Reports of Cases

JUDGMENT OF THE COURT (Fourth Chamber)

21 June 2012*

(Free movement of goods — Industrial and commercial property — Sale of copies of works in a Member State in which the copyright on those works is not protected — Transport of those goods to another Member State in which the infringement of the copyright is sanctioned under criminal law — Criminal proceedings against the transporter for aiding and abetting the unlawful distribution of a work protected by copyright law)

In Case C-5/11,

REFERENCE for a preliminary ruling under Article 267 TFEU from the Bundesgerichtshof (Germany), made by decision of 8 December 2010, received at the Court on 6 January 2011, in the criminal proceedings against

Titus Alexander Jochen Donner,

THE COURT (Fourth Chamber),

composed of J.-C. Bonichot, President of the Chamber, K. Schiemann (Rapporteur), L. Bay Larsen, C. Toader and E. Jarašiūnas, Judges,

Advocate General: N. Jääskinen,

Registrar: K. Malacek, Administrator,

having regard to the written procedure and further to the hearing on 26 January 2012,

after considering the observations submitted on behalf of:

— Mr Donner, by E. Kempf, H.-C. Salger and S. Dittl, Rechtsanwälte,

— the Generalbundesanwalt beim Bundesgerichtshof, by R. Griesbaum, acting as Agent, assisted by K. Lohse, Oberstaatsanwalt,

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

— the European Commission, by J. Samnadda, G. Wilms and N. Obrovsky, acting as Agents,

after hearing the Opinion of the Advocate General at the sitting on 29 March 2012,

gives the following

* Language of the case: German.

Judgment

1 This reference for a preliminary ruling concerns the interpretation of Articles 34 TFEU and 36 TFEU.

2 The reference has been made in the context of criminal proceedings brought before the German courts against Mr Donner, who was sentenced to a suspended term of imprisonment of two years for aiding and abetting the prohibited commercial exploitation of copyright-protected works.

Legal context

European Union law

3 The Copyright Treaty ('the CT'), adopted by the World Intellectual Property Organisation (WIPO) in Geneva on 20 December 1996, was approved on behalf of the European Community by Council Decision 2000/278/EC of 16 March 2000 (OJ 2000 L 89, p. 6).

4 Article 6 of the CT, entitled 'Right of distribution', provides:

'1. Authors of literary and artistic works shall enjoy the exclusive right of authorising 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 authorisation of the author.'

5 Recital 15 in the preamble to Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society (OJ 2001 L 167, p. 10) states that that directive serves inter alia to implement a number of the obligations under the CT.

6 Article 4 of that directive, entitled 'Distribution right', states:

'1. Member States shall provide for authors, in respect of the original of their works or of copies thereof, the exclusive right to authorise or prohibit any form of distribution to the public by sale or otherwise.

2. The distribution right shall not be exhausted within the Community in respect of the original or copies of the work, except where the first sale or other transfer of ownership in the Community of that object is made by the rightholder or with his consent.'

German law

7 The German Law on copyright (Urheberrechtsgesetz, BGBl. I, p. 1273), as amended ('the UrhG'), transposes Directive 2001/29 into German law.

8 Paragraph 17(1) and (2) of the UrhG, entitled 'Right of distribution', states:

'(1) The right of distribution is the right to offer to the public or put into circulation the original work or copies thereof.

(2) If the original work or copies thereof are put into circulation by sale in the territory of the European Union or in another of the Contracting States to the Convention on the European Economic Area with the consent of the party having distribution rights the further distribution thereof, with the exception of rental rights, shall be permitted.'

9 Under Paragraph 106 of the UrhG, the distribution of a protected work without the consent of the copyright proprietor is a crime punishable by a maximum of three years' imprisonment or by a fine. Paragraph 108a of the UrhG provides that, where the perpetrator in cases under Paragraphs 106 acts in a commercial capacity the crime is to be punishable by a maximum of five years' imprisonment or by a fine.

10 Paragraph 27 of the Criminal Code (Strafgesetzbuch), entitled 'Aiding and abetting', provides that anyone who deliberately assists a third party in the commission of a deliberate offence by that party is to be guilty of the offence of aiding and abetting that offence.

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

11 Mr Donner, a German national, was, at the time of the facts in the main proceedings, the principal director and shareholder of In.Sp.Em. Srl ('Inspem'), a freight forwarding company established in Bologna (Italy) and essentially conducted his business from his place of residence in Germany.

12 Inspem ensured the transport of goods sold by Dimensione Direct Sales Srl ('Dimensione'), a company also established in Bologna, the head office of which was situated in immediate proximity of that of Inspem. Dimensione used advertisements and supplements in newspapers, direct publicity letters and a German-language internet website to offer replicas of furnishings in the so-called 'Bauhaus' style for sale to customers residing in Germany, without having a licence to market them in Germany. These included replicas of:

— chairs from the Aluminium Group, designed by Charles and Ray Eames, licensed proprietor Vitra Collections AG;

— Wagenfeld lights, designed by Wilhelm Wagenfeld, licensed proprietor Tecnolumen GmbH & Co. KG;

— seating, designed by Le Corbusier, licensed proprietor Cassina SpA;

— the occasional table called the 'Adjustable Table' and 'Tubelight' lamps, designed by Eileen Gray, licensed proprietor Classicon GmbH;

— tubular steel cantilever chairs, designed by Mart Stam, licensed proprietor Thonet GmbH.

13 According to the findings of the Landgericht München II, all of the said items are copyright-protected in Germany as works of applied art. In Italy, however, there was no copyright protection or, alternatively, no enforceable copyright protection as against third parties during the period of relevance, namely from 1 January 2005 to 15 January 2008. Thus the furnishings designed by Eileen Gray did not enjoy copyright protection in Italy in the period between 1 January 2002 and 25 April 2007 as a shorter period of protection applied at that time, which was only renewed as of 26 April 2007. The other furnishings were copyright-protected in Italy during the relevant period but that protection was unenforceable as against third parties under established Italian case-law, at least as against producers who had reproduced or offered the creations for sale and/or marketed them prior to 19 April 2001.

14 The furnishings at issue in the main proceedings, sold by Dimensione, were stored, in their packaging on which the name and address of the purchaser were indicated, in Dimensione's delivery warehouse in Sterzing (Italy). Under the general sales conditions, if customers residing in Germany did not wish to collect the goods they had ordered, or nominate their own freight forwarder, Dimensione recommended that Inspem be instructed. In the cases in the main proceedings the customers instructed Inspem to transport the furnishings that they had purchased. The Inspem drivers collected the items at the warehouse in Sterzing and paid the relevant purchase price to Dimensione. Inspem collected the purchase price and freight charges from the customer on delivery to the person who had placed the order in Germany. Whenever a customer failed to accept or make payment for a delivery of furnishings, the goods were returned to Dimensione, which reimbursed Inspem for the purchase price already advanced and also paid the freight charges.

15 According to the Landgericht München II, Mr Donner thereby committed the criminal offence of aiding and abetting the prohibited commercial exploitation of copyright-protected works, contrary to Paragraphs 106 and 108a of the UrhG and also Paragraph 27 of the Criminal Code.

16 Dimensione was found to have distributed copies of protected works in Germany. Distribution under Paragraph 106 of the UrhG required the transfer of the ownership of the goods sold and as well as a transfer of the power of disposal from the vendor to the purchaser. In the main proceedings, under Italian law the transfer of ownership from vendor to purchaser took place in Italy as a result of the meeting of the minds and the individualisation of the goods at the warehouse in Sterzing. The transfer of the power of disposal over the goods, however, did not take place until the goods were handed over to the purchaser upon payment of the purchase price in Germany, with the help of Mr Donner. The issue whether the furnishings enjoyed copyright protection in Italy was therefore immaterial. The Landgericht München II found that the restriction on the free movement of goods deriving from national copyright law was justified on grounds of protection of industrial and commercial property.

17 Mr Donner appealed on a point of law (revision) against that judgment to the Bundesgerichtshof. He argues, first, that 'distribution to the public' under Article 4(1) of Directive 2001/29 and, consequently, under Paragraph 17 of the UrhG, presupposes a transfer of ownership of the goods, which in the main proceedings took place in Italy, the transfer of possession of the goods, that is to say, the actual power of disposal over those goods, not being necessary in that regard. He argues, secondly, that a conviction of him based on any other interpretation would be contrary to the principle of free movement of goods guaranteed under Article 34 TFEU because it would lead to an unjustified and artificial partitioning of the markets. Lastly and thirdly, he argues that, in any event, the handing-over of the goods in Italy to the carrier, which accepted them on behalf of ascertained customers, gave rise to a change of possession so that, from that point of view as well, the relevant facts occurred in Italy.

18 The Bundesgerichtshof concurs in the interpretation adopted by the Landgericht München II, to the effect that 'distribution to the public' by sale under Article 4(1) of Directive 2001/29 presupposes that not just ownership but also *de facto* power of disposal of the copyright-protected reproduction is transferred to a third party. In order to be considered as being distributed to the public, the reproduction of a work has to be transferred from the manufacturer's internal sphere of operation into the public sphere or into the free trade arena. As long as such a reproduction remains within the manufacturer's internal sphere of operation or the same group of companies, it cannot be deemed to have reached the public, since the existence of a business transaction based on genuine external dealings is lacking in such a scenario. This analysis by the Landgericht München II is in line with the settled case-law of the Bundesgerichtshof on the interpretation of Article 4(1) of Directive 2001/29.

19 On the other hand, the Bundesgerichtshof considers that Articles 34 TFEU and 36 TFEU may preclude upholding Mr Donner's conviction should the application of the national criminal law provisions to the facts of the main proceedings be found to give rise to an unjustified restriction on the free movement of goods.

20 In those circumstances the Bundesgerichtshof decided to stay the proceedings before it and to refer the following question to the Court for a preliminary ruling:

'Are Articles 34 and 36 TFEU governing the free movement of goods to be interpreted as precluding the criminal offence of aiding and abetting the prohibited distribution of copyright-protected works resulting from the application of national criminal law where, on a cross-border sale of a work that is copyright protected in Germany,

— that work is taken to Germany from a Member State of the European Union and de facto power of disposal thereof is transferred in Germany,

— but the transfer of ownership took place in the other Member State in which copyright protection for the work did not exist or was unenforceable as against third parties?'

The question referred for a preliminary ruling

21 The existence, on national territory, of a 'distribution to the public' by sale under Article 4(1) of Directive 2001/29 is, as expressly recognised by the referring court, a necessary condition for the application of the criminal law provisions at issue in the main proceedings. The parties concerned, moreover, gave their detailed views on the interpretation of that concept at the hearing following a request from the Court.

22 Accordingly, the question referred by the national court must be construed as asking, in essence, first, whether, in circumstances such as those of the main proceedings, there is 'distribution to the public' under Article 4(1) of Directive 2001/29 on the national territory and, second, whether Articles 34 TFEU and 36 TFEU must be interpreted as precluding a Member State from bringing a prosecution under national criminal law for the offence of aiding and abetting the prohibited distribution of copies of copyright-protected works where copies of such works are distributed to the public on the territory of that Member State in the context of a sale, aimed specifically at the public of that State, concluded in another Member State where those works are not protected by copyright or the protection conferred on them is not enforceable as against third parties.

The interpretation of Article 4(1) of Directive 2001/29

23 Since Directive 2001/29 serves to implement in the European Union its obligations under, inter alia, the CT and, according to settled case-law, European Union legislation must, so far as possible, be interpreted in a manner that is consistent with international law, in particular where its provisions are intended specifically to give effect to an international agreement concluded by the European Union, the notion of 'distribution', contained in Article 4(1) of that directive, must be interpreted in accordance with Article 6(1) of the CT (see, to that effect, Case C-456/06 *Peek & Cloppenburg* [2008] ECR I-2731, paragraphs 29 to 32).

24 The notion of 'distribution to the public ... by sale' in Article 4(1) of Directive 2001/29 must accordingly, as observed by the Advocate General in points 44 to 46 and 53 of his Opinion, be construed as having the same meaning as the expression 'making available to the public … through sale' in Article 6(1) of the CT.

25 As observed by the Advocate General in point 51 of his Opinion, the content of the notion of 'distribution' under Article 4(1) of Directive 2001/29, must moreover be given an independent interpretation under European Union law, which cannot be contingent on the legislation applicable to transactions in which a distribution takes place.

26 It must be observed that the distribution to the public is characterised by a series of acts going, at the very least, from the conclusion of a contract of sale to the performance thereof by delivery to a member of the public. Thus, in the context of a cross-border sale, acts giving rise to a 'distribution to the public' under Article 4(1) of Directive 2001/29 may take place in a number of Member States. In such a context, such a transaction may infringe on the exclusive right to authorise or prohibit any forms of distribution to the public in a number of Member States.

27 A trader in such circumstances bears responsibility for any act carried out by him or on his behalf giving rise to a 'distribution to the public' in a Member State where the goods distributed are protected by copyright. Any such act carried out by a third party may also be attributed to him, where he specifically targeted the public of the State of destination and must have been aware of the actions of that third party.

28 In circumstances such as those at issue in the main proceedings, where the delivery to a member of the public in another Member State is not effected by or on behalf of the trader in question, it is therefore for the national courts to assess, on a case-by-case basis, whether there is evidence supporting a

conclusion that that trader, first, did actually target members of the public residing in the Member State where an operation giving rise to a 'distribution to the public' under Article 4(1) of Directive 2001/29 was carried out and, second, whether he must have been aware of the actions of the third party in question.

29 In the circumstances giving rise to the case in the main proceedings, factors such as the existence of a German-language website, the content and distribution channels of Dimensione's advertising materials and its cooperation with Inspem, as an undertaking making deliveries to Germany, may be taken as constituting evidence of such targeted activity.

30 Accordingly, the answer to the first part of the question referred is that a trader who directs his advertising at members of the public residing in a given Member State and creates or makes available to them a specific delivery system and payment method, or allows a third party to do so, thereby enabling those members of the public to receive delivery of copies of works protected by copyright in that same Member State, makes, in the Member State where the delivery takes place, a 'distribution to the public' under Article 4(1) of Directive 2001/29.

The interpretation of Articles 34 TFEU and 36 TFEU

31 As observed by the referring court, the prohibition provided for by national law and which is sanctioned by the national criminal law in circumstances such as those at issue in the main proceedings is a restriction on the free movement of goods which is, as a rule, contrary to Article 34 TFEU.

32 Such a restriction may, however, be justified under Article 36 TFEU by reasons relating to the protection of industrial and commercial property.

33 It is apparent from the Court's case-law that, if a copyright-protected work is put on the market of a Member State by the copyright proprietor or with his consent, that circumstance prevents him from objecting to the free circulation of that work in the European Union. The same is not true, however, where the placing on the market takes place not with the consent of the copyright proprietor, but upon expiry of his right in a given Member State. In that case, in so far as the disparity between national laws as regards period of protection may give rise to restrictions on intra-Union trade, such restrictions are justified under Article 36 TFEU if they are the result of differences between the rules governing the period of protection and this is inseparably linked to the very existence of the exclusive rights (see Case 341/87 *EMI Electrola* [1989] ECR 79, paragraph 12).

34 Those same considerations apply a fortiori in circumstances such as those which gave rise to the main proceedings, since the disparity giving rise to restrictions on the free movement of goods results not from differences between the legal rules in force in the different Member States in question, but rather because those rules are, in practice, not enforceable as against third parties in one of those Member States. The restriction on a trader established in a Member State resulting from the prohibition on distribution under criminal law in another Member State is also, in that type of situation, based not on an act or the consent of the rightholder, but on the disparity, between the different Member States, in the conditions of protection of the respective copyrights.

35 Moreover, as observed by the Advocate General in points 67 to 70 of his Opinion, the protection of the right of distribution cannot, in circumstances such as those of the main proceedings, be deemed to give rise to a disproportionate or artificial partitioning of the markets in a manner contrary to the Court's case-law (see, to that effect, Case 78/70 *Deutsche Grammophon Gesellschaft* [1971] ECR 487, paragraph 12; Joined Cases 55/80 and 57/80 *Musik-Vertrieb membran and K-tel International* [1981] ECR 147, paragraph 14; and *EMI Electrola*, paragraph 8).

36 The application of provisions such as those at issue in the main proceedings may be considered necessary to protect the specific subject-matter of the copyright, which confers inter alia the exclusive right of exploitation. The restriction on the free movement of goods resulting therefrom is accordingly

justified and proportionate to the objective pursued, in circumstances such as those of the main proceedings where the accused intentionally, or at the very least knowingly, engaged in operations giving rise to the distribution of protected works to the public on the territory of a Member State in which the copyright enjoyed full protection, thereby infringing on the exclusive right of the copyright proprietor.

37 Consequently, the answer to the second part of the question referred is that Articles 34 TFEU and 36 TFEU must be interpreted as meaning that they do not preclude a Member State from bringing a prosecution under national criminal law for the offence of aiding and abetting the prohibited distribution of copies of copyright-protected works where copies of such works are distributed to the public on the territory of that Member State in the context of a sale, aimed specifically at the public of that State, concluded in another Member State where those works are not protected by copyright or the protection conferred on them is not enforceable as against third parties.

Costs

38 Since these proceedings are, for the parties to the main proceedings, a step in the action pending before the national court, the decision on costs is a matter for that court. Costs incurred in submitting observations to the Court, other than the costs of those parties, are not recoverable.

On those grounds, the Court (Fourth Chamber) hereby rules:

A trader who directs his advertising at members of the public residing in a given Member State and creates or makes available to them a specific delivery system and payment method, or allows a third party to do so, thereby enabling those members of the public to receive delivery of copies of works protected by copyright in that same Member State, makes, in the Member State where the delivery takes place, a 'distribution to the public' under Article 4(1) of 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.

Articles 34 TFEU and 36 TFEU must be interpreted as meaning that they do not preclude a Member State from bringing a prosecution under national criminal law for the offence of aiding and abetting the prohibited distribution of copies of copyright-protected works where copies of such works are distributed to the public on the territory of that Member State in the context of a sale, aimed specifically at the public of that State, concluded in another Member State where those works are not protected by copyright or the protection conferred on them is not enforceable as against third parties.

[Signatures]