implementation on its website.²⁴⁰ However, in case of identity theft, the Panel maintains the power to redact the Parties' names from the published decisions. For instance, in *Moncler S.r.l. v. Name Redacted*,²⁴¹ the Panel decided to redact the name of the Respondent because the domain name at issue was registered by a third-party without the involvement of the individual identified as the Registrant of the domain name.

The implementation of the UDRP decision is reserved to the Registrar, which will implement the Panel decision within 10 business days after receiving notification of the decision from the dispute resolution

²³² BETTINGER ET AL., *supra* note 3, at 982.

²³³ *Id.*

²³⁴ *Id.*

²³⁵ *Id.*

²³⁶ Rules, Paragraph 15(d).

²³⁷ Rules, Paragraph 15(c).

²³⁸ Rules, Paragraph 15(e).

²³⁹ Rules, Paragraph 16(a).

²⁴⁰ Rules, Paragraph 16(b).

²⁴¹ *Moncler S.r.l. v. Name Redacted* (2010), WIPO Case No. D2010-1677, available at <http://www.wipo.int/amc/en/domains/search/text.jsp?case=D2010-1677>.

service provider.²⁴² However, in case, within the same timeframe, the Respondent commences a lawsuit against the Complainant in the proper jurisdiction,²⁴³ the implementation of the decision is stayed until the Registrar receives: (i) satisfactory evidence of a resolution between the Parties; (ii) satisfactory evidence that the lawsuit has been dismissed or withdrawn; or (iii) a copy of an order from the Court dismissing the lawsuit or ordering that the Registrant has no right to continue to use the domain name.²⁴⁴

2.4.4. Relationship between the UDRP and Court Proceedings

Many differences can be drawn between classical arbitration and UDRP Proceedings, in respect to their relationship with national Court Proceedings. Usually, when an arbitration proceeding is commenced upon a valid arbitration agreement, a Court who is subsequently called to determine the same dispute will stay the proceeding before it in favor of the continuity of the pending arbitration proceeding. Moreover, in favoring the arbitration as a mean to solve their controversies, Parties often waive their right to file, before a national Court, complaints on matter falling within the scope of their arbitration agreement. The UDRP, on the contrary, was not designed to limit the jurisdiction of the ordinary Courts.²⁴⁵ The Parties are in fact free to file the same complaint simultaneously to the UDRP dispute service provider and in the ordinary Court, and the filing in one or the other does not imply the stay of the other.²⁴⁶

Pursuant to Paragraph 18(a) of the Rules, Panels are given discretion to determine, when a legal proceeding is being brought into Court prior or during a UDRP Proceeding, whether it is appropriate to suspend or

²⁴² Policy, 4(k).

²⁴³ Paragraph 1 of the Rules makes clear that a court has jurisdiction depending on (a) where the principal office of the Registrar is; or (b) the domain name Registrant's address as shown on the Registrar's database.

²⁴⁴ Policy, 4(k).

²⁴⁵ BETTINGER ET AL., *supra* note 3, at 982.

²⁴⁶ *Id.* at 983.

terminate the Proceeding before the Panel, or to proceed to a decision. In *Aussie Car Loans Pty Ltd v. Wilson Accountants Pty Ltd, (formerly Wilson and Wilson Accountants)*,²⁴⁷ the Panel held the termination of the Proceeding to be appropriate, noticing that the Complainant had brought a legal proceeding in the Federal Court of Australia to claim the ownership of the same trademark at issue before the Panel. The Panel reached this conclusion for two main reasons: it recognized that while the Panel is confined to a consideration of written material and cannot hear witnesses, a Court is, in this case, in a much better position to determine the issue. Moreover, it considered not appropriate to opt for a suspension instead of termination, because UDRP proceedings are intended to be expedited, and suspending the Proceeding for an indeterminate period of time (the one that the ordinary Court will require in order to decide the dispute) would cause an undesirable delay. A different reasoning led the Panel, in *Tiara Hotels & Resorts LLC v. John Pepin*,²⁴⁸ to issue a decision despite that the Complainant had filed a lawsuit in a German Court. First, it was considered that even if the Panel did issue a decision, it would not have any binding effect on the German Court; and rather the Court could find the Panel's views helpful in reaching its conclusion. Second, to ensure that the Parties will have a decision to implement, Paragraph 4(k) of the Policy allows the implementation of a Panel's decision even after a complaint is filed in Court, with particular regards to cases in which the Court proceeding is later dismissed. Third, the Panel found that its decision may facilitate the settlement: through the decision Parties are given a "neutral evaluation" that can discourage them from pursuing the proceeding in the ordinary Court. Finally, the Panel considered that it would be inequitable to suspend the deliberation and terminate the Proceeding, as both the Parties actively

²⁴⁷ *Aussie Car Loans Pty Ltd v. Wilson Accountants Pty Ltd, (formerly Wilson and Wilson Accountants)* (2008), WIPO Case No. D2008-1477, available at <http://www.wipo.int/amc/en/domains/decisions/html/2008/d2008-1477.html>.

²⁴⁸ *Tiara Hotels & Resorts LLC v. John Pepin* (2009), WIPO Case No. D2009-0041, available at <http://www.wipo.int/amc/en/domains/decisions/html/2009/d2009-0041.html>.

participated in the UDRP process, and the Respondent brought the suit in Court only after the Panel was appointed.

Among the Courts of the United States, it is widely recognized that UDRP decisions have no binding effect on them.²⁴⁹ Particularly relevant are the opposing decisions reached by the WIPO Panel and by the U.S. Court of Appeals for the Fourth Circuit on the domain name *barcelona.com*. The UDRP Panel held that, as the Complainant (the Exelentísimo Ayuntamiento de Barcelona) had established the three requirements under Paragraph 4(a) of the Policy, it was entitled to the domain name *barcelona.com* unlawfully registered by a U.S. company (Barcelona.com, Inc.).²⁵⁰ The company subsequently filed an action in the U.S. Court of Appeals for the Fourth Circuit, which held that the registration and use of that domain name was not unlawful.²⁵¹ In particular, the Court of Appeals held that a Panel under the UDRP is “no more than an agreed-upon administration that is *not* given any deference under the ACPA” (Anticybersquatting Consumer Protection Act),²⁵² and such a process was not designed “to interfere with or modify any “independent resolution” by a Court of competent jurisdiction.”²⁵³ Given the possibility that UDRP decisions are based on principles foreign or hostile to U.S. law, the Court of Appeals further reasoned that “ACPA authorizes reversing a UDRP decision if such a result is called for by application of the Lanham Act.”²⁵⁴ Similarly, in *Parker Waichman Alonso LLP v. Orlando Firm, P.C.*, the District Court for the Southern District of New York, citing *Storey v. Cello Holdings, L.L.C.*, 347 F.3d 370, 380 (2d Cir.2003), held that Paragraph 4(k) of the Policy, which allows an independent resolution in “a Court of

²⁴⁹ BETTINGER ET AL., *supra* note 3, at 984.

²⁵⁰ *Excelentísimo Ayuntamiento de Barcelona v. Barcelona.com Inc.* (2000), WIPO Case No. D2000-0505, available at <http://www.wipo.int/amc/en/domains/decisions/html/2000/d2000-0505.html>.

²⁵¹ *Barcelona.com, Inc. v. Excelentísimo Ayuntamiento De Barcelona*, 330 F.3d 617, 628-29 (4th Cir. 2003)

²⁵² *Id.* at 626.

²⁵³ *Id.* at 625.

²⁵⁴ *Id.* at 626.

competent jurisdiction,” has to be interpreted in its plain meaning, thus giving any Court that has jurisdiction the power to hear the claim brought before it.²⁵⁵ Therefore, Parties are not barred from bringing a suit before a Court because of a previous UDRP Proceeding.²⁵⁶

2.5. Open Issues on the UDRP

At least three issues on the functioning of the UDRP have to be addressed. First of all, the absence of provisions which would allow the Parties to challenge the Panelists appears to be a structural problem present in both the Policy and the Rules. Notwithstanding the Supplemental Rules adopted by the UDRP dispute resolution service providers have, sometimes, included various kind of mechanisms to call into question the impartiality of the members of the Panel, the result has been extremely heterogeneous.²⁵⁷ Moreover, the system does not mention any possible recourse for the Parties in the ordinary Court regarding the sole issue of bias, without giving to the Court the greater authority to decide the dispute entirely. For these reasons, it would be auspicious a modification of the Policy and Rules, or, in alternative, ICANN should require the UDRP dispute service providers an effort to reach a uniformity on the point. For example, among the requirements to be satisfied in order to be recognized as an authorized dispute service provider, ICANN should include a provision requiring the providers to adopt a mechanism for the challenge of the Panelists, qualifying a third party, within or outside of the dispute service provider, to decide on this matter.

Secondly, and most importantly, an appropriate concern arises in considering the choice-of-law provision of Paragraph 15(a) and its

²⁵⁵ *Parker Waichman Alonso LLP v. Orlando Firm, P.C.*, No. 09 CIV. 7401 (CM), 2010 WL 1956871, at *5 (S.D.N.Y. May 14, 2010).

²⁵⁶ *Id.*

²⁵⁷ On the one hand, some dispute resolution service providers, such as WIPO, have opted for a strict system of Kompetenz-Kompetenz, which gives power to decide over their possible partiality to the Panelist themselves. On the other hand, providers such as NAF, decided to reserve the power to decide on the matter to an authority that is part of the NAF but separate from the Panels.

application. The discretionary practice to apply or make reference to national laws is carried at the expense of uniformity, which constituted the primary and the ultimate reason for which a Uniform Dispute Resolution Policy was adopted. On this line of thinking, in more recent cases, Panels appeared not to be blind to the issue. In *1066 Housing Association Ltd. v. Mr D. Morgan*,²⁵⁸ the Panel affirmed that Paragraph 15(a) does not make any referral to national laws. It instead refers to the concept of “rules and principles of law,” a more abstract notion which has to be interpreted as a referral to the general principles of law, common to many legal systems and which can be also found in the Statute of the International Court of Justice.²⁵⁹ This can be interpreted as an effort made by WIPO to reach a sort of “internationalization” of the substantive law applicable to the domain name disputes. The Panel further suggested that Paragraph 15(a) provides no more than a “scant basis” upon which to import principles of local laws in disputes where both Parties are in the same state.²⁶⁰ Relying on *1066 Housing Association Ltd.*, the Panel in *Anastasia International Inc. v. Domains by Proxy Inc./rumen kadiev*²⁶¹ held that only for certain limited issues, such as the validity of a registered trademark, a Panel can deem appropriate to consider local law. Moreover, the practice of bringing local law into UDRP Proceedings in an indiscriminate way has been producing heterogeneous results as for the question of both rights and legitimate interests.²⁶² It seems impossible not to agree with these WIPO decisions on the point that this practice risks to fragment the UDRP into a series of

²⁵⁸ *1066 Housing Association Ltd. v. Mr D. Morgan* (2007), WIPO Case No. D2007-1461, available at <http://www.wipo.int/amc/en/domains/decisions/html/2007/d2007-1461.html>.

²⁵⁹ Although it appears unclear from the decision, it may be inferred that the panel is making referral to the Statute of the Court of Justice Art. 38(1)(c) which indicates the “general principles of law recognized by civilized nations”.

²⁶⁰ *1066 Housing Association Ltd.*, *supra* note 258.

²⁶¹ *Anastasia International Inc. v. Domains by Proxy Inc./rumen kadiev* (2009), WIPO Case No. D2009-1416, available at <http://www.wipo.int/amc/en/domains/decisions/html/2009/d2009-1416.html>.

²⁶² *Id.*

different systems, where the outcome of each case would be determined based on where the Parties resides.²⁶³

At least two suggestions appear to be appropriate in the case. The more practical among the two would suggest that ICANN should add, to the clause of acceptance of mandatory UDRP Proceeding, a “real” choice-of-law clause which would designate, absent a manifestation of the Registrar that expresses otherwise, the law applicable to the Proceeding as the law of the place where the domain name is registered. This solution would make the Panels “locked” in applying the designated law, and it would prevent the application of foreign principles and laws to Parties who do not have any connection with that foreign country. A second more desirable solution, would suggest that ICANN should draft, together with WIPO, a specific set of international substantial rules that would constitute the basis for all Panels’ decisions. In this case, nothing would prohibit the drafters from taking into account the trademark principles most widely recognized among the countries.

Finally, a third point of criticism is the one concerning the non-exclusivity and non-binding nature of UDRP decisions. As discussed above, nothing in the UDRP Policy and Rules prohibits the Parties to file a suit in the ordinary Court before, during, or after the UDRP Proceeding. In light of the system non-exclusivity, the claimed mandatory nature is solely apparent. Moreover, UDRP decisions do not bind the Courts, which are free to overturn them. In doing so, ordinary Courts can even totally disregard the content of the Panel’s decisions and go back to the drawing board. A proposal advising ICANN to modify the Policy and the Rules, in order to make the UDRP an exclusive track for the Parties disputing a gTLD domain name, seems appropriate. On the same line, ICANN should consider giving the UDRP Panels a binding nature. Moreover, provisions should be enhanced to allow Parties to recur in ordinary Courts for specific concerns, such as Panelist impartiality or to seek vacatur of the decision.

²⁶³ *Id.*

2.6. Conclusive Remarks

Notwithstanding the aforementioned issues, it remains unquestionable that the UDRP has been, since its origins, an extremely useful system to deal with domain names. The claims for lack of legitimacy that often arises when ICANN is the main player, seem extremely reduced in the case of the UDRP, which has been representing over time an extremely balanced solution. First of all, the creation of the system itself involved not only ICANN but also the international organization that more closely deals with intellectual property, the WIPO. Secondly, being the WIPO Arbitration and Mediation Center the biggest administrator of disputes on domain names, it contributed to the creation of a caselaw on *sui generis* IP rights. From a structural point of view, WIPO's decisions contributed to shape the contours of the UDRP Rules and to adapt them over time, avoiding the necessity of reforms. Although the UDRP Rules do not provide Panels' decisions to have a precedential, there is an increasing trend followed by Panels to afford weight to previous decisions, which ultimately built up a case law on domain names disputes.²⁶⁴ Moreover, Panels played a key role in the application of substantive law to domain name disputes, drawing the principles from national trademark laws but always looking at international sources.

As a final remark, it has to be stressed that although the ICANN was and still remain a key actor in the administration of gTLDs, the WIPO and other dispute resolution providers do not suffer from its ingerence in deciding legal matters relating to domain names.

²⁶⁴ Philip Carnell, *New Trends in WIPO UDRP Decisions*, J. Internet L. 10 (2007).

Chapter 3

**Digital Copyright in the European Union:
Origins and Recent Developments**

3.1. The Evolution of Digital Copyright Law in the European Union

The technical evolution of digital technologies from the mid-1990s was accompanied by a debate on the dimensions of new legal issues connected to such evolution, including the protection of copyright.¹ In the European Union arena, the first document dealing with the issues of the digital revolution and the “information society” was the White Paper on Growth, Competitiveness and Employment of 1993.² In approving the White Paper,³ the European Council called for a report containing concrete recommendations regarding the problems in the information society. Such measures were addressed in the “Bagemann report” of 1994,⁴ which testifies the awareness of the challenges that intellectual property protection encounters when dealing with globalization and multimedia.⁵ This report was followed by the Green Paper on the Information Society of 1995, which addressed many topics then covered in the Information Society directive of 2001 and other EU Directives.⁶ Only one month after the publication of the follow-up to the Green Paper,⁷ the WIPO Diplomatic Conference, which resulted in the WIPO Copyright Treaties, took place in Geneva.⁸ Not surprisingly, the Initial Proposal to the InfoSoc Directive was directly following the considerations contained in the Green Paper and its follow-up,

¹ Silke von Lewinski & Michel M. Walter, *Information Society Directive*, in EUROPEAN COPYRIGHT LAW, A COMMENTARY 921, 937 (Michel M. Walter & Silke Von Lewinski eds., 2010).

² White Paper of the European Commission on Growth, Competitiveness and Employment of 5 December 1993.

³ The White Paper was approved by the European Council on 11 December 1993.

⁴ Named after the Commissioner Bagemann, who chaired the group.

⁵ *Id.* at 17.

⁶ The paper dealt with particular legal issues such as the applicable law in the digital environment, the exhaustion of the distribution right, the reproduction right and its exceptions, the communication to the public, digital broadcasting, and technical identification and protection systems. Von Lewinski & Walter, *supra* note 1, at 939-44.

⁷ In the Follow-up to the Green Paper on the Information Society of 1996 the Commission addressed a plan of action to be taken to reach a harmonization among Member States, with particular attention to four problems: reproduction, distribution, and communication to the public rights, and legal protection of technical identification and protection systems. *Id.* at 942.

⁸ *See supra* Chapter 1 para. 1.1.2.

and its provisions closely corresponded to the most important provisions of the WIPO Treaties.⁹

3.2. The Implementation of the WIPO Copyright Treaty: the InfoSoc Directive

The implementation of the WIPO Copyright Treaty posed different level of discretion to the regional and national lawmakers.¹⁰ A high level of discretion¹¹ was left for the protection of technological measures¹² and the provisions governing limitations and exceptions;¹³ a medium level of discretion¹⁴ was left for the definitions of certain rights (the rights of making available to the public,¹⁵ of communication to the public,¹⁶ the distribution and rental rights¹⁷); a low level of discretion¹⁸ was instead provided for the right of reproduction,¹⁹ the minimum terms of protection,²⁰ and the obligations concerning rights-management information.²¹

The implementation of the WIPO Copyright Treaty was carried out in the European Union through a series of Directives, among which the “mother of all battles”²² was certainly the Information Society Directive²³ (hereinafter “InfoSoc Directive”). The InfoSoc Directive is, in fact, the only

⁹ Von Lewinski & Walter, *supra* note 1, at 944-45.

¹⁰ Brigitte Linder, *The WIPO Treaties, in* COPYRIGHT IN THE INFORMATION SOCIETY: A GUIDE TO NATIONAL IMPLEMENTATION OF THE EUROPEAN DIRECTIVE 3, 11 (Brigitte Linder & Ted Shapiro eds., 2011).

¹¹ When an international obligation is determined only in general terms. *Id.*

¹² *See supra* Chapter 1, para. 1.7.1.

¹³ *See supra* Chapter 1, para. 1.6.

¹⁴ When the WIPO Copyright Treaty sets up a framework in which the legislator can fill in with a considerable amount of discretion. Linder, *supra* note 10.

¹⁵ *See supra* Chapter 1, para. 1.5.4.3.

¹⁶ *See supra* Chapter 1, para. 1.5.4.2.

¹⁷ *See supra* Chapter 1, para. 1.5.2 and 1.5.3.

¹⁸ When not much room for manoeuvre has been left. Linder, *supra* note 10.

¹⁹ *See supra* Chapter 1, para. 1.5.1.

²⁰ *See supra* Chapter 1, para. 1.3.3.3.

²¹ *See supra* Chapter 1, para. 1.7.2.

²² Ted Shapiro, *Directive 2001/29/EC on Copyright in the Information Society, in* COPYRIGHT IN THE INFORMATION SOCIETY: A GUIDE TO NATIONAL IMPLEMENTATION OF THE EUROPEAN DIRECTIVE 27, 27 (Brigitte Linder & Ted Shapiro eds., 2011).

²³ 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 L 167, Jun. 22, 2001, 10–19.

EU Directive that harmonizes copyright and related rights issues in a horizontal manner.²⁴ The InfoSoc Directive not only aimed to implement the WIPO Copyright Treaty, but also to avoid the development in Member States of different legislative approaches to technological developments.²⁵ Its troubled legislative history, which dates back to 1997, was mainly due to an “unprecedented lobbying onslaught” on the European Parliament.²⁶ On the one hand, right holders looked at the Directive as a vital tool to protect digital copyright; on the other, a variegated group composed by ISPs, tech companies, consumers, and libraries, as well as anti-copyright organizations, opposed the adoption of various provision or pushed for broader and additional exceptions.²⁷ The Directive was finally adopted on May 22, 2001, and entered into force one month later, date that signaled the beginning of the 18-month period for its implementation into the national laws of the Member States.²⁸

3.2.1. Scope

Article 1 of the InfoSoc Directive makes it clear that the Directive concerns the legal protection of copyright and related rights in the framework of the internal market, with particular regards to their protection on the Internet.²⁹ The Directive is based on “principles and rules already laid down” by the in-force EU legislation, and thus the InfoSoc Directive develops and places these principles in the context of the information society.³⁰ The relationship between the InfoSoc Directive and other EU

²⁴ Another Directive with such a horizontal impact is the Enforcement Directive, which is however targeted on the enforcement and thus of a much narrower scope. Christophe Geiger et al., *The Information Society Directive*, in *EU COPYRIGHT LAW - A COMMENTARY* 395, 397 (Irina Stamatoudi & Paul Torremans eds., 2014).

²⁵ Eleonora Rosati, *Copyright in the EU: in Search of (In)Flexibilities*, 9 *J. Intell. Prop. L. & Pract.* 585, 587 (2014).

²⁶ *Commissioner Bolkestein Welcomes European Parliament Vote On Copyright Directive*, IP/01/210, European Commission Press Release Database, 14 Feb. 2001, http://europa.eu/rapid/press-release_IP-01-210_en.htm?locale=en.

²⁷ Shapiro, *supra* note 22, at 30.

²⁸ *Id.* at 29.

²⁹ InfoSoc Directive Article 1 uses the words “Information Society.”

³⁰ Infosoc Directive, Recital no. 20.

Directives is governed by the rule of *lex specialis*.³¹ This means that the InfoSoc Directive does not impair the applicability of the provisions contained other EU Directives specifically dealing with certain matters, such as the Database Directive, the Computer Program Directive, the Satellite and Cable Directive, and the Rental and Lending Rights Directive.³²

3.2.2. Rights

The InfoSoc Directive transposes and specifies the rights contained in the WCT Treaty, namely the reproduction right, the right of communication to the public, the right of making available to the public, and the distribution right. Recent law from the Court of Justice suggests that the exclusive nature of such rights, as provided for in the InfoSoc Directive, cannot be altered by Member States.³³ In the *Luksan* case,³⁴ the Court of Justice found that an Austrian law granting the exploitation rights exclusively to the film producer and not also to the principal director was against EU law.³⁵ In particular, the Court found that such law was depriving the principal director of a cinematographic work of “lawfully acquired intellectual property rights.”³⁶ Although the Austrian law was not in conflict with Article 14*bis* of the Berne Convention,³⁷ which left Contracting Parties in principle free to determine whether to grant rights to the principal director or not, the Court found that once the European Legislature provided that the principal director is to be considered the work’s author or one of its authors,

³¹ The rule of speciality is however applied in a flexible manner, given that previous Directives are not completely immune from subtle interpretations taking into account the InfoSoc Directive. Von Lewinski & Walter, *supra* note 1, at 953.

³² The principle of *lex specialis* also applies to the exceptions and limitations. *Id.* at 960.

³³ Rosati, *supra* note 25, at 589.

³⁴ *Martin Luksan v Petrus van der Let.*, Case C-277/10, CJEU Judgment (Third Chamber), Feb. 9, 2012.

³⁵ *Id.* ¶ 67.

³⁶ *Id.* ¶ 70.

³⁷ Berne Convention, Article 14*bis*(3) provides that “*Unless the national legislation provides to the contrary*, the provisions . . . shall not be applicable to authors of scenarios, dialogues and musical works created for the making of the cinematographic work, nor to the *principal director* thereof” (emphasis added).

Member States “can no longer rely on the power granted by Article 14*bis* of the Berne Convention.”³⁸

3.2.2.1. *Reproduction Right*

The exclusive right of reproduction is uncontroversial and common to all copyright systems.³⁹ The reproduction right, already present in Article 9 of the Berne Convention and repealed by the WCT,⁴⁰ is extended by Article 2 of the InfoSoc Directive to four types of related rights holders: (a) all authors of works; (b) performers; (c) phonograms producers; (d) film producers; and (e) broadcasting organizations.⁴¹ The provision applies horizontally in favor of all categories of works.⁴²

In particular, Member States shall grant to these subjects the right to authorize or prohibit “direct or indirect, temporary or permanent reproduction by any means and in any form, in whole or in part.”⁴³ As for the “direct or indirect” coverage, indirect reproductions are usually those where another medium is involved in the reproduction process.⁴⁴ With such wording the Directive implicitly states that for certain works, and particularly phonograms, the fixation of a work communicated to the public is to be considered a reproduction.⁴⁵ The right of reproduction is broad and it is determined technically rather than functionally,⁴⁶ covering both “permanent” and “temporary” copies, with the exception of transient or incidental copies exempted by Article 5(1) of the InfoSoc Directive. This clarification is particularly important with regard to storage in the Read Only Memory (RAM) of a computer or in case of the transmission in a

³⁸ *Martin Luksan, supra* note 38, ¶ 64.

³⁹ Von Lewinski & Walter, *supra* note 1, at 964.

⁴⁰ *See* Chapter 1, *supra* para. 1.5.1.

⁴¹ InfoSoc Directive, Article 2.

⁴² Von Lewinski & Walter, *supra* note 1, at 964.

⁴³ InfoSoc Directive, Article 2

⁴⁴ Geiger et al., *supra* note 24, at 402.

⁴⁵ Von Lewinski & Walter, *supra* note 1, at 967-68.

⁴⁶ Bernt Hugenholtz et al., *The Recasting of Copyright & Related Rights for the Knowledge Economy, Report Commissioned by the European Commission* 47 (2006).

network.⁴⁷ Since in these cases the storage is not permanent and automatically deleted when the working session is completed, such storage is considered temporary.⁴⁸

The reproduction covered is a reproduction made “by any means and in any form,” thus covering both reproduction in analogue as well as in digital form,⁴⁹ and “in whole or in part.” The unquestionably broad scope of Article 2 has been upheld by the European Court of Justice in *Infopaq I*,⁵⁰ where the Court found that the storing and printing of 11 words of a protected work constitutes a partial reproduction under Article 2, if the national court determines that what is reproduced is the expression of intellectual creation of the author.⁵¹ The Court further found that such data capture process is not transient in nature within the meaning of Article 5(1) and is thus not allowed without the consent of the rights holder.⁵²

3.2.2.2. Right of Communication to the Public

While with regards to the right of reproduction it mainly follows the *acquis communautaire*, the Directive is more eloquent with regards to the right of communication to the public and the right of making available to the public.⁵³ Article 3 Paragraph 1, in implementing the first part of Article 8 WCT,⁵⁴ requires Member States to provide authors with the “exclusive right to authorize or prohibit any communication to the public of their works.”⁵⁵ Likewise the reproduction right, also the right of communication to the public should be construed broadly.⁵⁶ It covers cases when the communication to the public is made both by wire and by wireless means,

⁴⁷ Von Lewinski & Walter, *supra* note 1, at 967-68.

⁴⁸ *Id.*

⁴⁹ *Id.* at 969.

⁵⁰ *Infopaq International A/S v Danske Dagblades Forening*, Case C-5/08, CJEU Judgment, Jul. 17, 2009.

⁵¹ *Id.* ¶ 48.

⁵² *Id.* ¶ 70.

⁵³ Rosati, *supra* note 24, at 588.

⁵⁴ *See supra* Chapter 1 para. 1.5.4.2.

⁵⁵ InfoSoc Directive, Article 3(1).

⁵⁶ Geiger et al., *supra* note 24, at 408.

including broadcasting,⁵⁷ as long as the public is not present at the place where the transmission originates.⁵⁸ The InfoSoc Directive adopts the broad concept of Article 8 WCT when covering all traditional forms of communication to the public characterized by a distance element.⁵⁹ Consistently with Article 8 of the Rental and Lending Rights Directive,⁶⁰ the broad meaning does not extend however to related rights. In *SGAE v Rafael Hoteles SA*,⁶¹ the Court of Justice held that merely providing physical facilities does not constitute communication to the public.⁶² However, distributing a television signal to hotel customers is a communication to the public⁶³ and the hotel rooms' private nature does not change the analysis.⁶⁴ In the recent controversial *Svensson v Retriever Sverige AB* case,⁶⁵ the Court of Justice held that the provision on a website of clickable links to works freely available on another website does not constitute an act of communication to the public under Article 3(1).⁶⁶ Moreover, the Court added that Article 3(1) of the InfoSoc Directive "must be interpreted as precluding a Member State from giving wider protection to copyright holders by laying down that the concept of communication to the

⁵⁷ TV and radio broadcasting, internet TV and radio, simulcasting, webcasting, streaming, on-demand, pay-per-view, podcasting and cable and online transmission in general. *Id.* at 409.

⁵⁸ InfoSoc Directive, Recital 23.

⁵⁹ Von Lewinski & Walter, *supra* note 1, at 980.

⁶⁰ Directive 2006/115/EC of the European Parliament and of the Council of 12 December 2006 on rental right and lending right and on certain rights related to copyright in the field of intellectual property (codified version), OJ L 376, Dec. 27, 2006.

⁶¹ *SGAE v Rafael Hoteles Sa*, Case C-306/05, CJEU Judgement (Third Chamber), Dec. 7, 2006, ¶ 10.

⁶² In making this determination, the Court of Justice recalled the joint declaration concerning Article 8 WCT. *Id.* ¶10.

⁶³ *Id.* ¶46.

⁶⁴ In both the InfoSoc Directive and the WIPO Copyright Treaty "the right of communication to the public covers the making available to the public of works in such a way that they may access them from a place and at a time individually chosen by them." *Id.* ¶ 50-54. The reasoning of the Court of Justice configured the same result reached by the Supreme Court in *Am. Broad. Companies, Inc. v. Aereo, Inc.*, 134 S. Ct. 2498 (2014).

⁶⁵ *Svensson v Retriever Sverige AB*, Case C-466/12, CJEU Judgment (Fourth Chamber), Feb. 13, 2014.

⁶⁶ *Id.* ¶ 32.

public includes a wider range of activities than those referred to in that provision.”⁶⁷

3.2.2.3. Right of Making Available to the Public

The second part of Article 8 WCT is implemented by Article 3 Paragraph 2 of the InfoSoc Directive, which grants performers, producers, and broadcasting organizations an exclusive right of making available to the public of works “in such a way that members of the public may access them from a place and at a time individually chosen by them.”⁶⁸ Such right is granted to the owners of all four European related rights.⁶⁹ The making available right is technologically neutral and applies irrespective of the means to which the upload to the network or the access is carried out.⁷⁰ Accordingly, it includes “interactive on-demand transmissions.”⁷¹

Unlike the right of communication to the public, and specifically the broadcasting right, the right of making available to the public does not require that transmission and use are simultaneous, that the public is gathered in a particular place, or that the program available has to be a pre-determined continuous program.⁷² Thus, simulcasting and webcasting, which are simultaneously communicated over the Internet, are to be considered broadcasting rather than making available to the public.⁷³ The legal consequences are important: in case of making available to the public, authors and owners of related rights enjoy an exclusive right, whereas in case of broadcasting performers and producers have only a claim to an equitable remuneration.⁷⁴ The crucial elements are the act of providing the work to the public and the possibility for members of the public to access

⁶⁷ *Id.* ¶ 41.

⁶⁸ InfoSoc Directive, Article 3(2).

⁶⁹ Performing artists, producers of phonograms, producers of first fixations of films, and broadcasting organizations. Von Lewinski & Walter, *supra* note 1, at 986-87.

⁷⁰ *Id.* at 983.

⁷¹ InfoSoc Directive, Recital 25.

⁷² Geiger et al., *supra* note 24, at 411.

⁷³ Von Lewinski & Walter, *supra* note 1, at 984.

⁷⁴ Pursuant to Article 8(2) of the Rental and Lending Rights Directive. *Id.* at 985.

the work when they choose. If one cannot choose when and where to retrieve a work, the right of communication to the public will apply.⁷⁵ It remains instead irrelevant the technological means to access the work and whether the work is made available for viewing, listening or downloading.⁷⁶

3.2.2.4. Distribution Right

Article 4(1) of the InfoSoc Directive, implementing Article 6 WCT,⁷⁷ requires Member States to provide for authors the exclusive right to authorize or prohibit “any form of distribution to the public by sale or otherwise.”⁷⁸ The distribution is construed more broadly than Article 6(1) WCT, which explicitly requires alienation activities, and thus could potentially encompass rental and lending activities as well.⁷⁹

In line with the Agreed Statements concerning Articles 6 and 7 WCT, the right extends to any type of work, in respect of the original or copies of it, as long as they are “fixed copies that can be put in circulation as tangible objects.” This view is upheld by Recital 28, which makes it clear that the distribution right deals with the dissemination of works in a “tangible form,” in contrast with the communication right, which deals with the dissemination of works in “non-tangible form.”⁸⁰ However the Court of Justice recognized the obsolescence of such distinction in the digital era, interpreting the term “copy” in a broader manner. In particular, in *UsedSoft v. Oracle International*,⁸¹ the Court of Justice held that the distribution right includes the right to distribute digital software (and thus “non-tangible”) works over the Internet. Although one could argue that such interpretation is only applicable to software under the Computer Program Directive, which

⁷⁵ Geiger et al., *supra* note 24, at 413.

⁷⁶ *Id.* at 412.

⁷⁷ See *supra* Chapter 1 para. 1.5.2.

⁷⁸ InfoSoc Directive, Article 4(1).

⁷⁹ However, the rental and lending right follows the special Directive dedicated to them. Von Lewinski & Walter, *supra* note 1, at 993-94.

⁸⁰ InfoSoc Directive, Recital 23.

⁸¹ *UsedSoft GmbH v Oracle International Corp.* Case C-128/11, CJEU Judgment (Grand Chamber), Jul. 3, 2012.

constitute a *lex specialis* in relation to the InfoSoc Directive,⁸² the Court of Justice recognized that the concepts in both directives “must in principle have the same meaning.”⁸³ Therefore, it appears irrelevant whether the original and/or copy are in hard or digital form; rather it remains relevant whether a transfer of ownership has taken place or not.⁸⁴

3.3. The Exhaustion of Rights Doctrine

Under the exhaustion of rights doctrine, once the right holder has initially exploited his rights by obtaining some form of economic reward as to a specific copy, his economic monopoly on the work ends (it has been “exhausted”).⁸⁵ In particular, once the transfer of the work has taken place, the right holder cannot prevent third parties from reselling or further transferring ownership to that copy within the EU.⁸⁶ The first relevant case on this doctrine is *Deutsche Grammophon GmbH v. Metro*,⁸⁷ in which the Court held that once the owner of a German music copyright sold records through its French subsidiary in Alsace, it could not take advantage of TFEU Article 36 to bar the re-import and resale of such records in Germany.⁸⁸ The exhaustion of rights doctrine only applies to the distribution right. The reading in conjunction of Article 3(3) with Recital 29, in fact, provides that the right of communication to the public and making available

⁸² Geiger et al., *supra* note 24, at 495.

⁸³ *UsedSoft GmbH v Oracle International Corp.*, *supra* note 81, ¶ 60.

⁸⁴ Whether a sale has taken place it is an issue to be decided by contracts law. Geiger et al., *supra* note 24, at 426.

⁸⁵ Bermann et al., *CASES AND MATERIALS ON EUROPEAN UNION LAW 774* (3rd ed., 2010).

⁸⁶ If it is sold outside the EU, the distribution right in the EU is not exhausted. Whether a sale has taken place it is an issue to be decided by contracts law. Geiger et al., *supra* note 24, at 427. Member States are also barred from applying international exhaustion. *Silhouette International Schmied GmbH & Co. KG v Hartlauer Handelsgesellschaft mbH*, Case C-355/96, CJEU Judgment, Jul. 16, 1998, ¶ 27 (“A situation in which some Member States could provide for international exhaustion while others provided for Community exhaustion only would inevitably give rise to barriers to the free movement of goods and the freedom to provide services”). A similar decision was made by the European Free Trade Association in *L’Oréal Norge AS v Per Aarskog AS and Others*, Case E-9/07 (1997).

⁸⁷ *Deutsche Grammophon Gesellschaft mbH v Metro-SB-Großmärkte GmbH & Co. KG.*, Case 78-70, CJEU Judgment of Jun. 8, 1971.

⁸⁸ Although TFEU Article 36 allows an exception to the free movement of goods based on industrial and commercial property, such an exception cannot be allowed to partition the market. *Id.*

to the public are not subject to the exhaustion doctrine because “every on-line service is in fact an act which should be subject to authorization . . .”⁸⁹

In order to have exhaustion, the first sale of the work has to be made by the right holder himself or with his consent (for instance, by his licensees and distributors).⁹⁰ The right holder consent may be explicit or implied-in fact.⁹¹ The fact that a transfer or ownership is always necessary for the exhaustion of rights is in line with the WIPO Internet Treaties.⁹²

The doctrine of exhaustion of rights is equivalent to the U.S. “first sale doctrine.” However, especially with regards to digital copies, a radical difference between the two systems has to be drawn. In *UsedSoft v Oracle*, the Court of Justice held that Oracle’s software license constituted a transfer of ownership,⁹³ and thus the downloading of the software from Oracle’s website by the licensee exhausted Oracle’s right of distribution in relation to that copy bought by the licensee.⁹⁴ Therefore, the Court of Justice found that the licensee, in reselling his license, did not infringe Oracle’s copyright in the software and Oracle’s could not prevent the resale of that copy of the software.⁹⁵ With this decision, the Court of Justice thus found that a trading of second-hand software licenses could be lawful.⁹⁶ An opposite result was

⁸⁹ Shapiro, *supra* note 22, at 34.

⁹⁰ Geiger et al., *supra* note 24, at 429.

⁹¹ Von Lewinski & Walter, *supra* note 1, at 999.

⁹² “Since Article 4(1) of Directive 2001/29 provides, in such a context, for “distribution by sale or otherwise,” that concept should be interpreted in accordance with those Treaties [the WIPO Internet Treaties] as a form of distribution which entails a transfer of ownership.” *Peek & Cloppenburg KG v Cassina SpA*, Case C-456/06, CJEU Judgment (Fourth Chamber), Apr. 17, 2008, ¶ 33.

⁹³ *UsedSoft GmbH v Oracle International Corp.*, *supra* note 81, ¶ 45.

⁹⁴ *Id.* ¶ 77.

⁹⁵ The Court recognized that in order not to infringe Oracle’s copyright, the reseller (licensee) must ensure that his own copy is unusable at the time of resale (otherwise, the seller could sell a copy of the software *and*, at the same time, keep one copy for himself). *Id.* at 70.

⁹⁶ The judgment of the Court of Justice was criticized on a number of grounds: (i) the test to find that the license amounted to a contract was said to be “simplistic” and “should not represent EU law”; (ii) a proper analysis of the process of downloading would have make it clear that it involves the user’s computer making a “new copy” and all the subsequent resales amount to the making of “new copies” (and not the transfer of *that specific original copy*); (iii) according to Article 4(1) of the InfoSoc Directive, the communication right cannot be exhausted by any prior act of communication of the work in question. Ken Moon, *Resale of digital content: UsedSoft v ReDigi*, 6 Ent. L.R. 193, 193 (2013).

reached by the U.S. District Court for the Southern District of New York in *Capitol Records, LLC v. ReDigi Inc.*⁹⁷ At issue was the cloud system created by ReDigi which allowed users to re-sell the “used” digital music files they lawfully purchased.⁹⁸ The NY District Court held that although the file sold was canceled from the seller’s devices by the ReDigi system once it was transferred to another buyer, the process nonetheless included the copy of the file and the creation of a new file and thus it amounted to reproduction and constituted copyright infringement.⁹⁹ The Court found that the first-sale defense “is limited to material items” and thus there is no exhaustion of rights with the sale of a digital copy.¹⁰⁰ In conclusion, while the NY District Court decision appears disappointing in light of the technological era, the Court of Justice decision is pragmatic and forward-looking.¹⁰¹

3.4. Exceptions and Limitations under the InfoSoc Directive

Article 5 of the InfoSoc Directive provides a list of exceptions and limitations to the copyright owner’s rights.¹⁰² While the U.S. “fair use doctrine” is considered a generally worded exception, Article 5 instead

⁹⁷ *Capitol Records, LLC v. ReDigi Inc.*, 934 F. Supp. 2d 640, 645 (S.D.N.Y. 2013).

⁹⁸ The ReDigi’s Media Manager scanned a user’s computer to build a list of files eligible for resell, that consisted solely of protected music purchased on iTunes. *Id.* at 657.

⁹⁹ While the Court of Justice took a pragmatic approach finding that the sale was lawful as long as only one copy remained after the transfer of ownership, the NY Court found ReDigi infringing Capitol Records’ copyright because when a file moves from one material object (the user’s computer) to another (the ReDigi server) “a reproduction has occurred.” The NY Court disregarded the fact that the seller could no longer have access to its copy and thus a transfer of ownership took place. *Id.* at 650.

¹⁰⁰ *Id.* at 655.

¹⁰¹ Conversely, some authors stress that while the Court of Justice did “what courts should not do –rewriting the law to align it with what they believed to be EU policy,” the NY Court did “what courts should do – that is apply the law as drafted.” Moon, *supra* note 96, at 194. Other authors believe that *UsedSoft* will directly benefit users of computer program copies in the short term, while in the long-term software manufacturers will likely try to deny those benefits by adopting new software distribution methods. Lazaros G. Grigoriadis, *Exhaustion and Software Resale Rights in Light of Recent EU Case Law*, 5 J. Int’l Media & Ent. L. 111, 127 (2014).

¹⁰² InfoSoc Directive, Article 5.

provides for an exhaustive list of exceptions.¹⁰³ The more rigid approach taken by the InfoSoc Directive impairs, differently from the U.S. Copyright Act, the ability of courts to adjust exceptions effectively to innovative developments.¹⁰⁴ Some authors believe that while replacing the European system of exceptions with the US fair use system would not be a good idea, certain factors from the fair use doctrine could be taken into account in order to address the specific importance of certain concepts.¹⁰⁵ Some flexibility is however contained in the so-called “grandfather clause,” which allows Member States to keep exceptions or limitations which already exists under national law, as long as they concern “analogue uses” and “do not affect the free circulation of goods and services.”¹⁰⁶

All the exceptions and limitations listed in Article 5 are optional (“Member States *may* . . .”), except the one in Article 5(1). The mandatory limitation for transient copies (which “*shall* be exempted”) exempts “temporary act of reproductions” which are: (i) necessary to enable the process of browsing, caching, and the transmission systems to function efficiently, provided that the intermediary does not modify or interfere with the technology,¹⁰⁷ or are (ii) a lawful use, and which have no independent economic significance.¹⁰⁸ The mandatory exception regarding temporary acts of reproduction was already addressed in the WIPO Diplomatic Conference of 1996 and the formulation discussed at that Conference are in

¹⁰³ Recital 32 of the Directive confirms the closed list approach, providing that the “Directive provides for an exhaustive enumeration of exceptions and limitations to the reproduction right and the right of communication to the public.” Geiger et al., *supra* note 24, at 439-40. Some have criticized the close nature of the list. Von Lewinski & Walter, *supra* note 1, at 1020.

¹⁰⁴ Rosati, *supra* note 25, at 591.

¹⁰⁵ Paul L. C. Torremans, *The Perspective of the Introduction of a European Fair Use Clause*, in CODIFICATION OF EUROPEAN COPYRIGHT LAW, CHALLENGES AND PERSPECTIVES 319, 334-36 (Tatiana-Eleni Synodinou ed., 2012).

¹⁰⁶ InfoSoc Directive, Article 5(3)(o). It is a flexibility that applies to the past national exceptions, however, and not to the future.

¹⁰⁷ InfoSoc Directive, Recital 33.

¹⁰⁸ InfoSoc Directive, Article 5(1). The delay in the adoption of the caching provision was due to the fact that the Directive was concluded in parallel with the Napster law suit in the US. MONICA HORTEN, THE COPYRIGHT ENFORCEMENT ENIGMA – INTERNET POLITICS AND THE ‘TELECOMS PACKAGE’ 59 (2012).

part recalled in the InfoSoc Directive.¹⁰⁹ The reasoning on which this exception is based is that the acts of transient reproduction are automatically triggered by another use and they usually do not have any independent economic significance.¹¹⁰

All the other twenty exceptions or limitations are optional. Article 5(2) lists five optional exceptions to the reproduction right,¹¹¹ while Article 5(3) lists fifteen optional exceptions to both the right to reproduce and the right to communicate to the public or make available to the public.¹¹²

The unique limitation to Member States' discretion in choosing if and how to implement the exceptions is found in Article 5(5) of the InfoSoc Directive, which recalls the three-step test laid down in the Berne Convention, the TRIPS, and the WIPO Copyright Treaty.¹¹³ Since it was introduced by the Berne Convention, the three-step test has set parameters to the freedom of national legislators to create exceptions,¹¹⁴ and Article 5(5) reiterates and “communitizes” the general obligation that all exceptions should conform to the test.¹¹⁵ The three-step test applies to any exception or limitation provided for in Article 5 and requires that such exceptions or limitations to the exclusive rights must: (i) be applied only in certain special cases, (ii) which do not conflict with a normal exploitation of the work or

¹⁰⁹ However, the WIPO Internet Treaties do not contain such an explicit exception. Von Lewinski & Walter, *supra* note 1, at 1023.

¹¹⁰ *Id.* at 1024.

¹¹¹ The permissible exceptions under Article 5(3) are: reprographic copying, private copying, non-profit copying by public libraries, educational establishments or museums, ephemeral copying by broadcasters, and reproductions of broadcast made by social institutions.

¹¹² The permissible exceptions under Article 5(3) are: use for teaching and scientific purposes, uses for people with disabilities, use for reporting current events, quotations, uses for public security, use of political speeches, use during religious celebrations, use of works of architecture, incidental inclusion of a work, use for advertising public exhibitions, use for caricature or parody, use related to the demonstration or repair of equipment, use for the reconstruction of buildings, use for research or private study, and use in other cases of minor importance.

¹¹³ For a more detailed explanation of the three-step test *see supra* Chapter 1, para. 1.6.2.

¹¹⁴ Marie-Christine Janssens, *The Issue of Exceptions: Reshaping the Keys to the Gates in the Territory of Literary, Musical and Artistic Creation*, in RESEARCH HANDBOOK ON THE FUTURE OF EU COPYRIGHT 317, 325 (Estelle Derclaye ed., 2009).

¹¹⁵ *Id.* at 328.

other subject-matter, and (iii) do not unreasonably prejudice the legitimate interest of the right holder.¹¹⁶

One could suggest that a so specific list was the result of a coherent policy aim and a full comparative law study, which instead was not.¹¹⁷ The main goal of the InfoSoc Directive was in fact to enable the EU and its Member States to accede to the WIPO Internet Treaties, and when, at a later stage, the issue of the exceptions and limitations was raised, Member States put forward their concern to maintain the exceptions already existing in their national laws.¹¹⁸ According to some, the fact that Member States are free to implement the exceptions they want represents a failure on the harmonization front,¹¹⁹ and for this reason Article 5 has been defined as “the avenue to disunity.”¹²⁰ Some authors addressed that the optional nature of the exceptions made the whole InfoSoc directive a “total failure.”¹²¹ First, the previously existing but divergent systems of exceptions were left intact.¹²² Second, given that most of the exceptions and limitations under Article 5 are facultative rather than mandatory, the Directive does not result in any considerable harmonization effect,¹²³ rather it adopts a “pick and choose at will” approach.¹²⁴

As a matter of example, one of the main issues was created by the exception on copying for personal use of Article 5(2).¹²⁵ The non-

¹¹⁶ InfoSoc Directive, Article 5(5).

¹¹⁷ Trevor Cook, *Exceptions and Limitations in the European Union Copyright Law*, 17 J. Intell. Prop. Rights 243, 243 (2012).

¹¹⁸ *Id.* at 244.

¹¹⁹ A stronger harmonization might have been achieved if the exceptions were mandatory. Shapiro, *supra* note 22, at 41.

¹²⁰ Johannes Brinkhof, *Over ‘The Desire For Harmonisation’ en ‘The Avenue To Disunity’ Zit de Nederlandse octrooirechtspraak wel op het juiste spoor?*, 10 Bijblad Industriële Eigendom 565 (2007).

¹²¹ Bernt Hugenholtz, *Why the Copyright Directive is Unimportant, and Possibly Invalid*, *EIPR* 11, 501-02 (2000).

¹²² Janssens, *supra* note 114, at 332.

¹²³ Von Lewinski & Walter, *supra* note 1, at 1021-22.

¹²⁴ Janssens, *supra* note 114, at 332.

¹²⁵ Article 5(2)(b) provides that “Member States may provide for exceptions or limitations to the reproduction right provided for in Article 2 (...) (b) in respect of reproductions on any medium made by a natural person for private use and for ends that are neither directly nor indirectly commercial, on condition that the right holders receive fair compensation

mandatory nature of this exception has become source of legal uncertainty throughout Europe, since activities – such as peer-to-peer – can be exempt from infringement in one State but not in one other.¹²⁶ The rationale that supported the implementation of such personal use exception was the defense of the user’s right to use the copyrighted work privately, without intrusion into the user’s private sphere by the copyright holder.¹²⁷ However, the effects of a provision considered feasible in the environment in which the InfoSoc Directive was issued, are today source of major concern for copyright holders.¹²⁸

One should consider that a certain lack of harmonization was already taken into account when the Directive was issued, given that Recital 31 makes it clear that it does not aim to complete harmonization of the exceptions and limitations, rather to a “degree of their harmonisation [that] should be based on [the] impact on the smooth functioning of the internal market.”¹²⁹ On this line, at least two positive achievements have been reached. First, the exhaustive nature of the list limits the action of Member States in the sense that they cannot permit any more extensive exceptions and limitations.¹³⁰ Second, the three-step test was introduced at EU level.¹³¹ Conversely, one could point out that the aim of “legal certainty” stated in Recitals 4, 6, 7 and 21 was completely disregarded, due to the use of an excessively vague language.¹³²

Overall, the absence of harmonization on copyright exceptions, due to a lack of political consensus among EU lawmakers, poses today the issue

which takes account of the application or non-application of technological measures referred to in Article 6 to the work or subject-matter concerned.”

¹²⁶ STAVROULA KARAPAPA, PRIVATE COPYING 2 (2012).

¹²⁷ GIUSEPPE MAZZIOTTI, EU DIGITAL COPYRIGHT LAW AND THE END-USER 149 (2008).

¹²⁸ STAVROULA KARAPAPA, *supra* note 126.

¹²⁹ InfoSoc Directive, Recital 31.

¹³⁰ InfoSoc Directive, Recital 32.

¹³¹ Giuseppe Mazziotti, *Does Europe Need to Reform Copyright Exceptions? What is the Future of Levies?*, in COPYRIGHT IN THE EU DIGITAL SINGLE MARKET 71, 75 (CEPS Digital Forum, 2013).

¹³² Hugenholtz, *supra* note 121.

of an imbalance that should be solved.¹³³ This *faux harmonization* does not bring the Internal Market much closer¹³⁴ and some even suggested that would be a good option for Member States to challenge the InfoSoc Directive before the Court of Justice.¹³⁵

3.5. Protection of Technological Measures and Rights-Management Information

3.5.1. Obligations as to Technological Measures

Article 6 of the InfoSoc Directive implements Article 11 WCT¹³⁶ at European level.¹³⁷ The provision aims to give the rights holder some control on the use of their works in the digital environment¹³⁸ and testifies the awareness of the phenomenon of piracy, accelerated by the Internet.¹³⁹ In particular, technical protection measures allow right holders to block access or prevent certain uses of their works, such as the reproduction thereof.¹⁴⁰ Since such protective measures often become obsolete, right holders are given legal protection against the circumvention of them.¹⁴¹

In implementing the WIPO Treaties, Article 6(3) of the InfoSoc Directive defines that “technological measures” are “any technology, device or component that, in the normal course of its operation, is designed to prevent or restrict acts of exploitation of protected subject matter.”¹⁴² In particular, the rights protected by Article 6 are not only those indicated in

¹³³ Mazziotti, *supra* note 131, at 73-74.

¹³⁴ P. Bernt Hugenholtz, *The Dynamics of Harmonization of Copyright*, in CONSTRUCTING EUROPEAN INTELLECTUAL PROPERTY: ACHIEVEMENTS AND NEW PERSPECTIVES 273, 276 (Christophe Geiger ed., 2013).

¹³⁵ Hugenholtz suggests that the Court of Justice, finding that the InfoSoc Directive did not bring any benefit to the internal market, could potentially annul it. Likewise the Court annulled the Tobacco Directive challenged by Germany in *Germany v. European Parliament and Council of the EU*, C-376/98, CJEU Judgment of Oct. 5, 2000. Hugenholtz, *supra* note 121.

¹³⁶ And also Article 18 WPPT.

¹³⁷ In particular by separating the protection against circumvention from the one against preparatory activities. Von Lewinski & Walter, *supra* note 1, at 1065.

¹³⁸ *Id.*

¹³⁹ Geiger et al., *supra* note 24, at 489.

¹⁴⁰ Von Lewinski & Walter, *supra* note 1, at 1065.

¹⁴¹ *Id.*

¹⁴² InfoSoc Directive, Article 6(3), first sentence.

the InfoSoc Directive, rather any right of exploitation covered by a copyright, related right or sui generis database right under national law.¹⁴³ The measures have to be “effective,” and their effectiveness is fulfilled through “the application of an access control or protection process, such as encryption, scrambling or other transformation of the work (...) which achieves the protection objective”.¹⁴⁴ It is clear that measures that do not work at all¹⁴⁵ or that can be easily removed by unskilled users are not “effective,” as they do not protect the work.¹⁴⁶ The legal protection awarded should respect the proportionality principle and should not prohibit the use of devices or activities having a commercial purpose or use other than the circumvention of technical protection.¹⁴⁷ While right holders are awarded protection when they adopt technological measures, Recital 48 makes it clear that there is no obligation on producers to produce or offer products or services complying with technological measures.¹⁴⁸ This means that producers of certain devices (such as CD players or DVD players) do not need to ensure that these products are complying with technological measures.¹⁴⁹

Article 6(1) requires Member States to provide “adequate legal protection against the circumvention of any effective technological measures, which the person concerned carries out in the knowledge, or with reasonable grounds to know, that he or she is pursuing that objective.”¹⁵⁰ This provision leaves the Member States free to determine what constitutes an “adequate legal protection” against circumvention and whether such protection may be sanctioned under civil, criminal, or administrative law.¹⁵¹

¹⁴³ Such provision does not apply instead to the Computer Programs Directive. Von Lewinski & Walter, *supra* note 1, at 1066-67.

¹⁴⁴ InfoSoc Directive, Article 6(3), second sentence.

¹⁴⁵ Geiger et al., *supra* note 24, at 491.

¹⁴⁶ Von Lewinski & Walter, *supra* note 1, at 1067.

¹⁴⁷ *Nintendo Co. Ltd and Others v PC Box Srl and 9Net Srl.*, Case C-355/12, CJEU Judgment (Fourth Chamber), Jan. 23, 2014, ¶ 4(48).

¹⁴⁸ InfoSoc Directive, Recital 48.

¹⁴⁹ Von Lewinski & Walter, *supra* note 1, at 1069.

¹⁵⁰ InfoSoc Directive, Article 6(1).

¹⁵¹ Von Lewinski & Walter, *supra* note 1, at 1068.

Civil remedies usually include interim measures and injunctions, seizures, and damages.¹⁵² The sanctions can be imposed only in case of intentional circumvention of technological measures or with gross negligence.¹⁵³

Article 6(2) makes it clear that Member States shall provide adequate legal protection not only against the acts of circumvention themselves, but also against acts in preparation of circumvention. Such acts are, in particular, the “manufacture, import, distribution, sale, rental, advertisement for sale or rental, or possession for commercial purposes” of devices.¹⁵⁴

The devices used must fulfill three conditions in order for a sanction to be imposed. First, they must be “promoted, advertised or marketed for the purpose of circumvention of effective technological measures.”¹⁵⁵ It is thus required that the main object of these activities is the circumvention of effective measures.¹⁵⁶ Second, the devices must “have only a limited commercially significant purpose or use”¹⁵⁷ besides circumvention. This excludes the possibility to sanction multi-purpose devices that may serve circumvention but also other legal purposes that have a considerable commercially significant purpose.¹⁵⁸ Third, they must be “primarily designed, produced, adapted or performed for the purpose of enabling or facilitating”¹⁵⁹ circumvention of effective measures. An objective approach should be preferred in order to determine whether a person designed the device with the aim of enabling or facilitating circumvention.¹⁶⁰

¹⁵² Geiger et al., *supra* note 24, at 493.

¹⁵³ *Id.*

¹⁵⁴ InfoSoc Directive, Article 6(2).

¹⁵⁵ InfoSoc Directive, Article 6(2)(a).

¹⁵⁶ Von Lewinski & Walter, *supra* note 1, at 1070.

¹⁵⁷ InfoSoc Directive, Article 6(2)(b).

¹⁵⁸ Von Lewinski & Walter, *supra* note 1, at 1070.

¹⁵⁹ InfoSoc Directive, Article 6(2)(c).

¹⁶⁰ Therefore it should be looked at the characteristics and qualities of the devices. Von Lewinski & Walter, *supra* note 1, at 1070.

3.5.2. *Obligations Concerning Rights-Management Information*

In implementing Article 12 of the WCT,¹⁶¹ Article 7 of the InfoSoc directive provided for an extension of the scope of application to film producers and broadcasting organizations and databases. However, unlike Article 6 of the InfoSoc Directive, Article 7 maintains in many aspects the wording already offered by the WIPO Internet Treaties, with slight differences.¹⁶² As previously mentioned,¹⁶³ “rights management information” (or “DRM”) are any information provided by right holders, which identifies various information such as the work, the author or any other right holder, or information about the terms and condition of use of the work.¹⁶⁴ This information has to be associated with a copy of a work, which can be a hard copy or a digital one (for instance, through digital watermarks or metadata). Similarly to the WIPO provisions, Article 7 leaves Member States discretion to determine the “adequate legal protection”¹⁶⁵ to rights management information and thus to chose among a set of remedies and sanctions of civil, criminal or administrative nature.¹⁶⁶ In order to impose a sanction on a person, his or her positive knowledge or gross negligence is required when the actions under Article 7(1)(a) or (b) are performed.¹⁶⁷

Such prohibited actions are, respectively, “the removal or alteration of any electronic rights-management information,”¹⁶⁸ which can result in the removal or change by means of addition, deletion or alteration of DRM,¹⁶⁹ or actions that are subsequent to the removal or alteration, namely “the distribution, importation for distribution, broadcasting, communication or making available to the public of works from which electronic rights-

¹⁶¹ See *supra* Chapter 1, para. 1.7.2.

¹⁶² Among, which, for instance, the absence of the requirement of knowledge that right information has been removed or altered without authority, provided instead in Article 12(1)(b). Cf. *supra* Chapter 1, para. 1.7.2.

¹⁶³ *Id.*

¹⁶⁴ Geiger et al., *supra* note 24, at 500.

¹⁶⁵ Von Lewinski & Walter, *supra* note 1, at 1080.

¹⁶⁶ Geiger et al., *supra* note 24, at 501.

¹⁶⁷ InfoSoc Directive, Article 7(1).

¹⁶⁸ InfoSoc Directive, Article 7(1)(a).

¹⁶⁹ Geiger et al., *supra* note 24, at 502.

management information has been removed or altered without authority.”¹⁷⁰ Similarly to Article 6, Article 7 ensures protection only once the right holder decides to apply DRM to his or her work.¹⁷¹ Although there is no obligation to apply DRM, Recital 55 explains the importance of rights management information and encourages right holders to use markings indicating particularly the authorization of the uses of their works.¹⁷² Moreover, Recital 54 encourages the compatibility of international standardization and identification systems within the EU.¹⁷³

3.6. Enforcement

3.6.1. Article 8 of the InfoSoc Directive and the Enforcement Directive

Article 8 of the InfoSoc Directive, differently from other articles contained therein, only covers the rights explicitly protected by the Directive (the rights of reproduction, communication to the public, making available to the public, and distribution).¹⁷⁴ Therefore, the enforcement provisions provided for in the Software Directive¹⁷⁵ and the Database Directive¹⁷⁶ are made safe. However, it has to be noted that pursuant to the Enforcement Directive,¹⁷⁷ such obligation is extended horizontally to all intellectual property rights.¹⁷⁸

Article 8(1) of the InfoSoc Directive deals generally with enforcement and requires Member States to adopt “appropriate sanctions and remedies,” which have to be “effective, proportionate and

¹⁷⁰ InfoSoc Directive, Article 7(1)(b).

¹⁷¹ *See supra* para. 3.5.1.

¹⁷² InfoSoc Directive, Recital 55.

¹⁷³ InfoSoc Directive, Recital 54.

¹⁷⁴ InfoSoc Directive, Article 8 states that “Member States shall provide appropriate sanctions and remedies in respect of infringements of the *rights and obligations set out in this Directive . . .*” (emphasis added).

¹⁷⁵ Software Directive, Article 7(2).

¹⁷⁶ Database Directive, Article 12.

¹⁷⁷ Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, OJ L 157, Apr. 30, 2004.

¹⁷⁸ The Enforcement Directive applies to all intellectual property rights, irrespective as to whether they have been harmonized or not by EU legislation. Jörg Reinbothe, *The EU Enforcement Directive 2004/48/EC*, in *COPYRIGHT ENFORCEMENT AND THE INTERNET* 3, 11 (Irina A. Stamatoudi ed., 2010).

dissuasive.”¹⁷⁹ Member States shall also provide for the means of enforcing and applying such sanctions and remedies.¹⁸⁰

Article 8(2) then requires each Member State to provide “the measures necessary to ensure that right holders whose interests are affected by an infringing activity carried out on its territory” can take certain actions. In particular, right holders have to be given the possibility to bring an action for damages, apply for an injunction, and also for seizure of devices used for circumvention when appropriate.¹⁸¹ The same rights are recognized by the Enforcement Directive.¹⁸²

Article 8(3) of the InfoSoc Directive specifically deals with “injunction against intermediaries whose services are used by a third party to infringe a copyright or related right.” The concept of intermediaries is interpreted broadly, including not only ISPs offering services of mere conduit, caching or hosting, but also Online Service Providers (OSPs), online market places, search engines, or other platforms.¹⁸³ On the issue of injunctions against intermediaries, essential reference has to be made to the E-Commerce Directive,¹⁸⁴ which deals horizontally with the liability of Internet Service Providers (ISPs).¹⁸⁵

While the InfoSoc Directive left Member States a wide procedural autonomy, limited by the principles of equivalence and effectiveness, the Enforcement Directive greatly circumscribed the national procedural autonomy.¹⁸⁶ The Enforcement Directive, differently from the InfoSoc directive, requires Member States to apply certain minimum standards in

¹⁷⁹ “The legal jargon means that the punishment should fit the crime.” HORTEN, *supra* note 108.

¹⁸⁰ InfoSoc Directive, Article 8(1).

¹⁸¹ InfoSoc Directive, Article 8(2).

¹⁸² Enforcement Directive Article 9(1)(b) (seizure, which is not however limited to seizure “where appropriate”), Article 11(injunction), and Article 13 (damages).

¹⁸³ Geiger et al., *supra* note 24, at 507.

¹⁸⁴ Directive 2000/31 on E-Commerce.

¹⁸⁵ *See infra* para. 3.6.2.

¹⁸⁶ Marcus Norrgård, *The Role Conferred to the National Judge by the Enforcement Directive 2004/48/EC on the Enforcement of Intellectual Property Rights* 505 (paper presented at the ERA Conference “Significant Developments in Community Trademark and Design Law, 10-11 November 2005, Alicante, Spain).

terms of measures, procedures, and remedies for infringement of various intellectual property rights.¹⁸⁷ For instance, the rules provided for include evidence-protecting measures (Article 8), provisional measures (Article 10), and damages (Article 17).¹⁸⁸ Although these provisions were already familiar to many Member States, the Directive also introduced new remedies, such as the right of information, which allows judicial authority to order the infringer to provide information on the origin and distribution networks of infringing material.¹⁸⁹ Clearly, it mainly depended upon national legislation whether to opt for a strong enforcement ideology or a weak enforcement ideology when implementing the EU Directives.¹⁹⁰ This brought to different results among the various Member States. For instance, the procedures for calculating damages in IP cases are still varying significantly across the European Union.¹⁹¹

Since the Enforcement Directive regulates only civil and administrative measures and remedies, the Commission proposed also a Directive on Criminal Measures Aimed at Ensuring the Enforcement of Intellectual Property Rights.¹⁹² The Commission withdrew the proposal in 2010, after it was criticized for lack of clarity and disproportionality.¹⁹³ Both civil and criminal enforcements are instead provided by the not yet in force Anti-Counterfeiting Trade Agreement (ACTA).¹⁹⁴ In particular, Article 27 of ACTA makes referral to the enforcement in the digital

¹⁸⁷ It recalls many provisions of Part III of the TRIPS concerning the enforcement of intellectual property rights and it constitutes a rare example of EU law affecting manners of national legal procedure. TREVOR COOK, *EU INTELLECTUAL PROPERTY LAW* 733 (2010).

¹⁸⁸ Norrgård, *supra* note 186, at 506.

¹⁸⁹ *Id.* at 507.

¹⁹⁰ *Id.*

¹⁹¹ For a comparison among France, Germany, Italy, Netherlands, UK and U.S. *see One Enforcement Directive, Five Interpretations*, Managing IP issue 214, Nov. 2, 2011, <http://www.managingip.com/Article/2928207/One-Enforcement-Directive-five-interpretations.html>.

¹⁹² Ioannis Iglezakis, *The Legal Struggle in the EU against Online Piracy*, in *CODIFICATION OF EUROPEAN COPYRIGHT LAW, CHALLENGES AND PERSPECTIVES* 283, 286 (Tatiana-Eleni Synodinou ed., 2012).

¹⁹³ *Id.*

¹⁹⁴ Anti-Counterfeiting Trade Agreement (ACTA), October 1, 2011, http://www.mofa.go.jp/policy/economy/i_property/pdfs/acta1105_en.pdf.

environment, which may include the unlawful use of means of widespread distribution for infringing purposes (an example would be peer-to-peer activities).¹⁹⁵

Although both the InfoSoc and Enforcement Directives have been judged in many respects as compromises, they undoubtedly remain the main legislative references for the fight against online piracy.¹⁹⁶

3.6.2. Liability of Internet Service Providers

The E-Commerce Directive contains detailed rules on the liability of intermediary service providers, which state the conditions under which these providers are exempt from liability.¹⁹⁷ In particular, ISPs are exempt from liability in cases of mere conduit,¹⁹⁸ caching¹⁹⁹ and hosting.²⁰⁰ In case of mere conduit, the transit service provider provides users with possibility to transfer data.²⁰¹ Hosting service providers are those that provide users with the possibility to make content available using the service provider's server.²⁰² More specifically, while caching aims at facilitating the functioning of the network through automatic, immediate and transient storage of information, hosting is the storage intended to be permanent or more than merely provisional.²⁰³ The fact that these three actions are exempt from liability does not affect the possibility of injunctions under the InfoSoc Directive requiring the service providers to terminate an infringement.²⁰⁴ The significant wording of the InfoSoc Directive comes into place in respect of the proportionality of the sanction that can be imposed against ISPs.²⁰⁵

¹⁹⁵ Iglekakis, *supra* note 192, at 287.

¹⁹⁶ Reinbothe, *supra* note 178, at 28.

¹⁹⁷ QUINTEN R. KROES, E-BUSINESS LAW OF THE EUROPEAN UNION 5 (2nd ed., 2010).

¹⁹⁸ E-Commerce Directive, Article 12.

¹⁹⁹ E-Commerce Directive, Article 13.

²⁰⁰ E-Commerce Directive, Article 14.

²⁰¹ Mari Männiko, *Intermediary Service Providers' Liability Exemptions: Where Can We Draw the Line?*, in REGULATING eTECHNOLOGIES IN THE EUROPEAN UNION, NORMATIVE REALITIES AND TRENDS 119, 124 (Tanel Kerikmäe ed., 2014).

²⁰² *Id.*

²⁰³ *Id.*

²⁰⁴ KROES, *supra* note 197, at 5.

²⁰⁵ HORTEN, *supra* note 108.

The overall balance depends on the approach taken by each Member States when implementing the Directive.²⁰⁶

The case law of the Court of Justice has been and continues to be essential in order to determine the ISP liability exemptions when dealing with copyright infringements. In *Google v. Louis Vuitton*²⁰⁷ the Court of Justice made it clear that the exception only applies when there is an activity “of a mere technical, automatic and passive nature,” which implies that the service provider “has neither the knowledge of nor control over the information which is transmitted or store.”²⁰⁸ Therefore, if the search engine has not played a role in prioritizing the results, it cannot be held liable for the data which it has stored.²⁰⁹ In *L’Oreal v. eBay*²¹⁰ the Court of Justice found that Article 14(1) of the E-Commerce Directive applies to the operator of an online marketplace where the operator has not played an active role.²¹¹ The Court found, however, that an operator that provides assistance for the optimization of the presentation of the offers for sale lacks of a neutral position and thus it cannot rely on the exemption from liability.²¹²

In *Scarlet v. SABAM*,²¹³ the Court of Justice found that the E-Commerce Directive and the Information Society Directive²¹⁴ do not allow for the imposition on an ISP of a filtering system that, in order to detect

²⁰⁶ Maria Mercedes Frabboni, *File-Sharing and the Role of Intermediaries in the Marketplace*, in COPYRIGHT ENFORCEMENT AND THE INTERNET 119, 129-30 (Irina A. Stamatoudi ed., 2010).

²⁰⁷ Joined cases C-236/08 and C-238/08, *Google France SARL and Google Inc. v Louis Vuitton Malletier SA* (C-236/08), *Google France SARL v Viaticum SA and Luteciel SARL* (C-237/08) and *Google France SARL v Centre national de recherche en relations humaines (CNRRH) SARL and Others* (C-238/08), CJEU Judgment (Grand Chamber), Mar. 23, 2010.

²⁰⁸ *Id.* ¶ 113-114.

²⁰⁹ *Id.*

²¹⁰ *L’Oréal SA and Others v eBay International AG and Others*, Case C-324/09, CJEU Judgment (Grand Chamber), Jul. 12, 2011.

²¹¹ *Id.* ¶ 104.

²¹² *Id.* ¶ 116.

²¹³ *Scarlet Extended SA v Société belge des auteurs, compositeurs et éditeurs SCRL (SABAM)*, Case C-70/10, CJEU Judgment (Third Chamber), Nov. 24, 2011.

²¹⁴ Together with other EU Directives, and particularly Directive 2004/48 (IPR Enforcement Directive), Directive 95/46 (Data Protection Directive) and 2002/58 (Privacy and Electronic Communications Directive).

activities infringing on intellectual property rights: (i) filters all the communications passing via its services, (ii) is applied in an indiscriminate manner to all users, (iii) is used as a “preventive measure,” (iv) exclusively at the ISP’s expenses, and (v) for an unlimited period of time.²¹⁵ This imposition conflicts, *inter alia*, with the prohibition of a general obligation to monitor established by Recital 47²¹⁶ and especially by Article 15(1)²¹⁷ of the E-Commerce Directive.

In the *Telekabel* case,²¹⁸ the Court of Justice operated a balance between the copyright holder rights to obtain an injunction and Article 52(1) of the ECHR, which defines the scope of guaranteed rights and reinstates the principle of proportionality.²¹⁹ The Court found that a court injunction which orders an ISP to block the users’ access to a website containing, absent the agreement of the right holder, a work protected by copyright, does not conflict with the fundamental rights protected by EU law, even when the injunction lacks of specifying the exact measures that the ISP must take and when that ISP can avoid the breach of the court injunction by showing that it has taken “all reasonable measures.”²²⁰ The lawfulness of such measures is determined by the satisfaction of two conditions: (i) that they do not unnecessarily deprive Internet users of the possibility of

²¹⁵ *Scarlet Extended SA*, *supra* note 213.

²¹⁶ E-Commerce Directive, Recital 47 provides that “Member States are prevented from imposing a monitoring obligation on service providers only with respect to obligations of a general nature; this does not concern monitoring obligations in a specific case and, in particular, does not affect orders by national authorities in accordance with national legislation.”

²¹⁷ E-Commerce Directive, Article 15(1) provides that “Member States shall not impose a general obligation on providers, when providing the services covered by Articles 12, 13 and 14, to monitor the information which they transmit or store, nor a general obligation actively to seek facts or circumstances indicating unlawful activity.”

²¹⁸ *UPC Telekabel Wien GmbH v Constantin Film Verleih GmbH and Wega Filmproduktionsgesellschaft mbH.*, Case C-314/12, CJEU Judgment (Fourth Chamber) of Mar. 27, 2014

²¹⁹ Charter of Fundamental Rights of the European Union, Article 52(1) provides that: “Any limitation on the exercise of the rights and freedoms recognised by this Charter must be provided for by law and respect the essence of those rights and freedoms. Subject to the principle of proportionality, limitations may be made only if they are necessary and genuinely meet objectives of general interest recognised by the Union or the need to protect the rights and freedoms of others.”

²²⁰ *UPC Telekabel Wien GmbH* *supra* note 271, ¶ 64.

lawfully accessing the information available and (ii) that they have the effect of preventing unauthorized access to the protected work or, at least, of making the access to it more difficult.²²¹

3.6.3. The Digital Copyright Enforcement Enigma: Balancing Copyright and Fundamental Rights

The implementation of the various EU Directives delineating the framework for the protection of copyright on the Internet poses an enigma on which system, *forum*, and laws would be more appropriate to deal with the issue.

The copyright enforcement enigma is often recalled with regards to the adoption of an effective system to fight against online piracy.²²² Various countries have realized that the traditional protection offered by ordinary courts and the previous legislation dealing with copyright was insufficient to deal with the protection of digital copyright. For this reason, not only specific legislative reforms were undertaken to seek an adaptation to the digital environment, but also specific systems dealing exclusively with the digital copyright protection were implemented. Such systems are generally divided in systems providing for sanctions against the ISPs,²²³ and systems that instead focus on the education of and sanctions against the end-users.²²⁴ As previously mentioned with regards to the Enforcement Directive, Member States implemented EU legislation in the way that was more conforming to their national traditions and to their policy aims. The EU framework gave national judges a more active role in balancing copyright with other conflicting deference, which was before limited to statutory national law.²²⁵

²²¹ *Id.*

²²² This issue will be discussed in Chapter 4.

²²³ An example is the Italian AGCOM's Regulation, *see infra* Chapter 4 para. 4.3.2.

²²⁴ An example is the French HADOPI Law, *see infra* Chapter 4 para. 4.3.1.

²²⁵ Caterina Sganga, *EU Copyright Law Between Property and Fundamental Rights: A Proposal to Connect the Dots*, in *BALANCING COPYRIGHT LAW IN THE DIGITAL AGE, COMPARATIVE PERSPECTIVES* 1, 14 (Roberto Case & Federica Giovanella eds., 2014).

A general limitation in implementing the EU Directives has been clarified by the Court of Justice in the *Promusicae* case,²²⁶ holding that Member States, when implementing EU law in their national law, cannot rely on an interpretation of it that would be in conflict with fundamental rights or with the other general principles of EU law.²²⁷ At issue was whether national courts had the power to force ISP to disclose the personal data of their subscribers, in order to ensure effective protection of copyright.²²⁸ The Court found that it is up to Member States to establish a fair balance between the right to privacy and the right to protect intellectual property.²²⁹ National courts thus reached different results on this matter. In the Italian *Peppermint Jam v. Telecom* case,²³⁰ the Italian Court found that personal data could be acquired when needed to trace a copyright infringement.²³¹ Subsequently, the Italian Data Protection Authority (*Garante per la protezione dei dati personali*) made it clear that the secrecy of electronic communications between private parties could not be violated and such information could not be disclosed.²³² Conversely, in France the Conseil d'État reversed a CNIL decision turning down a request for private

²²⁶ *Productores de Música de España (Promusicae) v Telefónica de España SAU*, Case C-275/06, CJEU Judgment, (Grand Chamber), Jan. 29, 2008.

²²⁷ *Id.* ¶ 68. On the same line, the Court ruled in the *LGS* case that the E-Privacy and Copyright Enforcement Directives “do not preclude Member States from imposing an obligation to disclose to private third parties personal data relating to Internet traffick in order to enable them to bring civil proceedings for copyright infringements.” *LSG-Gesellschaft zur Wahrnehmung von Leistungsschutzrechten GmbH v Tele2 Telecommunication GmbH*, Case C-557/07, CJEU Order (Eighth Chamber), Feb. 19, 2009.

²²⁸ The issue also concerned the interpretation of Article 15(1) of the Directive on Privacy and Electronic Commerce, which makes possible the derogation of ISPs’ duties on the treatment of personal data when it is “a necessary, appropriate and proportionate measure within democratic society to safeguard national security, defence, public security, and the prevention, investigation, detection and prosecution of criminal offences or of unauthorised use of the electronic communication system.” The Court found that intellectual property enforcement could fall under Article 15(1).

²²⁹ Thus the Court of Justice threw the ‘hot potato’ back at the Member States. HORTEN, *supra* note 108, at 108-09.

²³⁰ *Peppermint Jam v. Telecom Italia*, Tribunale Ordinario di Roma, Jul. 16, 2007.

²³¹ The case was then reversed finding that the identity disclosure requests constituted a violation of the fundamental right to privacy. Irini A. Stamatoudi, *Data Protection, Secrecy of Communications and Copyright*, in *COPYRIGHT ENFORCEMENT AND THE INTERNET* 119, 225 (Irini A. Stamatoudi ed., 2010).

²³² *Provvedimento del Garante per la protezione dei dati personali sul caso Peppermint*, Feb. 28, 2008.

records of infringers finding that providing such personal data was not disproportionate when limited to certain users and given the extent of the online piracy problem in France.²³³

In conclusion, the Court of Justice went beyond the mere interpretation of the Directives regulating E-Commerce and intellectual property, and found that a fair balance between property and privacy had to be found by the national legislator and courts.²³⁴ The Court has however avoided clarifying what would be the legal status of the data released in case this does not violate fundamental rights.²³⁵

Other cases addressed the concern that injunctions aimed at protecting copyright on the Internet may violate in certain cases the online freedom of expression.²³⁶ In *Scarlet v. SABAM*²³⁷ and *SABAM v. Netlog*²³⁸ the Court of Justice found that an injunction imposing on an ISP systematic and permanent filtering measures contradicts the fundamental rights protected by Article 8 and Article 11 of the Charter of Fundamental Rights of the European Union and thus violates the protection of users' personal data and their freedom of expression.²³⁹

Another fundamental right at issue when dealing with copyright enforcement is the right of access to the Internet. At national level, it is relevant the judgment of the French Constitutional Council in 2009 holding that the protection of freedom of expression and communication includes the freedom to access the Internet, which cannot be impaired through a decision taken by administrative body, constituting a violation of the presumption of innocence and due process.²⁴⁰ The right to access the

²³³ Stamatoudi, *supra* note 231, at 227.

²³⁴ Frabboni, *supra* note 206, at 132.

²³⁵ ANDREJ SAVIN, EU INTERNET LAW 121 (2013).

²³⁶ Mazziotti, *supra* note 130, at 133.

²³⁷ *Scarlet Extended SA*, *supra* note 213.

²³⁸ *Belgische Vereniging van Auteurs, Componisten en Uitgevers CVBA (SABAM) v Netlog NV*, Case C-360/10, CJEU Judgment (Third Chamber), Feb. 16, 2012.

²³⁹ *Id.*

²⁴⁰ For a more detailed analysis of the decision, *see infra* Chapter 4 para. 4.3.1.3.

Internet has been also addressed in the Framework Directive,²⁴¹ which provides that prior to disconnect a user from the Internet, Member State should guarantee the parties a fair and impartial procedure, and the right to judicial review.²⁴²

3.7. Other EU Directives Implementing the WIPO Copyright Treaty: the Software Directive and the Database Directive

3.7.1. The Software Directive

Unlike the InfoSoc Directive, the Software Directive²⁴³ was adopted in 1991 and thus far before the WIPO Internet Treaties of 1996. The policy goal under the Software Directive was the stimulation of creation of computer programs, especially by smaller and mid-sized enterprises.²⁴⁴ However, the protection awarded to software is not excessive in order to preserve competition.²⁴⁵ Similarly to the WIPO Copyright Treaty Article 4,²⁴⁶ computer programs are protected as “literary works within the meaning of the Berne Convention.”²⁴⁷ The Directive protects of software principally by copyright, even though Article 9(1) indicates that other laws, such as patent, trade secrets or contract law, may award additional protection.²⁴⁸ While some authors believe the qualification of computer programs as literary works to be appropriate, given that a source program has the

²⁴¹ Directive 2002/21/EC of the European Parliament and of the Council of 7 March 2002 on a common regulatory framework for electronic communications networks and services (Framework Directive), OJ L 108, Apr. 4, 2002, p. 33–50.

²⁴² Mazziotti, *supra* note 130, at 135.

²⁴³ Council Directive on the Legal Protection of Computer Programs 91/250/EEC, OJ 1991 L122 then condified into Directive 2009/24/EC of the European Parliament and of the Council of 23 April 2009 on the legal protection of computer programs (Codified version), OJ L 111, May 5, 2009, p. 16–22.

²⁴⁴ Jérôme Huet & Jane C. Ginsburg, *Computer Programs Directive in Europe: A Comparative Analysis of the 1991 EC Software Directive*, 30 Colum. J. Transnat'l L. 327, 337 (1992).

²⁴⁵ *Id.*

²⁴⁶ *See supra* Chapter 1 para. 1.3.2.3.

²⁴⁷ Software Directive Article 1(1).

²⁴⁸ Huet & Ginsburg, *supra* note 244, at 333.

appearance of a text when printed out,²⁴⁹ other consider this classification to be fictitious.²⁵⁰ The object awarded protection, namely the “computer program,” is not defined by the Directive. However, most commentators make referral to the WIPO Model Provisions on the Protection of Computer Software, which define a computer program as “a set of instructions capable, when incorporated in a machine-readable medium, of causing a machine having information-processing capabilities to indicate, perform or achieve a particular function, task or result.”²⁵¹ Article 1(3) of the Software Directive requires the computer program to be “original,” in the sense that “it is the author’s own intellectual creation.”²⁵² The originality requirement does not impose a high level of creativity.²⁵³ It closely resembled the criterion adopted by French courts and it lessened the one required by German courts.²⁵⁴ Article 2(3) makes it clear that unless provided otherwise by contract, when software is created by an employee “in the execution of his duties or following the instructions given by his employer,” it is for the employer to enjoy exclusively all economic rights in the program.²⁵⁵ However, the employee retains the moral rights to the computer program.²⁵⁶ The rights given to the author (i.e. to the creator of the program or to the employer when applicable) are the right of reproduction,²⁵⁷ including the

²⁴⁹ Jon Bing, *Copyright Protection of Computer Programs*, in RESEARCH HANDBOOK ON THE FUTURE OF EU COPYRIGHT 401, 407 (Estelle Derclaye ed., 2009).

²⁵⁰ See, for instance, Philip Leith, SOFTWARE AND PATENTS IN EUROPE 156 (2007): “A new technology should be viewed as a technology on its own merits rather than via the legal fiction that is something else.”

²⁵¹ WIPO Model Provisions on the Protection of Computer Software of 1978 §1.

²⁵² Software Directive, Article 1(3). It may be in practice difficult to determine the originality of a computer program, given that it is often composed by using third-party components which are assembled together through coding techniques. Bing, *supra* note 249, at 408.

²⁵³ Huet & Ginsburg, *supra* note 244, at 341.

²⁵⁴ While the French courts identified the originality requirement with the “mark of an intellectual contribution,” German ones required a “clearly higher than average degree of creativity.” *Id.*

²⁵⁵ This would include both personnel employed in the computer programming department and employees who participated in the creation of the program by other duties. Huet & Ginsburg, *supra* note 244, at 341.

²⁵⁶ Which is, basically, the right of attribution. *Id.* at 342.

²⁵⁷ Interpreted accordingly to the reproduction right contained in InfoSoc Directive Article 2. See *supra* para. 3.2.2.1.

reproduction necessary for “loading, displaying, running, transmission or storage” of the software,²⁵⁸ the right to the “translation, adaptation, arrangement and any other alteration of a computer program and the reproduction of the results thereof, without prejudice to the rights of the person who alters the program,”²⁵⁹ and the right of distribution.²⁶⁰ The Directive gives the authorized users a narrow right to make back-up copies²⁶¹ and a broader right to “decompile” for purposes of “interoperability.”²⁶²

The term of protection is fifty years *post mortem auctoris*, except where the author is a legal person, in which case the term of protection is fifty years from the time that the software was first made available to the public.²⁶³ The term was extended by the Term Directive for all literary works, including computer programs, to seventy years *post mortem auctoris*.²⁶⁴

The case law of the Court of Justice was essential to determine the scope of the protection provided for in the Software Directive. In *Bezpečnostní softwarová asociace*,²⁶⁵ the Court held that a graphic user interface is not a form of “expression” of a “computer program” within the Software Directive and cannot be protected as software.²⁶⁶ A graphic user interface, in fact, does not divulge the computer program; rather it makes

²⁵⁸ Software Directive, Article 4(a).

²⁵⁹ Software Directive, Article 4(b).

²⁶⁰ Software Directive, Article 4(c). For the exhaustion of the right of distribution, see *supra* para. 3.3.

²⁶¹ Pursuant to Article 5(2), this kind of reproduction made by a lawful acquirer cannot be prevented.

²⁶² The right for decompilation is innovative in copyright law and its background was due to a dispute between IBM and the European Commission during the 1980s. Bing, *supra* note 249, at 422.

²⁶³ Software Directive, Article 8.

²⁶⁴ Council Directive 93/98/EEC of 29 October 1993 harmonising the term of protection of copyright and certain related rights, OJ L 167, Jun, 22, 2001, p. 10–19.

²⁶⁵ *Bezpečnostní softwarová asociace – Svaz softwarové ochrany v Ministerstvo kultury*, Case C-393/09, CJEU Judgment (Third Chamber), Dec. 22, 2010.

²⁶⁶ *Id.* ¶ 42.

the use of the program easier.²⁶⁷ However, such interface can be protected by copyright as a work under the InfoSoc Directive “if that interface is its author’s own intellectual creation.”²⁶⁸ Analogizing the *Infopaq* case, the Court found that a user graphic interface could be indeed qualify as intellectual creation, due to the complex structure produced by a programmer.²⁶⁹ In *SAS Institute Inc.*,²⁷⁰ the Court excluded the protection under the Software Directive of the functionality of a computer program, the programming language, and the format of data files used in a software in order to exploit certain functions.²⁷¹ Although it is rare for creators of general purpose programming languages to try to assert copyright on them, the vendors of systems driven by specific programming language have a great commercial interest in preventing the creation of competing systems.²⁷² The Court further found that Article 5(3) of the Software Directive allows a lawful acquirer of a copy of a software under a license to “observe, study or test the functioning of that program so as to determine the ideas and principles which underlie any element of the program,” as long as that person “does not infringe the exclusive rights of the owner of the copyright in that program.”²⁷³ The possibility to reverse engineering recognized by the Court of Justice widens the possibility for competitors of entry into pre-existing markets.²⁷⁴ A recent important judgment on the exhaustion doctrine regarding software is the *UsedSoft GmbH* case analyzed above.²⁷⁵

²⁶⁷ Stephen Vousden, *Protecting GUIs in EU law: Bezpečnostní Softwarová Asociace*, 6 J. Intell. Prop. L. & Pract. 728, 730 (2011).

²⁶⁸ *Id.* ¶ 51.

²⁶⁹ Vousden, *supra* note 267.

²⁷⁰ *SAS Institute Inc. v World Programming Ltd*, C-406/10, CJEU Judgment (Grand Chamber), May 2, 2012.

²⁷¹ *Id.* at 32.

²⁷² The same happens with data file formats. For instance, a competitor of Microsoft Word will need to be able to create a competing software capable of reading the Microsoft Word .doc format. Francis Davey, *Reverse engineering and copyright in programming languages and data file formats*, 8 J. Intell. Prop. L. & Pract. 512, 514 (2013).

²⁷³ *Id.* at 62.

²⁷⁴ Davey, *supra* note 272.

²⁷⁵ *See supra* para. 3.3.

3.7.2. *The Database Directive*

The Database Directive of 1996²⁷⁶ was the result of a process started as early as 1986.²⁷⁷ The subject matter protected is database in “any form,”²⁷⁸ and thus in analogue or digital format and potential future formats.²⁷⁹ Under the Directive, a database is a “collection of independent works, data or other materials arranged in a systematic or methodical way and individually accessible by electronic or other means.”²⁸⁰ The Directive created a two-tiered structure of protection. First, a database is protected by copyright on the condition that an “individual selection” or “arrangement” of the elements of a database “constitute the author’s own intellectual creation.”²⁸¹ The criterion of originality requires in this case that “the author expresses his creative ability in an original manner by making free and creative choices and thus he stamps ‘his personal touch.’”²⁸² Second, a *sui generis* database protection is granted based on the substantial investment by the owner in the database.²⁸³ Although the Directive does not explicitly states it, an overwhelming majority of scholars qualified the *sui generis* right as an intellectual property right, a theory that is also supported by the fact that the principle of exhaustion and exceptions to the right are provided.²⁸⁴ The reasons in support of the *sui generis* right protection can be found, *inter alia*, in the fact that copyright would not have protected the contents but only the database’s structure,²⁸⁵ and to the probable influence

²⁷⁶ Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the Legal Protection of Databases, OJ EC L 77, at 20 et seq.

²⁷⁷ Estelle Derclaye, *Database Rights: Success of Failure? The Chequered Yet Exciting Journey of Database Protection in Europe*, in CONSTRUCTING EUROPEAN INTELLECTUAL PROPERTY: ACHIEVEMENTS AND NEW PERSPECTIVES 340, 340 (Christophe Geiger ed., 2013).

²⁷⁸ Database Directive, Article 1(1).

²⁷⁹ Estelle Derclaye, *The Database Directive*, in EU COPYRIGHT LAW - A COMMENTARY 298, 300 (Irina Stamatoudi & Paul Torremans eds., 2014).

²⁸⁰ Database Directive, Article 1(2).

²⁸¹ Database Directive, Article 3(1).

²⁸² *Football Dataco Ltd and Others v Yahoo! UK Ltd and Others*, Case C-604/10, CJEU Judgment (Third Chamber), Mar. 1, 2012 ¶ 38.

²⁸³ Database Directive, Article 7.

²⁸⁴ Derclaye, *supra* note 279, at 320.

²⁸⁵ *Id.*

of U.S. Supreme Court *Feist Pub., Inc.* case.²⁸⁶

In order to be protected, the *sui generis* right needs to meet certain requirements: there has to be a qualitative or quantitative substantial investment in the obtaining, verification or presentation of the database's content.²⁸⁷ Problems of interpretation arise with regard to the terms "quantitative," "qualitative," and "substantial," which the case law of the Court of Justice has not yet clarified.²⁸⁸ With regards to the other terms, the Court of Justice has held that the term "obtaining" refers only the collection of data and not its creation;²⁸⁹ the term "verification" relates to ensuring the reliability of the information and the monitoring of the accuracy of the material collected;²⁹⁰ and finally the term "presentation" refers to the resources used to allow the database to be individual accessed by users.²⁹¹

Similarly to the reasoning in the *Luksan* case, the Court of Justice held in *Football Dataco*²⁹² that Member States cannot grant databases protection under conditions that differ from those sets out in Article (3)1 of the Database Directive.²⁹³

²⁸⁶ *Feist Pub., Inc. v. Rural Tel. Service Co.*, 499 U.S. 340 (1991). As testified by Recitals 11 and 12 of the Database Directive, the Commission was aiming to give a boost to the Europe's database industry to compete with the United States.

²⁸⁷ Database Directive, Article 7(1).

²⁸⁸ Derclaye, *supra* note 279, at 322.

²⁸⁹ *Fixtures Marketing Ltd v Svenska Spel AB.*, Case C-338/02, CJEU Judgment (Grand Chamber) of Nov. 9, 2004, ¶ 24: "[T]he expression 'investment in ... the obtaining ... of the contents' of a database must, as Svenska Spel and the German, Netherlands and Portuguese Governments point out, be understood to refer to the resources used to seek out existing independent materials and collect them in the database, and not to the resources used for the creation as such of independent materials."

²⁹⁰ *Id.* ¶ 27: "The expression 'investment in ... the ... verification ... of the contents' of a database must be understood to refer to the resources used, with a view to ensuring the reliability of the information contained in that database, to monitor the accuracy of the materials collected when the database was created and during its operation."

²⁹¹ *Id.* "The expression 'investment in ... the ... presentation of the contents' of the database concerns, for its part, the resources used for the purpose of giving the database its function of processing information, that is to say those used for the systematic or methodical arrangement of the materials contained in that database and the organisation of their individual accessibility."

²⁹² *Football Dataco Ltd and Others*, *supra* note 282.

²⁹³ *Id.* ¶ 52.

The Directive gives the database maker the rights of extraction and re-utilization to protect him from acts that may harm his investment.²⁹⁴ Both the terms “extraction” and “re-utilization” are intended to be broad: while the first includes both the actions of removal and copying, the second encompasses all forms of making the database available to the public.²⁹⁵ Article 5 then contains an exhaustive list of exclusive rights vested in the author of a database: reproduction, translation and adaptation, distribution, communication, display and performance to the public.²⁹⁶ Such provision gives authors the positive right “carry out or authorize” the aforementioned acts and the negative rights to prohibit these uses.²⁹⁷ The duration of such rights are 15 years.²⁹⁸ However, the Directive recognizes rights and exceptions in favor of the lawful user. First of all, the author of the database which is made available to public may not prevent a lawful user from extracting and/or re-utilizing insubstantial parts of its contents, as long as the user does not engage in acts which conflict with the normal exploitation of the database. Second, Member States may allow lawful users without authorization to extract or re-utilize a substantial part of its contents in certain specific cases.²⁹⁹ Moreover, the traditional exceptions to copyright may apply for the contents of the database.

The protection of database as *sui generis* right has been highly criticized not only by scholars for its adverse effect on competition,³⁰⁰ but the Commission itself recognized in the first evaluation report of the Directive that the provision establishing the *sui generis* right has not worked

²⁹⁴ Database Directive, Article 1(1).

²⁹⁵ Derclaye, *supra* note 279, at 327.

²⁹⁶ Database Directive, Article 5.

²⁹⁷ Silke Von Lewinski, *Database Directive*, in EUROPEAN COPYRIGHT LAW, A COMMENTARY 678, 715 (Michel M. Walter & Silke Von Lewinski eds., 2010).

²⁹⁸ Any substantial change, however, renews the term.

²⁹⁹ Database Directive, Article 6(2).

³⁰⁰ Matthias Leistner, *The Protection of Databases*, in RESEARCH HANDBOOK ON THE FUTURE OF EU COPYRIGHT 427, 429 (Estelle Derclaye ed., 2009).

as expected.³⁰¹

3.8. Conclusive Remarks

While the success of the Database and Software Directives are less contested, most authors agree on the unsuccessful outcome of the InfoSoc Directive. Although some believe that it was the only possible result achievable through a balanced approach, the majority sustains that the Directive could have done much more to harmonize intellectual property rights at European level. It remains unquestionable that the Court of Justice played a significant role to better define the contours of the EU framework on the protection of intellectual property rights on the Internet, interpreting the provisions in light of the technological changes. However, in the recent years, the European institutions themselves recognized that the current EU legislation needs to be updated. The Commission started an analysis of current issues regarding online copyright infringement that should have resulted in a White Paper in 2014, but its publication was delayed and ultimately never occurred.³⁰² The European Commission recently announced under the Presidency of Jean-Claude Juncker that one of the key points of the Digital Single Market strategy is to have a “modern, more European copyright law.”³⁰³ The Commission announced that legislative proposals will reduce the differences between national copyright regimes and will include further harmonization measures.³⁰⁴ These proposals will include the portability of legally acquired content, the harmonization of exceptions (among which those related to research and education), and the

³⁰¹ DG Internal Market and Services Working Paper, First Evaluation of Directive 96/9/EC on the Legal Protection of Databases 23 (Dec. 12, 2005) *available at* http://ec.europa.eu/internal_market/copyright/docs/databases/evaluation_report_en.pdf.

³⁰² An internal and unofficial draft (“Copyright Policy for Creativity and Innovation in the European Union) was made available by the IPKat blog at [https://www.dropbox.com/s/0xcflgrav01tqlb/White%20Paper%20\(internal%20draft\)%20\(1\).PDF](https://www.dropbox.com/s/0xcflgrav01tqlb/White%20Paper%20(internal%20draft)%20(1).PDF).

³⁰³ European Commission Press Release, *A Digital Single Market for Europe: Commission sets out 16 initiatives to make it happen*, May 6, 2015, http://europa.eu/rapid/press-release_IP-15-4919_en.htm.

³⁰⁴ *Id.*

clarification of the rules on ISPs activities in relation to the copyright protection.³⁰⁵ Moreover, enforcement of intellectual property rights will be modernized by “focusing on commercial-scale infringements (the 'follow the money' approach) as well as its cross-border applicability.”³⁰⁶

The initiative is estimated to reach completion by 2016. Therefore, important changes in EU copyright law may be expected in the current year and the following one.

³⁰⁵ *Id.*

³⁰⁶ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, *A Digital Single Market Strategy for Europe* 8, May 6, 2015, http://ec.europa.eu/priorities/digital-single-market/docs/dsm-communication_en.pdf.

Chapter 4

**National Enforcement in EU Member States:
the French and Italian Models
and the Search for New Solutions**

4.1. From the European Framework to the National Implementation

As discussed in the previous chapter, since the Green Paper on Copyright of 1988, the European Union has tried to guide Member States through a process of harmonization of copyright law. In the harmonization process, Member States were called to make a choice among the measures they considered more appropriate in order to ensure an effective enforcement of digital copyright. Among the various Directives that have been adopted by the European Parliament and the Council, the Directive 2001/29/EC (“InfoSoc Directive”) was the one that more closely dealt with the copyright protection on the Internet. On the one hand, one could appreciate that the harmonization machinery has produced a certain *acquis communautaire* in the field of copyright; on the other, this has produced mixed results.¹

A perfect example of them are the systems of copyright enforcement on the Internet adopted by two countries, France and Italy, in implementing the InfoSoc Directive. The two systems are characterized by some similarities. In both the French and Italian cases, the systems are run by two public independent authorities, HADOPI and AGCOM, respectively. In the French case, a new authority was created, while in the Italian case, a preexisting authority found its already existing powers to include the copyright enforcement on the Internet.

More evidently, the systems are apart from each other due to many differences. The French system is based on the end-user liability and is of a broad scope, while the Italian system instead focuses on sanctions against Internet Service Providers (ISPs) and has a narrower scope. Also the steps of enforcement and the actors involved therein are poles apart. Dissimilarities can also be noticed on the issue of ISPs liability as interpreted by national courts. Lastly, the two systems, as measured by official reports and studies, diverge with regards to their efficiency.

¹ P. Bernt Hugenholtz, *The Dynamics of Harmonization of Copyright*, in CONSTRUCTING EUROPEAN INTELLECTUAL PROPERTY: ACHIEVEMENTS AND NEW PERSPECTIVES 273, 274-77 (Christophe Geiger ed., 2013).

4.2. Where the Legitimacy on Internet Copyright Laws Resides

4.2.1. *Haute Autorité pour la Diffusion des Œuvres et la Protection des Droits sur l'Internet (HADOPI)*

4.2.1.1. *The Law Establishing HADOPI Under Sarkozy Government (“Loi HADOPI”)*

In 2009, during the Presidency of Nicolas Sarkozy, a law was passed in order to complete the French implementation process of the EU Directive 29/EC/2001² and create the *Haute Autorité pour la Diffusion des Œuvres et la Protection des Droits sur l'Internet* (HADOPI).³ The first attempt to regulate copyright enforcement on the Internet did not coincide with the Loi HADOPI, rather it dates back to 2005 with the adoption of the DADVSI bill.⁴ This law provided, *inter alia*, for fines against peer-to-peer users, whose amount depended on whether users were downloading or sharing copyrighted works,⁵ and criminal liability of editors of software, when the latter was “obviously” construed to make copyrighted works accessible to an unauthorized public.⁶ The former provision appeared *de facto* unenforceable without the establishment of a monitoring system; while the latter seemed too undefined and based on subjective interpretation.⁷ The bill also failed to define whether downloading itself constituted an unlawful act

² The process of implementation was already started in 2006 with the Loi n° 2006-961 du 1er août 2006 relative au droit d’auteur et aux droits voisins dans la société de l’information (“loi DADVSI”).

³ Loi n° 2009-669 du 12 juin 2009 favorisant la diffusion et la protection de la création sur internet, Article 5.

⁴ Christophe Geiger, *Counterfeiting And The Music Industry: Towards A Criminalization Of End Users? The French ‘HADOPI’ Example*, in CRIMINAL ENFORCEMENT OF INTELLECTUAL PROPERTY: A HANDBOOK OF CONTEMPORARY RESEARCH 386, 388 (Geiger Christophe ed., 2012).

⁵ Jean Philip Hugot & Olivier Hugot, *The DADVSI Code: Remodeling French Copyright Law For The Information Society*, 17(5) Ent. L.R. 139, 143 (2006).

⁶ Geiger, *supra* note 4, at 393.

⁷ *Id.*

or not.⁸ To mend this incompleteness, in 2007 a report was commissioned. That report would have given rise to the so-called “HADOPI 1.”

Following the standard legislative procedure, the law was adopted by the majority in the National Assembly and the Senate, promulgated by the President of the Republic and signed by the Head of the Executive.⁹ Article 5 of the Loi HADOPI, in modifying the Intellectual Property Code, defined the structure of and established the powers and competences reserved to HADOPI.¹⁰ HADOPI is defined as an independent public authority¹¹ that carries out three missions: (i) the encouragement of the copyrighted content legally online, (ii) the protection of works and attached rights on online networks, and (iii) the regulation of the technical measures in order to protect and identify copyrighted works.¹² The first objective is realized not only as a mere consequence of the latter two, indeed HADOPI instituted a system of labeling which allows websites complying with certain requirements to display a label (“*Offre Légale HADOPI*”) indicating that the website offers copyrighted content legally.¹³ The other two objectives are pursued through a system of graduated response, which is defined a pedagogical system that reminds users to obey the law through warning messages.¹⁴

⁸ *Id.* at 390.

⁹ The proposed text was unexpectedly rejected in April 2009 by the *Commission Mixte Paritaire* in the National Assembly. *Le Parlement Rejette Le Projet De Loi Sur Le Téléchargement Illegal*, *Le Monde*, Sep. 4, 2009, http://www.lemonde.fr/technologies/article/2009/04/09/le-parlement-rejette-le-projet-de-loi-creation-et-internet_1178838_651865.html.

¹⁰ Loi HADOPI Article 5.

¹¹ *Code de la Propriété Intellectuelle* Article 331-12 as modified by Loi HADOPI Article 5.

¹² *Code de la Propriété Intellectuelle* Article 331-13 as modified by Loi HADOPI Article 5.

¹³ HADOPI Labeling Procedure, <http://www.hadopi.fr/hadopi-pro/labellisation-de-loffre-legale/presentation-de-la-procedure>.

¹⁴ HADOPI Graduated Response System, <http://www.hadopi.fr/usages-responsables/nouvelles-libertes-nouvelles-responsabilites/reponse-graduee>.

4.2.1.2. *Proposals to transfer HADOPI Powers to the Conseil Supérieur de l'Audiovisuel*

Pierre Lescure, journalist and president of the Cannes Film Festival, presented to the President of the Republic Francois Holland a government-commissioned report, which well represents the sum of various critiques accompanied by proposals to transfer HADOPI's powers to the *Conseil Supérieur de l'Audiovisuel* (CSA).¹⁵ Created in 1989, the CSA regulates and has the power to censor the various electronic media in France, such as radio and television.¹⁶ First of all, the *rapport* stresses how the need to reinforce and extend the scope of technological protection measures to software, public domain works, and information technical measures, requires the intervention of the CSA, which has much broader regulatory competence on the matter.¹⁷ Second, it appears undesirable, for both considerations of consistency of public action and to avoid excessive expenses, to maintain an independent administrative authority whose activity is limited to fight against illegal downloading.¹⁸

Although the Ministry of Culture Aurièle Filippetti welcomed the *rapport* and sustained the transfer of powers from HADOPI to CSA in 2013,¹⁹ the current French Ministry of Culture Fleur Pellerin recently communicated that such transfer is no longer the Governmental priority.²⁰

¹⁵ A transfer of HADOPI's competences to the CSA would make the CSA closely resemble the Italian *Autorità per le Garanzie nelle Comunicazioni* (AGCOM), which has competencies on both the regulation of electronic media and copyright enforcement on the Internet.

¹⁶ Loi n° 89-25 du 17 janvier 1989 modifiant la loi n° 86-1067 du 30 septembre 1986 relative à la liberté de communication.

¹⁷ Pierre Lescure, *Contribution Aux Politiques Culturelles À L'ère Numérique* (hereinafter "Rapport Lescure") 17, available at http://www.ambafrance-ca.org/IMG/pdf/rapport_lescur_498_tome1.pdf.

¹⁸ HADOPI had a 12 million Euros annual budget. HADOPI, *Key Points of the 2010 Annual Report* 10, http://hadopi.fr/sites/default/files/page/pdf/hadopi_essentiel_GB_v4_211111.pdf. However, the budget has been recently reduced to 6 millions. Guillaume Champeau, *Hadopi: Le Budget 2015 Reste À 6 Millions D'Euros*, Numerama, Oct. 29, 2014, <http://www.numerama.com/magazine/31117-hadopi-le-budget-2015-reste-a-6-millions-d-euros.html>.

¹⁹ Boris Manenti, *Filippetti: La Loi Sur L'Audiovisuel, "Une Garantie Démocratique"*, *Nouvel Observateur*, Jul. 7, 2013,

4.2.2. Autorità per le Garanzie nelle Comunicazioni (AGCOM)

4.2.2.1. *Deliberation No. 680/13/CONS*

On March 31, 2014, the Italian “Regulation on the protection of copyright on electronic communications networks” (hereinafter “Regolamento”), annexed to Resolution No. 680/13/CONS, entered into force.²¹ The Regulation was the result of a process started 2010 in which AGCOM carried out three public consultations,²² a one-day workshop with all stakeholders involved in various businesses and meticulous preparatory works.²³

The objectives that the Regulation pursues are similar to the ones set in the Loi HADOPI. On the one hand, AGCOM aims to develop a legal offer of digital works over the Internet; on the other, it protects copyrighted works through administrative proceedings before it.²⁴ In order to pursue the first objective, the Authority aims to adopt “positive” measures in order to help the increase the public awareness of legal services.²⁵ For this reason, it

<http://tempsreel.nouvelobs.com/medias/20130724.OBS0826/filipetti-loi-sur-l-audiovisuel-une-garantie-democratique.html>.

²⁰ Ministry of Culture Response to Lionel Tardy’s Question N° 63400 of Feb. 17, 2015, <http://www.nosdeputes.fr/14/question/QE/63400>.

²¹ The process of adoption of AGCOM’s Regulations is very different from the standard legislative process. The Authority is “independent” and does not represent political parties. Deliberations requires a majority of votes for the Authority’s deliberations, and in case of a tie the vote of the President prevails. Regolamento Concernente l’Organizzazione Ed Il Funzionamento Dell’Autorità Per Le Garanzie Nelle Comunicazioni, Allegato A alla Delibera n. 223/12/CONS, 27 Apr. 2012, Article 10.

²² Notification of them was made to the competent offices of the European Commission in accordance with the provisions of Directive 98/34 (the Transparency Directive), which triggered a debate within the European institutions and among consumers, service providers and copyright holders on this matter.

²³ Fifty-six contributions were sent to the Authority and a hearing period of five weeks was schedule between September and October 2013. As AGCOM underlined, the issues addressed during the public consultations impacted on the final text of the Regulation, particularly the ones relating to the objective and subjective scope of the intervention, the manner of reporting, the timing of the procedure and the executive measures. AGCOM, *Annual Report On The Activity Carried Out And On The Work Programmes* 245-46 (2014), http://www.agcom.it/documents/10179/2853616/RA14_Eng_Cap_1/362958ea-30ef-46df-b682-181a4bedfcec.

²⁴ Federico Marini-Balestra & Riccardo Tremolada, *Enforcement Of Online Copyright In Italy: The New Regulation Adopted By The Italian Communications Authority*, 2 I.P.Q. 143, 148 (2014).

²⁵ The adoption of “negative measures,” i.e. that would restrict the freedom of contract to services labeled as “legal,” is excluded from the powers of the Authority. Andrea Stazi, *Il*

established a Committee that focuses on identifying various forms of auto-regulation and initiatives directed to educate users and promoting the legal offer.²⁶

4.2.2.2. *Problems of Legitimacy*

The overall period preceding the issuance of the Regolamento was characterized by a heated debate on whether an administrative regulatory authority had legitimate power to issue a copyright regulation and enforce it.²⁷ Various subjects that took part in the public consultation claimed that AGCOM lacked of any power to declare whether an online conduct is unlawful, because such power is exclusively reserved to the Administration of Justice.²⁸ They also argued that AGCOM did not have power to enjoin or remove content, which are specifically reserved to the Criminal Courts.²⁹ Although the legal panorama that demarcates AGCOM's power appears fragmented, it would be improper to say that AGCOM's action was carried on in a legal vacuum.³⁰

As addressed by the former President of AGCOM Corrado Calabrò, in response to the first criticism of AGCOM's legitimacy, there are three laws that when read together determine AGCOM's powers.³¹ First, art. 182-*bis* of the law n. 644/1941³² conferred to the Authority a general power of surveillance on copyright protection.³³ It is unquestionable that this

Regolamento Di Cui Alla Delibera N. 680/13/Cons Dell'Agcom Per La Tutela Del Diritto D'autore In Rete, 2 *Rivista di Diritto Industriale*, 13 (2014).

²⁶ *Id.*

²⁷ Marini-Balestra & Tremolada, *supra* note 24, at 143.

²⁸ Giuseppe Colangelo, *Comunicazioni Elettroniche, Contenuti Digitali e Diritto D'Autore: Commento Al Regolamento AGCOM*, 13(3) *Mercato Concorrenza Regole* 575, 590 (2011).

²⁹ *Id.*

³⁰ Marini-Balestra & Tremolada, *supra* note 24, at 146.

³¹ Audizione del Presidente AGCOM Corrado Calabrò “*Aggiornamento Problematiche Emerse*

Nel Settore Internet In Materia Di Diritto D'Autore” 5-6 (Mar. 21, 2015), <http://www.agcom.it/documents/10179/539791/Audizione+al+Parlamento+21-03-2012/354b609e-afc8-4b14-b1a9-9bfabf15d11b?version=1.0>.

³² Introduced by L. n. 248/2000.

³³ L. n. 644/1941, Article 182-*bis* empowers both AGCOM and the Italian Society of Authors and Publishers (SIAE), within their competencies, with the power of supervision

provision gives AGCOM monitoring power over copyright infringements in order to prevent their actual fulfillment.³⁴ What seems more doubtful, however, is whether AGCOM has also the power to adopt restrictive measures necessary to prevent those infringements.³⁵ On the one hand, one could argue that such power is not explicitly stated and thus cannot be exercised.³⁶ On the other, the so called “implicit powers theory” could justify that the secondary provisions issued by AGCOM are legitimate because the lawmakers established only the laws general goals, therefore delegating the issuance of a more detailed discipline to the Authority.³⁷ Second, Article 32-*bis* of Legislative Decree n. 177/2005,³⁸ after imposing on service media providers an obligation to respect copyright in the exercise of their activities, recognized, in addition to the general power of surveillance and inspection, the power of AGCOM to issue regulations to the extent necessary to make the service media providers comply with this article.³⁹ Third, the Legislative Decree n. 70/2003 which implemented the Electronic Commerce Directive 2001/31/CE, stressed that the administrative authority has, *vis-à-vis* the judicial authority, the power to ensure that the service providers prevent or put an end unlawful activities, once they are informed about the unlawfulness of the content.⁴⁰

More generally, AGCOM’s legitimacy in dealing with Internet copyright is supported by its institutional role. The Authority is responsible

on the “reproduction and publication of works by any means of audio-visual, phonographic and any other media.”

³⁴ AGCOM, *Indagine Conoscitiva - Il Diritto D’Autore Sulle Reti Di Comunicazione Elettronica* 15 (2010), <http://www.agcom.it/documents/10179/539311/Documento+Generico+12-02-2010/02bf7d56-3a36-4f3c-b9e8-abd900d8269b?version=1.0>.

³⁵ *Id.*

³⁶ This is the position taken by the Consumer Associations which started a proceeding in April 2014 against AGCOM’s Regulation before the Regional Administrative Tribunal of Lazio. Guido Scorza, *Diritto d’Autore Online, Arriva Il Terremoto: Il Regolamento Agcom A Rischio Illegittimità*, *Il Fatto Quotidiano*, Sep. 26, 2014, <http://www.ilfattoquotidiano.it/2014/09/26/diritto-dautore-online-arriva-il-terremoto-il-regolamento-agcom-a-rischio-illegittimita/1134678/>.

³⁷ AGCOM, *supra* note 34, at 16.

³⁸ Introduced by the D.Lgs. n. 44/2010.

³⁹ D.Lgs. n. 177/2005 Article 32-*bis*.

⁴⁰ D.Lgs. n. 70/2003 Articles 14(3), 15(3), and 16(3).

for regulating the electronic communications sector and guaranteeing the fair functioning and use of electronic communication networks by *all actors* involved, from access providers to final users.⁴¹ This includes the regulation of conduct for ISPs which is aimed at achieving those goals, including measures on copyright infringements.⁴²

At a time in which the public consultations were already set, before the Regolamento was issued by AGCOM, the President of the Chamber of Deputies Laura Boldrini addressed the necessity to reach an agreement in Parliament that would allow the legislative body to issue a law on online copyright that would take into account different rights and interests.⁴³ The Regolamento was issued anyway in December 2013⁴⁴ and the debate over its legitimacy continues.⁴⁵

Some authors addressed the issue of legitimacy in more vehement tones, affirming that AGCOM overturned the Montesqueuian principle of separation of powers because it took over power from the Parliament (when issuing the Regolamento), from the Government (when executing it), and from the Administration of Justice (when applying its provisions).⁴⁶ As a response to the (re)heated debate over the legitimacy of the Regolamento, the President of AGCOM Angelo Marcello Cardani stressed that “AGCOM

⁴¹ L. n. 249/97 and ex D.L. 259/2003, also known as “Electronic Communications Code.”

⁴² AGCOM, *supra* note 34, at 18.

⁴³ Boldrini Gela *L'Agcom: “Sul Diritto D'autore Online Decide Il Parlamento”*, La Stampa, Nov. 14, 2013, <http://www.lastampa.it/2013/11/14/tecnologia/boldrini-gela-lAgCom-sul-diritto-dautore-online-decide-il-parlamento->

SsAIMU12QpMoeRXvJtPUzN/pagina.html. It has to be noticed, however, that the slow Italian parliamentary process did not look for an enforcement system to protect copyright online for more than twelve years (since the EU Directive 2001/29/EC was put in place), nor did it seem to have put much effort in formulating legislative proposals. In the last legislature, only four proposals (not yet examined) on this matter were presented to the Senate. Ricerca Nelle Schede Dei Progetti Di Legge [Research on Legislative Proposals] (keyword: “diritto d'autore”), <http://www.senato.it/ric/sddl/nuovaricerca.do?params.legislatura=17>.

⁴⁴ Regolamento in Materia di Tutela del Diritto d'autore sulle Reti di Comunicazione Elettronica, Delibera 680/13/CONS.

⁴⁵ An action has been brought by various Italian Consumers' Associations before the Tribunale Amministrativo Regionale per il Lazio, which remanded to the Constitutional Court the question of whether the laws from which the Regolamento derives are unconstitutional. TAR Lazio, Ordinanza N. 02184/2014 REG.RIC. (Sep. 9, 2014).

⁴⁶ Guido Scorza & Alessandro Gilioli, *MEGLIO SE TACI* (2015).

has never manifested any intention to legislate” and it did not intend to replace the parliamentary action. Rather, AGCOM’s Regolamento is a stopgap necessary to obviate to the inertia of the Italian Parliament.⁴⁷ When the Parliament will decide to take action and legislate on the matter, the Regolamento will be *ispo facto* replaced.

4.3. Comparing the Systems: Sanctioning the ISPs and/or the End-Users?

4.3.1. The French “Graduated Response” System

Similarly to the Italian system,⁴⁸ the French system designates an independent public authority to deal with enforcement of copyright on the Internet.⁴⁹ Unlike the Italian system, however, the French system does not focus on ISPs liability, it rather features a system of graduated response that is directed to end-users.⁵⁰ The graduated response system provides for three warnings: the first two have a preventive effect, the third one has a repressive effect.⁵¹ The copyright holder is required to send HADOPI a notice in order to start the proceeding.⁵² The notice shall contain relevant information to identify the infringement: the IP address where the allegedly infringing content was hosted, the IP of the alleged infringer, and the date

⁴⁷ GLV, *Internet, Cardani (AGCOM): Su Copyright Abbiamo Tappato Una Falla Grave*, Il Velino, Feb. 5, 2014, <http://www.ilvelino.it/it/article/2014/02/05/internet-cardani-AGCOM-su-copyright-abbiamo-tappato-una-falla-grave/33203ad0-b1ab-4a32-8c0d-9ad1de29a24b/>.

⁴⁸ See *supra* para. 4.1.1.2.

⁴⁹ See *supra* para. 4.1.1.1.

⁵⁰ HADOPI Graduated Response System, *supra* note 14.

⁵¹ Alain Strowel, *The ‘Graduated Response in France’*, in COPYRIGHT ENFORCEMENT AND THE INTERNET 147, 149 (Irina A. Stamatoudi ed., 2010).

⁵² Similar to AGCOM, HADOPI does not act *sua sponte* and requires the participation of the copyright holder. HADOPI Graduated Response System, *supra* note 13. In the French case, however, specific companies such as the Trident Media Guard (TMG) were designated to detect online infringements. Reports produced by this companies, identifying, *inter alia*, the infringing contents, the IP address on which infringements occur, the user name of the infringer on P2P network, are sent to copyright holders who can then start a proceeding to the HADOPI. Thierry Rayna & Laura Barbier, *Fighting Consumer Piracy With Graduated Response: An Evaluation of the French and British Implementations*, 6 Int’l J. Foresight & Innovation Pol’y 294, 311 (2010).

and time of the alleged infringement.⁵³ These facts are then reviewed by the Rights Protection Committee, an autonomous body within the HADOPI responsible for the implementation of graduated response.⁵⁴ Within two months, the Committee can ask the ISP to identify the end-user⁵⁵ and can send the first warning by email to the end user.⁵⁶ The first notice is highly likely to dissuade the end user to reiterate the conduct.⁵⁷ During the entire process, HADOPI does not disclose the end-user identity to the copyright owner.⁵⁸ If within six months of receiving the first notice a subscriber is alleged to have infringed on a second occasion, the Committee sends to the user the second warning e-mail coupled with a return receipt requested letter.⁵⁹ If the user reiterates the conduct within one year after the second warning, the Committee sends a return receipt requested letter informing the user that these facts are subject to criminal prosecution, and the Criminal Judge can order the end-user to pay a fine up to €1500.⁶⁰

4.3.1.1. The Surveillance System

Although the graduated response system is designed to start upon the request of the copyright holder, it is undoubtedly supported by a surveillance mechanism put in place by two main actors, the *Sociétés de Perception et de Répartition des Droits* (SPRD) and the Trident Media Guard (TMG). The first is a group of collective right management societies,

⁵³ HADOPI Graduated Response System, *supra* note 14.

⁵⁴ The current Commission was designated with Décret du 23 décembre 2009 portant nomination des membres du collège et de la commission de protection des droits de la Haute Autorité pour la diffusion des œuvres et la protection des droits sur internet.

⁵⁵ The ISP discloses to HADOPI the owner of the subscription, which may be, *de facto*, different from the person who is actually infringing.

⁵⁶ The warning includes: the facts alleged against the user, its duty to monitor its internet access, the existence of securing means, and the existence of legal offers on the market. HADOPI Graduated Response System, *supra* note 14.

⁵⁷ Pascal Nègre, president of Universal Music France, stated “I think everybody has a friend who has received an e-mail. This creates a buzz. There is an educational effect.” Eric Pfanner, *France Claims Victory Over Web Piracy; As Crackdown Enters New Phase, Opposition Takes Political Overtones*, The International Herald Tribune, Feb. 20, 2012. For HADOPI’s effectiveness see *infra* para. 4.3.1.

⁵⁸ HADOPI Graduated Response System, *supra* note 14.

⁵⁹ *Id.*

⁶⁰ *Id.*

the second is instead a corporation selected to track anti-piracy activities on behalf of HADOPI. Based on a list of works sent by the SPRD, TMG calculates for each work a unique imprint that identifies the shared illegal files that are identical to the original works.⁶¹ TMG proceeds to build a record of IP addresses that made the file available (“incidents”), which are signed by TMG officers and then transmitted to HADOPI.⁶²

The French National Commission on Informatics and Liberty (CNIL), which has inspection and investigations powers to make sure that Information Technology systems and applications comply with the law and certain security standards,⁶³ addressed concerns about what happens behind the scenes of the HADOPI system.⁶⁴ A first concern was the automation of the TMG system, which, on the one hand granted a high number of reported “incidents” (25,000 to 150,000 per day), but on the other lacked a procedure to detect abnormalities in the findings.⁶⁵ A second critique focused on the HADOPI’s actions in response to TMG findings: HADOPI limits its action to accepting or rejecting the reports submitted, without any verification. CNIL found it improper that HADOPI bases the sending of the first warning (and thus the start of the graduated response proceeding) solely on TMG findings, as their legal certainty appears fragile unless the TMG system is “approved” by a trusted third party.⁶⁶ A third concern arose after a data leakage occurred at TMG, which was caused by inadequate security measures.⁶⁷ In response, HADOPI decided to suspend the collection of IPs from the *société anonyme* until this event blew over.⁶⁸

⁶¹ TMG holds a Patent for “Method For Combatting The Illicit Distribution Of Protected Material And Computer System For Carrying Out Said Method” (U.S. Patent No. 7,979,490 issued on 07-12-2011).

⁶² CNIL, *Rapport Relatif Aux Demandes De Modification D’autorisation Des Traitements Ayant Pour Finalité La Recherche Et La Constatation Des Délits De Contrefaçon Commis Via Les Réseaux D’échanges De Fichiers Dénommés «Peer To Peer»* 5 (Jun. 10, 2010) available at <http://www.theinternets.fr/wp-content/uploads/2010/09/rapport-sprd-hadopipour-transmission.doc>.

⁶³ CNIL, *Missions*, <http://www.cnil.fr/linstitution/missions/>.

⁶⁴ *Id.*

⁶⁵ *Id.* at 6.

⁶⁶ *Id.*

⁶⁷ *Fuite De Données Chez La Société Chargée De Surveiller Les Réseaux P2P*, Le Monde,

4.3.1.2. ISPs Liabilities: Notice and “Stay Down” Injunctions

French Courts, as well as the Italian ones,⁶⁹ encountered many difficulties in defining the regime of ISPs liability exclusion. The EU E-Commerce Directive and subsequent decisions of the Court of Justice of the European Union offered a precise schema to which national laws (and jurisprudence) had to conform; nevertheless, both the French and Italian Courts ruled to expand the regime of ISPs liability. From 2007, various cases configured a praetorian obligation to prevent the re-appearance of the already notified illicit content. In 2007, the Tribunal de Grande Instance of Paris found that, in order to avoid liability under the French law, Google had an obligation to prevent the re-upload of the material already notified.⁷⁰ On the same line, in 2010 the Tribunal de Grande Instance of Créteil ordered Youtube to install on its website an “effective and immediate filtering system of videos” whose distribution was or would be notified by Plaintiff INA.⁷¹ The Cour d’Appel (Court of Appeals) of Paris also took into account the presence of measures of caution and warning aimed at preventing copyright infringements as factors to mitigate the liability of video-sharing websites.⁷² The Cour de Cassation (Supreme Court) put an end to the monitoring obligation holding that the Cour d’Appel violated the

May 16, 2011, http://www.lemonde.fr/technologies/article/2011/05/16/fuite-de-donnees-chez-le-prestataire-de-l-hadopi_1522929_651865.html.

⁶⁸ Chloé Woitier, *Hadopi: Une Faille De Sécurité Perturbe La Riposte Graduée*, Le Figaro, May 16, 2011, <http://www.lefigaro.fr/secteur/high-tech/2011/05/16/01007-20110516ARTFIG00695-hadopi-une-faille-de-securite-perturbe-la-riposte-graduee.php>.

⁶⁹ See *infra* para. 5.2.2.2.

⁷⁰ *Zadig Productions et autres v. Google Inc, Afa.*, Tribunal de Grande Instance de Paris [ordinary court of original jurisdiction] 3ème chambre, 2ème section, Oct. 19, 2007. The Tribunal found that Google could not benefit from the limited liability provided by Article 6-I-2 Loi n° 2004-575 du 21 juin 2004 pour la confiance dans l'économie numérique, that transposed Article 14 of the E-Commerce Directive.

⁷¹ *INA v. Youtube LLC*, Tribunal de Grande Instance de Créteil [ordinary court of original jurisdiction] 1ère chambre, Dec. 14, 2010.

⁷² *Roland Magdane et autres v. Daily Motion.*, Cour d’Appel de Paris Pôle 5 [regional court of appeal], 1ère chambre, Oct. 13, 2010. “Taking into account that the Daily Motion has built its commercial success on the massive piracy of protected content, (...) [this] needs to be tempered when the operator undertook caution and warning measures aimed specifically at preventing copyright infringement.”

French law⁷³ when it imposed on Google an obligation to prevent further posting of infringing videos without the need for copyright holders to report them.⁷⁴ The Court found that the measure of requiring a filtering system without limitation in time is disproportionate and is equivalent to “general obligation to monitor”,⁷⁵ the images that Google stores and search for illegal online contents.⁷⁶ In rendering its decision, the Cour de Cassation was probably aware of the CJEU decision in the *Scarlet v. SABAM* case,⁷⁷ which occurred only three months beforehand. Although today the exclusion of ISPs liability under the conditions of the EU E-Commerce Directive is established case law in France, HADOPI recently proposed a way out from this strict regime, asserting the possibility to issue specific “stay-down” notices (*injonctions de retrait prolongé*).⁷⁸ As provided by the *rapport* of the President of HADOPI, such notices would contain the precise identification of the infringing content, be suitable for copyright holders who already notified the ISP, and be limited in time to a period of less than six months.⁷⁹ ISPs will be given the possibility to start an adversarial proceeding with HADOPI to determine the feasibility and proportionality of the measures, taking into account their physical, organizational, and financial burdens.⁸⁰ The measures requested would not be of an absolute character, as the notice would only imply that “reasonable diligence is exercised so that to allow, given the current state of technology, the

⁷³ Specifically, Loi n° 2004-575 du 21 juin 2004 Articles 6 I.2, I.5 and I.7.

⁷⁴ *Google France et al. v. Bach Films*, Cour de Cassation [supreme court for judicial matters] 1ère chambre civile, Jul. 12, 2012.

⁷⁵ Prohibited, *inter alia*, by Article 15 of the E-Commerce Directive.

⁷⁶ *Google France et al. v. Bach Films*, *supra* note 74.

⁷⁷ *Scarlet Extended SA v. Société belge des auteurs, compositeurs et éditeurs SCRL (SABAM)*, Case C- 70/10, CJEU Judgment (Third Chamber), Nov. 24, 2011, ¶ 40, holding that the injunction imposed on the ISP requiring it to install a filtering system in order to prevent any future infringement of intellectual-property rights would require the ISP to carry out general monitoring, which is prohibited by Article 15(1) of Directive 2000/31.

⁷⁸ Mireille Imbert-Quaretta, *Rapport Sur Les Outils Opérationnels De Prévention Et De Lutte Contre La Contrefaçon En Ligne* 20 para. 4 (February 2014) available at http://www.cncpi.fr/fckupload/File/ACTUALITES/2014_05_12_Rapport%20outils%20operationnels%20mai%202014%20M%20Imbert%20Quaretta.pdf.

⁷⁹ *Id.*

⁸⁰ *Id.*

prolonged stay-down of the infringing content.”⁸¹ According to the President of HADOPI, the characteristics of definite time and specificity would necessitate that the measures do not impose a “general obligation to monitor” and thus would not be prohibited by EU law.⁸² Furthermore, the *rapport* points out that platforms will highly likely accept the prolonged stay-down notices.⁸³ Last March, the current Ministry of Culture Fleur Pellerin reinforced the necessity of a new plan of action against online piracy. This idea was welcomed by the National Syndicate of Phonographic Publishing, which insisted that the Ministry put into law the proposal for the specific stay-down notices.⁸⁴ Also the Conseil d’État (Council of State), which advises the Government on the preparation of bills and is the highest administrative jurisdiction, expressed a favorable opinion on the proposal.⁸⁵

4.3.1.3. Sanctioning the End-User

HADOPI system, unlike the AGCOM’s, focuses its target on end-users. There were two measures directed to the end-users available at the time the Loi HADOPI was passed. The first one provided (and provides) fines ranging from €150 to €1500 directed to end-users who do not conform to the first two warnings and are found to infringe a third time. Specifically, HADOPI gives notice of the reiterated violation to the *procureur* (the public prosecutor responsible for prosecuting criminal cases) who will start a criminal proceeding against the end-user and issue fines. Until today, only one person has been sanctioned.⁸⁶ In particular, the person was charged with

⁸¹ *Id.*

⁸² *Id.* at 20-21.

⁸³ Content recognition technologies to prevent the recurrence of previously identified infringing content “are already *voluntarily* used by some platforms, so they are *accepted* by them and incorporated into their business” (emphasis added). *Id.* at 21 para. 6.

⁸⁴ SNEP, *Plan D’action Contre Le Piratage Des Œuvres : Les Bonnes Initiatives Du Gouvernement* (March 12, 2015) available at <http://www.snepmusique.com/actualites-du-snep/plan-daction-contre-le-piratage-des-oeuvres-les-bonnes-initiatives-du-gouvernement/>.

⁸⁵ Conseil d’État, *Les Rapports Du Conseil d’État* 304-305 available at http://www.ladocumentationfrancaise.fr/docfra/rapport_telechargement/var/storage/rapport-s-publics/144000541/0000.pdf.

⁸⁶ This supports the view that the HADOPI’s effectiveness is due to its educative effect rather than to a punitive one. *See infra* para. 4.3.1.

gross negligence, namely the negligence that arises when a person has failed, without good reason, to put in place means of security or lacked of diligence in the implementation of this method.⁸⁷ The case attracted the attention of the media because the individual so charged and the €150 fine recipient was the Internet subscriber and not the actual infringer.⁸⁸

The second measure, providing a cut-off of the user from the access to the Internet, was held to be unconstitutional by the Conseil Constitutionnel (Constitutional Court) in 2009.⁸⁹ The Conseil Constitutionnel, after recognizing that the free communication of ideas and opinions is one of the most precious rights of man, addressed that this freedom includes the freedom to access online communication services.⁹⁰ The Parliament superseded its authority when giving an administrative body the powers to restrict or prevent access to the Internet in order to protect the rights copyright holders related rights.⁹¹ The same concern was addressed in an Amendment to the EU Directive 2002/21/EC (Framework Directive).⁹²

⁸⁷ HADOPI, *Qu'est-Ce Que L'infraction De Négligence Caractérisée?*, <http://www.hadopi.fr/en/quest-ce-que-linfraction-de-negligen-ccaracterisee>.

⁸⁸ Durand Florence, *Le Paradoxe De L'HADOPI*, Nouvel Observateur, Sep. 17, 2012, <http://obsession.nouvelobs.com/high-tech/20120917.OBS2637/le-paradoxe-de-l-hadopi.html>.

⁸⁹ The Conseil Constitutionnel is a court vested with the power of reviewing the compliance of legislation with the French Constitution. It can exercise both *ex ante* and *ex post* review of the laws, and its decisions are binding on all public authorities, administrative and judicial bodies. Conseil Constitutionnel, *Présentation Générale*, <http://www.conseil-constitutionnel.fr/conseil-constitutionnel/francais/le-conseil-constitutionnel/presentation-generale/presentation-generale.206.html>.

⁹⁰ Conseil Constitutionnel [Constitutional Court], Decision No. 2009-580 DC, Jun. 10, 2009, ¶ 12.

⁹¹ *Id.* at ¶ 16.

⁹² Amendment to Article 1(b) of Directive 2002/21/EC provides that: “Measures taken by Member States regarding end-users access' to, or use of, services and applications through electronic communications networks shall respect the fundamental rights and freedoms of natural persons, as guaranteed by the European Convention for the Protection of Human Rights and Fundamental Freedoms and general principles of Community law.” Moreover, it requires effective judicial protection, due process, and presumption of innocence.

4.3.1.4 Website Blocking Injunctions (And More)

While in Italy website blocking measures can be issued by Courts as well as by AGCOM,⁹³ in France judicial proceedings are the only possible *medium* to obtain such measures.⁹⁴ Between 2013 and 2014, the Tribunal de Grande Instance of Paris issued two important decisions on the matter. In the *Allostreaming* case,⁹⁵ the Tribunal ordered French ISPs to implement “all appropriate measures to prevent access by any effective means, including the blocking of domain names.”⁹⁶ After asserting its power to issue orders directed to search engines,⁹⁷ the Tribunal ordered search engines (*inter alia*, Google, Microsoft and Yahoo!) to “take all measures to prevent the appearance on their services of any response and any results referring to one of the pages of the infringing websites.” The Tribunal reasoned that the impossibility to easily find these websites through search engines may discourage users to search for them, since they have to write the URL themselves. A similar reasoning supported an earlier decision of the Cour de Cassation⁹⁸ holding that the Cour d’Appel erred in determining that Google could not be obliged to exclude from its research “torrent” “megaupload” and “rapidshare” keywords because not all of the websites found were infringing and such measures were not effective and easy to circumvent. The Court recognized that such measures could indeed make it more difficult for users to search the infringing websites.

⁹³ See *infra* para. 4.2.2.1.

⁹⁴ Article L.336-2 du code de la propriété intellectuelle specifies that in the presence of an infringement of a copyright or related right caused by the communication to the public of content through an online service, *the high court*, acting where appropriate in summary proceedings, may order all appropriate steps to prevent or stop such infringement of copyright or related rights, directed to anyone who might help to realize them. The French law, differently from the Italian law, does not give this power also to the independent public authority. *Cfr. infra* note 113.

⁹⁵ *APC et autres v. Auchan Telecom et autre*, Tribunal de Grande Instance de Paris [ordinary court of original jurisdiction], Nov. 28, 2013.

⁹⁶ The Tribunal specified the list of websites that had to be blocked and that such measures had to be taken in the French territory. *Id.*

⁹⁷ Referring to Article L.336-2 du code de la propriété intellectuelle, the Tribunal pointed out that measures to protect copyright may be directed to anyone who may contribute to realize them (*toute personne susceptible de contribuer*). *Id.*

⁹⁸ Arrêt n° 832 (11-20.358) C100832, Cour de Cassation [supreme court for judicial matters] 1ère chambre civile, Jul. 12, 2012.

The Tribunal de Grande Instance of Paris ordered both ISPs and search engines to implement these measures within fifteen days of the decision and to give plaintiffs notice of their completion. A twelve-month duration was provided for these measures to prevent them from becoming obsolete. In the *The Pirate Bay* case,⁹⁹ the Tribunal de Grande Instance left the choice of the blocking technique to ISPs.¹⁰⁰ Similar to the *Allostreaming* case, the measures to be implemented within fifteen days from the decision had a duration of twelve months. The Tribunal, citing *Telekabel*,¹⁰¹ dismissed the ISPs claim regarding the possible inefficiency of the ordered measures, finding that although it is true that any blocking measures can be circumvented, it is not established that the vast majority of Internet users have the time and skills to circumvent such measures. The Court referred to *Telekabel* also in holding that the cost incurred by the measures to be taken was not to be supported by the ISPs but by the right holders.¹⁰²

4.3.2. The Italian Notice and Take-Down System

4.3.2.1. The Ordinary Proceeding and the Expedited Proceeding

In order to start the procedure before AGCOM, a specific on-line request must be sent by the copyright holder to AGCOM.¹⁰³ AGCOM does not start procedure *ex officio* and the procedure is not available if an

⁹⁹ *SCPP v. Orange, Free, SFR et Bouygues Télécom*, Tribunal de Grande Instance de Paris [ordinary court of original jurisdiction] 3ème chambre, 1ère section, Dec. 4, 2014.

¹⁰⁰ However, as in the *Allostreaming* case, the Tribunal specified the websites to be blocked and the territoriality of the measures. *Id.*

¹⁰¹ *Telekabel Wien GmbH v Constantin Film Verleih GmbH and Wega Filmproduktionsgesellschaft mbH.*, Case C-314/12, CJEU Judgment (Fourth Chamber), Mar. 27, 2014, ¶ 60-62 : “[I]t is possible that a means of putting a complete end to the infringements of the intellectual property right does not exist or is not in practice achievable, as a result of which some measures taken might be capable of being circumvented in one way or another” and that the measures must only have “the effect of preventing unauthorized access to the protected subject-matter or, at least, of making it difficult to achieve and of seriously discouraging internet users who are using the services of the addressee of that injunction from accessing the subject-matter made available to them in breach of that fundamental right.”

¹⁰² *Id.*

¹⁰³ The right holder can attach to the request “any relevant documentation to prove ownership of the right.” Regolamento Article 6(2).

ordinary proceeding before a civil court is already pending.¹⁰⁴ The scope of the Regulation explicitly takes into account a system of fair use based on the exceptions contained in the Italian Law On Copyright.¹⁰⁵ The procedures provided for in the Regulation are inspired by a concern to combine respect for fundamental rights and efficiency.¹⁰⁶

On the one hand, once the alleged copyright holder has filed an on-line request with the Authority, a notice is sent to the identifiable ISP, to the uploader, and to the website administrator.¹⁰⁷ Such communication, issued within seven days from the request unless the claim is found without merit after an investigation, contains the exact designation of the works whose copyright is allegedly infringed, the laws which are allegedly violated, and a summary exposition of the evidence. The recipients of such communication have the possibility to comply spontaneously with the request, and thus to determine the dismissal of charges, or to file counterclaims within five days from the notice.¹⁰⁸ If counterclaims are filed, the docket is sent to the AGCOM decision committee, along with the proposal for the decision.¹⁰⁹

On the other hand, efficiency is served through the speed of the proceeding. Within thirty-five days of finding the request sent by the copyright holder meritorious, the Authority sends the ISP an order indicating the appropriate measures to be taken, which has to be complied within three

¹⁰⁴ Although AGCOM was highly criticized and defined as “the sheriff of the web,” (Fulvio Sarzana, *Il Fatto Quotidiano*, *Agcom, il nuovo sceriffo del web non ascolta critiche*, October 7, 2013) the absence of *sua sponte* interventions to enforce copyright would make it resemble better a 911 emergency call, as its intervention, which is upon the copyright holder request, ensures a fast proceeding to have an infringing content taken down from the web.

¹⁰⁵ Regolamento Article 2(2) makes referral to the exceptions of artt. 65 e 70 law no. 633/1941. Therefore the procedure does not apply to: i) use in education and science; ii) the right to report, comment, criticism and discussion within the limits of the purpose of information and news; iii) in the case of absence of the purpose of trade and profit; iv) in connection with the occasional diffusion, measured on the quantity and quality of content widespread, which does not affect the normal exploitation of the work.

¹⁰⁶ Andrea Stazi, *Il Regolamento Di Cui Alla Delibera N. 680/13/Cons Dell'AGCOM Per La Tutela Del Diritto D'autore In Rete*, 2, *Rivista di Diritto Industriale*, 13 (2014).

¹⁰⁷ Regolamento Article 7(1).

¹⁰⁸ *Id.* Article 7(3) and (4).

¹⁰⁹ *Id.* Article 7(6).

days.¹¹⁰ In case the server is hosted outside the Italian borders, the ISPs can be ordered to disable the access to the website.¹¹¹ In addition, the Authority may order the providers to redirect requests for access to the Internet page that hosts the infringing content to another webpage containing the legal distribution of that content. Efficiency is key, particularly in case the facts themselves configure a case of serious infringement of the rights of exploitation of a digital work or a case of massive infringement. In such cases, an expedited proceeding is followed and all the terms are reduced to three or maximum five days.¹¹² Some authors recognized that such very fast track could be an extremely useful tool for copyright holders, while others addressed concerns about due process violations before the European Commission.¹¹³ Given that AGCOM has legitimate basis to set up such a shortened procedure,¹¹⁴ however, AGCOM should always take balancing decisions in order to avoid excessive and unjustified restrictions of distribution rights.¹¹⁵

¹¹⁰ *Id.* Article 8(2). However, Article 12(2) gives the Authority discretion to extend the terms when an investigation is necessary or to assess particular complex claims.

¹¹¹ *Id.* Article 8(4).

¹¹² Specifically, Regolamento Article 9 provides that the Authority will send a notice to the ISPs, uploader, and website administrator within three days from the receipt of the request; possible counterclaims are due within three days from the notice; the Authority's decisions issued within twelve days from the request, and compliance with them is expected within two days.

¹¹³ Niccolò Rinaldi (Alliance of Liberals and Democrats for Europe) asked the European Commission whether the AGCOM Regulation was constituting a risk to the freedom of expression, as guaranteed by international human rights instruments and also threatening the due process and *nulla poena sine lege* principles protected by Articles 6 and 7 of the European Charter of Fundamental Rights. Question for written answer E-010183/13 to the Commission, Niccolò Rinaldi (ALDE), 12 Sep. 2013. On January 28, 2014, the Commission announced the end of the notification procedure started by AGCOM and stated that it did not have "any comment to make on the Regulation," <http://www.agcom.it/documents/10179/1441406/Documento+generico+26-06-2014/7fea5b38-992e-445e-b09f-500e1bfc5578?version=1.1>.

¹¹⁴ The power to set up a shortened procedure is given by articles 14 e 16 of the Decree stating that "The judicial or *administrative authority* . . . can require, even *urgently*, the service provider to terminate or prevent the violations committed" (emphasis added).

¹¹⁵ Giuseppe Mazzapesa & Lamberto Schiona, *New Italian Rules For Online Copyright Enforcement*, 19 No. 4 Cyberspace Law. 13 (May 2013).

4.3.2.2. AGCOM's Orders and ISPs Liabilities

The orders issued by AGCOM are directed exclusively to providers of information society services, in particular to service providers operating within the *mere conduit*¹¹⁶ or hosting activities,¹¹⁷ and media services providers.¹¹⁸ In other words, no orders are issued by AGCOM to the website administrator or to the end-user, both which remain free, however, to voluntarily present counterclaims to protect their rights.¹¹⁹ In the case the ISP does not comply, AGCOM can issue the financial penalties provided for in a general article 1, paragraph 31 of law no. 249/1997.¹²⁰ This means administrative fines, which amount, between €10.329 and €258.228, is determined based on criteria of gradualness, proportionality, and adequacy.¹²¹ In order to avoid the risk of such fines, service providers are highly likely to comply with the orders within the requested time.¹²²

¹¹⁶ D.L. n. 70/2003 Article 14 provides that (i) the ISP who performs a *mere conduit* or access provider activity, shall not be liable for the transmitted information, if it does not initiate the transmission; select the receiver of the transmission; select or modify the information contained in the transmission; (ii) the act of transmission and the provision of access referred to above include the automatic, intermediate and transient storage of the information transmitted in so far as this takes place for the sole purpose of carrying out the transmission in the communication network, and provided that the information is not stored for any period longer than it is reasonably necessary for the transmission.

¹¹⁷ D.L. Article 16 provides that intermediary provider who performs hosting activity shall not be liable for the stored information at the request of a recipient of the service, if two conditions are met: (i) it does not have actual knowledge of illegal activity or information and, as regards claims for damages, is not aware of facts or circumstances from which the illegal nature of the activity or information is apparent; (ii) upon obtaining such knowledge or awareness, he acts expeditiously to remove or to disable access to the information.

¹¹⁸ The Consolidated Text of Audiovisual Media Services and Radio Article 2(1)(a)(1) defines a media service provider as: “a service as defined by Articles 56 and 57 of the Treaty on European Union, which is under editorial responsibility and whose main objectives are the offer of programs in order to inform, entertain or educate the general public through the electronic communications networks.”

¹¹⁹ Their voluntary intervention, however, does not impact on their possible liability, which is always excluded.

¹²⁰ Regolamento Article 8(6) applies to hosting or *mere conduit*, Articles 13 and 14 to media providers.

¹²¹ Regolamento Article 8(2).

¹²² Some authors addressed the risk that ISPs mere compliance with AGCOM's orders would exclude any considerations relating to copyright limitations – such as criticism, review, and parody – because no one taking part in the proceeding would have an interest in addressing such matters. See Eleonora Rosati, *Searching Responsibilities For Service Providers: Italian Courts And AGCOM Find (Too) Many Results*, Ent. L.R. 2011, 22(6), 169-174, 173 (2011).

Since the Regulation does not impede right holders to start a proceeding before an Italian Court,¹²³ it appears necessary to make referral to Italian Tribunal and Court of Appeal's decisions in order to draw the lines of service providers' liabilities.¹²⁴ One of the first decisions on this matter and consistent with the E-Commerce Directive subsequently adopted, dates back to 1997, when the Tribunale di Cuneo found that the service provider that limits itself to allowing the access to the net, as well as the space on its own server for the publication of informative services carried out by the information supplier, is not liable in the event of copyright infringements that the supplier performs.¹²⁵ All subsequent Italian decisions on service providers' liabilities are based on the interpretation of the European E-Commerce Directive, as implemented by the Legislative Decree no 70/2003. Although the provisions of such a Decree clearly defined the area of service providers non-liability, Italian courts started developing a heterogeneous interpretation of them and ISPs liability soon became the most discussed issue in the area of Internet copyright enforcement.¹²⁶

A first controversial decision was *RTI v. YouTube LLC*, in which the Tribunal rejected the theory of YouTube's absolute non-liability on the basis of two main points.¹²⁷ First, YouTube Rules themselves, which provide, *inter alia*, the provider's right to control the contents, its absolute

¹²³ AGCOM makes it clear that the intervention of the Authority is proposed "as an alternative to and not substitute of the courts," provided the impossibility of the prosecution when a case has been already referred to the judicial authority and the dismissal of the administrative procedure when the subject subsequently brings an action before the judicial authority. Delibera Consiliare n. 680/13/CONS 5.

¹²⁴ Such a necessity is also due to the fact that AGCOM is not a judicial authority and thus its administrative decisions are strictly based on a literal interpretation of the laws.

¹²⁵ *Milano Finanza editori s.p.a. c. STB servizi telematici di Borsa*, Tribunale di Cuneo [ordinary court of original jurisdiction], Jun. 23, 1997. See *contra V.L. v. T.V., Netweb S.p.A.*, Tribunale di Napoli [ordinary court of original jurisdiction], 8. Jul. 2002, holding that in case of defamation performed through the contents of an Internet site, the joint liability of the provider subsists, even if he has limited himself to simply host on his own servers the content of the web-pages prepared by the client.

¹²⁶ Eleonora Rosati, *Searching Responsibilities For Service Providers: Italian Courts And AGCOM Find (Too) Many Results*, Ent. L.R. 2011, 22(6), 169-174, 171.

¹²⁷ *R.T.I. – Reti Televisive Italiane SPA. v. YouTube, LLC*, Tribunale di Roma [ordinary court of original jurisdiction], Dec. 16, 2009.

discretion in interrupting the service, and to rescind the contract with its users when it appears no longer lucrative, are in contrast with the asserted nature of mere hosting provider.¹²⁸ Second, although the Tribunal recognized that a general monitoring duty and subsequent “objective liability”¹²⁹ would be not acceptable, the provider is however secondary liable when *knowing* that certain suspect material has been uploaded, failed to ascertain the unlawfulness of such content, and to remove it “promptly.”¹³⁰

An ever more debatable conclusion was reached by the Tribunale di Milano in *RTI s.p.a. v. Italia On Line s.r.l.*, where the Tribunal drew a line between “active” and “passive” hosting providers.¹³¹ Services offered today, found the Court, are far from those of “mere technical access” (characterizing “passive” nature of hosting providers), and thus “hosting providers which are not completely passive and neutral with regards to the users’ content management,” and which “frequently undergo lucrative activities thanks to the advertisement connected with the organized presentation of such contents,” are qualified as “active” hosting providers.¹³² Similarly to the *RTI v. YouTube* case, the Tribunal agreed that a hosting provider, no matter if “active,” cannot be required to exercise a monitoring obligation over the content.¹³³ However, secondary liability can be imposed when the active hosting provider remained inactive even after he received a notice of the infringing content.¹³⁴ In other words, its active nature would exclude the applicability of the liability exemption prescribed

¹²⁸ *Id.*

¹²⁹ Under the “objective liability” or “strict liability” doctrine, a subject may be responsible for an offense, even if it does not derive directly from his behavior and is not due to willful misconduct or negligence of the subject itself.

¹³⁰ *Supra* note 127.

¹³¹ *JR.T.I. v. Italia On Line SRL*, Tribunale Ordinario di Milano [ordinary court of original jurisdiction], un. 17, 2011.

¹³² The Tribunal found that the Italia On Line’s internal notice and take-down system and the indexing function which suggests to users “similar videos” to the one specifically searched by the user, are *indicia* of its “active” nature. *Id.* at 42.

¹³³ *Id.* at 44.

¹³⁴ *Id.*

by the EU E-Commerce Directive.¹³⁵ The Judge rejected Italia On Line's argument that the mere indication of the tv programs infringed (e.g. "Amici", "I Simpson") was insufficient to enable the hosting provider to take the appropriate action.¹³⁶

Surprisingly, a similar reasoning was followed in *RTI s.p.a. v. Yahoo! Italia s.r.l.*, finding Yahoo! liable for the content published on its platform. Moreover, the Tribunal seemed to overturn the approach on monitoring obligation, finding that Yahoo! has an obligation to monitor the content in relation to videos that might be published in the future.¹³⁷ The Court of Appeal of Milan, in reversing the case, rebalanced the Italian jurisprudence in favor of a literal interpretation of the EU E-Commerce Directive on the liability of hosting providers.¹³⁸ In particular, the Court put an end to the indiscriminate classification of "active" hosting provider, finding that providing some functionalities such as a search tool and content management and profiting from such activities is not enough to transform a "passive" hosting provider into an "active" one.¹³⁹ Also, the Court found that there is no monitoring obligation for hosting providers before the uploading of content,¹⁴⁰ but rather an obligation *ex post* to remove the content upon a notification from the copyright holder. Lastly, the Court made clear, in line with AGCOM's Regulation, that it is the responsibility of the copyright holder to identify and indicate the copyrighted material he

¹³⁵ Giulio Coraggio, *Yahoo! Determined To Be a Passive Host*, in INTERNET LITIGATION, IP litigator 25 (2015).

¹³⁶ *Id.* at 48. The decision seems also inconsistent with AGCOM's Regulation, which provides both the copyright holder's request and AGCOM subsequent order to contain the specific links where the infringing content can be found.

¹³⁷ *Id.* at 25.

¹³⁸ *Id.*

¹³⁹ *Yahoo! Italia SRL v. Reti Televisive Italiane SPA*, Corte d'Appello di Milano [ordinary court of appeal], Jan. 7, 2015, at 9-14.

¹⁴⁰ In deciding this issue, the Court of Appeal cited at 40 the decision of the European Court of Justice in *Scarlet Extended SA*, *supra* note 77, holding that the injunction imposed on the ISP requiring it to install a filtering system in order to prevent any future infringement of intellectual-property rights would require the ISP to carry out general monitoring, which is prohibited by Article 15(1) of Directive 2000/31.

wishes to be removed, and an insufficient and general indication would excuse the ISP from taking down the content.¹⁴¹

4.3.2.3. Massive Infringements and Website Blocking Injunctions

The scope of the Regulation covers infringements committed over both Internet Protocol and media services networks, and, unlike the Loi HADOPI, explicitly excludes the activities of downloading and streaming carried out by end-users and peer-to-peer activities.¹⁴² This, however, does not impede the Authority to take appropriate measures when massive infringements are carried out through the infringing hosting of copyrighted content on websites.¹⁴³ Basing its decision on criteria of adequacy, gradualness and proportionality, the Authority starts a shortened proceeding and orders the ISP to block access to the infringing contents or to block access to the website as a whole.¹⁴⁴

It is exclusively for the Courts to deal with the matters not covered by the Regulation.¹⁴⁵ In case of streaming websites and peer-to-peer activities, in particular, a copyright holder's claim is not necessarily

¹⁴¹ *Id.* at 32, holding that Yahoo! could not have been required to do more than remove the indicated contents. The judgment is consistent with the Opinion of the Advocate General Cruz Villalón in the *Telekabel* case, *supra* note 101, at Para 13, stating that “specific measures should only be considered in the enforcement process.”

¹⁴² However, the exclusion of such activities does not impede their prosecution in Court pursuant to art.171c(1) of Law 633 of April 21, 1941. See Marini-Balestra & Tremolada, *supra* note 24, at 149. According to the Authority, “it is of paramount importance to underline that such excluded conducts are still sanctioned by the law.” See *Delibera Consiliare n. 680/13/CONS 36 para. 103.*

¹⁴³ The qualification of an infringement as “massive” depends on different factors enumerated by Article 9(3) of the Regulation, among which: (i) the fact that, in relation to the same subject and following a previous instance, the Authority has already decided that there was an infringement; (ii) the significant amount of digital works widespread in violation of copyright or related rights; (iii) the time-to-market of the digital work; (iv) the economic value of rights infringed; (v) the encouragement to use digital works disseminated in violation of the law on copyright; and (vi) the profit in the illegal offer of copyrighted material.

¹⁴⁴ As can be seen by an analysis of the Authority's orders, available at <https://www.ddaonline.it/interventi.html>, in case of massive infringements the Authority is highly likely to order the ISP to block the access to the website through the DSN within two days from the notice, and to automatically redirect users towards a page which offers the contents legally.

¹⁴⁵ As previously mentioned, it the responsibility of Civil Courts also to deal with matters covered by the Regulation, as part of a “double-track” system. See *supra* para. 4.2.2.2.

required. Rather, some subjects, such as the Italian Financial Guard can operate monitoring activities on the web and denounce to the appropriate Court the illegal use of copyrighted material, thus proceeding with the seizure and blocking of such websites. In a maxi-seizure proceeding of January 2015, an order of the Judge Nicotra, urged by the Financial Guard, allowed 124 streaming websites to be seized and obscured.¹⁴⁶ Some raised the critique that, given AGCOM's results, it would take four years of proceedings to block 124 websites.¹⁴⁷ As the lawyer Fulvio Sarzana stated, this Court decision reheated the debate on "the futility of AGCOM's Regulation that in almost a year, to exorbitant costs, has made virtually nothing of what it had set."¹⁴⁸ Conversely, one could appreciate that AGCOM is not in competition with Courts or the Financial Guard. Rather, it coordinates its activity with these subjects by instituting, respectively, a double-track protection with the ordinary courts¹⁴⁹ and collaboration with Italian Financial Guard in order to ensure an ample spectrum of coverage over copyright protection and enforcement.¹⁵⁰

¹⁴⁶ Federica Meta, *Operazione Matchoff: Blitz Anti-Pirateria: Oscurati 124 Siti Di Calcio Online*, Corriere delle Comunicazioni, Jan. 26, 2015, http://www.corrierecomunicazioni.it/it-world/32136_bltz-anti-pirateria-oscurati-124-siti-di-calcio-online.htm.

¹⁴⁷ Fulvio Sarzana, *Pirateria Online: Oscurati 124 Siti. A Cosa Serve Il Regolamento AGCOM?*, Il Fatto Quotidiano, Jan. 25, 2015, <http://www.ilfattoquotidiano.it/2015/01/25/pirateria-online-oscurati-124-siti-a-cosa-serve-il-regolamento-agcom/1369701/>.

¹⁴⁸ *Id.*

¹⁴⁹ In Italy, ordinary civil proceedings take an average time of 8 years to be completed. OECD, *Giustizia Civile: Come Promuoverne L'Efficienza?*, OECD ECONOMICS DEPARTMENT POLICY NOTES, No. 18 (Jun. 2013). Thus, AGCOM proceeding can be a fast tool for copyright holders to stop their works from being available illegally on the web. However, a proceeding before the ordinary court is still the only *medium* in order to be awarded damages and possibly identify the infringers.

¹⁵⁰ In order to regulate the relationship between AGCOM and the Financial Guard, a Memorandum of Understanding (*Protocollo d'Intesa*) was signed on July 15, 2002. This Memorandum defines the matters, including copyright, on which collaboration is expected and gives the power to start investigations to a specific unit within the Financial Guard (*Nucleo Speciale Radiodiffusione Editoria*).

4.4. HADOPI Law, AGCOM Regulation and the UDRP: a Comparison

The HADOPI and AGCOM systems and the UDRP¹⁵¹ have similar objectives and characteristics.¹⁵² First of all, they share the speed of the procedure.¹⁵³ HADOPI's procedures expediteness mainly depends on the reiteration of the end-user infringing activity¹⁵⁴ and on the detection and report of infringing activities as carried out by TMG.¹⁵⁵ AGCOM's proceedings are relatively fast, having the ordinary proceeding a length of thirty-five days of filing and the expedite proceeding one of twelve days of filing.¹⁵⁶ UDRP disputes are usually solved within sixty days of filing.¹⁵⁷

Second, they share effectiveness and limited cost of the mechanism.¹⁵⁸ The effectiveness of the three is achieved by providing relatively formality-free procedures. With respect to the costs, both HADOPI and AGCOM do not require any filing fee to the right holders. Although UDRP do require initial filing fees, they are very convenient if compared with the ordinary litigation expenses in ordinary court.¹⁵⁹

Most importantly, the three systems focus on resolving infringement cases involving basic facts.¹⁶⁰ For this reasons, however, they have been criticized because for clashing with due process. In all cases, such concerns have been minimized because of the possibility of Court intervention. In the French case, since the criminal sanction is issued by an ordinary criminal court, a right of appeal is granted. In the Italian case, the AGCOM proceeding will stop as soon as (or will not even start if) a civil court is dealing with the infringement at issue. In the UDRP case, the decisions taken by the Panels are not binding on the parties, and thus nothing impedes the parties to resolve the matter before an ordinary court (with potential

¹⁵¹ See *supra* Chapter 2.

¹⁵² Strowel, *supra* note 51, at 153.

¹⁵³ *Id.*

¹⁵⁴ See *supra* para. 4.3.1.

¹⁵⁵ See *supra* para. 4.3.1.1.

¹⁵⁶ See *supra* para. 4.3.2.1.

¹⁵⁷ See *supra* Chapter 2 para. 2.4.

¹⁵⁸ Strowel, *supra* note 51, at 153.

¹⁵⁹ See *supra* Chapter 2 para. 2.4.

¹⁶⁰ Strowel, *supra* note 51, at 153.

inconsistency of results between the UDRP and the court decisions, as seen in the *Barcelona.com* case¹⁶¹).

The sanctioning system however differs from system to system. The HADOPI system provides for criminal sanctions against the end-users after their non-compliance to the third warning.¹⁶² Both the AGCOM and UDRP systems do not provide for sanctions against the infringers or damages awards, but rather they focus on restoring the situation prior to the infringement. On the one hand, AGCOM issues decisions ordering the ISPs to block access to infringing content;¹⁶³ on the other hand, UDRP panelists decide to transfer or delete an infringing domain name.¹⁶⁴

4.5. Measuring the Effectiveness of National Enforcement

4.5.1. HADOPI System As A Boost to the Legal Market?

In its first 18 months of existence, HADOPI transmitted 1,023,079 requests for users' identification to Internet Service Providers and in 89% of the cases identifications were rendered. More than 470,000 first warnings and 20,500 second warnings were sent to subscribers.¹⁶⁵ HADOPI's last report proves that it has proceeded at a good pace so far.¹⁶⁶ It is evident that the first warning deters users, given that a second warning is sent only if they keep engaging in infringing activities.¹⁶⁷ According to a poll made in 2010 by BVA, a French market research company, since the passage of the three strikes law, 53% of illegal downloaders have stopped or reduced their

¹⁶¹ *Supra supra* Chapter 2 para. 2.4.4.

¹⁶² Sanctions have however been applied very rarely. *See supra* para. 4.3.1.3.

¹⁶³ *See supra* para. 4.3.2.3.

¹⁶⁴ *See supra* Chapter 2 para. 2.4.3.

¹⁶⁵ HADOPI, *supra* note 18.

¹⁶⁶ To June 2014, the total amount of warning is 3,249,481 first warnings and 333,723 second warnings. HADOPI, *Rapport d'Activité 2013-2014* 15, available at http://www.hadopi.fr/sites/default/files/page/pdf/hadopi_Rapport_activite_2013-2014.pdf.

¹⁶⁷ *Id.* at 68-69.

infringing habits.¹⁶⁸ Other studies have been made the extent to which, if any, Loi HADOPI constituted a boost to the legal market.

A study made by researchers at Wellesley College and Carnegie Mellon University found that while prior to March 2009 the French iTunes sales trend appeared very similar to the ones of other countries (i.e. Belgium, Germany, Spain, Italy, and UK),¹⁶⁹ the sales started raising in the months following March 2009.¹⁷⁰ The finding of the study suggests that HADOPI law increased annual iTunes revenues by about €9.6 million.¹⁷¹ Opposing results have been found by researchers at the University of Delaware and University of Rennes.¹⁷² The study, based on self-reported data of 2,000 French internet users, found that of the 37.6% users which admitted to performing illegal downloading activities, the ones who were aware of the HADOPI law declared that it did not discourage their piracy activities.¹⁷³ Thus, the researchers attributed the increases in legal purchases exclusively to the “positive educational externalities” surrounding HADOPI law, and not to its deterrent effect.¹⁷⁴

Should one follow the Machiavelli maxim “we should look to the end, not at the means,”¹⁷⁵ the result reached by HADOPI can be considered positive, no matter whether determined by a deterrence effect or its positive externalities.

¹⁶⁸ Jamal Henni & Jean-Baptiste Jacquin, *HADOPI Ferait Reculer Le Piratage*, La Tribune, Nov. 4, 2010, <http://www.latribune.fr/technos-medias/internet/20101103trib000569096/hadopi-ferait-reculer-le-piratage.html>.

¹⁶⁹ Brett Danaher et al., *The Effect of Graduated Response Anti-Piracy Laws on Music Sales: Evidence from an Event Study in France* 11, SSRN ID 1949240 (2012) available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1989240.

¹⁷⁰ *Id.* at 12.

¹⁷¹ *Id.* at 19.

¹⁷² Michael Arnold et al., *Graduated Response Policy and the Behavior of Digital Pirates: Evidence from the French Three-strike (HADOPI) Law*, University of Delaware Working Paper No. 2014-07 (2014) available at <http://www.lerner.udel.edu/sites/default/files/ECON/PDFs/RePEc/dlw/WorkingPapers/2014/UDWP2014-07.pdf>.

¹⁷³ “Neither the decision to engage in P2P nor the intensity of file-sharing are influenced by the perceived probability of detection.” *Id.* at 18.

¹⁷⁴ *Id.* at 25.

¹⁷⁵ “[C]he si habbi nelle cose ad vedere el fine et non el mezo.” Niccolò Machiavelli, *Ghiribizzi Scripti In Perugia Al Soderino* (1506 ca.).

4.5.2. AGCOM Effectiveness: Why Are Its Numbers So Far From The French Ones?

In the first year of its operation, AGCOM received around 209 requests, 207 of which concerned the procedures relating to the websites, and the remaining two audiovisual media services.¹⁷⁶ The Authority has initiated 134 cases, of which 57% was decided with the ordinary proceeding and 43% with expedited proceeding.¹⁷⁷ In 55% of cases, the proceeding was concluded pursuant to the spontaneous removal of contents. In 35% of cases, all concerning serious violations or massive infringements, the proceedings ended with an order for inhibiting access by blocking DNS.¹⁷⁸

One could compare HADOPI *vis-à-vis* AGCOM letting the numbers speaks for themselves. The result, considering their first year of activity, will be astounding: HADOPI issued around 26,000 first warnings per month, while AGCOM's decisions¹⁷⁹ amount to 11 per month. However, AGCOM's effectiveness cannot be addressed without considering three important points.

First, if on the one hand AGCOM's power to impose fines on ISPs can be said to descend by a puzzle of different laws and by the so-called "theory of implicit powers," no one would interpret these laws in a way that would give AGCOM the power to sanction end-users. End-user liability, in fact, has been classified by the Italian legislator as the consequence of the offense of making available or communicating to the public protected original works, and, as such, an offense has to be proven beyond a reasonable doubt.¹⁸⁰ This is something that has to be determined by the

¹⁷⁶ AGCOM, *Comitato Per Lo Sviluppo E La Tutela Dell'offerta Legale Di Opere Digitali: Un Anno Dal Regolamento In Materia Di Tutela Del Diritto D'autore On-Line 1* (March 31, 2015).

¹⁷⁷ 42% of the instances was related to audiovisual works, 23% to photographic works, 14% to sound works and 12% for publishing works. *Id.*

¹⁷⁸ The remaining proceedings were dismissed because no violation was found or because the block of the access appeared disproportionate in light of the violation. *Id.*

¹⁷⁹ Initiated and not dismissed cases. *Id.*

¹⁸⁰ Italian Law no. 633/1941 Article 171(1)(aa) (introduced by Article 3 Legislative Decree no. 7/2005) provides liability for "everyone who makes available to the public by inserting in the system of computer networks through connections of any kind, protected original

Criminal Court, and not by AGCOM.¹⁸¹ Since AGCOM did not include end-users as a target for sanctions, AGCOM excluded from the scope of the Regulation the downloading and streaming activities carried out by end-users and peer-to-peer. This consistently diminished the possible range of action of AGCOM, thus also impacting its effectiveness.

Second, in order to compare AGCOM's numbers with HADOPI's numbers, which refers to warnings sent to end-users, the amount of AGCOM's decisions should be multiplied per every end-user which downloaded the infringing content.

Most importantly, contrarily to HADOPI, AGCOM did not designate a private corporation whose sole goal is the detection of online infringing activities and their reporting to HADOPI.¹⁸² Although this choice undoubtedly increased the numbers of HADOPI's intervention, the risks of giving such responsibility to a private actor should also be considered.

4.6. Final Findings on the French and Italian Systems

As shown by the French and Italian examples, the implementation of the WIPO Copyright Treaty through the EU Directives delineating the framework for copyright enforcement on the Internet brought to very heterogeneous national results, that is, paradoxically, the opposite of the harmonization prospected. The comparison between the French Loi HADOPI and the Italian AGCOM Regolamentoo attests an evident disharmonization of the systems, which is due not exclusively to the different choice of targeting the end-users *vis* the ISPs, but also to the diverse actors which contribute to the enforcement. Member States were called to opt for civil, administrative, or criminal sanctions. On the one hand, the creation

work, or part of it" (emphasis added). Article 171ter (introduced by Legislative Decree 72/2004) requires profit-making, and includes the typical conduct of *communication to the public* by placing the work in the network. The jurisprudence intended to consider that the textual reference to the active subject of conduct ("everyone") allows the applicability of the provision to both the content provider and the end-user. AGCOM, *supra* note 34, at 28.

¹⁸¹ *Id.*

¹⁸² *See supra* para. 4.3.1.1.

and powers of HADOPI were coordinated with the French legislation so as to establish that a copyright infringement can culminate in a criminal sanction issued by a criminal court against end users. Gross negligence is sufficient for the issuance of such sanction and a lucrative purpose does not necessarily have to be proven. On the other hand, in the Italian case there has been a bifurcation of sanctions. Criminal sanctions for online copyright infringements carried out with lucrative purposes can be imposed by national courts, while AGCOM has solely the power to issue administrative sanctions against ISPs which do not conform to AGCOM's take-down requests, and not against end-users.

According to some authors, it is because of the absence of a harmonized solution in the European Union that some Member States opted for the criminal enforcement of intellectual property rights.¹⁸³ However, even if the EU had reached a common solution on criminal enforcement, like the one initially proposed by the European Commission,¹⁸⁴ the result would nevertheless be inefficient.¹⁸⁵ While the French studies analyzed above suggest that the threaten of criminal sanctions can be sufficient to reduce online copyright infringements, other studies stress that criminal sanctions, for instance the one-year imprisonment sentence of and the €2.7 million damages award against four Pirate Bay's representatives, did not prove any reduction of the illegal downloading activities.¹⁸⁶

In conclusion, the efficacy of the intellectual property rights enforcement on the Internet does not (at least, unequivocally) appear to be successful when civil, administrative, or even criminal sanctions are applied. Thus, it is necessary to rethink the problem from a different perspective.

¹⁸³ Christophe Geiger, *The Rise of Criminal Enforcement of Intellectual Property Rights . . . and Its Failure in the Context of Copyright Infringements on the Internet*, in *THE EVOLUTION AND EQUILIBRIUM OF COPYRIGHT IN THE DIGITAL AGE* 113, 119 (Susy Frankel & Daniel Gervais eds., 2014).

¹⁸⁴ See *supra* Chapter 3 para. 3.6.1.

¹⁸⁵ Geiger, *supra* note 183, at 132.

¹⁸⁶ *Id.* at 133.

4.7. Towards a Different Approach in Defense of IP Rights

4.7.1. From a Top-Down to a Bottom-Up System: ISPs Codes of Conduct

The enforcement of copyright on the Internet has been gradually shifted from national courts to ISPs.¹⁸⁷ Such shift was mainly due to the widespread of peer-to-peer networks.¹⁸⁸ Given the articulated peer-to-peer architecture, ISPs were required to collaborate in order to identify the infringing materials and to locate the infringers.¹⁸⁹ In some cases, ISPs participation was voluntary, but in most of them they were compelled to commit themselves to self-regulatory rules and procedures to fight against the digital copyright infringement phenomenon.¹⁹⁰ While in the United States the Digital Millennium Copyright Act defined the procedural rules of notice and take-down to which ISPs had to comply with, the EU Directives failed to specify what kinds of injunctive relief are available for right holders against ISPs.¹⁹¹

In particular, the U.S. Digital Millennium Copyright Act (DMCA)¹⁹² provides for a safe harbor regime for Online Service Providers (OSPs) and Internet Service Providers (ISPs)¹⁹³ which comply with certain requirements and promptly take down an infringing content after being notified by the right holder or right holder's agent.¹⁹⁴

Conversely, Article 16(a) of the E-Commerce Directive solely provides that Member States should encourage “the drawing up of codes of

¹⁸⁷ P. Bernt Hugenholtz, *Codes of Conduct and Copyright Enforcement in Cyberspace*, in *COPYRIGHT ENFORCEMENT AND THE INTERNET* 303, 303 (Irina A. Stamatoudi ed., 2010).

¹⁸⁸ Niva Elkin-Koren, *Making Technology Visible: Liability of Internet Service Providers for Peer-to-Peer Traffic*, 9 N.Y.U. J. Legis. & Pub. Pol'y 15, 17 (2006).

¹⁸⁹ *Id.*

¹⁹⁰ Hugenholtz, *supra* note 187.

¹⁹¹ *Id.* at 312.

¹⁹² Specifically, DMCA Title II “Online Copyright Infringement Liability Limitation Act” (“OCILLA”).

¹⁹³ For a more complete analysis of the DMCA safe harbor provisions *see* Edward Lee, *Decoding the DMCA Safe Harbors*, 32 Colum. J.L. & Arts 233 (2009).

¹⁹⁴ Specifically, Section 512(c) requires the OSP or ISP to: (i) not have a financial benefit directly attributable to the infringing activity; (ii) not be aware of the presence of infringing material or know any facts or circumstances that would make infringing material apparent, and (iii) upon receiving notice from copyright owners or their agents, act expeditiously to remove the purported infringing material.

conduct at Community level, by trade, professional and consumer associations or organizations, designed to contribute to the proper implementation of Articles 5 to 15.” Some Member States followed this recommendation, reaching different results. Eventually, their legislative (failed) attempts were replaced by measures of self-regulation.

In 2010, the U.K. proposed the Digital Economy Act (DEA), with provisions similar to the DMCA. The DEA regime provides an obligation on ISPs to receive notification of copyright infringements by right holders and to notify the infringing subscribers about the allegations.¹⁹⁵ Moreover, the ISPs has an obligation to keep a list of those subscribers who reiterates the infringing conduct, leaving the possibility for copyright holders to obtain a court order mandating the ISPs the disclosure of the offenders’ identity in order to bring an action against them.¹⁹⁶ The proposed law, criticized especially because of the costs imposed on ISPs, was challenged¹⁹⁷ and will probably be withdrawn due to shift from a top-down to a bottom-up approach. The switch from a legislation to self-regulation occurred with the Creative Content UK Alert Program.¹⁹⁸ Such program was voluntary initiated by ISPs¹⁹⁹ which have committed themselves to sending out up to four warning notices per year to each customer if their accounts have been identified as being used to breach copyright laws.²⁰⁰ The purpose of the program is purely educational and, differently from the DEA, does not include the possibility for right holders to ask for the identification of costumers.²⁰¹

Although it may be burdensome, ISPs have various incentives in

¹⁹⁵ DEA, § 3.

¹⁹⁶ DEA, § 4.

¹⁹⁷ BBC News, BT and TalkTalk challenge Digital Economy Act, BBC News, Jul. 8, 2010, <http://www.bbc.com/news/10542400>.

¹⁹⁸ BPI, *UK Creative Industries and ISPs Partner in Major New Initiative to Promote Legal Online Entertainment*, <http://www.bpi.co.uk/home/uk-creative-industries-and-isps-partner-in-major-new-initiative-to-promote-legal-online-entertainment.aspx>.

¹⁹⁹ Specifically, BT, Sky, Virgin and TalkTalk.

²⁰⁰ BPI, *supra* note 198.

²⁰¹ *Id.*

promoting take-down and self-regulatory procedures.²⁰² First, infringing online activities may create problems in the proper functioning of the networks. This is evident especially with regards to peer-to-peer activities, requiring high volume of traffic and consuming a large portion of network bandwidth.²⁰³ Second, promoting a self-regulatory model as a substitute to the legislation imposed notice and take-down system helps ISPs to avoid compliance with court decisions, which may be both onerous and unclear, especially when courts offer controversial interpretation of the obligations of ISPs under the E-Commerce Directive.²⁰⁴ Third, such procedures show the ISPs good faith towards right holders encouraging the latter to entering into licensing deals.²⁰⁵

The shift from a top-down to a bottom-up system undoubtedly brings advantages and relieves national legislators from the hard duty to regulate on the matter of online infringement.²⁰⁶ However, concerns about this practice are undeniable, especially those regarding the protection of fundamental freedoms,²⁰⁷ particularly in case of take-down procedures and procedures which include the identification of the end-user.²⁰⁸ The so-called issue of “net-neutrality” poses indeed new concerns about the protection of fundamental rights and particularly the freedom of expression.²⁰⁹ This could

²⁰² Hugenholtz, *supra* note 187, at 313.

²⁰³ Elkin-Koren, *supra* note 188, at 66.

²⁰⁴ As seen in both the French and Italian case law. *See supra* para. 4.3.1.2 and 4.3.2.2.

²⁰⁵ Christina Angelopoulos, *Filtering the Internet for Copyrighted Content in Europe*, IRIS Plus, Paper No. 2012-04 Institute for Information Law Research 9, 9 (2012).

²⁰⁶ Hugenholtz, *supra* note 187, at 304.

²⁰⁷ E-Commerce Directive Recital 9 makes it clear that “directives covering the supply of information society services must ensure that this activity may be engaged in freely in the light of [Article 10(1) of the Convention for the Protection of Human Rights and Fundamental Freedoms], subject only to the restrictions laid down in paragraph 2 of that Article and in Article 46(1) of the Treaty; this Directive is not intended to affect national fundamental rules and principles relating to freedom of expression.”

InfoSoc Directive Recital 3 also states that “The proposed harmonisation will help to implement the four freedoms of the internal market and relates to compliance with the fundamental principles of law and especially of property, including intellectual property, and freedom of expression and the public interest.”

²⁰⁸ Hugenholtz, *supra* note 187, at 304.

²⁰⁹ For an analysis of the potential impact of the EU Telecoms law on net-neutrality *see* Monica Horten, *Where Copyright Enforcement and Net Neutrality Collide - How the EU*

include the risk that the take-down procedures could shield the ISPs control over non-transport functions, including a control over the content.²¹⁰

4.7.2. Rethinking the International Approach to Intellectual Property Rights Enforcement: the Rise and Fall of the Anti-Counterfeiting Trade Agreement

National systems uncertainties and weaknesses reignited States' desire to move towards the internationalization of intellectual property enforcement measures. The Anti-Counterfeiting Trade Agreement (ACTA) is an international treaty which aim is to provide effective and appropriate means for the enforcement of intellectual property rights.²¹¹ It can be said that it aimed at completing the international IP legal system established by the TRIPs.²¹² The agreement was negotiated over a period of three years by the European Commission and other ten countries, including the United States.²¹³ It was highly criticized because of the secrecy of the negotiations.²¹⁴ It was ultimately signed by eight contracting parties in 2011 and by the EU and its Member States in 2012.²¹⁵ Subsequent to the signature of the agreement, heated discussions arose with regards to the vagueness of ACTA's provisions on criminal liability.²¹⁶ In particular, the uncertain nature of some provisions could leave the door open to maximalist readings of them.²¹⁷ An example is offered by ACTA Article 23(1) that requires each party to "provide for criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting or copyright or

Telecoms Package Supports Two Corporate Political Agendas for the Internet, PIJIP Research Paper no. 17 (2010).

²¹⁰ *Id.*

²¹¹ Christophe Geiger, *Assessing the Implications of ACTA for the European Union, Legitimate Aim but Wrong Means*, in *THE ACTA AND THE PLURILATERAL ENFORCEMENT AGENDA, GENESIS AND AFTERMATH* 313, 313 (Pedro Roffe & Xavier Seuba eds., 2015).

²¹² *Id.* at 325.

²¹³ *Id.* at 314.

²¹⁴ Peter K. Yu, *Six Secret (and Now Open) Fears of ACTA*, 64 *SMU L. Rev.* 975, 977 (2011).

²¹⁵ *Id.* at 316.

²¹⁶ Geiger, *supra* note 183, at 123.

²¹⁷ Geiger, *supra* note 211, at 323.

related rights piracy on a commercial scale. For the purposes of this Section, acts carried out on a commercial scale include at least those carried out as commercial activities for direct or indirect economic or commercial advantage.” Such definition of “commercial scale” clearly expands the traditional notion based on the market/product offered by the TRIPs Agreement.²¹⁸ For this reasons and others, ACTA was defined as “an amalgamation of the strictest enforcement measures from numerous countries,” which lacks of the crucial exceptions currently present in national laws.²¹⁹

A problem of vagueness in the provisions on criminal enforcement is also found in bilateral treaties, such as the Comprehensive Economic and Trade Agreement (CETA) between the European Union and Canada, concluded in 2013.²²⁰ After heated discussions, the vagueness of the provision on criminal enforcement led the European Parliament to reject ACTA on July 4, 2012 with an overwhelming majority.²²¹ It is doubtful whether ACTA will ever enter into force, given that it requires the ratification of at least six signatories,²²² and only Japan had ratified ACTA so far.²²³

A new hope in the international treaties arena may be offered by the ambitious Transatlantic Trade and Investment Partnership (TTIP) between the European Union and the United States, which aims at including also intellectual property enforcement provisions.²²⁴ At the regional level, as mentioned above,²²⁵ the European Commission “Digital Single Market

²¹⁸ *Id.* at 325.

²¹⁹ Margot Kaminski, *The Origins and Potential Impact of the Anti-Counterfeiting Trade Agreement (ACTA)*, 34 *Yale J. Int'l L.* 247 (2009).

²²⁰ Geiger, *supra* note 183, at 126.

²²¹ The EU Parliament rejected ACTA with 478 votes against, 39 in favour and 165 abstentions. *Id.*

²²² ACTA, Article 40(1).

²²³ Ministry of Foreign Affairs of Japan, *Conclusion of the Anti-Counterfeiting Trade Agreement (ACTA) by Japan*, Oct. 5, 2012, http://www.mofa.go.jp/policy/economy/i_property/acta_conclusion_1210.html.

²²⁴ Geiger, *supra* note 183, at 127.

²²⁵ *See supra* Chapter 3, conclusion.

Strategy” intends to build up a new European framework on copyright protection.

4.8. Conclusive Remarks

Although the aim of the EU Directives was the harmonization of copyright protection and enforcement in the digital era, the above-analyzed models prove that Member States are still far from reaching a uniform result. The awareness of such heterogeneity is common not only to European countries, but also to the international community as a whole. At the time potentially every Member State has adopted its own model to fight against only piracy, we assist to international and European attempts to go back to the drawing table and redesign the assumptions and paradigms which will constitute the basis of the updated models. Additionally, the interest of the Internet Service Providers (ISPs) and Over-The-Tops (OTTs) in participating in such new solutions seems stronger than ever.

CONCLUSIONS

The WIPO Copyright Treaty certainly represented a watershed moment¹ in the history of intellectual property, a transition toward a future approach to the protection of digital rights. The period preceding the WIPO Copyright Treaty was characterized by extraordinary technological developments: the creation of the World Wide Web in 1989 and of web browsers (see Internet Explorer 1995); the invention of on-line market places, like Amazon.com in 1994; the rising popularity of e-mails after the launch of Outlook in 1996.

The growing world of Internet soon became the “largest experiment in anarchy” we have ever had.² The intrinsic value of freedom to which the Internet tries to endure posed the problem of the legitimacy of its regulation. Different actors were awarded the power to a piece of the Internet regulation: international and regional organizations,³ national governments,⁴ and private corporations.⁵ Balanced solutions and compromises had to be reached in order to achieve a minimum level of protection of digital IP rights.

However, the protection awarded would have obviously been futile without an appropriate system of enforcement. The twenty-first century has thus seen the adoption of international and national solutions for the enforcement of digital intellectual property rights. While the “something is

¹ Graeme B. Dinwoodie, *The WIPO Copyright Treaty: A Transition to the Future of International Copyright Lawmaking?*, 57 Case Western Reserve Law Review 751, 752 (2010): “TRIPS did radically change the institutional structure of the international intellectual property system as well as some of the assumptions underlying the system. But I would like to suggest that the WIPO Copyright Treaty (or WCT) also represented a watershed moment in international copyright law.”

² “The internet is the first thing that humanity has built that humanity doesn't understand, the largest experiment in anarchy we've ever had.” (Eric Schmidt). Gerome Taylor, *Google chief: My fears for Generation Facebook*, The Independent, Jun. 8, 2015, <http://www.independent.co.uk/life-style/gadgets-and-tech/news/google-chief-my-fears-for-generation-facebook-2055390.html>.

³ See WIPO and the EU, *supra* Chapter 1 and 3.

⁴ See the French and Italian examples, *supra* Chapter 4.

⁵ See the role of ICANN, *supra* Chapter 2.

better than nothing” approach may lead to appreciate the results obtained by some of the models adopted, the results reached so far are unsatisfactory.

The ICANN’s UDRP system has proven to be a time and cost effective system to resolve domain names disputes.⁶ It represents the effort to internationalize the enforcement of *sui generis* IP rights without exceeding in compromises. Although the issue of the ICANN’s and UDRP’s legitimacy continues to be a hot topic, even the strongest anti-ICANN author could not deny its effectiveness. It is true that UDRP’s decisions can be overruled by ordinary courts, cannot award damages, and often do not take into account interests other than the trademark holders’. However, the sole WIPO Mediation and Arbitration Center already administered almost sixty thousand cases. The numbers speak alone for its efficiency.

On the national side, in the 20 years after the WIPO Copyright treaty, the first generation of national digital copyright enforcement models has borne its fruits. Certainly different one from the other, some of them sweet while other sour. The latter ones were often challenged for issues concerning due process and violation of fundamental rights.⁷ The “copyright enforcement enigma” has been addressed in a wide range of manners: some systems relied on an educational effect of the end-users, while others on the simple take down of infringing content.⁸ None of them has reached comforting results.

The French three-strike system relied on the educational effect on end-users, who are expected to stop the infringing conduct in order to avoid a criminal proceeding and criminal monetary sanctions.⁹ However, various authors found that the criminal enforcement is not the proper solution to the problem and certainly it does not prove to cause the diminution of illegal downloading activities.¹⁰

⁶ See *supra* Chapter 2 para. 2.4.

⁷ See *supra* Chapter 4 para. 4.3.1.3.

⁸ See *supra* Chapter 4.3.2.1.

⁹ See *supra* Chapter 4 para. 4.3.1.

¹⁰ See *supra* Chapter 4 para. 4.6.

The Italian system is built on the power of a public independent authority (AGCOM). It is based on the action of ISPs, which are ordered to block infringing content by AGCOM. As explained in Chapter 3, many authors tirelessly make criticisms regarding the Italian system's legitimacy. However, the Italian Parliament has shown to have a disinterest in adopting a specific law to deal with the issue of digital copyright enforcement, that would, *inter alia*, allow the adoption of more effective measures than the ones to which AGCOM is limited.

The InfoSoc Directive was supposed to be implemented within 18 months of its adoption. The implementation of many provisions into national law was not an issue and overall the Directive did not comport big changes in the laws of many countries.¹¹ Certainly, it could have been done much more in order to harmonize Member States legislation, especially regarding the copyright exceptions and limitations.¹²

The creation of enforcement systems took Member States much time and effort. Even the adoption of the Enforcement Directive in 2004, which offered more guidelines to Member States, did not significantly help in the acceleration of the process. Moreover, it did not offer a regime of criminal enforcement, which was thus left to Member States.¹³ Almost every country made a first try (or even a second and third one) at construing systems to deal with copyright infringement on the Internet. Some of them strongly believe (or like to believe) that their system is effective and need not to be changed. Others realized that switching from a top-down to a bottom-up system could cure the ineffectiveness. European countries have been treading different paths.

At the time national enforcement systems went into effect, they were already considered to be out-of-date. The basis on which national systems have been built, namely the WIPO Treaties and the EU Directives, are already squeaky wood. The years 2000s saw an amazing acceleration of

¹¹ See *supra* Chapter 3 para. 3.4.

¹² *Id.*

¹³ *Id.* at para. 3.6.1.

technological developments, such as the inventions of broadband, peer-to-peer networks, the .mp3 format, and then the creation of legal music download services (see iTunes), e-books, and social media. All the copyright concerns relating to these information technology developments could not possibly have been taken into account at the time the WIPO Copyright Treaty and the InfoSoc Directive were adopted.

The national enforcement systems we have at hand are also a good starting point to rethink what aspects should be taken into account in building a new system. Among the aspects that should be taken into account are the actors involved in the enforcement system, the measures that can be taken by them, and the targets of the measures. The first question should ask which could be the role of national courts, national administrative authorities, corporations, and Internet Service Providers in the prospected system. At this time, there is an impossibility to impose on ISPs a general obligation to monitor.¹⁴ However, it does not seem appropriate to delegate to a private corporation (e.g. TMG)¹⁵ the monitoring activity. Thus, the system should always require the notice of infringement by the right holder (or its representatives) in order to start a proceeding. The ISPs should take care of blocking and/or removing immediately the infringing content and of eventually identifying the identity of the infringers, if so required by an order.¹⁶ In case of the opposition of the infringer or in case of reiterate infringing conducts, an ADR system could be put in place so as to allow a quick and cost effective resolution of the controversy. Inserting mandatory ADR clauses in the Terms of Service between the ISPs and the users could reach this result.¹⁷ It would also allow the ISPs to discharge their obligations towards the right holder once they removed the content, and thus avoiding the costs of proceedings. An international or regional treaty could determine

¹⁴ See *supra* para. 3.6.2.

¹⁵ See *supra* Chapter 4 para. 4.3.1.1.

¹⁶ Similarly to what is provided by the DMCA, the right holder could request a subpoena to order the ISP the disclosure of infringers' identity.

¹⁷ Similarly to the mandatory UDRP provisions in the registry agreements. See *supra* para. 2.3.2.

which are the obligations of the ISPs and what sort of measures they are required to take.¹⁸

The second point to be addressed is the kind of measures that can be taken other than the removal of infringing content. The author believes that the identification of the end-user and subsequent potential sanctions against it is a necessary step to build an effective system. It appears inappropriate to treat traditional copyright infringements and the ones that instead occur on the Internet in such a different way. As discussed in the preceding Chapter, the measures should be proportionate to the offense, and thus they should take into account the scale of the infringing activity and whether the infringing activity is carried out with lucrative purposes or only for personal use. In any event, the blocking of the Internet access should be deemed to be disproportionate.¹⁹ Criminal sanctions do not seem appropriate to deal with the issue, but monetary sanctions and damages should be awarded. Another issue appears to be the identification of the end-user who carried out the infringing activity. The only French case in which an end-user was sanctioned testifies that it would be unfair to issue sanction against the Internet subscriber and not the person who actually committed the offense.

In case of massive infringements and peer-to-peer activities and when the identification of end-users is particularly difficult, the measures to be taken should allow the block of such platforms. In these cases, an international recognition of court or ADR decisions is appropriate in order to render effective the measure, which would be nullified by the transfer of the servers from one country to another.

David Bowie was wrong in predicting that technological transformations would have caused copyright to cease to exist.²⁰ It is true,

¹⁸ Just like the DMCA does for ISPs in the United States.

¹⁹ See *supra* Chapter 4 para.

²⁰ “The absolute transformation of everything that we ever thought about music will take place within 10 years, and nothing is going to be able to stop it. I see absolutely no point in pretending that it's not going to happen. I'm fully confident that copyright, for instance, will no longer exist in 10 years, and authorship and intellectual property is in for such a bashing.” (David Bowie). Jon Pareles, *David Bowie, 21st-Century Entrepreneur*, The New

however, that such transformations require today the construction of new solid basis at international level, so as to guarantee more successful results at national level. The international community is aware of the necessity to adopt a new international treaty to deal with the enforcement of intellectual property rights. However, what has been done outside the international organizations *fora* is likely to result in vain and useless attempts (see the Anti-Counterfeiting Trade Agreement, ratified only by Japan).

At European level, the Digital Single Market initiative which, *inter alia*, proposes the adoption of a “new, modern copyright law” by the end of 2016 appears to be a good starting point to rewrite the EU framework on the protection of copyright on the Internet. Moreover, the awareness of the necessity of a concerted solution may bring the European Union to become the leading party in the negotiation of a new international treaty, just like the United States was the leader in the negotiations of the WIPO Internet Treaties. It still has to be determined whether the United States will cede the field to the European Union or not. The bets are open.

York Times, Jun. 9, 2002, <http://www.nytimes.com/2002/06/09/arts/david-bowie-21st-century-entrepreneur.html>.

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