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Contents

Editorial

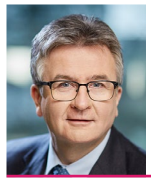
It is a pleasure to welcome you to the inaugural issue of our Intellectual Property Magazine.

Our aim is to present a selection of the most compelling legislative initiatives, rulings and pivotal issues in the field of intellectual property. With a particular focus on trademarks and copyright law, we have compiled what we believe to be the most consequential recent developments. These insights, drawn from our extensive network across several DWF European offices, aim to keep you informed and engaged with the latest trends and transformations in these dynamically evolving fields.

Our contributors, from the UK, Italy, Germany, Spain and Poland have crafted articles that provide a clear and insightful overview of the most significant legal developments of recent months. We are confident that their expert analysis will serve as a valuable resource for understanding the current landscape around intellectual property law.

On behalf of our team of authors, I wish you an enriching and enjoyable reading experience. We encourage you to share your thoughts and impressions with our contributors, who are eager to engage in dialogue and to address any questions you may have. Your feedback is not only welcome but essential to the ongoing conversation we hope to foster through this initiative.

We are excited at the launch of our Magazine and are committed to bringing you up-to-date and relevant news from the ever-evolving world of IP, and we very much hope that you will enjoy the content!



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EU

Jörn Albrecht

EU: Adoption of the European Union's AI Act

While Artificial intelligence (AI) has fascinated both scientists and the public for decades, the call for regulation of the risks and opportunities of this technology has only recently emerged. On 13 March 2024 – some four years after the publication of the European Commission's draft strategy paper for promoting and regulating AI – the European Parliament adopted an EU regulation called the Artificial Intelligence Act (AI Act), which is considered to be the world's first comprehensive legal framework for AI. With challenging requirements, significant extraterritorial effects, and fines of up to 35 million euros or 7 percent of an organisation's global annual revenue, the AI Act will have a significant impact on conducting business in the European Union and beyond.

What is AI?

In line with a widely accepted definition of AI Principles published by the OECD, the AI Act now defines the term 'AI system' in essence as:

- a machine-based system;
- designed to operate with varying levels of autonomy;
- that may exhibit adaptiveness after deployment; and
- that infers, from the input it receives, how to generate outputs such as predictions, content, recommendations, or decisions, which can influence physical or virtual environments.

The key purpose of this definition is to distinguish AI systems from traditional software systems or programming approaches. It does not cover systems that are based merely on rules (defined by natural persons) to automatically execute operations, but that have a capability to generate outputs, such as predictions, content, recommendations, or decisions, or to derive models or algorithms from inputs or data. The techniques that enable such inference while building an AI system include machine learning approaches as well as logic- and knowledge-based approaches that infer from encoded knowledge or symbolic representation of the tasks to be solved.

When and where does the AI Act apply?

The AI Act only regulates specific AI-related activities performed by specific operators.

The relevant activities are:

- **Placing on the market:** first making available an AI system or a general-purpose AI model on the EU market
- **Making available on the market:** supplying an AI system or a general-purpose AI model for distribution or use on the EU market for commercial purposes
- **Putting into service:** supplying of an AI system for first use directly to a deployer or for own use in the EU for its intended purpose

The relevant operators are:

- **Providers:** entities that develop AI systems or general-purpose AI models or that place them on the market or put the system into service under its own name or trademark
- **Importers:** entities located or established in the EU that place AI systems on the market, where the system bears the name or trademark of an entity established outside the EU
- **Distributors:** entities in the supply chain, other than the provider or the importer, that make an AI system available on the EU market
- **Deployers:** entities that use AI systems under their authority for any purpose other than for personal non-professional activities

Based on these definitions, the following activities are excluded from the scope of the AI Act:

- AI specifically developed and put into service for the sole purpose of scientific research and development, including testing and development in a testing environment before AI is being placed on the market or put into service;
- systems released under free and open-source licenses, unless such systems qualify as high-risk, prohibited or generative AI; and
- the use of AI exclusively for private purposes.

The territorial scope of the AI Act covers AI-related activities of providers, importers, distributors and deployers established or located in the European Union. However, the AI Act also has a significant extraterritorial effect, as it applies to providers who place or put into service AI systems on the EU market, irrespective of where they are established or located. The AI Act also applies to providers or deployers established or located outside the European Union where the output of the system is used inside the European Union.

How does the AI Act regulate AI related activities?

The AI Act distinguishes three different risk levels, with compliance requirements for operators tailored to the level of risk:

Prohibited AI practices

The AI Act prohibits the placing on the market, putting into service and use of AI systems in scenarios that are considered to be a clear threat to individuals' fundamental rights. The list in Art. 5 of the AI Act includes AI systems with subliminal techniques beyond an individual's consciousness to manipulate human behaviour, certain categorisation systems based on biometric data, certain social scoring systems, untargeted scraping of facial images from the internet or CCTV footage, and automated recognition of emotions at the workplace and education institutions.

High risk AI practices

AI systems identified as high-risk are subject to strict requirements under Arts. 6 up to 27 of the AI Act. These include risk-mitigation systems, high-quality data sets, the logging of activity, detailed documentation, clear user information, human oversight, a high level of robustness, accuracy and cybersecurity and cooperation duties with supervisory authorities. The relevant systems are listed in Annexes I and III of the AI Act. Examples include critical infrastructures (e.g., energy and transport), medical devices, and systems that determine access to educational institutions or jobs.

Limited risk AI practices

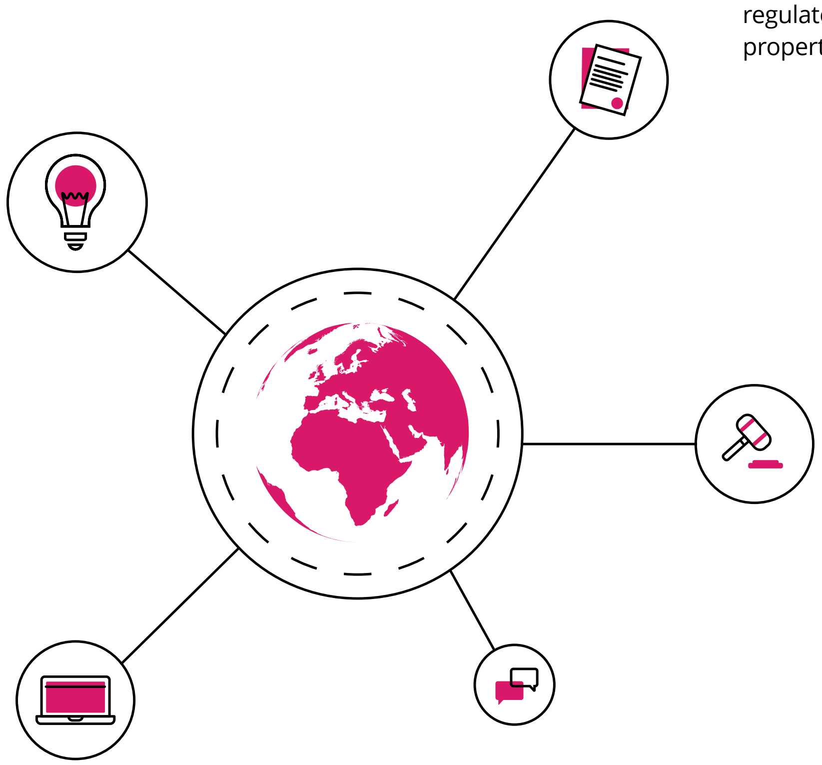
Providers of AI systems must ensure that AI systems that are intended to interact directly with natural persons, such as chatbots, are designed and developed in such a way that individuals are informed that they are interacting with an AI system. Furthermore, providers of AI systems that generate synthetic audio, image, video or text content (so-called deep fakes) must ensure that the outputs of the AI system are marked in a machine-readable format and detectable as artificially generated.

AI practices with minimal risk, such as AI-enabled video games or spam filters, are not restricted under the AI Act.

Further chapters of the AI Act regulate so-called general-purpose AI models (general-purpose AI models with systemic risk and general-purpose AI models with high-impact capabilities) and measures in support of innovation in the field of AI (including AI regulatory sandboxes for development and testing of AI systems).

Relationship with other legislation

The AI Act is limited to setting a risk-based regulatory framework to AI-specific practices. It does not affect application of EU legislation on data protection, namely the GDPR (EU Regulation 2016/679) or the ePrivacy Directive 2002/58/EC. Furthermore, the AI Act is without prejudice to the rules laid down by other legal acts of the EU related to consumer protection and product safety, which remain applicable in accordance with their respective requirements. The same applies for intellectual property rights used or created during the development of AI systems or with respect to the input entered into the respective AI systems or the output generated by these systems.



Transition period

The AI Act will enter into force 20 days after publication in the Official Journal, which is expected to take place in May or June of 2024.

The provisions related to prohibited AI systems will apply six months after the date in which the AI Act came into force, while provisions regarding generative AI will apply after 12 months. All other provisions will become applicable two years after the AI Act enters into force.

AI Act and Intellectual Property

AI systems such as ChatGPT are transforming creative processes at an unprecedented speed, posing complex questions of IP law, in particular copyright law. On the input side, key questions arise as to: (i) what type of content AI systems may be trained with; (ii) how prompts for AI systems are protected; and (iii) what limits apply to the use of protected content as part of prompts. On the output side, key questions arise as to: (i) whether the use of AI infringes copyright if portions of protected works are included in the output; (ii) whether AI-generated works are protectable; and (iii) what impact the licensing terms of generative AI systems may have on the exploitation of AI-generated output. From the perspective of national copyright law, some of the answers to these questions may seem clear, whereas for others they may be open to debate on a case-by-case basis. We will explore these aspects in future issues of our IP Magazine. In any event, we can anticipate that this new technology will create a new playing field not only for regulatory compliance, but also in the areas of intellectual property, unfair trade practices and competition law.

Oskar Tułodziecki

EU: CJEU decision – legal standing of organisations of collective management of IP rights to bring court proceedings under the Enforcement Directive

On 23 November 2023, the CJEU decided on the interpretation of the EU Enforcement Directive, and in particular the scope of the right of collective management organisations to represent both their members and other right holders (under extended licensing schemes) in court proceedings. The European court gave its decision in the context of a dispute between Telia, a Finnish cable television operator, and Kopiosto, a local Finnish collection society that alleged that Telia had infringed copyright while conducting its activities. While it was not disputed that Kopiosto could negotiate and collect license fees for the retransmission of copyrighted works in cable systems, Telia questioned its right to bring an action on behalf of both its members and other right holders in the absence of any provision in the Finnish law in this respect.

In Finland, the court of first instance agreed with Telia's arguments and dismissed Kopiosto's case as it concluded that the organisation lacked the right to bring court action on behalf of right holders. The court of second instance decided to suspend the proceedings and refer the matter to the CJEU. The discussion centred on the interpretation of the EU Enforcement Directive, and in particular Art. 4, which contains a list of entities that have the right to apply for measures, procedures and remedies contained therein. In accordance with Art. 4(c) of the Directive, collective rights management organisations are entitled to bring court action 'in so far as permitted by and in accordance with the provisions of the applicable law'.

The EU Court made a number of very interesting observations. Firstly, the Court observed that 'applicable law', as used in Art. 4(c) of the Enforcement Directive, refers to both relevant national legislation of a Member State and EU legislation. However, in this context the Court observed, referring to legislative drafts relating to the creation of the above Directive, that the EU law does not govern the conditions under which collective management organisations must be regarded as having a direct interest in the defence of intellectual property rights. At the early legislative stages, which preceded the creation of its final text, it had been envisaged that such a right would be vested in collective management organisations already on the basis of the provisions of the Directive. This idea was, however, abandoned. The Court therefore argued that 'provisions of applicable law' in this specific context means the national laws of the Member States.

As a result, the CJEU concluded that Member States are not required to recognise that intellectual property collective rights management bodies that are regularly recognised as having a right to represent holders of intellectual property rights have a direct interest in seeking, in their own name, the application of the measures, procedures and remedies provided for in the Enforcement Directive.

Secondly, the Court observed that it is not sufficient under Member States' laws that such an organisation for collective management of rights, as a legal person, has a general capacity to be a party to legal proceedings. At the same time, the Court was against a very restrictive interpretation that could lead to the conclusion that such a right required a specific provision in a Member State's law in this respect. Such restrictive interpretation would lead to diminishing the effectiveness of the means put in place by the EU legislature in order to enforce intellectual property rights. The Court therefore held that the legal standing of collective rights management organisations to bring legal proceedings for the purposes of defending intellectual property rights may result either from specific provisions to that effect, or from general procedural rules of a given Member State.

Jakub Drożdżał

EU: Registrability of 'Pablo Escobar' as an EU Trademark – decision of the CJEU

On 17 April 2024, the CJEU decided whether the name Pablo Escobar may be registered as an EU Trademark or whether the connotation provoked by it is contrary to public policy and accepted principles of morality.

On 30 September 2021, the company Escobar Inc., established in Guaynabo, Puerto Rico, filed an application for registration of an EU Trademark with the European Union Intellectual Property Office (EUIPO) with respect to the word sign 'Pablo Escobar' for a wide range of goods and services.

The application was rejected first by the examiner and then subsequently by the Fifth Board of Appeal of the EUIPO. On both occasions this was on the grounds that the trademark applied for was contrary to public policy and to accepted principles of morality within the meaning of Article 7(1)(f) of Regulation 2017/1001. The main argument on which the rejection was based was the negative connotation of the name 'Pablo Escobar' with the Colombian drug lord and narcoterrorist. This view was particularly strong among Spanish consumers, which the EUIPO considered to be the most familiar with Escobar's history due to the cultural and historical links between Spain and Colombia.

The applicant took action in the CJEU under Article 263 TFEU, seeking the annulment of the decision. The main arguments of the applicant were the following:

- The person and the name of Pablo Escobar should not be considered solely negatively, given his many good deeds for the poor in Colombia – for which he was nicknamed the 'Robin Hood of Colombia' – and as such he has become a mythical figure in mainstream popular culture. They also underlined that in the past other names related to criminal activities were registered as EU Trademarks, such as Al Capone, Che Guevara and Bonnie & Clyde;
- The Board of Appeal had not examined as to whether a majority of the Spanish public would perceive the mark as immoral; and
- The Board of Appeal, by considering Pablo Escobar to be a criminal, had infringed on his fundamental right of the presumption of innocence given that Escobar was never officially convicted by a Colombian, American or European court.

In the decision of 17 April 2024 (Case T-255/23), the Court confirmed the rejection of the application for an EU Trademark. It based its decision on the fact that among a non-negligible part of the relevant Spanish public, Pablo Escobar is associated with drug dealing and narcoterrorism, as well as crimes and suffering related to them, rather than with potential good actions taken in favour of poor Colombian citizens. As a result, the sign bearing this name contradicts the indivisible and universal values on which the European Union is founded and therefore cannot be registered and protected. Moreover, the Court agreed with the Board of Appeal that there was no need to refer to the majority of Spanish citizens, as the main criteria of denominating the relevant public is that of a reasonable person with average sensitivity and tolerance thresholds, as was applied by the EUIPO.

The fact that a number of names of people related to criminal activities have been registered as EU Trademarks before is considered irrelevant. However, while the Board of Appeal is obliged to take into account decisions already taken with respect to similar applications in accordance with the principle of equal treatment, it is not bound by previous decisions in other cases and should rule solely on the basis of Regulation 2017/1001. Furthermore, the Court emphasised that the application in question was not comparable to the earlier applications referred to by the applicant, given the amount of time that had passed since the criminal activity of those people, resulting in a common perception of them as a part of history. It also noted that some of the trademarks evoked had already been cancelled or expired.

Finally, the Court ruled that there had been no breach of the right of the presumption of innocence with respect to Pablo Escobar given that, despite the lack of judicial condemnation, he is widely perceived in Spain to have been the leader of a criminal organisation (the Medellin cartel) and a symbol of organised crime, which caused significant suffering. The conditions for the application of Article 7(1)(f) of Regulation 2017/1001 were therefore satisfied without the need to take the penal status of Pablo Escobar into consideration, and as a result did not infringe on the fundamental right of presumption of innocence.

Karolina Bać

EU: No application of the 'repair clause' in the EU Trademark Regulation – decision of the CJEU

On 25 January 2024, the Fourth Chamber of the Court of Justice of the European Union gave judgment on the reference for a preliminary ruling of the Sąd Okręgowy w Warszawie (Regional Court, Warsaw, Poland), which sought to resolve questions relating to: the right conferred by an EU Trademark; use of a sign in the course of trade; limitations on the effects of an EU Trademark; and the right of an EU Trademark holder to oppose the use by a third party of an identical or similar sign in relation to automotive spare parts.

These issues were intended to assist the national court in reaching a decision in a dispute between Audi, a motor vehicle manufacturer, which is also the holder of an EU figurative mark (000018762), and GQ, an individual trader that offers spare parts for motor vehicles, including for Audi cars through its website.

On 5 May 2020, an application was brought before the Regional Court of Warsaw to prohibit GQ from advertising, importing, or offering for sale or marketing spare parts, i.e. radiator grilles, that bear a sign identical to the trademark of which Audi is the trademark holder, as well as a similar sign. The shape of the component that is affixed or welded to radiator grilles to which the Audi emblem may be affixed was considered to be identical to the trademark of the car manufacturer.

In considering the case, the Regional Court of Warsaw noted the absence in the EU Trademark Law of a provision equivalent to the 'repair' clause contained in Article 110(1) of Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs (OJ 2002 L 3, p. 1) – the aim of which was to bring about undistorted competition and consumers' interest in choice, i.e. the right to purchase non-original parts.

The Court shared this view. It held that interpretation by analogy could not be made using the Community model legislation.

The Court pointed out that under Article 9(2)(a) and (b) of the EU Trademark Regulation (EU) No 2017/1001, the proprietor of an EU Trademark holds the right to prohibit any third party from using, in the course of trade, any sign identical to the trademark for identical goods and services due to the likelihood of confusion. This protects the functions of trademarks, such as the guarantee of origin of the goods or services, the quality function of the goods or services, and the communication, investment and advertising function.

By contrast, under Article 9(2)(c) of the regulation, Audi's trademark has a reputation, and Audi is therefore entitled to prevent third parties from using, in the course of trade, any sign that is identical or similar to its trademark, without prejudice to the condition that the goods and services be identical or similar, where such use takes unfair advantage of GQ and is liable to prejudice its character or reputation.

The Court also noted that if there is no dual identity in this case – i.e. that the sign used by the third party in combination with Audi's trademark is similar but not identical, and that the goods of the services are identical or similar – it is for the Regional Court of Warsaw to assess whether that use is likely to cause confusion among the public, and whether the average consumer is able to ascertain the non-originality of the spare parts.

At the same time, in answering one of the questions referred for a preliminary ruling, the Court pointed out that, on the basis of Article 14(1)(c) of the EU Trademark Regulation, the use of a trademark in the course of trade cannot be prohibited when a third party wishes to indicate or refer to goods or services and, in so doing, to suggest a corresponding intended use for those goods or services. In this case, there appeared to be a need to indicate the intended use of the radiator grilles for the sale of Audi brand spare parts, and the choice of the shape of the emblem was therefore made. There was also no need to show that it is possible to mount the emblem on the radiator grille without at the same time affixing a marking to the emblem. It is important to assess whether, in this case, GQ does not affix markings identical to or similar to the Audi trademark to the radiator grilles, but only uses this mark to demonstrate the purpose of the radiator grilles, i.e. to be affixed with the original parts of the titleholder. On the other hand, if, in this situation, GQ reproduces original car parts using the Audi trademark and does not indicate or refer to the goods and services of the titleholder, Article 14(1)(c) of Regulation 2017/1001 cannot be applied to such use.

Ewelina Madej

EU/PL: Notice on Intellectual Property Crime Case-Law of National Courts (3rd edition)

The summary stated above was prepared by the Intellectual Property Crime (IPC) Project at the European Union Agency for Criminal Justice Cooperation (Eurojust) in January 2024. This document contains an overview of case law of national courts with regards to the application of national legislation relating to intellectual property crime.

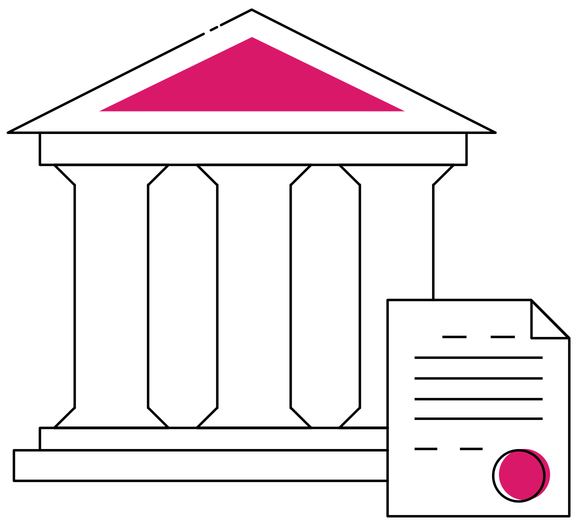
This report is updated on an annual basis. The third edition, dated January 2024, contains a summary of the Czech, Slovak, Polish, Portuguese, Swedish, Spanish and Finnish national courts' judgments.

One of the landmark judgments included in this document was given in Poland in 2016 in Krakow (II K 651/16/P) and related to counterfeit goods offered for sale in a shop. The goods bore trademarks identical to the registered trademarks of globally recognised clothing brands. This ensured it was impossible for customers to distinguish them from the registered trademarks of the brand owners. The fabric used in the goods' production was of low quality, they did not have country of origin labels or tags, and they were not pre-packaged, which suggested that they were counterfeit goods.

However, due to the fact that only a relatively small number of such items had been sold, it was challenging for the Court had to assess the damages. For this reason, the Court referred to the analysis of damages' calculation conducted by the Court of Appeals in Katowice (decision of 5 January 2011, II Aka 382/10), in which the Court stated that "the effects on the market caused by trademark infringement are characterised as damage consisting of multiple components, such as damage to the right holder's reputation, customer confusion and the creation of a state of uncertainty on the market. As a result, the brand's reputation and image suffer, as does the recognition of the trademark and the demand for goods bearing that name."

The Court in Krakow also analysed the issue of the infringer making a 'regular source of income' (i.e. permanent income) from the criminal activity, stating that a 'regular source of income' implies a certain repetition of unlawful activities. It has therefore become generally accepted in legal doctrine that it is necessary to commit the offence at least three times for the Court to consider a regular source of income as a relevant factor for more serious criminal liability. If not, the income derived from it can be considered 'incidental' or 'one-off' income.

Source: https://www.eurojust.europa.eu/



Anna Kida

EU: Parallel imports and trademark infringement: decision of the CJEU

In its decision of 17 November 2022, the Court of Justice of the European Union shed new light on a number of important legal issues relating to the parallel import of goods bearing protected trademarks (Harman International Industries Inc. vs. AB S.A. (C-175/21)).

Illegal parallel import occurs when goods bearing protected trademarks that originate from foreign markets (where they have been placed on the market with the consent of the trademark owner) are imported into other territories where the owner has not granted permission to market them. For example, this is the case when goods legally marketed in the United States are placed on the European Economic Area's (EEA) market without the trademark owner's authorisation. The trademark owner then has the right to prohibit entities from the EEA from offering for sale and placing such goods in the EEA.

The ruling concerned a dispute between audiovisual equipment manufacturer Harman International Industries Inc. (the plaintiff) – and owner of the respective trademark – and AB S.A. (the defendant), which offered goods bearing Harman trademarks for sale on the Polish market. AB S.A. sourced its products from a supplier other than a distributor authorised by Harman for that market. Harman brought an action before the Circuit Court in Warsaw, seeking the cessation of the infringement by prohibiting the defendant from placing on the market, importing, offering, advertising and/or storing audiovisual equipment products bearing the plaintiff's trademarks. Furthermore, Harman requested that the court order AB S.A. to withdraw from the market and destroy those products and their packaging. Harman argued that AB S.A.'s activities constituted an infringement of its rights as the goods offered by AB S.A. had not previously been placed on the EEA market, either by the manufacturer or its authorised distributor. In general, the products were not destined for the EEA.

The defendant alleged trademark exhaustion, having relied on assurance received from its supplier that the equipment had been placed on the market in the EEA by Harman or with its consent.

The Circuit Court in Warsaw observed that the marking systems used by Harman were insufficient for the destination market of each of its products to be identified, and the relevant information should be obtained from a database that belonged to Harman. The Court also suggested that putting an obligation on trademark owners (i.e. most often manufacturers) to indicate the market of destination of the goods on the products would be worthy of consideration given the difficulty in determining with certainty which products had been placed on the market in the EEA by the trademark owner or with its consent.

According to the CJEU, the burden of proving that certain products were placed on the market by the trademark owner or with its consent rests, in principle, with the entity placing the goods on the market. It is up to the entity that evokes the exhaustion of rights in the trademark to demonstrate that the equipment comes from a distribution channel authorised by the manufacturer. It follows that it is the responsibility of the importer to verify whether the products offered were destined for the EEA market by the manufacturer, which in practice entails the need to establish the distribution chain until the goods cross the EEA border.

The CJEU has allowed an exception to the above rule – i.e. the possibility of shifting the burden of proof – but only if the distributor can demonstrate that it is not objectively possible to prove the market of destination of goods due to a lack of evidence or lack of access to evidence. The trademark owner is then obliged to prove that its products were not destined for the EEA market, which does not mean that the distributor is exempt from liability. Insofar as the trademark owner proves that a given consignment of products was imported into the EEA without its consent, the distributor will not avoid liability for infringement.

At the same time, the CJEU made it clear that manufacturers of goods are not obliged to indicate the market of destination on their products. In the CJEU's view, the requirement to identify the market of destination of each individual product is not based on the applicable legislation, as this would unduly limit the possibility for the trademark owner to change the market destination planned for a given product at the last minute.

Magdalena Bronikowska

EU: 'The scope of referential use exception' – judgment of the Court of Justice of 11 January 2024, C-361/22 (Inditex)

In its judgment of 11 January 2024 in Case C-361/22 – Industria de Diseño Textil SA (Inditex) v Buongiorno Myalert SA – the Court of Justice of the European Union considered the legality of advertising campaigns in which a reference to another individual's trademark is included. The CJEU provided an interpretation of the respective provisions of the current EU Trademark Directive, especially given its previous provisions relating to the same aspect.

The request for a preliminary ruling was made by the Supreme Court of Spain on 3 June 2022 in the proceedings between Industria de Diseño Textil SA ('Inditex') and Buongiorno Myalert SA ('Buongiorno'). Inditex, the proprietor of the ZARA trademark, argued that Buongiorno had infringed it in an advertising campaign, without the consent of Inditex.

In 2010, Buongiorno, a provider of information services via the internet and mobile telephone networks, launched an advertising campaign for a paid subscription to a multimedia messaging service marketed under the name 'Club Blinko'. Subscribers of this service could take part in a prize draw in which one of the prizes was a EUR 1,000 ZARA gift card. After clicking on a banner to access the draw, the 'ZARA' sign, which was in a rectangular frame that resembled the design of a gift card, automatically appeared on the screen.

As a consequence, Inditex brought an infringement action against Buongiorno before the Commercial Court in Madrid for infringement of exclusive rights protecting a national trademark protecting the 'ZARA' sign. Inditex based the action on the provisions of the Spanish law on trademarks (Ley 17/2001 de Marcas), which implemented the first EU Trademark Directive 89/104. Inditex relied on the likelihood of confusion, taking advantage of the trademark's reputation as well as and on detriment to the trademark's reputation.

Buongiorno argued that such 'referential use' fell within the framework of the lawful, permissible use of distinctive signs belonging to third parties, as referred to in Article 37 of the Spanish Ley de Marcas.

While examining the case, the Supreme Court of Spain encountered a doubt as to the interpretation of Article 6(1)(c) of Directive 2008/95. This arose from the different wording of the provision that replaced it, namely Article 14(1)(c) of Directive 2015/2436, with regard to the scope of the lawful use of third parties' distinctive marks.

Article 6(1)(c) of Directive 2008/95 provides:

> 'The trademark shall not entitle the proprietor to prohibit a third party from using, in the course of trade, the trademark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts'.

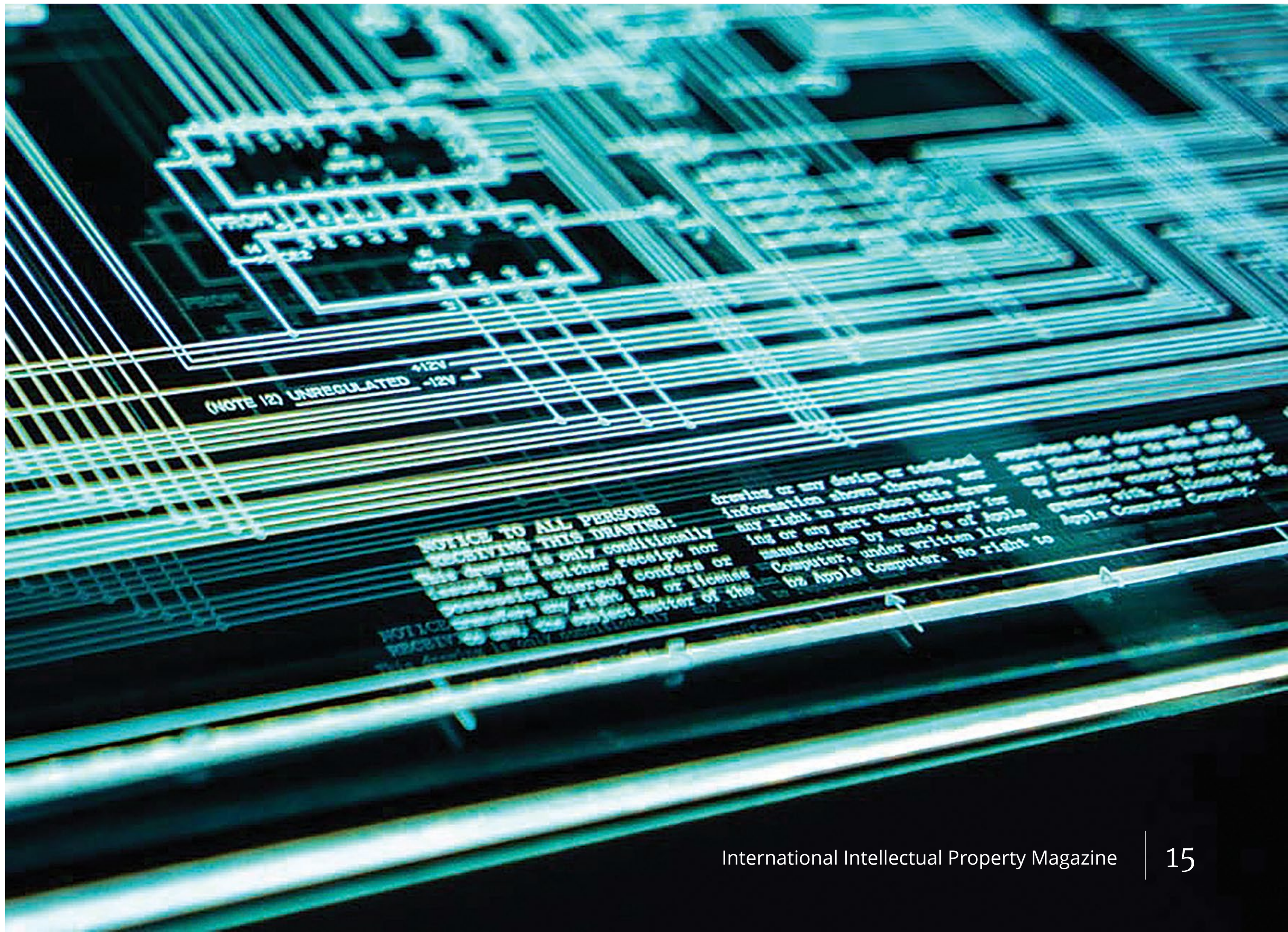
Article 14(1)(c) of Directive 2015/2436 describes the lawful use of a trademark as follows:

> 'A trademark shall not entitle the proprietor to prohibit a third party from using, in the course of trade, the trademark for the purpose of identifying or referring to goods or services as those of the proprietor of that trademark, in particular, where the use of the trademark is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts'.

The Court of Justice of the EU clarified that in comparison with the Directive 2008/95, the current EU Trademark Directive establishes a much broader scope of the relevant exception. The previous version of the Directive currently only constitutes one of the situations of lawful use that the proprietor of a trademark cannot oppose.

With regard to the question referred, the Court ruled that Article 6(1)(c) of Directive 2008/95/EC must be interpreted as meaning that it covers the use of the trademark in the course of trade by a third party for the purpose of identifying or referring to, in accordance with honest practices in industrial or commercial matters, goods or services as those of the proprietor of that trademark only when such use of the trademark is necessary to indicate the intended purpose of a product marketed by that third party or of a service offered by that party.

The Court stated that it will be for the national court to definitively determine whether Buongiorno's use of the ZARA trademark was necessary to indicate the intended purpose of the service offered, and whether that use was made in accordance with honest practices in industrial or commercial matters. Before making such assessment, however, the national court must determine whether that particular use of the ZARA trademark constituted use of the trademark at all.



Asima Rana

UK: Retained EU Law (Revocation and Reform) Act 2023

Overview

On 1 January 2024, the Retained EU Law Act (Revocation and Reform) Act 2023 came into force in the UK, continuing the process of separating the UK's legal system from the EU following Brexit. There has been much speculation as to how this will likely impact the legal landscape in the UK.

Following the UK leaving the European Union and the end of the Brexit 'transition period' on 31 December 2020, it was determined that all law derived from EU law and already on the UK statute books, all directly applicable EU law in the UK, and EU case law would remain part of UK law. This body of law was referred to as 'retained EU law', and resulted in UK law remaining largely consistent following Brexit.

The 2023 Act changes the name and status of retained EU law, which is now referred to as 'assimilated law', and removes the special EU features that governed its interpretation and application. The Act revokes around 600 pieces of EU-derived legislation that were considered redundant across a number of government departments, and abolishes the supremacy of EU law in the UK and the practice of applying general principles of EU law (such as the principles of effectiveness, fundamental rights and non-discrimination) to interpret EU-derived domestic legislation in the UK. The reforms will affect all aspects of UK law that were previously derived or influenced by EU legislation, including intellectual property and data protection, with approximately 4,000 pieces of legislation affected.

The Act also gives wide-ranging powers to the UK Government (with limited parliamentary scrutiny) to amend, replace, revoke, restate and update EU-derived legislation. The government has given itself the power to make significant legislative changes in the future should it wish to do so. In addition, the UK courts have been given greater freedom to depart from retained EU case law, introducing new tests that give the Supreme Court and Court of Appeal greater freedom to depart from decisions of the Court of Justice of the European Union and their own previous decisions on retained EU law.

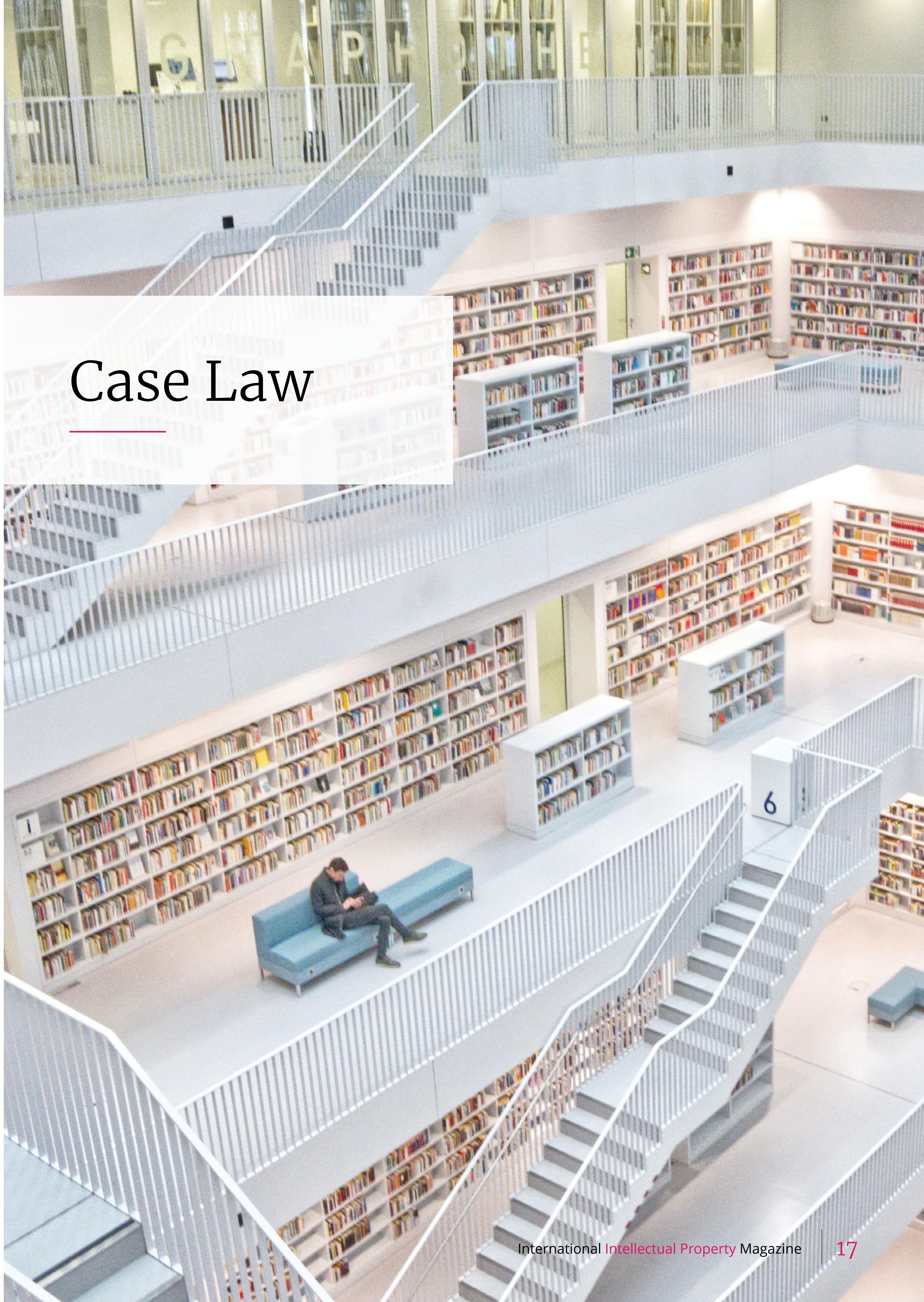
Comment

Initially, the UK Government had planned the automatic repeal (or 'sunsetting') of a significant amount of EU legislation contained in UK secondary legislation and in retained direct EU legislation with effect from 31 December 2023. This would have resulted in the instant removal of thousands of pieces of legislation from the statute book at the end of 2023, resulting in a period of significant legislative uncertainty in the UK. This approach drew much criticism and was abandoned by the government in May 2023.

The replacement of the sweeping approach to the 'sunsetting' of retained EU law, with a more limited approach revoking only around 600 pieces of specified EU-derived legislation, has significantly reduced the impact of the 2023 Act. However, the overall impact of the reforms has been to create a period of legal uncertainty, with the possibility of significant changes to UK law in the medium to long term. It is not known how the government will exercise its powers under the 2023 Act, or to what extent the UK courts will depart from retained case law.

It remains unclear whether or to what extent these reforms might accelerate divergence between EU and UK law, and the impact of the reforms is likely to vary in different areas. For intellectual property law, it is anticipated that the status quo will mostly likely be maintained in the short to medium term. However, it is anticipated that we will see a rise in litigation that challenges and tests the interpretation of legal issues that had previously been considered settled under UK law.

Business compliance teams are advised to closely monitor the UK legal landscape for further changes that may be made through secondary legislation, and that may impact their business operations in the UK.



Case Law

Asima Rana/Alarna Bond-Farrell

UK: Court of Appeal confirms Samsung is liable for infringing third-party content available on the Samsung Galaxy App store, and is not entitled to rely on the eCommerce Directive's hosting safe harbour defence

In Montres Breguet SA v Samsung Electronics (2023) EWCA Civ 1478, the Court of Appeal dismissed Samsung's appeal against a first instance High Court decision that ruled that it was liable for the infringement of trademarks owned by members of the Swatch group of watch makers, collectively known as 'Swatch'.

The case provides useful guidance on the liability of app stores and intermediaries, the concept of 'use' of a trademark, and the limitations of the eCommerce Directive's hosting safe harbour defence for platform providers.

Background

Swatch is the owner of trademarks protecting its well-known brands such as Omega, Longines and Tissot. It commenced trademark infringement proceedings in the High Court against Samsung in relation to 30 digital watch face apps that were downloadable from the Samsung Galaxy App Store to customise Samsung's smartwatches, and which bore Swatch's trademarks on the watch dial face or in the app name. Swatch brought the claim against Samsung, rather than the third-party app developers, on the basis of Samsung's close involvement and control of the process by which the apps were made available to the public. Swatch succeeded before the High Court, with the Court rejecting Samsung's attempt to rely on the hosting defence under Article 14 of the E-Commerce Directive (ECD).

Samsung appealed to the Court of Appeal, focussing on three issues:

1. the Judge was wrong to find that there was use of the signs by Samsung;
2. the Judge was wrong to find that there was use of the sign in relation to smartwatches; and
3. the Judge was wrong to reject the hosting defence under Article 14 of the ECD.

Court of appeal decision

Were the signs used by Samsung?

The Court of Appeal supported the High Court's finding that despite the digital watch face apps being created by third-party developers, Samsung had used the trademarks featured on the third watch party apps. The High Court had considered Samsung's conduct as a whole, taking a range of factors into account that demonstrated 'use' of the signs by Samsung including:

- Samsung assisted third-party app developers with the creation of their apps through its Galaxy Watch Studio;
- the apps were designed exclusively for Samsung smartwatches;
- Samsung marketed smart watches for their 'watch-like' qualities, using the watch face apps as a reference on the Samsung Galaxy App store;
- Samsung reviewed all third-party apps before they were listed on its app store for functionality and content; and
- Samsung managed and responded to customer complaints about the apps and offered customer support.

In rejecting Samsung's appeal on this issue, the Court of Appeal maintained that the High Court judge was entitled to reach the conclusion that Samsung had used the signs. Samsung's actions were more than "merely technical, automatic and passive" in nature, such that it lacked knowledge and control over the data. The High Court judge was entitled and correct to take matters into account that, even if unknown to the average consumer, nevertheless affected consumers' perception of the signs.

Was the sign used by Samsung in relation to smartwatches?

Samsung accepted that it was relevant to take the post-sale context into account, but appealed against Swatches' contention that Samsung had used the signs in relation to smartwatches. Samsung appealed on the basis that there was no realistic likelihood of persons, other than the wearer of the watch, perceiving the watch face app as denoting the origin of the smartwatch. Samsung also argued that it was the third party that had affixed the signs to the smartwatch.

The Court of Appeal agreed with the High Court that the use was on smartwatches. This was a question of fact and Samsung had failed to demonstrate that the judge's finding was not open to her. The Court went on to find that it did not matter whether Samsung affixed the signs to smartwatches, provided that it used the signs in relation to smartwatches in some way.

Is the hosting defence under Article 14(1) of the eCommerce Directive available to Samsung?

The Court of Appeal had to consider whether Samsung's acts were within Article 14(1) of the ECD, which would provide it with a complete defence to Swatch's claims. Article 14 of the ECD provides hosting providers with a defence for content shared on their platforms provided that they have no knowledge of its illegal nature or if they have acted expeditiously to remove that content having been made aware of it.

The Court examined whether the role played by Samsung, as the service provider, was neutral, such that it was "merely technical, automatic and passive" in nature. Samsung had adopted a review process whereby a small team of 14 Vietnamese software engineers would spend "five to ten minutes" reviewing each app against Samsung's internal content review guideline. The Court found that, by virtue of this content review process, Samsung would have obtained "knowledge" of the signs that appeared on the watch faces and in the app name, and it was therefore held to fall outside the scope of the hosting defence.

Practical implications

This case has important commercial implications for app store operators and other intermediaries that offer a platform for third-party content. It is the latest in a string of cases in which platform providers have been held liable for third-party IP infringements, with the burden clearly shifting to platform providers to take greater responsibility for online content.

The decision also highlights that the Courts are willing to take a broad approach when deciding whether there has been an infringement of a trademark, and that they will consider the wider context of use in determining whether there has been use of a sign by an intermediary.

Finally, the case highlights the limitations of the safe harbour provisions in the ECD for platform providers and app stores. Intermediaries will not fall within that defence unless their actions are merely "technical, automatic and passive". Where an intermediary undertakes a review of the content provided on the platform, they risk falling outside the hosting defence. Intermediaries and app stores will therefore need to weigh up whether to invest in their content review process and accept the risk that the hosting defence may not apply, or whether to focus more on their notice and takedown processes with a view to relying on the hosting defence.

Krystian Petz

Ceneo v. Google

PL: The decision on 14 March 2024 of the Circuit Court in Warsaw – preliminary injunction in the case of alleged unfair market practices brought by the operator of Ceneo.pl against Google

On 14 March 2024, the Circuit Court in Warsaw issued a decision on a preliminary injunction against Google with regards to alleged unfair market practices.

A service run by Ceneo.pl sp. z o.o. (Ceneo) enables users to search and compare the prices of products available online in order to find the best offer for the buyer.

The proceedings against Google were initiated by Ceneo, which accused Google of unfair market practices by favouring its own comparison-shopping service when presenting search results.

A substantive ruling has not yet been issued in the case, but the Circuit Court in Warsaw issued a decision to secure Ceneo's claims, therefore recognising, at least at the present preliminary stage, the existence of merit in the plaintiff's case, and at the same time setting a basis for potential, similar actions for other service providers.

The Circuit Court in Warsaw, in its decision (number XXII GWO 24/24), obliged Google to cease the following actions for the duration of the proceedings:

- favouring their own comparison-shopping website, i.e. Google Shopping, over Ceneo, by way of presentation of search results;
- redirecting website traffic to Google Shopping from Ceneo (forwarding users and search engines to a different URL from the requested one);
- hindering access to Ceneo website by removing search results that lead to its website; and
- presenting unauthorised Ceneo advertisements that were published by entities not associated with Ceneo (the purpose of such activity allegedly being to obtain knowledge about the preferences of online buyers)

If Google continues the above-mentioned practices, a court penalty of PLN 50,000 per day will be imposed on it.

The President of the Polish Office of Competition and Consumer Protection (UOKiK) also commented on this case, stating that: "Google's conduct, if confirmed, may lead to distortion of competition by granting a competitive advantage to this company, while failing to ensure equal opportunities for its competitors, including Ceneo."

Due to the duration of Google's practices, the recent judgment of the Court of Justice of the European Union (CJEU) in the Czech case C-605/21-Heureka Group may be of relevance. The CJEU decided on the issue of the statute of limitations for claims arising from the infringement of EU competition law. The Court held that the three-year period applicable to actions for damages for infringement of the competition law "starts to run, independently and separately for each partial occurrence of harm resulting from such an infringement, from the moment when the injured party knew, or could reasonably be expected to have known, of the fact that it had suffered that partial harm and the identity of the party liable to pay compensation for that harm, without the injured party having had knowledge of the fact that the behaviour concerned constituted an infringement of the competition rules and without that infringement having come to an end", and "may not be suspended or interrupted during the Commission's investigation into such an infringement."

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Legal Developments

Marco Annoni

IT: The Italian strategy on AI – possible national law regulating the use of AI in the next months

Italy is working on a national law with the aim to regulate the development and use of artificial intelligence (AI) systems and models. This would complete and supplement the provisions included in the AI Act, i.e. the first European regulation on AI, which was recently approved by the EU Parliament on 13 March 2024, and the relevant entering into force of which is expected for the next months. Such an approach underlines the strategy taken by Italy with respect to the AI for the next period 2024-2026, placing the country among the leaders in this sector in the European Union.

In this respect, on 23 April 2024, the Italian Government approved a first draft of an AI bill, which has not yet to be debated and approved by the Italian Parliament. For this reason, it cannot be excluded that the draft will be amended before final approval as part of the parliamentary process.

The Italian Government's aim is to adopt the Italian law on AI before the entry into force of the AI Act. Should this be the case, Italy will be the first European Union Member State to adopt a specific law on AI. Such an approach could create possible risks with regards to harmonisation with the AI Act.

The draft bill includes a text of 26 articles, of which Articles 1 to 3 identify the purpose of the law, namely to regulate the transparent, proportionate and responsible use of AI, in addition to outlining a number of general principles. The definition of 'AI systems' complies with the definition provided in the AI Act.

The draft bill establishes principles for financing and supervising AI systems in different sectors and, specifically, health, employment, education and research, and national security. It is very broad and ambitious in scope, as confirmed by the numerous provisions that introduce amendments in relation to several legal sectors, among which, data protection, criminal law, civil law, and audiovisual media law in relation to audiovisual media service providers and video-sharing platforms.

The main provisions proposed by this bill can be summarised as follows:

Data protection and minors:

According to Article 4 of the draft bill, minors of 14 years of age shall obtain the consent of those exercising parental liability over them in order to gain access to AI technologies; whereas minors over 14 years of age can lawfully consent for the processing of their personal data related to AI systems, provided that the information and communications on the relevant processing are easily available and comprehensive.

Health sector:

- Article 8 specifies that access to the healthcare sector may not be conditioned by the use of AI systems through discriminatory criteria. Moreover, individuals shall be informed on the use of AI technologies and on the advantages, in diagnostic and therapeutic terms, arising from the use of AI systems, as well as on the decision-making logics characterising the said AI systems. Furthermore, AI systems used in healthcare and all relevant data shall be reliable, periodically reviewed and updated in order to minimise the risk of errors.
- Article 9 relates to research and scientific experimentation in the implementation of AI systems in the health sector, and provides that the relevant data processing carried out by public and non-profit private entities is of public interest, as provided by Article 9(g) GDPR. Such entities are, in particular, allowed to carry out secondary use of data (including special categories data as provided by Art. 9 GDPR) without further consent from the data subject, when originally provided by the law, subject to information obligation, which can also be met by posting a general privacy policy on the controller's website. The processing activities shall be subject to previous approval from the interested ethical committees, and may only start 30 days after having been submitted to the communication to the Data Processing Authority, lacking any ban from the Data Processing Authority.

Employment:

According to Article 11, in compliance with the Italian Constitution, it is expressly prohibited to use any AI Systems to discriminate against employees based on their gender, age, ethnical origins, religious belief, sexual orientation or political opinions, in addition to their personal, social or economical conditions.

Audio visual media service and Video service providers:

Article 23 of the draft bill amends the Audiovisual Media Service Law implementing the UE Directive 208/1808, as recently amended by Legislative Decree number 50 of 25 March 2024, and provides that any informative content, including on demand videos and streaming, generated or modified through AI systems shall be clearly identified as such by visible marks or audio announcements to inform users of the artificial nature of the content. The IT Communications Authority (AGCOM) shall adopt a regulation on the implementation of Article 23.

Copyright:

- According to Article 24, the draft bill amends Article 2 of the Italian Copyright Law 633/1941 (ICL) by introducing Article 2 n. 10-bis, which aims to provide a specific copyright protection for works generated through AI systems, provided that the human contribution during the conception and creation of that works using AI systems is creative, relevant, and can be demonstrated, without prejudice of the rights of the author of the above said works.
- The draft bill also introduces Article 70-septies of the ICL, which provides that works generated through AI systems comply with copyright provisions of Articles 70-ter and 70-quarter ICL, including by ensuring the identification of the works whose use is not expressly reserved by rights holders. The source of a work generated through AI systems, including the name of the author of each work or different material, shall be identified, unless such identification is not possible.
- New sanctions arising from the use of AI systems in breach of ICL are provided by the draft bill.

Italian Criminal Code and the Italian Civil Code:

- The draft bill also has the purpose of amending criminal provisions related or associated to the use of AI systems and, specifically, crimes of impersonation, fraud or money laundering. Moreover, the draft bill introduces the new Article 612-quater of the Italian Criminal Code on the unlawful spread of content artificially created or manipulated, and provides a sentence of one to five years in prison for anyone who causes wrongful harm to others by publishing audiovisual content modified or manipulated by AI systems so as to mislead regarding their authenticity or its origin.
- As far as the Italian Civil Code provisions are concerned, the draft bill provides for the exclusive jurisdiction of civil courts for non-criminal proceedings related to the functioning of AI systems, as well as including provisions aimed at regulating the use of AI systems within the public administration, the judiciary system, and individual professions.

Finally, Article 17 of the draft bill also identifies the Italian strategy related to AI, which has to be drafted and updated by the Department of the Presidency of the Council of Ministers in charge of technological innovation and digital transition, and has to be approved every two year by the Interministerial Committee for Digital Transition, in coordination with the Italian Digital Agency (AGID) and in cooperation with the Italian National Cybersecurity Agency (ACN).

Moreover, Article 18 appoints AGID and ACN as national authorities for AI:

- AGID is responsible for innovation and development of AI technologies, and also issues guidelines and procedures for the assessment, registration and monitoring of AI systems' conformity.
- ACN is assigned with monitoring powers. Sand-boxes can be launched by both AGID and ACN, which will also cooperate with other Italian authorities.

A general provision is included in Article 22 of the draft bill that delegates the Italian Government to deploy, within 12 months, further national legislation 'implementing' the AI Act, also based on the opinions to be shared by the Parliament and the Italian Data Protection Authority.

Xavier Fàbrega

ES: The new role of the Spanish Patent and Trademark Office in trademark invalidity and revocation proceedings

1. Introduction

Until 2023, the competence to rule on invalidity and revocation actions against Spanish trademarks rested with the commercial courts, and court proceedings tended to be lengthy and costly.

In 2019, legislative changes were implemented that expanded the powers of the Spanish Patent and Trademark Office (SPTO), in particular granting it the authority to handle trademark invalidity and revocation proceedings. Consequently, trademark invalidity and revocation actions must now be filed with the SPTO, thereby avoiding court proceedings.

This change has had a significant impact on the way in which trademark invalidity and revocation cases are handled in Spain, and has resulted in a simplification of the process, a substantial fee reduction, and a faster resolution of the disputes.

2. The new role of the SPTO

Until the entry into force of the amendments of the Trademark Law introduced by Royal Decree Law 23/2018 of 21 December and Royal Decree 306/2019 of 26 April (which implemented EU Directive 2015/2436 of the European Parliament and of the Council of 16 December to approximate the laws of the Member States relating to trademarks), the SPTO focused mainly on the granting and management of trademark registrations. In the meantime, trademark invalidity and revocation cases were exclusively within the competence of the Spanish Commercial courts.

After the entry into force of the reform of the Trademark Law on 14 January 2023, the SPTO took on the exclusive jurisdiction to decide on trademark invalidity and revocation proceedings, with the aim to resolve such actions faster and more efficiently.

As a result, invalidity and revocation actions against Spanish registered trademarks, trade names and Spanish designations of international trademarks must now be filed with the SPTO. Commercial courts will, however, continue to have jurisdiction to declare the invalidity or the revocation of a trademark requested by the defendant in a counterclaim filed in trademark infringement proceedings.

3. The new proceedings

The different stages of the new trademark invalidity and revocation proceedings before the SPTO can be summarised as follows:

- An application for invalidity or revocation must be filed with the SPTO based on one of the legal grounds set forth in the Trademark Law. The application must identify the applicant, the challenged trademark, the grounds for the application, the goods or services against which the action is directed and, if applicable, the prior rights on which the application is based. Moreover, the applicant must pay an official fee (of EUR 170 for online applications or EUR 200 for applications on paper).
- If the SPTO considers that the invalidity or revocation action meets the necessary formal requirements, it will notify the action to the owner of the challenged trademark, who will have two months to file a reply, together with any relevant allegations and evidence.
- If the invalidity application is based on an earlier trademark that is more than five years old, the owner of the contested trademark may request that the applicant submit proof of use of the prior trademark. If the invalidity applicant provides evidence of use, it will be forwarded to the owner, who will have one month to submit any relevant arguments.
- In case of a revocation application for lack of use, the trademark owner must provide documentary evidence proving that the trademark has been used during the previous five years. If the trademark owner submits evidence of use, it will be forwarded to the revocation applicant, who will have one month to submit any relevant arguments.
- The SPTO may request the parties as many times as it deems necessary to reply to the arguments or evidence submitted by the other party within a period of between ten days and one month.
- Once the parties have submitted their arguments and evidence, the SPTO will close the contradictory phase of the proceedings.
- The SPTO must issue a decision within twenty-four months as of the filing date of the invalidity or revocation action.
- The decision shall be subject to appeal before the SPTO Board of Appeal within one month of its publication in the Intellectual Property Official Bulletin.

- Appeals against decisions of the SPTO Board of Appeal must be filed with the specialist commercial sections of Courts of Appeal, and not, as previously, with the contentious-administrative courts. The transfer of competences to the civil order provides a more specialised legal framework for the resolution of trademark disputes, allowing for greater coherence and consistency in decisions.

4. Valuation of the new proceedings

The implementation of the administrative trademark invalidity and revocation procedures has been one of the biggest challenges required by the implementation of (EU) Directive 2015/2436 into the Spanish law, but its results are positive. The attribution of competence to the SPTO for the management of trademark invalidity and revocation proceedings has generated an improvement in the efficiency of the process.

According to the statistics published by the SPTO, in the first twelve months since the launch of the new proceedings, a total of 463 applications have been filed, with 253 invalidity applications and 211 revocation proceedings. The SPTO has resolved slightly more than half of the cases (236) within the first year, which is a considerable reduction in response time compared with traditional court proceedings. More than 50 percent of the trademark invalidity proceedings have been totally or partially upheld, whereas 95 revocation proceedings (out of 131) have been totally upheld and 9 have been partially upheld.

The possibility of avoiding court proceedings represents a significant economic benefit for the parties. By avoiding the need to go to court, the costs associated with court fees and expert fees in trademark invalidity and revocation disputes are substantially reduced. In addition, by simplifying the process and shortening resolution times, costs related to the management of legal proceedings are also reduced.

Finally, although the SPTO has the competence to resolve trademark invalidity and revocation cases administratively, the parties still have the right to appeal to the Courts of Appeal. This right of appeal ensures that the parties can challenge the decisions issued by the SPTO, therefore ensuring respect for the principles of legality and due process. The possibility of appealing to the Courts of Appeal provides an additional mechanism to review and correct possible errors in administrative decisions, guaranteeing the effective protection of the rights of the parties and the transparency of the process.

Marta Wysokińska

PL: Implementation of the DSM Directive

Work is underway in Poland aimed at implementing provisions of Directive (EU) 2019/790 on Copyright in the Digital Single Market of 17 April 2019 (the DSM Directive). This work had already begun prior to the change of government in December 2023. While the current government started the legislative process anew in accordance with the legal requirements, much of the text of the previous draft has been used as the basis for the new legislative initiative. Many organisations and institutions have filed their input in the course of public consultations. The intense discussions that occurred at the drafting stage did not come as a surprise, as the DSM Directive has a significant impact on the functioning of the digital market given that it addresses many consequences for copyright that technological progress has brought about.

The Polish draft touches upon all these relevant issues such as text and data mining, rights in press publications, collective licensing, access to and availability of audiovisual works on video-on-demand platforms, use of protected content by online content-sharing service providers, and fair remuneration in exploitation contracts of authors and performers.

The draft confirms that the online content-sharing platforms perform an act of communication to the public when they give access to copyright-protected works or other protected subject matter uploaded by their users. The online content-sharing platforms are therefore to obtain consent of the holder of the relevant right with respect to exploitation of the relevant work. The provisions regarding the conditions for the platforms not to be liable for copyright or related rights infringements regarding the content made available by them have also been proposed in this draft legislation. The provisions in the Polish draft in this regard are generally reflective of the DSM Directive.

An intensive discussion takes place with respect to the proposed extension of the right of remuneration for exploitation of audiovisual works and artistic performances on the internet. This discussion not only occurred during the public consultations regarding the draft act, but also in the media. The proposals in this regard remain a controversial issue.

Given that generative AI models having now become widely available, text and data mining provisions have also been the subject of an intense exchange of views. The issue remains as to whether to clearly exclude all uses of data for the purpose of creating generative AI models from the data mining provisions in the Copyright Act.

Furthermore, following the DSM Directive, the draft legislation also contains provisions regarding the use of works in digital teaching activities, use of out-of-commerce works, including by way of obtaining non-exclusive licenses from collecting societies, as well as regulations pertaining to additional (other than fair remuneration) aspects of agreements regarding exploitation of works.

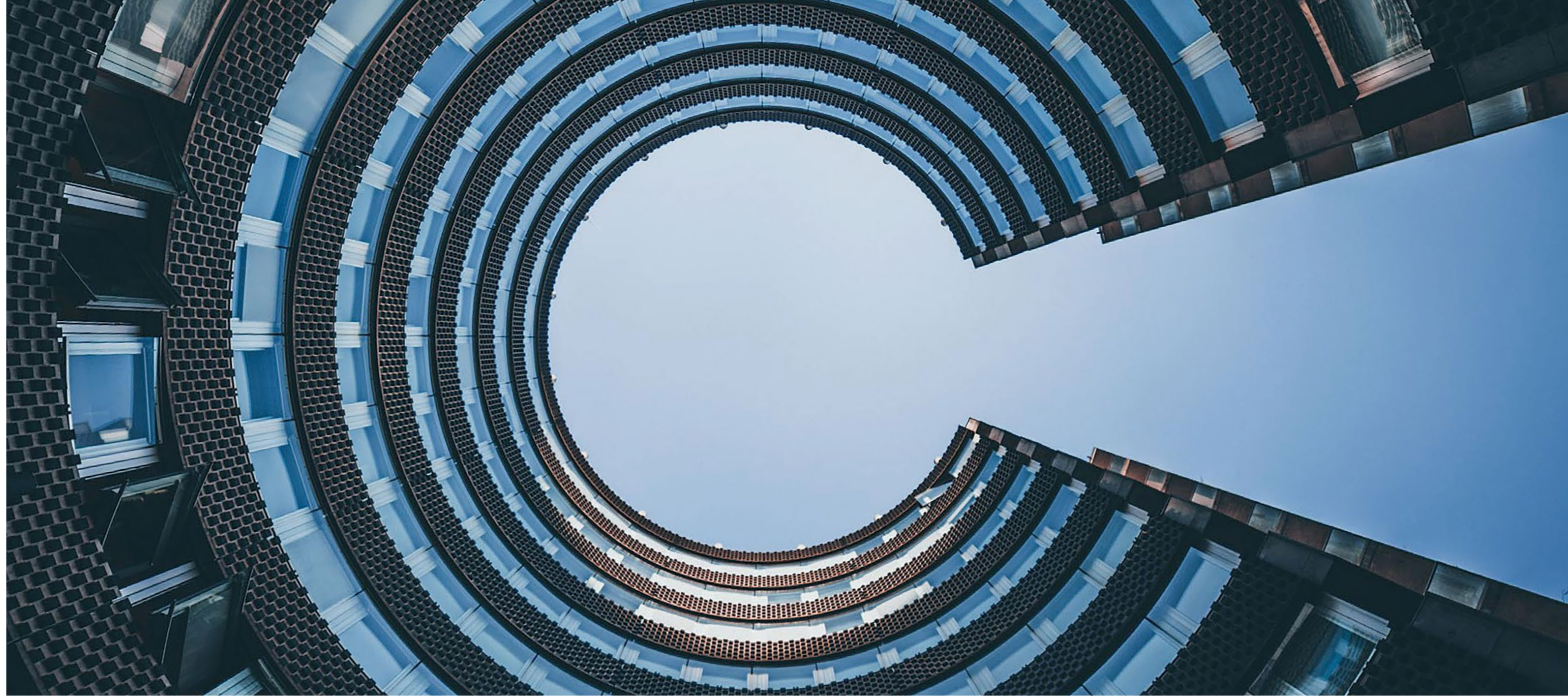
Also of note, the draft is intended to implement Directive (EU) 2019/789 laying down rules on the exercise of copyright and related rights applicable to certain online transmissions of broadcasting organisations and retransmissions of television and radio programmes. This Directive promotes the cross-border provision of ancillary online services for certain types of programmes and facilitates retransmissions of television and radio programmes originating in other EU Member States.

The final wording of the new law is yet to be agreed upon in the Polish Parliament where it will be the subject of discussion in both chambers. To become a binding law it will then need to be signed by the President of the Republic of Poland.

Nina Bitkowska

PL: The Ministry of Culture's proposed amendments to the rules on financial support for audiovisual production

In March 2024, the Polish Ministry of Culture and National Heritage published a draft to amend the Regulation of 11 February 2019 of the Ministry of Culture and National Heritage regarding a detailed list of Polish eligible costs, parameters of audiovisual productions and documents related to financial support for audiovisual productions granted by the Polish Film Institute (hereinafter: 'the Regulation').



According to the explanatory memorandum published alongside the draft, the amending regulation seeks to adapt the Regulation to current market conditions in efforts to ensure that not only large, but also micro-, small- and medium sized enterprises in the audiovisual production industry can apply for and benefit from public financial support. To this end, the amending regulation introduces changes to those provisions of the Regulation that may hinder the ability of many audiovisual production enterprises to apply for funding.

Firstly, to address the increasing demand for shorter forms of content amongst broadcasters and VOD providers, the parameters of eligible works have been amended. The minimum length threshold has been lowered from 60 to 15 minutes for animated films and from 40 to 25 minutes for episodes of feature series. Furthermore, the 10 episode minimum threshold for animated series has been eliminated, and the minimum value of eligible production costs for animated films to qualify has been lowered from 1,000,000 PLN to 300,000 PLN.

Secondly, there is an ongoing issue as to a very literal interpretation of the eligible costs list commonly followed by audit companies whose opinions are required when applying for financial support. While determining the eligibility of costs, such companies tend to exclude costs that can be easily attributed to one of the eligible categories, when said costs are not expressly mentioned on the list.

Moreover, the current list appears incomplete when analysed against the new standards of audiovisual production. It fails to account for the significance of costs of the often non-negotiable non-land travel arrangements in the total travel budget, sustainability requirements, the need to employ several specialist producers to manage the aspects of production falling into a specific area of expertise, the post-pandemic changes on the audiovisual production insurance market, and certain particularities of animation production. To ensure the clarity and completeness of the eligible costs list, the following costs have been added:

- casting costs linked to production location search;
- fees, remuneration and other benefits for graphic designers and illustrators, animation supervisors, and producers other than the executive producer;
- audiovisual production insurance fees (except for completion bonds);
- travel costs in economy, business or first class, if required by contracts, provided that the departure or final destination point is in Poland;
- costs of initial sound and music registration;
- costs of creating digital skeletons of animated characters (so-called rigging) in cases of animated films, intermediaries; and
- sustainable audiovisual production costs.

The addition of sustainable production costs reflects the increasing emphasis on sustainability in other EU and OECD countries, some of which have already introduced related requirements in their financial support policies. Per the memorandum, it is predicted that sustainable production will soon be essential for Polish producers for them to be able to benefit from financial support when co-producing with foreign enterprises.

Similarly, to match international conditions and facilitate financing for co-productions, the amendment reduced the requirement for providing scripts for episodes of a season of an animated series from all episodes to three, while for the remainder only synopses are required.
This stems from the fact that an application for financial support may be filed as early as 12 months ahead of production commencement, when scripts for some episodes may not be finalised, while the financial planning process is already ongoing. Furthermore, matching the Polish financial support policy to common practices in other EU and OECD countries, the maximum threshold for eligible legal services costs and other consultancy and auditing costs has increased from 3 to 7 percent of the budget for the works covered by financial support.

Finally, the point-based system of the eligibility test has been amended. The minimum threshold to qualify for financial support has been reduced from 51 to 23 points to enable more enterprises to benefit from financial support, while the 1-to-10 scale used for costs related to the 'use of cultural heritage' has been replaced with a two-point value being assigned to each cost within this category, reflecting the intention of the legislator illustrated in Article 16(4)(1) of the Act on financial support for audiovisual production that envisions the creation of objective eligibility criteria through assigning a fixed value to each cost type.

The above changes are believed to facilitate easier access to financial support for Polish enterprises and increase their competitiveness on the international market for audiovisual production. The draft was subject to public consultations, which ended on 4 April 2024.

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Our vision is to deliver integrated services on a global scale through our three offerings; Legal Services, Legal Operations and Business Services. Our ability to seamlessly combine any number of these services to deliver bespoke solutions for our clients is our key differentiator. This Integrated Legal Management approach delivers greater operational efficiency, price certainty and transparency for our clients. Without compromising on quality or service.

Legal Services

Premium legal advice and excellent client service. Our teams bring commercial intelligence and industry sector relevant experience.

Legal Operations

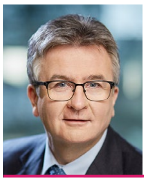
Outsourced and process led alternative legal services which standardise, systematise, scale and optimise legal workflows.

Business Services

Products and business services that enhance and complement our legal offerings.

Notes

Contacts



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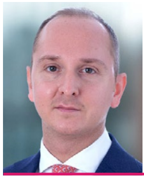

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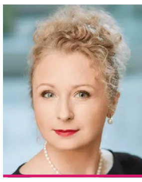

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