

EU Legal News

I/2019

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& Regulatory matters*

EU

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Introduction

Dear Clients and Business Partners,

I am pleased to welcome you to a new issue of our EU Legal News, which we have been using for a number of years to update you on key changes and interesting trends in EU law and the way they are reflected in Czech law.

The main discussed topics of the next months will include the GDPR adaptation act, which the Senate returned to the Chamber of Deputies with amendments at the end of January this year; other topics will be Brexit and key changes in intellectual property law. We continue to monitor these topics and help you understand the changing environment.

Soon it will be a year since the crucial and long-expected GDPR entered into force. However, issues relating to the practical application of personal data protection rules are still abundant. Therefore, this issue of our newsletter puts emphasis on personal data, specifically employee monitoring. Modern technologies allow employers to monitor whether or not their employees comply with the prescribed working procedures, cause no damage to the employer's property or reputation as well as how much time they spend on social networks. Security and the protection of property, know-how, trade secrets or intellectual property are in the interest of each employer. However, this is often in conflict with employees' rights and interests. The first article in this issue discusses the limits and related obligations of the employer in connection with monitoring employee workplaces.

One of the central topics of this issue is intellectual property law that is discussed in two articles. The first one is focused on an amendment to the Trademark Act. The amendment transposes a new EU regulation and is to make the existing trademark protection system simpler and more efficient. A major change that may have an impact on numerous trademark owners is the fact that the reason for dismissing a trademark based on an older identical trademark by virtue of office will be waived. The second article explains the position of the Court of Justice of the EU on intellectual property protection, particularly the balancing of intellectual property protection and the protection of privacy and family life as two fundamental human rights.

Further, we have focused on a proposal for a directive on representative actions for the protection of collective interests of consumers, submitted by the European Commission to ensure prompt and more effective protection of consumer rights. We inform you about the purpose of the proposed directive, the way consumers are represented as well as the possibilities of protection for entrepreneurs who could become the target of vexatious actions as a result of the proposal.

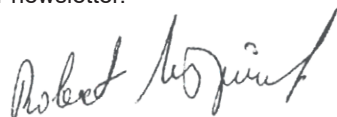
We constantly monitor for you the decision-making practice of the CJEU. As a result, this issue brings several articles summarising some of its important decisions. We have prepared an overview of judgments relating to making works accessible to the public, i.e. the issues of hyperlinks, and a summary of decisions in which the CJEU has held that a five-month suspension of services need not be an obstacle to an automatic transfer of employees to a new employer.

And as usual, we conclude with our Competition Update prepared by our competition practice group.

Some of the above topics have also been presented in our new blog (www.havelpartners.blog). We are planning to keep you updated about interesting news and also to comment on our practice experience.

I hope you enjoy reading our newsletter.

Robert Nešpůrek



Employee Monitoring: Employers' Rights and Obligations in Personal Data Processing

Modern technologies offer a wide range of tools to monitor employee activities. In order to protect their legitimate interests, employers install CCTV systems, GPS, web filtering tools, or use various applications or other monitoring devices, in particular to prevent data leakage. Employers mainly focus on security and protection of information, which may conflict with employees' legitimate expectations to protect their privacy. How far can the employer go when monitoring its employees and what tools can it use and when?



Regulation of rights and obligations

In connection with monitoring¹, conflicts in law-guaranteed rights and obligations may, and often, occur. On the one hand, there is the employee's right to privacy, the protection of personal data, and the confidentiality of correspondence, guaranteed by both the Constitution and EU law. On the other hand, there is the right of everyone, including the employer, to protect their property interests, guaranteed by the above legislation.

In addition to the mentioned constitutionally guaranteed rights, there are other rights and obligations, in particular the rights and obligations provided for in Act No. 262/2006 Sb., the Labour Code ("**Labour Code**"). The essential provision that determines the relationship between the employer and the employee is the provision defining dependent work and obligations arising from an employment relationship.² Dependent work is an activity that is carried out in relation to the employer's superiority and the employee's subordination, according to the employer's instructions, at the employer's costs and under the employer's responsibility,

and during working time at the employer's workplace where the employee is obliged to comply with the obligations under his employment relationship.

The nature of the employment relationship implies that it is legitimate for the employer to monitor the employee in his using the assets entrusted to him to perform his work tasks. Absence of this right of monitoring would violate the employer's fundamental right to protect its property. However, we must bear in mind that this employer's right is not absolute and is moderated particularly by the above employee's rights, due to which employee monitoring is subject to relatively stringent conditions and requirements not only for monitoring at the workplace but also at home office.

The employee is obliged to provide, or to enable the collection of, information relating to him if such information relates to the work performed or the employer needs such information to fulfil its obligations under generally binding laws. Typically, this relates to the employer's notification duties to both public authorities such as the Czech Social Security Administration, or private entities such as health insurance companies. The question, then, is not whether the employer may process data relating to the employee but to what extent it may do so in each specific case.

Surveillance, checking and monitoring inevitably involve personal data processing which must comply with General Data Protection Regulation 2016/679 ("**Regulation**" or "**GDPR**"). In other words, the employer as a personal data controller must comply with all the obligations imposed on it by the Regulation. These obligations are primarily enshrined in personal data processing principles set out in Article 5 GDPR. Therefore, the employer is required not only to duly justify the implementation of the monitoring system and its necessity, if we are talking about the legitimacy of such means, but also to legally assess whether all the conditions required by law are met for the implementation of monitoring tools. The legal basis for the implementation of monitoring tools processing employee personal data can be found in the employer's legitimate interest. A legitimate interest may consist in protecting assets or proving important facts such as compliance with the employer's manufacturing or other work practices for occupational safety.

However, it is not always and in any case possible to install a monitoring device that would be justified and viewed by

¹ *Monitoring, or surveillance, means the collection of information, i.e. not just personal data, which is carried out systematically. There are various methods and types of monitoring. These may include monitoring of (i) e-mail messages, (ii) website traffic, (iii) entrance to the building via a CCTV system, and (iv) telephone calls.*

² *Sections 2 and 38 of Act No. 262/2006 Sb.*

supervisory authorities as legitimate, i.e. compliant with laws. Cases of installation of a monitoring device, such as a CCTV system, have their own rules. As for a CCTV system, these rules depend on the location of the camera, the area being monitored, recording length, monitoring mode, etc. Similarly to CCTV monitoring, any other monitoring is subject to statutory requirements and a supervisory authority's recommendations.³ For example, in telephone call monitoring, it is necessary to correctly set the call script, the rules for continuing the call without recording, etc.

The importance of the employer's interest in monitoring can be seen particularly in the above protection of assets entrusted to the employee. The employee may also use the employer's production and work tools, including computer equipment or telecommunication equipment, for his personal use, but only with the employer's consent. The employer may thus agree that the company telephone is also used for private calls or that entrusted devices are used for private purposes. To specify the extent of personal use is entirely at the employer's discretion. However, the employer may monitor compliance with the rules in a reasonable manner. The reasonability, unfortunately not defined in the Labour Code, has been interpreted by the general courts which have concluded that in determining reasonability, account must be taken in particular of whether it was continuous or subsequent monitoring, its length, its scope, whether and to what extent the employer has limited the employee in his activity, whether and to what extent the employer has interfered with the employee's privacy rights, etc.⁴

In contrast to less invasive checking under Section 316(1) of the Labour Code, where the employer may check employees in a reasonable manner, Section 316 (2) and (3) of the Labour Code provides for methods/means of checking subject to stricter rules. If the employer exposes its employees to open or hidden surveillance (monitoring), wiretapping or recording of telephone calls, checking e-mails or mail consignments addressed to the employee, it will have to meet the condition of seriousness consisting in the specific nature of an activity, and the condition to inform employees of such activity. This is a special regulation in addition to the GDPR, as the Labour Code provides for additional (on top of the conditions resulting from general regulation in the GDPR) conditions that the employer must meet before the implementation of monitoring measures.

Legitimacy and scope of monitoring

Checking on employees and any possible interference with their privacy must always be balanced and appropriate to the employer's interests. Therefore, implementation of internal monitoring requires a solution minimizing

interference with employees' privacy. Such interference can be minimized by laying down organizational rules prohibiting the employer, or persons carrying out checking according to the employer's instructions, for example, from opening e-mail messages whose subject (message name, identification of a message with a special symbol, etc.) makes it apparent that it is a private and not a work e-mail.

The employer should respect the employee's right to privacy and conduct any monitoring only after it has measured its interest in protecting its property with the right of its employee to privacy. In other words, it has conducted a so-called 'proportionality test'.

In this test, the employer should review the appropriateness, necessity, and adequacy of a monitoring tool selected and set up by the employer. The test should be carried out before implementation of any monitoring tool so that the employer can consider whether all the data are really needed, whether the processing does not interfere with the employees' rights in a manner incompatible with their fundamental rights, and whether sufficient safeguards are in place to protect the employees' rights and freedoms. The employer should not forget the obligation laid down in the Labour Code to provide proper information to, and to discuss the planned measures with, the employees. When implementing new measures, the employer should consider in particular the arguments for their implementation, with an emphasis on proper justification, as it may happen that a disappointed employee will be an anonymous complainant with the competent authority.

The implementation of adequate technical and organizational measures to ensure a level of security appropriate to the risks of such processing is the obligation of the employer as a personal data controller under Article 32 GDPR. The employer, or each organization, is obliged, in compliance with the GDPR, to secure personal data processed against any unlawful destruction, loss, alteration or unauthorized disclosure of, or access to personal data processed. The security and legitimacy of the use of the monitoring system will always depend on the object of activities of each employer and the means designated for monitoring. Other technical and organizational measures should be taken in data processing via the CCTV system and other measures in the context of e-mail monitoring. For example, according to the position of the Office for Personal Data Protection, when monitoring an employee's e-mail messages, their content must not be monitored. Here, the employer is only given the right to monitor from whom the e-mail was received and to whom it was sent, the number of e-mails received and sent, or their subject. The employer should not open the employee's private e-mail

³ Competencies are given to the Office for Personal Data Protection, the State Labour Inspection Authority, and regional labour inspectorates.
⁴ Supreme Court Judgment dated 16 August 2012, ref. No. 21 Cdo 1771/2011.

correspondence under any circumstances. As for CCTV systems, only those areas where there is a higher risk of unlawful conduct or where it may be necessary to demonstrate compliance with obligations under generally binding laws (e.g. ensuring occupational health and safety) may be monitored. Insufficient setting of rules may in both cases be a prerequisite for imposing a fine of up to EUR 20 million, regardless of the type of monitoring conducted.

In setting up and using the monitoring system, it is therefore necessary to pay particular attention to the principle of proportionality so that the rights of the employee are in balance with the legitimate rights and interests of the employer, which is based on the distribution of the rights and obligations of the employee and of the employer in the context of the employment relationship. The employee expects that his right to privacy, including the right to the protection of personal data, will be adequately maintained in the employment relationship and that these rights will be respected by the employer. The employer's right is then to require effective performance of work by the employee and to protect its activities from dangerous incidents, such as unlawful data leaks, property misappropriation, or other criminal offenses committed by the employee.

Principle of subsidiarity

Before starting the monitoring process, the employer should thoroughly analyse what interests of the employees are to be protected by monitoring and consider whether the interests or assets can be protected other than by employee monitoring.

Under Article 35 GDPR, where a type of processing in particular using new technologies, and taking into account the nature, scope, context and purposes of the processing, is likely to result in a high risk to the rights and freedoms of natural persons, the controller shall, prior to the processing, carry out an assessment of the impact of the envisaged processing operations on the protection of personal data ("DPIA"). In the case of extensive automated data processing or profiling, the WP29 Working Group (now the European Data Protection Board) recommends that the DPIA be carried out. The DPIA will serve for the employer as a means of eliminating the risk of interfering with the employee's guaranteed rights and at the same time as a compliance certification instrument as it will help the employer not only to meet GDPR requirements but also to demonstrate that appropriate measures have been taken to ensure and demonstrate compliance with the GDPR.

The DPIA can be recommended especially in cases where employees are to be monitored under Section 316 (2) and (3) of the Labour Code. Monitoring can be understood as

a longer-term or repeated systematic checking of employees by a monitoring tool. Monitoring is thus one of the operations involving the processing of personal data, since without personal data, monitoring would be irrelevant. The employer's goal here is to identify a person and, where appropriate, draw conclusions from the conduct that has been monitored.

Information obligation

The GDPR in Article 12 establishes the obligation for a controller to have transparent, intelligible and easily accessible rules for the processing of personal data and the exercise of the rights of the data subjects. This obligation reflects the principle of transparency and aims to provide all data subjects, including employees, with sufficient information on what data and how the controller processes.



The employer must inform its employees in advance of the extent of checking, what data will be collected and how such checking will be carried out - where and for how long the data will be stored, who will have access to them, whether and under what conditions they may send private e-mails during their working hours, what the procedure is for opening e-mails during a longer absence, whether they are allowed to use the Internet for private purposes during working hours, what security measures are to prevent unauthorised access, etc. The employer should fulfil this obligation in full and in advance towards employees, i.e. yet before the establishment of an employment relationship. A suitable communication tool to inform employees of all measures taken by the employer is, for example, work regulations or other internal regulations.

The information obligation is one of the employer's essential obligations, which was also addressed, inter alia, by the European Court of Human Rights in *Barbulescu v. Romania*.⁵ According to the court, if the employer wants to monitor the communication of its employees, it must inform the employees about this possibility and the scope of such monitoring in advance. It can be inferred from the court's decision that the employer's authorisation to carry

⁵ See our *Privacy Flash* (in Czech only).

out checking is inadequate and the employer is thus obliged to inform the employees in advance.

Conclusion

The Internet and electronic communication have become an inseparable part of working life, and it is therefore important to respect where the boundaries between the privacy and the checking of employees' work duties are. It follows from these conditions that, in general, the employer should not monitor

its employees unless it has a serious reason for doing so, or that monitoring may be carried out only on a random basis. Serious reasons must lie in the special nature of the employer's activity. However, it is not possible to generally determine when these serious reasons lying in the special nature of the employer's activity are fulfilled, or what activities are covered by the exemption. The fulfilment of the conditions should be examined in each particular case and, at the same time, should ensure that the employer's measures affecting the privacy of the employees are adequate to their purpose.

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HAVEL & PARTNERS has become the Law Firm of the Year 2018 in the Intellectual Property category

Intellectual property law is one of the most important and constantly growing legal specialisations of the firm. The legal team of 15 lawyers led by firm partner and co-founder Robert Nešpůrek and partner Ivan Rameš is among the largest advisory groups with this specialisation in the Czech Republic and Slovakia. *"Successfully building a brand and developing innovative ideas also includes their legal protection. We are very pleased that the know-how we have developed over the years is being sought by more and more clients - whether they are domestic companies expanding abroad, major global corporations or entrepreneurs combating counterfeits. We are delighted that this successful cooperation has been reflected in our victory in the Intellectual Property category,"* says Robert Nešpůrek.



HAVEL & PARTNERS is the law firm of the year in the field of IT law in the Czech Republic according to a global online ranking of legal services

Our law firm received the 2018 Global Law Experts' Annual Award for the best law firm in the Czech Republic providing legal advisory in the area of law of information technologies (IT Law – Law Firm of the Year in the Czech Republic – 2018). *"Our law firm's specialized team, dealing with information technology, telecommunications, media, e-commerce and protection of personal data (now particularly in relation to the General Data Protection Regulation – GDPR), is one of the largest in the Czech and Slovak Republics. Our clients include the most significant entities running their business in information technology and investors expanding their portfolio by focusing on investment in technological companies. The Global Law Experts international award is very important feedback for us on the quality of our services,"* says Robert Nešpůrek, the law firm's partner and head of the advisory group for IT law.



DPOaaS: Outsourcing of DPO Services

Designation of data protection officer (DPO) is one of the most important new obligations for data controllers and processors under the General Data Protection Regulation (GDPR).

As DPO services may be provided also by a third party, many organisations will consider outsourcing these activities. HAVEL & PARTNERS has years of experience advising on personal data protection and IT, so it decided to offer DPO services and further long-term support in the field of GDPR compliance in cooperation with **FairData Professionals a. s.**, a new company with full access to the capacities, know-how and experience of the law firm.

Offered services

- Outsourcing of the DPO services for controllers and processors of personal data that are obligated to appoint a DPO or decide voluntarily to appoint a DPO
- Professional support to DPOs appointed internally from among staff members and local support to foreign DPOs (designated e.g. on a group level)
- Acting as a quasi-DPO – an unofficial “officer” providing support to the organisation and monitoring its compliance with data processing requirements under the GDPR
- Further support and advice on data security and compliance

Advantages of our services

- **Stability and professionalism:** we have more than 12 years of expertise in the field of personal data protection and continue to build a strong and stable team with advantages you can benefit from in cooperating with a reliable partner on a long-term basis
- **Relevance:** we work in many sectors and know our clients’ needs; GDPR rules should be applied proportionately to cover risks while still allowing business to be done
- **Increasing value:** we perceive the correct application of the GDPR as an opportunity to apply a modern approach to the use of data in business and to enhance reputation
- **Risk-oriented:** the most conservative solution is not always the best solution
- **Combined expertise:** our teams combine legal and IT expertise
- **Synergies:** DPO-related costs may not be marginal, but our service will take advantage of economies of scale
- **Efficiency:** thanks to detailed knowledge of your organisation, we can more efficiently assess the changes you are going to implement in the field of personal data processing
- **Prevention:** we will notify you of changes in legal regulations, new case-law or developments in the application of laws and provide you with company-specific change recommendations
- **Long-term support:** it is our vision to become one of the major providers of this type of service offering reliable long-term support to our clients

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Amendment to Czech and Slovak Trademark Acts – What Can We Expect?

On 1 January 2019, an amendment to the Trademark Act¹ (the “**Amendment**”) entered into effect in the Czech Republic. The Amendment is a consequence of a transposed European regulation aiming to revise the existing system of trademarks and to create conditions for increasing its quality. In Slovakia, an amendment transposing this new European legislation entered into effect on 14 January 2019. The amendment is rather extensive and introduces several important changes, in particular for trademark owners. For example, the Czech and Slovak Offices for Industrial Property will no longer reject new applications for the registration of trademarks which are identical to older registered trademarks. Therefore, a situation may occur in which the competent office will register an identical trademark without the owner’s knowledge.

Reasons for and circumstances of the Amendment

The amendment has transposed Regulation (EU) 2015/2436² (the “**Regulation**”) into Czech law. The Regulation aims to create a more efficient, faster and simpler trademark system which will support a well-functioning internal market, more efficient protection of trademarks and limitation of inconsistencies between trademark protection systems within the EU. In this respect, the Amendment affects both substantive and procedural provisions of the Trademark Act. It is necessary to realise in connection with the Amendment that the Czech legal regulation of trademarks was last amended in 2003; thus, this is its first revision in more than 15 years.

What does the Amendment introduce?

The changes affect a wide spectrum of activities. In particular, the Amendment:

- leaves out the mandatory requirement for graphical representation of a trademark which prevents the registration of unusual trademarks (such as sound, motion or holographic trademarks),
- abandons the rejection of a trademark application on the grounds of existence of an older identical trademark containing an identical element and protected in respect of identical goods and services in proceedings by virtue of office,
- specifies more precisely the grounds for rejecting protection or for invalidity,
- introduces provisions regarding the lack of a distinctive character or the good reputation of an older trademark which prevents a registered trademark from being declared invalid,
- enables a trademark owner to prohibit the use of a trademark as a name or business name or their part,
- enshrines the right to prohibit preparatory measures in relation to the use of packaging or other means,
- provides for the trademark owner’s right to prevent third persons from transporting unlawfully designated products into the customs territory of a Member State without being released into free circulation within the EU market,
- incorporates the requirement to prove the use of an older trademark in opposition proceedings as well as in proceedings regarding a breach of trademark rights, or
- introduces the regulation of the so-called certification trademark.

One example of the Amendment’s effects

If during the period before the effective date of the Amendment the Czech and Slovak Industrial Property Offices received a new trademark registration which was identical to older trademarks registered for identical products and services (a “**conflicting mark**”), they rejected such an application. The Offices dealt with such a conflict automatically. A conflicting mark was rejected by the Offices, and the new trademark was not registered without the owner of the older trademark knowing that an identical trademark application was filed. In the Czech Republic, this procedure was provided under Section 6 of the Trademark Act before the Amendment.

However, in both countries, the above procedure was cancelled. In compliance with the Regulation, the grounds for rejection were requalified as so-called relative grounds for opposition, being made subject to the provisions of Section 7(1)(a). As a consequence of this change, the Offices will be bound by the official duty to no longer reject conflicting marks as of January 2019.

In practice, this means that new applications for conflicting trademarks will be automatically published by the Offices in trademark registers and conflicting marks will be fully registered unless oppositions to them are filed by the owners of older identical trademarks. This change will affect not only applications filed after the effective date of the Amendment but also applications which were filed before its effective date but have not been published yet.

According to the explanatory notes on the bill, abolishment of this provision eliminated a disproportion between the positions of trademark owners in proceedings before the Office and the EUIPO.

¹ Act no. 441/2003 Sb., on trademarks and on amendments to Act no. 6/2002 Sb., on courts, judges, assessors and on amendments to some other laws (the Act on Courts and Judges), as amended, (the Trademark Act).

² Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trademarks.

Solution for owners

This change means that trademark owners should now actively monitor new published trademark applications and file oppositions to any conflicting mark within 3 months from their publication.

Otherwise conflicting marks will be registered as valid trademarks, which may be a very unpleasant but still solvable situation for owners of older trademarks. Naturally, trademarks which were previously registered can be invalidated or cancelled, but such a procedure becomes more and more time-demanding.

A suitable method for avoiding a conflicting mark is to regularly monitor new applications (by means of automated monitoring, generally on a monthly basis, based on which it is possible to timely identify not only conflicting marks but also applications which may be similar to older trademarks). Our law firm has been providing this service to clients for many years already. We inform the clients of conflicting marks on a regular basis, after which we typically commence opposition proceedings or initiate proceedings with the applicant for the purposes of withdrawing a conflicting trademark application.

Related changes

In addition, the Czech Amendment envisages an amendment to Act no. 221/2006 Sb., on enforcement of IP rights, due to the transposition of Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure. Thus, unlike previously, this act will enshrine express provisions under which protection is provided to authorised persons against a breach of their trade secrets. In this connection, the name of the act will also change to “*Act on Enforcement of Industrial Property Rights and Protection of Trade Secrets*”.

It will be interesting to watch how some of the more substantial changes above will affect the work of the Offices, in particular as regards the requirement to prove the use of an older trademark in opposition proceedings or the abolishment of the aforementioned Section 6. It can be expected that the number of opposition proceedings will grow while more time will be required to handle them. At the same time, it is not expected that the number of new applications for unusual types of trademarks will rapidly grow; registrations for such trademarks will probably be more frequent in connection with their broader territorial applicability as EU trademarks.

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HAVEL & PARTNERS and three of its lawyers cited by the prestigious international ranking World Trademark Review 1000, listing most outstanding law firms with a focus on trademarks

Our law firm has been included in the most recent release of the reputable international ranking World Trademark Review 1000 which, on an annual basis, maps the leading IP and trademark practices and practitioners in more than 80 jurisdictions around the globe. The ranking is based on an extensive market research and on feedback from those who make use of the relevant advisory services in the market segment concerned. Besides HAVEL & PARTNERS, the publication also names the firm's three IP law practitioners – Ivan Rámeš and Robert Nešpůrek (partners), and Tereza Hrabáková (associate). “*We are delighted that our Intellectual Property practice group is commended as one of the best practices in the Czech Republic in 2019. We are thus following up on our success in late 2018 when we were named the Law Firm of the Year in the Intellectual Property category. We highly esteem the WTR 1000 award because it reflects the work we have done and, more importantly, assessments provided by our clients as well as other major law firms and patent practitioners who operate in the market and have recommended us. I am glad that our clients, including local companies expanding abroad, as well as major global corporations and entrepreneurs who are combating counterfeits, have chosen us to advise them because they realise that legal protection is important for successfully building a brand and protecting innovative ideas,*” says Ivan Rámeš, one of the three HAVEL & PARTNERS lawyers recommended by World Trademark Review 1000 for 2019.



Intellectual property law services

Intellectual property law is one of our major practice areas. We provide specialised legal services related to works of authorship, trademarks, industrial designs, patents, database rights, and other intangible property. With its 20 members, our IP law team is one of the largest in the Czech Republic and Slovakia.

For many years, we have also focused on the enforcement of IP rights, that is, in relation to **counterfeit and pirated goods** and related customs procedures and litigation.

We conduct periodical **monitoring of conflicting trademark applications**, inform clients about such applications in pre-agreed intervals, and suggest suitable strategies.

IP law aspects are also reflected in our focus on unfair competition and media law: we address issues related to advertising and the protection of personal rights. We also have specific know-how in film rights and contractual relationships between individual participants in film production.

Ensuring adequate protection of IP rights

- trade mark strategies in the Czech Republic, Slovakia, the EU, and the rest of the world
- protection of the client's portfolio – monitoring conflicting registrations by third parties in any country around the globe
- comprehensive IP portfolio management services and brand value enhancement
- registration of rights at national and international levels
- research in connection with trademarks
- protection of copyrighted works
- dealing with organisations for collective management of IP rights
- protection against illegal and parallel imports

Transactional support and contract negotiations

- transfers and assignments of registered and unregistered IP rights
- licences to IP rights
- IP agreements with employees, employee works
- franchise agreements
- due diligence and other types of legal audits
- technology transfers

Dispute resolution

- representing clients in disputes related to trademarks,

- patents and in other IP disputes
- arranging preliminary rulings
- support in obtaining evidence
- defence against unfounded claims
- preparing appropriate strategies for defending and representing clients in court

Combatting counterfeit and pirated goods

- monitoring and seizing counterfeit and pirated goods in all sale and distribution segments: during imports to the Czech Republic, during export, in retail stores, at stands and market places both on the internal market and on the Internet
- arranging for the destruction of counterfeit and pirated goods, filing actions and criminal complaints against infringers, entering into agreements for damages
- active cooperation with the Customs Administration and the Czech Trade Inspection Authority

Film rights and use of film incentives

- defining suitable contractual arrangements for financiers, producers, co-producers and service companies
- identifying risks involved in state aid (in particular, risks associated with the non-transferability of claims arising from film incentives)

Proposal for a Directive on Representative Actions for the Protection of the Collective Interests of Consumers or Collective Actions in a European Way

The European Commission has submitted a proposal for Directive 2018/0089 (“COD”) of the European Parliament and of the Council on Representative Actions for the Protection of the Collective Interests of Consumers,¹ which modernises and replaces Directive 2009/22/EC of the European Parliament and of the Council on injunctions for the protection of consumers’ interests. The proposal has sparked a wave of criticism from the professional public, including the Council of Bars and Law Societies of (“CCBE”). In the Czech legal area, where national legislation on collective actions is being prepared in parallel, the debate is all the more interesting.

Purpose of new legislation

The aim of the proposed directive is to guarantee European consumers fast and effective protection of their rights if they are violated as a result of unfair commercial practices by traders. The directive contains a list of legal regulations the violation of which establishes the consumer’s right to defend himself by way of so-called ‘representative actions’ (the term used in the directive for collective actions). That list covers a number of sectors including, for example, financial services, energy, health, environment, travel, tourism, and telecommunications.

Assertion of claims by the consumer

Unlike the US model, where collective actions are linked mainly to the active practice of lawyers, the proposed directive provides for a representative action to be brought only by a so-called ‘qualified entity’. A qualified entity, as a group representative, will then represent the interests of all concerned consumers in the proceedings. The proposal foresees that these entities will include non-profit organizations established under the law of a Member State and registered in the relevant public register. Although the proposal states that the implementation of the directive will not affect the possibility for a Member State to adopt or maintain, at national level, other means of protection of consumers’ collective interests, for now it does not consider the possibility for other entities, such as lawyers, to represent consumers in the position of a qualified entity.

Qualified entities will be able to bring an action before a court or administrative body² to assert all claims that an individual consumer could assert. They can therefore claim mainly damages, the granting of a discount, the return of unjust enrichment, to seek the cessation of a particular activity or its

prohibition or, conversely, an order obliging the entrepreneur to continue in a certain activity. To this end, it will be possible to apply for an interim measure. By bringing the action, a limitation period for the assertion of any claim for compensation is stayed, if such a claim is subject to limitation.

Qualified entities will bear all the costs of the proceedings on a representative (collective) action, including any costs associated with not being successful in the proceedings. Therefore, in the initial phase of the proceedings, qualified entities will have to prove that they have sufficient funds to be in a dispute and how they have obtained the funds. The proposal does not address the specific method of financing qualified entities. However, given their proposed non-profit nature, they can be expected to be funded primarily from State contributions.

The qualified entity will also be obliged to provide information on the ongoing dispute in an appropriate manner so that other affected consumers can exercise their rights in such proceedings. The proposal does not yet address whether consumers will have to actively join the initiated proceedings (opt-in option) or whether they will be automatically included in the proceedings and will have to opt out if they want to exercise their rights individually (opt-out option). However, some of the provisions of the proposal show that it rather inclines to the opt-out option.

Protection of traders against vexatious representative actions

The Commission stresses that representative actions should not be a tool of bullying against businesses which are likely to suffer considerable damage by such proceedings even if it is decided in their favour (negative publicity, the obligation to provide sensitive documents or to disclose information at the court’s request, etc.). In order to ensure that this concept is not abused, a so-called *certification stage* of the proceedings is taken into account. At this stage, the competent authority (particularly the court) will examine preliminarily whether a representative action is well founded and whether it can be heard. Only after this certification stage will the information that the action has been brought be disclosed in the media. Under the proposal, only an amount equivalent to actual loss can be sought by the action. Therefore, the proposal does not include the concept of punitive damages (i.e. awarding a financial amount in excess of the damage suffered, for

¹ The official Czech translation works with the concept of “zástupné žaloby” as a translation of English “representative actions”. However, it would be more appropriate to retain the term “reprezentativní žaloba” (the party is represented by another entity in the proceedings on such an action), which is already used by the professional public and which is more appropriate for this purpose.

² The proposal for the directive leaves the Member States free to determine the specific procedure and the competent authority.

the purpose of a repressive function), which can be claimed by consumers, for example, in the US model.

Decision

The proposal emphasizes that reaching a settlement is the optimal way of ending the dispute. However, any out-of-court settlement must be approved by the court so as not to misuse the proceedings to the detriment of consumers.

If a final decision is issued by the court, this will constitute *res judicata* for the same infringement of the law by the same trader. In exceptional cases, only the declaratory decision can be issued, stating that the trader has breached an obligation laid down in the law. The enforcement of compensation itself will be solved individually by individual consumers. Such a decision can be expected in cases of higher damages that cannot simply be determined as a lump sum.



An appeal may be filed against the first instance court decision, and it will also be possible, in justified cases, to request the issuing of a decision which, in accordance with national law, will grant a party involved the suspension of the enforcement of the decision. The trader will be obliged to publish the final decision in such a way so that all consumers concerned are aware of (have a chance to become aware of) that decision.

The peculiarity of the proposal is the obligation for the State to lay down a system of penalties in case the trader fails to respect the final decision. Thus, the public enforcement element of the decision enforcement control enters the

system of collective actions. It is also appropriate to mention that if the amount of damages is within the limits of a so-called 'small' claim, such damages will not be paid out to consumers but will be distributed among consumer protection organizations. However, the threshold for damages for small claims is not laid down in the proposal.

Cross-border collective actions

Bringing cross-border collective actions at the EU level faces a number of obstacles. The objective of the directive is to eliminate these obstacles. According to the analysis submitted by the European Commission, the proceedings on cross-border representative actions were conducted under the current Directive 2009/22/EC in less than 30 cases.

Under the proposal, the Member States are therefore obliged to ensure that a representative action can be brought before the courts of a Member State by one or more qualified entities from different Member States acting jointly in order to protect consumers. At the same time, the Member States should remove obstacles that would disproportionately burden the proceedings on cross-border representative actions.

Conclusion

The purpose of the submitted proposal is to protect consumers from dealing with traders who may, in some cases, rely on the fact that an individual who suffers little or no harm will not be able to claim damages for such harm. In order for this protection to work, it is necessary to respect the rights of all parties to the proceedings and to propose an effective system of process solution. In this respect, a number of issues are linked to the current form of the directive. The biggest criticism is about the model of financing the entire process by the State and excluding organizations other than non-profit organizations from being able to represent consumers. Discussion is also being led as to how consumers will participate in the proceedings, what role the courts will play, who will actually fund the proceedings, or what the relationship between the proceedings on a representative action and possible insolvency proceedings will be.

These issues are also faced by the Czech legislator, who is working in parallel on the draft Act on Collective Actions, which should not only affect the relations between consumers and traders, but also relations among traders themselves. According to current information, the draft Act should be prepared in the first half of 2019 for submission to the Czech Parliament.

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From Svensson to Cordoba – an Overview of the Case-law on Making Works Available to the Public

We come across hyperlinks daily on the Internet without paying special attention to them. They greatly speed up and simplify our access to works of other authors placed on various websites. This article describes the development of assessing the “legality” of thus shared content in the Court of Justice of the European Union’s (“CJEU”) varied case-law.

Making a work available to the public is one of the basic ways of using the author’s work. Under the Copyright Act, making a work available to the public means the dissemination of the work in such a way that an individual has access to it from a place and at a time chosen by him (for example, through the Internet to the uploaded image of the author). The CJEU has been referred a number of questions for a preliminary ruling concerning making works available to the public, in particular in relation to the conditions under which the provision of a link to another website must also be considered as making a work available to the public. Therefore, in our article we will try to point out fundamental and breakthrough decisions that constitute the basic legal framework for further decision-making as to when it is possible to make a work available to the public in the form of a hyperlink also without the specific consent of its author.



Where it all started – Svensson and Others v Retriever Sverige AB

We can consider the decision in *Svensson and Others v Retriever Sverige AB* (“**Svensson**”) as the first breakthrough decision which made a path. The applicants, as authors of newspaper articles published in the *Göteborgs-Posten* newspaper, brought an action against Retriever Sverige which operates a website containing hyperlinks to articles published on other websites. They objected to the infringement of their exclusive right to make works available to the public and claimed damages.

In this case, the CJEU had to deal with the Swedish court’s questions for a preliminary ruling on whether the provision of hyperlinks to websites containing the author’s work constitutes making a work available to the public within the

meaning of Article 3(1) of Directive 2001/29/EC on the harmonization of certain aspects of copyright and related rights in the information society (“**Directive**”), and at the same time, if it is decisive whether access to a website is limited, and whether the link opens on another website or not. The court was also interested in the possibility for a Member State to give the author’s exclusive right wider protection than that referred to in Article 3(1) of the Directive by providing for a broader interpretation of the concept ‘making available to the public’.

The CJEU drew its attention to the interpretation of this concept, holding that in order to be covered by the concept such act had to be directed at a “new public”, that is to say, a public **that was not taken into account by the copyright holders** at the time they first authorised making the work available to the public. Given the free access to the websites in question, without the need for registration or other restrictions, in the present case the CJEU was of the opinion that the links were not directed at a new public. It did not consider the method and form of displaying websites after clicking on the respective link to be decisive. The CJEU subsequently excluded the possibility for Member States to give copyright holders wider protection than that given in the Directive.

GS Media BV and further clarification

We have already discussed the CJEU’s decision in *GS Media BV (“GS Media”) v Sanoma Media Netherlands BV (“Sanoma”)* in an earlier issue of *EU Legal News (1/2017)*, but given its importance, we would like to mention it at least marginally.

GS Media, operating an investigation web-portal, had repeatedly published hyperlinks to the websites on which Sanoma’s copyrighted photographs were uploaded, while Sanoma objected to such conduct.

A different element here, when compared to the *Svensson* case, was the fact that, while in the *Svensson* case the author’s works to which hyperlinks referred were published with the author’s consent, in the *GS Media* case the author’s consent was absent. Photos were uploaded to several websites illegally by third parties.

The CJEU has expressed the view that hyperlinks contribute to the sound operation of the Internet as well as to the exchange of opinions and information and therefore need to be treated sensitively. Subsequently, in that decision it addressed two basic scenarios.

If a hyperlink is posted by a person who does not do so to pursue financial gain, the CJEU took the view that this does not constitute making a work available to the public

or a copyright infringement. An exception would be the situation where such a person knew that the link in question makes illegally published works available (for example, if such a person was advised by the author himself).

On the other hand, in the case of posting a hyperlink by a person doing so to pursue financial gain, the CJEU presumed a rebuttable presumption of such a person's knowledge of the illegal nature of the publication of the copyright work and hence considered such posting of hyperlinks to be an infringement of the copyright of the works concerned.

Cordoba – Land Nordrhein-Westfalen v Dirk Renckhoff

A crucial and relatively recent decision of 7 August 2018 is also the CJEU decision in the *Cordoba* case. The decision entails the CJEU's approach when assessing making a work available to a new public in the case of making a copy of the work and newly uploading it to websites, different from that when assessing making a work available to the public via hyperlinks. Just to answer the question whether the CJEU will also apply an approach similar to that with hyperlinks, this decision was much anticipated.

This case involved a secondary school pupil who, in a school presentation, used a photograph downloaded from an online travel portal. The presentation was then posted on the school website. The author considered this to be an unauthorised communication to the public and claimed from the school payment of damages for copyright infringement.

The Federal Court of Justice referred the question to the CJEU for a preliminary ruling as to whether the inclusion of a work, which is freely accessible to all Internet users on other websites with the consent of the copyright holder, on publicly accessible websites constitutes making that work available to the public within the meaning of Article 3(1) of the Directive if the work is first copied onto a server and is uploaded from there to those websites.

Despite the defendant's arguments, in the light of the previous case-law, that the initial making available of the work (which is referred to) could have potentially been viewed by every Internet user and thus there is no public that would be new to the work, the CJEU concluded that in the assessed case the work was made available to a new public.

The CJEU based its view in particular on the statement that such a procedure would exhaust the author's rights to the work, then the impossibility for the author to terminate the

work's being made available only by removing the work initially made available and, last but not least, the decisive role of the defendant in making the work available when the defendant downloaded, copied, and made it available to the public again.

Contrary to the decisions in *Svensson* and *GS Media*, the CJEU expressed the view that such publication of the work on the website without the consent of its author no longer contributes, to the same extent, to the sound operation of the Internet, as in the case of hyperlinks.

Based on the above arguments, the CJEU was thus able to distinguish such a situation from a simple publication of a hyperlink. While in the case of hyperlinks the new public is not affected, in cases where a copy is made, one can talk about making a work available to the public that was not taken into account by the author when he consented to the initial making the work available to the public.

How to proceed then?

As we can see, the case-law on making works available to the public, whether via hyperlinks or by making a copy of a work, is constantly evolving. Following the above CJEU's existing decision-making practice, we can identify the basic assumptions under which an author's work can be further made available to the public also without the original author's consent.

Primarily, such a work must be freely available, without the need for registration or pre-paid content. Provided that such a work is published with the author's consent, it is possible to refer to it further. However, in the absence of the author's consent, as in *GS Media*, it is necessary to distinguish other facts, specifically whether the person who refers to it acts in the pursuit of financial gain, or could have otherwise known about its illegal sharing. If only one of these two facts exists, this could already constitute a potential copyright infringement.

The *Cordoba* case is a specific situation, where, unlike *Svensson* and *GS Media*, a hyperlink referring to a work was not published, but precisely the work itself was copied and re-uploaded. In this making the work available to the public, the CJEU considered the users who could already see the initially communicated work to be a new public, *provided* other conditions were met (the activity of the defendant in downloading, copying and re-uploading, and the impossibility for the author to remove the work directly), and such conduct can be considered as an infringement of the original author's copyright.

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Transfer of Rights and Duties of Employees in the Light of CJEU Decision



In its recent decision, the Court of Justice of the European Union (“CJEU”) voiced its opinion that even a 5-month interruption in the provision of services does not preclude an automatic transfer of employees to a new services provider.

Original dispute

The CJEU in case C-472/16 was issued on the basis of a request for a preliminary ruling lodged with the CJEU by the Spanish Tribunal Superior de Justicia de Castilla y León (high court of justice, Castile and León). This request arose in a dispute of Jorge C. Sigüenza vs the self-government of the town of Valladolid, and the companies In-pulso Musical SC and Músicos y Escuela.

The town of Valladolid had been running a music school for a long period of time, and in 1997 it opened a tender for a school administrator. Músicos y Escuela won the tender, and it was provided with premises as well as musical instruments and other equipment by the town of Valladolid. Nevertheless, given the decrease in the number of students and its overall financial difficulties, in March 2013 Músicos y Escuela prematurely terminated the music school administration contract signed with the town of Valladolid and dismissed all its employees for organisational purposes in April 2013. Mr. Sigüenza was one of the employees and was convinced that the termination of his employment was not valid and that his employment should have been automatically transferred to In-pulso Musical SC, the new music school administrator, which had won the tender for the new music school administrator called by the town of Valladolid. The company commenced its business activities with its new employees in September 2013, i.e. 5 months after the termination of the previous music school administration

contract. The town of Valladolid conferred to the new school administrator the right to use the same premises and equipment used earlier by Músicos y Escuela.

Position of the CJEU

Part of the request for a preliminary ruling addressed to the CJEU was an assessment whether the above conduct could have led to a transfer of employees to a new employer pursuant to Directive 2001/23/EC¹ (the “**Directive**”).

First of all, the CJEU reiterated the previously mentioned principles relating to the transfer of employees: (i) it applies to all cases of changes in contractual relations; (ii) the transfer of material resources is irrelevant; and (iii) the importance of whether the entity concerned will retain its identity, which primarily depends on whether the administration is resumed or whether the entity will be taken over. In order to assess whether the terms have been fulfilled, it is necessary to always consider all facts characterising the transaction concerned. These include namely the type of the undertaking; whether or not the business’s tangible assets, such as buildings and movable assets, are transferred; the value of intangible assets at the time of the transfer; whether or not the majority of its employees are taken over by the new employer; whether or not its customers are transferred; the degree of similarity between the activities carried on before and after the transfer; and the period, if any, for which those activities were suspended.

In the light of the above principles, the CJEU arrived at the conclusion that the case in question could entail a “transfer within the meaning of Article 1(1) of the Directive”. The reasoning was as follows:

¹ Council Directive 2001/23/ES of 12 March 2001 on the approximation of the laws of the Member States relating to the safeguarding of employees’ rights in the event of transfers of undertakings, businesses or parts of undertakings or businesses.

1. **Takeover of tangible equipment** – musical instruments, equipment and premises have been transferred to In-pulso Musical SC whereas for the CJEU it is irrelevant whether the resources were provided only for use or whether the transfer entailed the transfer of the ownership title;
2. **Failure to take over employees** – the case at hand does not concern an industry the activities of which are primarily based on the workforce since the activities specifically require considerable equipment;
3. **Taking over the services provision and pupils** – In-pulso Musical SC has taken over the provision of the services of a school of music, including the pupils attending the school’s classes;
4. **Interruption period** – temporary interruption of activities for a period of merely several months cannot rule out that the economic unit will retain its identity; the fact that a large part of the period for which the school administration was interrupted was the summer holidays, and the school would not in fact be open anyway, played a major role in the decision-making.

As for the employee in question, the CJEU ruled that his dismissal may have taken place “for economic, technical or organisational reasons entailing changes in the workforce”. This would constitute lawful dismissal provided that the circumstances leading to the dismissal of all employees and the delayed appointment of a new services provider do not constitute an arbitrary measure aimed at depriving the employees of rights conferred to them by the Directive.

Conclusion for practice

This decision does not automatically imply that a 5-month interruption in the provision of services could rule out a transfer; in practice, however, pursuant to the CJEU guidelines, all circumstances of the business operation and factors that could be in favour of the transfer of employer-employee relations should be considered in detail. The CJEU is clearly in favour of the transfer.

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HAVEL & PARTNERS has won the title of the most sought-after employer among the law firms in the Czech Republic for the fifth time

Our law firm is the most sought-after employer among law firms in the Czech Republic for the fifth time. This comes from the latest results of the survey TOP Employers, which was organised for the eighth year by the Association of Students and Graduates. In addition, the law faculty students with the best study results ranked the firm first for the third consecutive year in the Lawyer category, where international law firms dominated before HAVEL & PARTNERS. The survey TOP Employers 2019 this year involved a total of 11,577 university students. *“We are very pleased that we remain the most attractive employer among law firms in the Czech Republic for the incoming generation of lawyers. These excellent results are a confirmation to us that HAVEL & PARTNERS is a strong and established brand,”* Jaroslav Havel, managing partner of the firm, says of the current award. The results of the TOP Employers 2019 study correspond with the position of the firm in the legal market. It is the largest and most successful domestic law firm, which has also long been confirmed by the results of the Law Firm of the Year competition, in which HAVEL & PARTNERS has clearly triumphed. Currently, the firm employs more than 200 lawyers in its offices in Prague, Brno and Bratislava, of whom there are more than 100 attorneys and 29 partners, as well as about 80 students of mostly law faculties.



Intellectual Property Protection: a Fundamental Right Which Also Overrides the Right to the Protection of Privacy and Family Life, as the CJEU Held

Intellectual property protection is one of the fundamental rights of the Charter of Fundamental Rights of the European Union (“Charter”), like the protection of tangible property, the protection of family life, prohibition of torture, and freedom of establishment. In the case of a conflict between fundamental rights, these rights need to be mutually measured and balanced. Therefore, the Court of Justice of the European Union (“CJEU”) has ruled that intellectual property protection may in certain cases also override the protection of privacy and family life. Specifically, liability for an infringement of intellectual property rights cannot be avoided simply by referring to family members who also had access to the infringer’s Internet connection. He should also provide the necessary information about the activities of family members if this is the only possible way to ensure intellectual property protection.

The dispute in the main proceedings before the German courts

In 2010, an audiobook appeared on the Internet for free downloading, without any licence to do so, which was shared via so-called P2P servers. The holder of the copyright and other rights to that audiobook is the publishing house Bastei Lübbe GmbH & Co. KG. Bastei Lübbe tried to address the infringement of its rights and found via the IP address that the audiobook was shared from the Internet connection of Mr Michael Strotzer. Bastei Lübbe therefore requested Mr Strotzer to cease and desist the infringement of the copyright and to withdraw the audiobook from the Internet. This request was not met, and Bastei Lübbe therefore brought an action.

Under German law and national established case-law, it was presumed that if an infringement of intellectual property rights is committed through the Internet connection of a particular person, that person is considered to be the infringer and is therefore liable for that conduct. He may, however, be discharged from his liability if he identifies another person who has used the Internet connection and has committed the infringement in question. However, in the case of family members, it was sufficient to indicate that fact and the owner of the Internet connection did not have to specify any further details. In practice, he discharged himself of his liability and the holder of the intellectual property right had no other choice to find out who the real infringer of its rights was.

Michael Strotzer proceeded similarly. In his defence, he stated that his parents had had access to his Internet connection, sharing a common household with him. However, he did not

specify which of the parents could have committed the alleged infringement of intellectual property rights or any other facts.

The German courts of first instance, in accordance with established practice, dismissed Bastei Lübbe’s action, referring to the protection of privacy and family life. However, in the appellate proceedings, the court referred the question to the CJEU for a preliminary ruling as to whether that German legal practice is compatible with EU law.

Question for a preliminary ruling and foundations for the legal protection of intellectual property in the EU

In the context of the reference for a preliminary ruling, the German court asked for an interpretation of EU law, namely whether the EU rules preclude the practice when the owner of an Internet connection via which a copyright has been infringed through unauthorized file sharing cannot be held liable if he names at least one family member who might have had access to that Internet connection, without providing further details relating to the time and the nature of the use of that connection by that family member.



Thus, in its Decision C-149/17 of 18 October 2018 (“**Decision**”), the CJEU has dealt with the interpretation of Article 17 of the Charter, which confirms the protection of property, and the second paragraph of that article, which explicitly mentions the protection of intellectual property. Other relevant legislation included Directive 2001/29/EC on the harmonisation of certain aspects of copyright¹, which states in paragraph 9 of the preamble that it is necessary to take as a basis the high standard of intellectual property protection as a necessary prerequisite for the functioning

¹ 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.

of the intellectual property system. Article 8 of that directive requires the Member States to provide for adequate sanctions and remedies for infringements of intellectual property rights. In addition, the Member States are required to take the measures necessary to ensure that those instruments are applied. Article 3(2) of Directive 2004/48/EC on the enforcement of intellectual property rights² then adds that such measures for the protection of intellectual property rights must be **effective, proportionate and dissuasive**.

CJEU's conclusions: Fundamental rights need to be measured

The CJEU has held in the Decision that the protection of privacy and family life enshrined in Article 7 of the Charter is a fundamental right of persons similar to the protection of private property. If two fundamental rights are in conflict with one another, it is necessary, by way of interpretation, to arrive at a conclusion that will allow the necessary balance to be struck between those fundamental rights. In a particular case, one fundamental right may be overridden by the other fundamental right to a certain extent. However, there must be no situation where the application of one fundamental right would completely deny (empty) the other fundamental right.

Therefore, if a general reference to a family member frustrates the possibility for the copyright holder to seek protection or at least establish the identity of a person who has infringed that holder's right, this causes the emptying of the fundamental right to intellectual property protection. In the existence of such an easy way to avoid one's own liability, one cannot talk about effective and dissuasive measures to protect intellectual property rights. The CJEU has thus concluded that the practice of the German courts is in breach of EU law.

Practical significance of the Decision

If an IPR holder identifies a person from whose Internet connection an intellectual property right has been infringed, the holder has a right to ask that person to cease the infringement of the intellectual property right and seek reasonable satisfaction. If that person indicates other persons who have had access to the connection, he has the obligation to provide the details necessary to identify the particular infringer and, where appropriate, other necessary details. However, if the owner of an Internet connection indicated some of his family members as other persons having access to the connection, before the Decision became valid, he was not obliged to provide the information necessary to clarify the identity of the infringer. This is changing now. Unless the

holder of an intellectual property right has another possibility of establishing the identity of the infringer, he may request that information from the owner of the Internet connection. The owner of the Internet connection must then provide such information. If there is no other way to ensure the protection of intellectual property rights, the protection of privacy and family life must be overridden. This applies, of course, in cases where a particular interest in protecting family life in a particular case does not override the protection of intellectual property rights. National courts must also always review whether there is any other way to find out the necessary information before ordering the owner of the Internet connection to provide the necessary information. The liability of the Internet connection owner himself cannot also be ruled out.

Apart from this specific case, the Decision then shows how the CJEU approaches the protection of intellectual property rights. Intellectual property protection in general can outweigh other fundamental rights guaranteed in the Charter. However, those other fundamental rights cannot be totally denied in their essence.

The Decision in its logic follows up on the CJEU's earlier judgment C-580/13 *Coty Germany BmbH*, of 16 July 2015, where the unconditional protection of banking secrecy was overridden by intellectual property protection (the bank refused to disclose the bank account owner who was distributing counterfeit products). In the Decision, the CJEU has also specified the liability of the owner of an Internet connection (see, for example, the CJEU's earlier judgment C-484/14 *Mc Fadden* of 15 September 2016).

The only solution to intellectual property protection?

The Decision has also revived the debates on how to effectively protect intellectual property rights in the digital society. Repeated calls are made to introduce an obligation for Internet connection providers to monitor their customers' activities whether they disseminate illegal content. However, such an approach faces the barriers of personal data protection. Nevertheless, the new proposal for a directive on copyright in the digital single market (2016/0280(COD)) requires certain information service providers to actively monitor user-uploaded content to a certain extent. Needless to say, technology is developing at such a pace that it will not be possible to adopt one simple solution to all existing problems in this area. Thus, primarily the practice and case law of the courts, as in the case of the Decision, will be those that continue to react to technological developments.

² Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights.

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Competition Update

EU competition law has recently seen a number of new developments and interesting cases. We would like to inform you about the most interesting ones in this issue of the Competition Flash.

Czech Republic

Cartel agreement among rail freight carriers¹

In early October 2018, the Czech competition authority published a decision regarding the cartel agreement among Rail Cargo Austria AG, Czech Railways, and AWT Čechofracht. These undertakings allegedly acted in breach of competition rules in providing services for the rail freight transport and shipping project Italia Express from 15 August 2006 to 30 September 2010. They distributed customers and contracts for the transport of goods and coordinated the prices of such services.



The above was reached by means of mutual communication, sharing information about customers and transports or cover bidding containing protective prices. Due to such practices, customers were unable to receive a potentially more advantageous bid for the provision of relevant transport and shipping services and had to 'rely' on a pre-selected carrier. In addition, all cartel rules were laid down in a written agreement that was signed by all participants in 2006.

In calculating the fine, the Office relied mainly on the price of the goods affected by the cartel agreement. Czech Railways was fined CZK 48 million and AWT Čechofracht CZK 3.7 million. Rail Cargo Austria AG was granted immunity from fines as the administrative proceedings were initiated following its leniency application.

Decision on abuse of significant market power overturned²

The Chairman of the Czech competition authority has abrogated the Office's decision of first-instance imposing a fine of over CZK 183 million on Globus ČR for an abuse of

significant market power towards some of its suppliers.

One of the main failures identified by the Chairman of the Office was in keeping the administrative file. In the first-instance proceedings, the Office denied Globus ČR access to the preliminary investigation file. This allegedly constituted a breach of the fundamental right of defence, as the preliminary investigation file should be a material part of the administrative file.

The case is then referred back for further proceedings to the authority of first instance.

Merger between KVM/PEPSICO approved subject to structural commitments³

On 30 October 2018, the Office delivered a decision clearing the merger of KVM BEV CZ s.r.o. and PEPSICO CZ s.r.o. and PEPSI-COLA SR s.r.o. operating in the non-alcoholic beverages sector.

During the administrative proceedings, the Office has identified serious concerns about a material distortion of competition in the production and wholesale of branded unflavoured and flavoured waters and branded ready-to-drink teas supplied through the off-trade distribution channel on the grounds of a very high market share to be held by the undertakings after the merger. In addition, the Office has taken account of the fact that some products of the undertakings concerned are considered as 'must have' by customers.

To remove the suspicion of competition distortion, the Office has therefore approved the merger subject to structural commitments. With such commitments, the activities of the merging undertakings do not overlap in the field of unflavoured and flavoured waters as early as the production stage. In addition, the market share in branded ready-to-drink teas is expected to record only a minor increase as a result of the structural commitments.

Czech antitrust office's fishing expeditions sanctioned by the Regional Court⁴

The Regional Court in Brno dismissed an action brought by a company operating in AV technologies in defence against an on-site investigation carried out by the Czech competition authority. The investigation was initiated on the grounds of suspected bid rigging in a specific tender procedure.

During the investigation, the competition authority searched through electronic records based on general keywords, such as 'shrubs' or 'agreements', and documents identified

¹ Decision of the Office for the Protection of Competition no. S0633/2016/KD of 21 September 2018 in the case of Rail Cargo Austria AG, AWT Čechofracht a.s. and České dráhy a.s. [in Czech only].

² Decision of the Chairman of the Office for the Protection of Competition no. R0001/2018/TS of 31 October 2018 in the case of Globus ČR [in Czech only].

³ Decision of the Office for the Protection of Competition no. S0152/2018/KS of 30 October 2018 in the case of KVM/PEPSICO [in Czech only].

⁴ Judgment of the Regional Court in Brno, Ref. No. 31 A 57/2018-66 of 29 June 2018 in the case of AV MEDIA, a.s. [in Czech only].

based on such words were then declared as 'visible items'. In addition, all used keywords were not put on record.

Regarding these practices of the Office, the Regional Court stated that bid rigging was, in practice, typically a long-term cooperation that is often 'disguised' by the use of specific and seemingly unrelated phrases, such as the term 'shrubs'. Both keywords were declared as acceptable by the Regional Court. As for putting the keywords on record, the Regional Court stated that there were grounds for concern that they could be misused by the undertakings as they could adjust the used terminology based on the keywords 'made public' in this way. In addition, according to the Court, the burden of proof regarding the extent of the on-site investigation rests with the plaintiff, who should have recorded the keywords used during the investigation.

Private enforcement of competition law in telecoms⁵

The Czech internet portal VOLNÝ brought an action against O2 for damages of CZK 4 bln. The damage was allegedly incurred as a result of an abuse of dominance by O2 in the form of a margin squeeze in ADSL in the market of access to local loops for subscribers of a fixed telephone network.

The action was dismissed by the Municipal Court in Prague. The court upheld the conclusions of a review expert opinion under which O2 had not been a dominant undertaking since 2006. The remainder of the claim became statute-barred according to the court. VOLNÝ must pay the legal costs of CZK 37 million.



European Union

Reduction of fines for cooperation other than in cartel settlement cases⁶

In the past, fines were reduced by the Commission only for cooperation in the case of cartel agreements under the leniency and settlements procedures.

However, the Commission has started offering this option for other types of offences (such as abuse of dominance, vertical agreements and breaches of procedural rules).

In such cases, the fine will depend on the extent and timing of the cooperation, i.e. whether the cooperation occurs before or after the statement of objections.

For the fine to be reduced, the undertaking must acknowledge the infringement found by the Commission.

Leading German car manufacturers investigated for cartel agreement⁷

In October 2017, the Commission carried out inspections at the premises of BMW, Daimler, Volkswagen (Volkswagen, Audi, Porsche). Based on the documents seized, the Commission opened a formal investigation in September 2018, which could result in the imposition of fines of up to 10% of each undertaking's turnover.

The cartel conduct under investigation allegedly consisted of collusion to limit the development of selective catalytic reduction systems to reduce harmful emissions from passenger cars with diesel engines and the development of particulate filters to reduce harmful particulate matter emissions from passenger cars with petrol engines.

The discussion of the parties also included other topics, such as common quality requirements for car parts and the maximum speed at which the cruise control would work. Nevertheless, these issues are not subject to the formal investigation by the Commission.

Fixing online resale prices of consumer electronics⁸

The Commission fined, in four separate decisions, consumer electronics manufacturers Asus, Denon & Marantz, Philips and Pioneer for anticompetitive conduct. The undertakings restricted the ability of their online retailers to set their own retail prices for consumer electronics. If retailers decreased the prices below the prices requested by manufacturers, they faced threats or sanctions such as blocking of supplies. If the prices were not increased again, the supplies to the retailers were suspended. Each of the manufacturers intervened particularly with online retailers who offered their products at low prices.

According to the Commission, these practices resulted in an artificial increase in resale prices of consumer electronics by more than €100 in some cases.

When determining the fines imposed on the manufacturers, the Commission took into account the extent of cooperation with the Commission ranging from 40% (for Asus, Denon & Marantz and Philips) to 50% (for Pioneer). The fines totalled over €111 million.

⁵ Judgment of the Municipal Court in Prague, Ref. No. 41 Cm 13/2011-895 of 25 April 2018 in the case of VOLNÝ vs O2 [in Czech only].

⁶ Antitrust: reduction of fines for cooperation.

⁷ http://europa.eu/rapid/press-release_IP-18-5822_en.htm.

⁸ http://europa.eu/rapid/press-release_IP-18-4601_en.htm.

Obstruction during investigation⁹

In September 2018, the Commission informed Slovakia's national rail company of its preliminary view that the company had obstructed a Commission inspection at its premises in June 2016.

The inspection may have been obstructed by the Slovak rail company by giving incorrect information on the location of the laptop of one of its employees and by failing to provide requested data from this laptop by allowing its re-installation, which led to an irrecoverable loss of the stored data.

EU rules governing antitrust investigations require companies under investigation to submit to the inspection. Failure to do so can lead to the imposition of a fine of up to 1% of the annual total turnover of the entire business group.

State aid for Jaguar Land Rover in Slovakia¹⁰



The Commission approved Slovakia's €125 million investment aid to Jaguar Land Rover to build a car manufacturing facility in Nitra. According to the Commission, the project is eligible for regional aid that is to support economic development and employment in the EU's less developed regions. In addition, the Commission's investigation established that without the investment aid, the project would not have been carried out in Slovakia but in Mexico.

The state aid is to contribute to job creation as well as to the development of the Nitra region.

Fine imposed on producers of high voltage power cables confirmed by the General Court¹¹

The General Court upheld the decision in which the Commission imposed fines of over €300 million on high

voltage power cable producers for participation in a world-wide cartel.

In its judgment, the General Court stated that during its inspection at the premises of the undertakings concerned, the Commission was entitled to make copy-images of the hard disks in order to search subsequently on those copy-images for relevant information at its premises in Brussels.

The General Court also upheld the conclusions drawn by the Commission regarding the fine imposed on Goldman Sachs that acted as a supervisor over one of the undertakings.

Sanitec fined for participation in a cartel¹²

In its decision of 2010, the Commission imposed penalties totalling €622 million on 17 bathroom fittings manufacturers for participation in a cartel from 1992 to 2004.

The General Court reviewed the case after the Commission brought a successful appeal against the initial judgment in which the fine imposed on Sanitec was annulled. In the reassessment, the General Court recognised that the Commission was entitled to impose the fine of €57 million on the Sanitec group and upheld the fine in full.

Excessive pricing of medicines

The Italian competition authority (ICA) imposed a fine of €5 million for excessive pricing of medicines on Aspen. The company abused its dominant market position by adopting an aggressive negotiation strategy towards the Italian Medicines Agency (AIFA), which resulted in a price increase of some medicines of 300% to 1,500%.

According to the ICA, there were no objective reasons for the price increase, such as increased costs, investments in research and development or improvements in the quality of the medicines concerned that would be beneficial to the consumer.

Regular news overview

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⁹ http://europa.eu/rapid/press-release_IP-18-5905_en.htm.

¹⁰ http://europa.eu/rapid/press-release_IP-18-6023_en.htm.

¹¹ Judgments of the General Court T-419/14 – T-475/14 of 12 July 2018 in the case of high voltage power cable producers.

¹² Judgment of the General Court in joint cases T-379/10 and T-381/10 of 3 July 2018 in the case of Sanitec.

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