



IP, IT and E-Commerce Bulletin

File-Sharing in the UK: a new dawn for enforcement

Persistent file-sharers in the UK have been warned by a decision in the English Patents County Court. A software game publisher, TopWare Interactive, was awarded approximately £16,000 (£6,086 in damages and £10,000 in legal costs) following a claim it brought against an individual in respect of Peer-2-Peer (P2P) file-sharing.

The defendant, Isabella Barwinska, a 32 year old mother from London, was sued by TopWare after copying and sharing its game, Dream Pinball 3D. Ms Barwinska copied the game to her computer for the purpose of sharing it across a P2P network. Ms Barwinska defended the claim (albeit she failed to attend the final hearing).

TopWare is one of a number of software publishers that has adopted a proactive approach to enforcement against illegal file-sharers in recent months. This decision marks the first contested victory for a software game publisher in the UK arising out of file-sharing.

TopWare had previously sent letters of claim to hundreds of individuals it had identified as making games available via P2P networks. The letters gave the recipients the option of paying several hundred pounds to settle TopWare's potential claims.

In taking this action, TopWare was aided by English case law that provides for claimants to obtain an order (known as a 'Norwich Pharmacal order', after the leading case) that requires a third party to supply information regarding the identity of a potential defendant. This enabled TopWare to source the details of infringers from internet service providers (ISPs). ISPs are capable of identifying potential infringers if given their internet protocol addresses, which provide a unique identifying address when a computer connects to the internet.

In the past, software companies will no doubt have considered the significant legal costs associated with identifying and pursuing file-sharers and enforcing judgments against them. However, the potential for hundreds of easily identifiable infringers to be ordered to pay relatively significant damages has the ability to create a new landscape of enforcement within the industry. Whilst it is early to suggest that there has been a fundamental shift in the approach adopted by rights-owners, it seems probable that the decision against Ms Barwinska will encourage TopWare and other software publishers to pursue infringers.

Regardless of the level of damages awards, the benefit of a decision such as that against Ms Barwinska is likely to flow from the significant publicity surrounding the case and the deterrent effect upon other infringers. It is inevitable that thousands of habitual file-sharers in the UK will adopt a more cautious approach to their internet activities in light of the decision and that will be welcomed by the owners of copyright throughout the media and entertainment industries.

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The Newsletter of the PLG IP, IT and E-Commerce International Network

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Protection of topography of integrated circuits in Brazil

The last step in the implementation of WTO/TRIPS obligations with regard to the protection of topographies of integrated circuits (layout designs) in Brazil has been confirmed by the enactment of the Law No. 11.484, of May 31, 2007 ("**Brazilian Semiconductor Chip Act**"). This statute establishes the legal framework for protection of topographies of integrated circuits and related rules on access requirements, ownership, exclusive rights, registration before the Brazilian National Institute ("INPI"), term of protection, disclosure, limitations and exceptions, compulsory licenses, reverse engineering and use by innocent infringers.

The registration procedure of topographies of integrated circuits is further detailed by Regulation No. 187/08, issued by INPI, setting forth the new proposed regulation for the registration of such IP rights in Brazil. Companies and further creators of layout-designs incorporated to semiconductor products have been filing their applications before INPI under a provisional procedure, which has been replaced by the Resolution No. 187/08. The applications shall be prosecuted by the Office on a confidential basis for up to 6 months. According to Art.35 of the Brazilian Semiconductor Chip Act of 2007, the term of protection of the topographies shall be 10 years from the filing date or of the first exploration of the layout-design in Brazil, or whichever first occurs.

The Brazilian Semiconductor Chip Act of 2007 literally reproduces some definitions



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adopted in the text of Washington Treaty on IP in Respect of Integrated Circuits of 1989 (IPIC), which was concluded under the auspices of WIPO in 1989, but it is not in force yet due to the insufficient number of ratifications. According to Art. 26 of BSCA, "*integrated circuit*" means a "*product, in its final form or an intermediate form, in which the elements, at least one of which is an active element, and some or all of the interconnections are integrally formed in and/or on a piece of material and which is intended to perform an electronic function*".

A "*topography*", for its turn, is defined as the "*three-dimensional disposition, however expressed, of the elements, at least one of which is an active element, and of some or all of the interconnections of an integrated circuit, or such a three-dimensional disposition prepared for an integrated circuit intended for manufacture*".

Applications for registration of topographies of integrated circuit (layout-designs) shall be prosecuted in INPI by the Register of Computer Programs, which is a Division under the authority of the General Coordination of Other Registrations, of the Directorate of Technology Contracts and Other Registrations of the Office.

Apart from the intellectual property aspects related to the topographies of integrated circuits, it is important to remark that Law No. 11.484/2007 established two different programs supporting the development of the semiconductor and microelectronics industry at domestic level: the Program for Supporting Technological Development in Brazilian Semiconductor Industry (PADIS), and the Program to Support Technological Development in Digital TV Equipment Industry sector (PATVD). According to the Brazilian Ministry of Science and Technology, such Programs have been designed to promote the access to the Digital TV within Brazilian market and to promote competition in semiconductor industry in Brazil, which is still incipient.

With regard to the tax environment related to semiconductor industry in Brazil, Law No. 11.484/2007 established the reduction of tax rates on several categories of business transactions carried out by those programs' beneficiaries, such as in single investments activities in respect of research and development (R&D) – with all relevant projects to be submitted to approval of Brazilian authorities – and related to certain economic activities, such as broadcasting, physical-chemical processing and design and execution of projects related to semiconductor products. All those

measures are comprised by the broad goals of the Guidelines on Industrial, Technology and Foreign Trade Policy ("PITCE"), adopted by the Brazilian Ministry of Development, Industry and Foreign Trade on December 2003.

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Germany implements Enforcement Directive



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The German Parliament has passed a bill implementing the Directive 2004/84/EEC of the European Parliament and Council of April 29th, 2004 (so called the "Enforcement Directive"), thereby substantially strengthening the IP owner's rights. The bill became effective as of September 1, 2008.

Amongst other things, the bill provides for a right to claim information from third parties who do not infringe the IP rights themselves, for example freight carriers, internet service providers etc. This will enable the IP owner to obtain additional information as to the parties involved and to the scope of infringement and to pursue the infringers.

The bill also provides for a broader right of the IP-owner to see documents or inspect products or equipment if there is a sufficient probability that an IP right has been violated. This claim will enable IP owners to secure further evidence.

The bill has developed an explicit regulation clarifying the methods for calculating the compensation for damages that infringers have to pay.

Finally, the new bill allows German customs to proceed by way of “simplified procedures” in the meaning of Article 11 of the Council Regulation (EEC) number 1383/ 2003, i. e. seize and destroy halted items if the importer does not contest the seizure within ten working days. Until now, halted goods could only be destroyed, if either, the importer had consented to the destruction or a court order had been obtained by the IP owner.

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Spain's 'Digital Cannon'

In 2006 the Spanish Copyright Act was amended in order to adapt it to the Council Directive 93/98/EEC of 29 October 1993, harmonising the term of protection of copyright and certain related rights. This adaptation affected the right of compensation for copying for private use in relation to the digital era.

The Spanish Copyright Act allows the Spanish Government to regulate the right of compensation for copying for private use by imposing a special tariff and to delegate the collection and distribution of this tariff to the Collecting Societies. This is known as the 'digital cannon' in Spain.

The 'digital cannon' applies to all gadgets capable of recording, copying or storing sound and images which can be protected by copyright and which have to be technically supported by the manufacturers. The aim of the 'digital cannon' is to compensate authors, publishers and producers for the loss of money due to private copying.

As new gadgets are being designed on a regular basis, the 'digital cannon' has been amended to include the following new gadgets, such amendment resulting in an increase or decrease of tariff for existing gadgets. For example:

Gadget	Before	Now	Increase
Mobile Phone	N/A	1.10€	N/A
MP3 Player	N/A	3.15€	N/A
Scanner	9.00€	9.00€	0%
DVD-R	0.60€	0.44€	-26.6%
CD-RW	0.22€	0.22€	0%

The publication of the new rates reopened the debate about the practicality and convenience of the 'digital cannon', which is a highly controversial issue in Spain as the Collecting Societies accept this compensation solution but consumer groups and the Internet users do not. Gadget manufacturers adopt a middle position.

The main argument of 'digital cannon' opponents is that in most cases, when someone buys a recordable gadget, e.g. a CD-R, it is not for use in recording commercial copyright works but rather for recording non-copyright protected materials, e.g. personal photos. Therefore, by paying a tariff, consumers and users believe they are being treated as potential infringing copiers, which may not necessarily be the case.

Furthermore, they consider that this special tariff will affect the manufacturers, particularly in light of the current worldwide economic recession, as the sales of gadgets such as CD-R or DVD-R could decrease if their prices increase.

In opposition, Collecting Societies argue that copying for private use is neither a crime nor an infringement susceptible to a penalty but it is an action allowed by law and, therefore, susceptible to a tariff.

Notwithstanding this, they recognise that it is impossible to identify who is going to use a gadget for recording a protected copyright work and who is not. Therefore, the 'digital cannon' allows all consumers and users who acquire these gadgets to copy for private use without the requirement of previous authorisation of the copyright holders.

Furthermore, they state that the 'digital cannon' contributes to general interest as it creates a fair market where consumers and users are able to copy for private use without previous authorisation and copyright holders are compensated for this damage.

Sitting on the fence are the gadget manufacturers who point out that this new regulation, at least, provides companies with the exact tariff quota to pay. This allows them to calculate an average of the costs involved in their financial structure. However, the gadget manufacturers expect a new solution to be found within the next 12 months.

Taking all the above into account, we can conclude that to come to a solution which



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satisfies all the parties involved will be complicated in Spain as well as in most other European Union (EU) countries. Despite the different existing systems regarding the compensation of copying for private use depending on the national regulation of the EU country, a good start is the European forum, as suggested by the European Commissioner for the Internal Market and Services, McCreevy. The objective of this forum is to debate this issue and to harmonise various domestic legislation. All parties shall be taken into account in order to move in the same direction.

The first forum meeting took place in September 2008 with representatives from the digital industry, collecting societies and a consumer group, and a series of meetings were planned to continue until April. At that time, the forum would have six months to prepare and deliver proposals to the European Commission. The final goal is to establish a harmonisation in the methodology of the tariff and to establish a list of questions by which the tariff is set.

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Spring 2009

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TO OUR READERS

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