The Enforcement Directive: Judicial Discretion on a Leash?

A comparative legal analysis on damages in lieu in the law and case law of the United Kingdom, Germany and the Netherlands

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I. INTRODUCTION

In 2004, the Enforcement Directive\(^2\) entered into force in the European Union.\(^3\) The Enforcement Directive is an EU legislative instrument aimed at harmonising procedures, measures and remedies available to rightholders in case of infringement of all categories of their intellectual property rights.\(^4\) This instrument was barely implemented by Member States when it became subject to debate in the EU after *eBay v MercExchange*,\(^5\) more particularly in terms of the debate on the margin of discretion still left for domestic courts in granting or refusing injunctions to rightholders bringing proceedings. In this case, injunctive relief was denied by the District Court, despite of the fact that MercExchange’s intellectual property rights had been infringed. While the Federal Circuit disagreed, the Supreme Court agreed with the District Court, and stated that ‘the decision to grant or deny injunctive relief is an act of equitable discretion’\(^6\). Due to the wording of some of the articles of the Enforcement Directive, the discussion on the margin of judicial discretion received considerable attention in the EU.\(^7\) Implementation of Article 12 of the Enforcement Directive could have helped in answering the question to what extent courts are allowed to exercise discretion in their choice of remedies when an infringement is found.\(^8\) This article provides Member States with the option to allow domestic courts to consider damages *in lieu* as an alternative measure on request of the person liable,\(^9\) but the majority of Member States has not implemented this article.\(^10\) This implies that in most Member States the choice of sanctions for the court in cases of infringement seems to be limited to injunctions,\(^11\) but is this really the case?

The objective of this thesis is essentially to explore the implications of the implementation of the Enforcement Directive for judicial discretion. More specifically, the aim is to answer the question: How has the implementation of the Enforcement Directive affected the discretionary power of domestic

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3 Article 21 Enforcement Directive.


8 As opposed to interlocutory injunctions, for which the conditions for establishing an infringement and awarding injunctions is much less strict, due to the temporary nature of these type of injunctions, European Observatory, ‘Injunctions in Intellectual Property Rights’ <http://ec.europa.eu/internal_market/iprenforcement/docs/injunctions_en.pdf> accessed 11 October 2017.


courts of EU Member States in granting damages *in lieu?* To this end, this thesis entails a comparative country analysis of three selected Member States, namely the United Kingdom, Germany and the Netherlands. The reasons for this selection are as follows.

The Member States were to finalise the implementation of the Enforcement Directive by 29 April 2006, but compliance with this deadline was remarkably low. The United Kingdom was one of the five Member States that met this deadline, contrary to both the Netherlands, which finalised the implementation in March 2007, and Germany, in July 2008. None of these Member States have implemented Article 12 of the Enforcement Directive. Nevertheless, judicial discretion to grant damages *in lieu* was already provided for in the United Kingdom for quite some time, as is the case for Germany. However, the German provision is limited to infringement cases of copyright and design rights and is applied rather strictly. This is interesting, because it was the German article on which Article 12 was based. In contrast, the domestic courts of the Netherlands seem reluctant to exercise discretion with regard to refusing or awarding injunctions when an infringement has been found. Furthermore, it has made only minor changes to the relevant acts for the implementation of the Enforcement Directive. It is for these reasons, and the relevant differences between these Member States in civil legal procedure, that their inclusion makes for a more diverse and enlightening comparative analysis on the current state of judicial discretion in the field of intellectual property law.

To answer the main research question, the second chapter will constitute an assessment of the obligations of the Member States in regulating the discretionary decision-making power of domestic
courts in granting damages in lieu of injunctions. Moreover, the objective and wording of Article 12 of the Enforcement Directive will be analysed. The third chapter consists of an elaboration on the relevant legal situation in light of Article 12 of the Enforcement Directive. The relevant laws, the status of implementation of Article 12, and the way damages in lieu is regulated domestically will all be analysed based on both the law and legal scholarship. This methodology will be applied in three subchapters on the United Kingdom, Germany and the Netherlands. The fourth chapter entails an analysis of discretion as exercised by domestic courts of the aforementioned three Member States in granting damages in lieu. The focus, again, will first be on the United Kingdom, and will start off with an assessment of the judicial doctrine according to legal scholarship, followed by case assessments and an analysis of important similarities and differences against the background of Article 12.

To this end, this thesis will limit itself to Article 12 of the Enforcement Directive in the field of copyright and the relevant domestic provisions of the selected Member States. Copyright is particularly interesting for this analysis for several reasons. The most notable are probably the only limited harmonisation achieved in this field in the European Union despite of the extensive number of copyright directives, and the different nature of copyright from industrial property rights in light of the “one-size-fits-all” solution offered by the Enforcement Directive. Amongst other things, copyright comprises both economic and moral rights, and only protects against unauthorised copying, not against independent creation. These and other special characteristics often make for a different approach undertaken by both legislators and courts. Moreover, limiting the analysis to copyright also enables a clear focus on the main research question. The extensive number of legal instruments that would need to be considered if the scope would be broadened to include all categories of intellectual property rights covered by the Enforcement Directive would ultimately affect the feasibility of the objective this thesis aims to achieve. Moreover, the scope of the thesis will be narrowed down further to infringement proceedings between copyright owners and infringers on final injunctions. Only when it is thought to be of particular relevance other types of regulations and intellectual property rights of interest will be addressed.

II. OBLIGATIONS OF THE MEMBER STATES AND COURTS
II.1 THE OBJECTIVES

While a consultation process on the matter was already launched by the Commission in 1998, the Enforcement Directive was not adopted until 29 April 2004. This may seem like a somewhat lengthy development, but nothing is further from the truth: the Enforcement Directive ended up being rushed through the legislative procedure in the EU in under a staggering fifteen months. Undoubtedly, the accession of eastern European countries to the EU had motivated the Member States at the time to get “their affairs in order” in respect of combating piracy in the field of intellectual property law; it was feared that the internal market was going to be flooded with counterfeit products from the newest additions. While the adoption of the Enforcement Directive got quite a mixed reception, it, nevertheless, had a ‘relatively happy landing’ considering the short period of development. Many

21 See the addendum of the Enforcement Directive.
criticised the ambiguous wording of some of the recitals and articles and doubts were expressed as to whether it was possible to harmonise this area of law by means of an EU Directive due to the vastly different legal traditions in civil procedure of the Member States. Despite of the criticism, many acknowledged that progress was in fact made, and that the Enforcement Directive makes for a more harmonised implementation in EU Member States of the commitments under TRIPS - commitments that the Member States had already undertaken. Moreover, some of the articles of the TRIPS Agreement are virtually identical to those of the Enforcement Directive. The Commission found that despite of the TRIPS Agreement, considerable differences in national procedure remained, resulting in negative effects for the functioning of the internal market such as fragmentation, an increasing threat to the health and safety of EU citizens, and a weakened substantive intellectual property law. Therefore, the objective of the Enforcement Directive was to be the combating of piracy and gross infringements of intellectual property rights to limit their harmful effects on the internal market. However, the development of the Enforcement Directive resulted in an instrument that went beyond that. Even though the Enforcement Directive entails minimum harmonisation and is limited to civil proceedings measures only, the scope was broadened to encompass all infringements. This means that it became a horizontal instrument for general enforcement. With such a broad scope and ambitious goals, the effectiveness of the Enforcement Directive depends on adequate implementation by the Member States and, perhaps more importantly, on the interpretation and application by domestic courts. Therefore, it is worthwhile to take a look at what some of the recitals and articles of the Enforcement Directive say about the obligations for the Member States and their courts in terms of the latter’s discretion.

II.2 THE RECITALS

In Recital 1, intellectual property rights are portrayed as essential, and virtually uncontested when looking at Recital 2. This recital mentions fundamental rights as a possible limitation, but the manner

29 The Agreement on Trade-Related Aspects of Intellectual Property Rights.
34 See, for instance Article 2 Enforcement Directive.
in which is a little ambiguous. First of all, three fundamental rights are singled out. Does that mean that other human rights should lose when weighed against intellectual property rights, or are they just left out because they are considered less relevant for disputes involving intellectual property rights? If the latter would be the case, it would have been better if none of the fundamental rights were specified to avoid any confusion in the matter, thereby clearly leaving them all on equal footing. Recitals 1 and 32 read together would imply that the former is the correct answer, since they convey that ‘full respect is vital’. Moreover, intellectual property rights are also laid down in the European Charter of Fundamental Rights. Therefore, it would make sense that Recital 2, 3 and 32 read together constitute an instruction for courts how they should use their discretion in any weighing exercises of fundamental rights engaged in.

Recitals 7 to 10 seem to be at odds with minimum harmonisation. The objective phrased in Recitals 8 and 9 combined with Article 3(2) is to minimise disparities in the ability of domestic enforcement to produce the desired result. In addition, Recital 10 of the Enforcement Directive reads: ‘The objective of this Directive is to approximate legislative systems so as to ensure a high, equivalent and homogeneous level of protection in the internal market.’ It thus seems that the Commission envisions a very high and uniform degree of protection of intellectual property rights in the EU. This would be in line with the Working Program of the Commission in the Field of Copyright and Neighbouring Rights in 1991, in which the strengthening of protection is one of the main reoccurring themes. Based on these observations, the most probable conclusion is that Member States are to leave their courts with little discretionary power to avoid disparities in the strength of domestic enforcement.

Some of the more moderate recitals are 17 and 24. These recitals read together with Article 3(2), which holds inter alia a general obligation for Member States to heed the principle of proportionality, essentially require Member States and their courts to take relevant circumstances and factors into account when providing for or applying measures, procedures and remedies. In other words, automatic injunctions are actually precluded. Furthermore, as pointed out by Garcia Perez: ‘…the courts would be deprived of the possibility to take the special circumstances of the case into account and to assess the proportionality of the remedy’ without judicial discretion. Consequently, the logical conclusion is that the European legislator intended for judicial discretion in granting or refusing injunctions. However, the discretion granted by these recitals to both the legislator and the courts is affected by Recital 25, which describes certain conditions under which the granting of certain remedies would be disproportional. This does raise the question how much room there is left for domestic courts to exercise this discretion. Are these conditions the only conditions that would justify the refusal of a

40 Article 17(2) EU Charter of Fundamental Rights.
disproportionate remedy requested by the rightholder if an infringement is established, or has the Enforcement Directive simply provided some conditions which should definitely be taken into account in applying judicial discretion?

II.3 THE ARTICLES

Looking at the recitals, the Enforcement Directive does not bestow a clear role upon domestic courts.\textsuperscript{48} Unfortunately, the articles do not offer definitive clarity, but they help zeroing in on the degree of judicial discretion that should be allowed based on the Enforcement Directive.

As aforementioned, the Enforcement Directive is an instrument of minimum harmonisation. Article 2(1) specifically allows Member States to provide more protection for the holders of intellectual property rights than what is required of them by the Enforcement Directive, as long as it puts rightholders in a better position.\textsuperscript{49} In addition, other articles in the Enforcement Directive vary in the extent of freedom that is allowed for Member States in implementing this directive from specific obligations to merely suggestions for regulations. This seems contradictory to the objectives provided by the Commission; minimum harmonisation still allows for disparities in domestic (case) law from one Member State to another. Implementation and application depend ‘partly on the degree of familiarity of the provision’,\textsuperscript{50} and ‘the national tradition, and whether it has traditionally been in favour of strong or weak enforcement’.\textsuperscript{51} Since the EU currently has 28 Member States, disparities will certainly exist.

Article 3 has also been mentioned a few times already in combination with some of the recitals, but it is necessary to consider this article in its own right as well. Article 3 contains a framework of certain principles for the procedures, measures and remedies that are inherit to the EU such as fairness, proportionality and effectiveness, as well as conditions for how they should take shape in terms of dissuasiveness, costs and complexity. It is meant to provide guidance on implementation and application.\textsuperscript{52} Effectiveness and dissuasiveness can be best translated as generally requiring high protection for intellectual property rights, whereas proportionality allows for a more balanced (“just”) assessment and outcome. This article thus requires a more flexible approach by courts to balance these principles in their decision-making.\textsuperscript{53} Moreover, it calls for safeguards against misuse and bans the use of intellectual property protection and enforcement as barriers to legitimate trade.\textsuperscript{54} There is some ambiguity about when exactly this principles should be used by the court: in considering whether or not to order an injunction, leading to the conclusion that when all the principles of Article 3(2) are satisfied, the injunction should follow, or whether this decision lies in the discretion of the court, meaning that

these principles come into play when the court considers the shape its decision will take.\textsuperscript{55} This is where the provisions containing the remedies may offer some clarification. While there may be a significant interplay and overlap between remedies, overall the remedies prescribed by the Enforcement Directive can be divided into three categories, namely: 1) interim relief (Article 9); 2) statutory remedies for seizure or delivery up (Article 10); and 3) remedies for infringement (Articles 11 and 12).\textsuperscript{56} Articles 11 and 12 are the most important provisions for the purpose of this thesis.

Based on Article 11, Member States should provide their domestic courts with the power to grant injunctions in case of infringements of intellectual property rights.\textsuperscript{57} While it is certainly phrased as an obligation for Member States to make injunctions available as a remedy, it does not constitute an obligation for domestic courts to grant injunctions when infringements are found, nor are any conditions hereto given.\textsuperscript{58} The use of the word \textit{may} in Article 11 clearly indicates that injunctions need not to be granted when an infringement is found.\textsuperscript{59} The same is true for Article 44(1) of the TRIPS Agreement, on which Article 11 of the Enforcement Directive is based.\textsuperscript{60} While a different message is sent by several previously discussed recitals, Recitals 2, 17, 24 and 25 read together with Articles 3 and 11 support this conclusion as the only viable option.\textsuperscript{61} Together, they leave the door open for awarding alternative solutions to injunctions such as damages, or even the option to establish an infringement and yet grant neither. Article 11 thus specifically allows for judicial discretion in granting or refusing injunctions even if an infringement is found, which means the second answer to the question asked regarding Article 3 is the correct one.\textsuperscript{62}

It is noteworthy to shortly refer to \textit{Nokia Corp. v. Wärddell},\textsuperscript{63} an infringement case concerning a trade mark in which the CJEU clearly favoured the automatic granting of an injunction. While Von Muhlendahl first came to the same conclusion after an analysis of Article 11, he argued that the discretionary nature of this remedy is not conclusive due to the CJEU’s position in this case.\textsuperscript{64} Based on case law\textsuperscript{65} and the Commission documents cited throughout this paper, EU institutions appear to favour strong enforcement. However, the CJEU has not yet determined whether Article 11 should be

\textsuperscript{55} A. Roughton, P. Johnson and T. Cook, \textit{The Modern Law of Patents}, (3rd edn, Lexis Library database 2014), para. 8.32. The authors are speaking of interlocutory injunctions, but they do not appear to limit their conclusion to only that type of remedy; Rafael García Pérez, ‘Injunctions in Intellectual Property Cases: What is the Power of the Courts?’ (2016) I.P.Q. 1 87, 95.

\textsuperscript{56} Mary Vitoria and others, \textit{The Modern Law of Copyright and Designs} (4th edn, LexisNexis 2011) 2, 2252.


\textsuperscript{59} ‘Member States shall ensure that, where a judicial decision is taken finding an infringement of an intellectual property right, the judicial authorities may issue against the infringer an injunction aimed at prohibiting the continuation of the infringement.’ Rafael García Pérez, ‘Injunctions in Intellectual Property Cases: What is the Power of the Courts?’ (2016) I.P.Q. 1 87, 94.


\textsuperscript{63} Case C316/05 Nokia Corp. v. Wärddell [2006] ECR I-12099.


interpreted in this light for intellectual property rights in general. Moreover, it is important to take note of the differences between the wordings of the relevant articles. The obligation for courts in Article 102(1) of the Regulation on the Community Trade Mark is worded much stronger than in Article 11 of the Enforcement Directive. The rule in the former is that injunctions are automatically granted after an infringement is established ("shall") unless there are special reasons to divert, which is to be interpreted strictly according to the CJEU. Another relevant factor is that the Enforcement Directive is a general enforcement instrument, whereas the Regulation is only applicable to trade marks. Remedies in a general instrument as the Enforcement Directive would better suit the differences between intellectual property rights as a discretionary remedy. It is, therefore, most probable that Article 11 is the general rule, and injunctions are discretionary remedies unless *lex specialis* says differently.

II.4 ARTICLE 12

At last, we turn to Article 12. This Article deserves some special attention. It provides Member States with the option to lay down that, even if an infringement is found, courts may grant damages in lieu of an injunction if certain conditions are met. As mentioned in the introduction, Article 12 could have helped in assessing the level of discretionary power that is left to domestic courts in infringement cases of intellectual property rights. However, this provision is optional, and not many Member States have elected to implement it. The article reads as follows:

‘Member States may provide that, in appropriate cases and at the request of the person liable to be subject to the measures provided for in this section, the competent judicial authorities may order punitive compensation to be paid to the injured party instead of applying the measures provided for in this section if that person acted unintentionally and without negligence, if execution of the measures in question would cause him/her disproportionate harm and if punitive compensation to the injured party appears reasonably satisfactory.’

This article was introduced to the Enforcement Directive ‘as a safeguard against unfair litigation’ ‘to protect the interests of a defending party’. With such a commendable objective, it seems an odd choice to make such protection optional. In addition, the wording provides a very narrow “safeguard”. First, it does not allow any judicial activism since it requires the defendant to request the application of this article. Therefore, if the defendant would fail to do so, the court may simply not apply it even if the case

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67 Where an EU trade mark court finds that the defendant has infringed or threatened to infringe an EU trade mark, it shall, unless there are special reasons for not doing so, issue an order prohibiting the defendant from proceeding with the acts which infringe or would infringe the EU trade mark.’; Rafael Garcia Pérez, ‘Injunctions in Intellectual Property Cases: What is the Power of the Courts?’ (2016) I.P.Q. 1 87, 95.


70 Emphases added.


would clearly meet all the other criteria. Second, to order a defendant to pay damages in the absence of a degree of guilt or negligence does not sit well with most civil law systems.\(^{74}\) Eight of the then fifteen Member States addressed this issue after the initial proposal for the Enforcement Directive was released, but the Commission did not make amendments on this particular point. Instead, the Commission changed this article from a mandatory to an optional clause.\(^{75}\) However, these Member States’ concerns may not be completely justified on this matter. Blok raised a very interest point here. He pointed out that the defendant may have acted unintentional and without negligence until the infringement was established. If the court would refuse granting an injunction, possibly allowing the defendant to continue infringing against payment after the infringement is established, there would be a degree of guilt or negligence. The article thus does not necessarily disregard the principle that was object of these Member States’ concern as long as the damages cover the infringement after its establishment by the court.\(^{76}\)

Another issue is the fact that the article is implemented in less than half of the Member States, which allows for disparities in court practices based on national legal concepts.\(^{77}\) This is certainly not desirable for an enforcement instrument that pursues uniform and high protection for intellectual property rights. It is arguable that Member States are to allow for damages in lieu within the limits of Article 12, irrespective of implementation. The application of national law by domestic courts may not be in conflict with EU legislation.\(^{78}\) Member States are free to decide on the means and form according to Article 288 of the Treaty on the Functioning of the European Union (Functioning Treaty), but directives are binding in their objective.\(^{79}\) While it is clear from the Enforcement Directive that judicial discretion is intended, this discretion is not unlimited.\(^{80}\) Moreover, the CJEU decided in Von Colson, 1986\(^{81}\) that domestic courts should not just interpret domestic law in the light of the objective of a directive, but also in light of the wording thereof.\(^{82}\) Furthermore, while Article 12 may be optional, Recital 25 contains essentially the same wording. This means that, even if Member States are not obligated to implement Article 12, this provision is likely to have an impact on the availability and conditions for damages in lieu in domestic enforcement of intellectual property in Member States.\(^{83}\)

However, it is uncertain whether disparities in (case) law would have been addressed or avoided if this article was mandatory, since it allows courts discretion in choosing to grant or refuse damages in lieu of injunctions even if all requirements are met ("may").\(^{84}\) Furthermore, like Recital 25,

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\(^{81}\) Case C-14/83 Von Colson v Land Nordrhein-Westfalen [1986] ECR 1984-01891.

\(^{82}\) George Cumming, Mirjam Freudenthal and Ruth Janal, Enforcement of Intellectual Property Rights in Dutch, English and German Civil Procedure (Kluwer Law International 2008), 36.


Article 12 also does not clarify whether these conditions may be the only factors to consider or whether they present a minimal requirement. Nevertheless, Article 3(2) offers some clarity in this matter. This article requires remedies to be effective, dissuasive and proportional. This is a balancing exercise that in some cases requires one to be granted more or less weight than the others. Courts could be presented with cases in which the conditions of Article 12 are not met, yet the circumstances make the granting of an injunction disproportional. Since this is a principle inherit to the EU, Article 12 cannot prevent a court from denying an injunction based on Article 3(2) if that would lead to a more proportional outcome. Even if Member States have not implemented Article 12, these provisions would still allow for this conclusion to be drawn. Therefore, domestic courts could still have deviated.

II.5 ‘TO INJUNCT, OR NOT TO INJUNCT’?

To summarise, Article 11 of the Enforcement Directive has been laid down as an explicit obligation for Member States to enable their courts to grant injunctions upon finding an infringement of an intellectual property right, not to ensure that their courts will grant injunctions. However, there may be more demanding equivalents in lex specialis, such as Article 130(1) of the Trade Mark Regulation 2017/1001. Nonetheless, Recitals 2, 17, 24 and 25 and Article 3 of the same directive strengthen the conclusion that, based on the general Article 11, injunctions are a discretionary remedy. They contain rights, principles and factors courts should take into account both in balancing interests and choosing (or refusing) remedies. Consequently, based on the analyses conducted in this chapter, injunctions are not meant to be automated remedies, unless lex specialis says so.

Furthermore, this judicial discretion in choosing remedies goes both ways due to Article 3 and the double discretion in Articles 11 and 12. Even when factors such as those mentioned in Article 12 and Recitals 25 and 1-3 are present, the court may exercise its discretion and decide to, nevertheless, grant an injunction, or simply refuse to award both. Therefore, the wording of the recitals and articles mentioned in this paragraph and the former actually precludes the automated granting of injunctions. Instead, they form the basis for a significant margin of discretion for domestic courts in choosing remedies and their legal basis.

III. IMPLEMENTATION OF THE ENFORCEMENT DIRECTIVE

III.1 THE UNITED KINGDOM

The enforcement of intellectual property rights in the United Kingdom had already developed into a comprehensive system providing high protection to rightholders. Nevertheless, some amendments had to be made in order to comply with the Enforcement Directive, which consisted mostly of additions and

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modifications to existing rights and remedies.\textsuperscript{93} As previously mentioned, the United Kingdom was one of the few Member States to finish the implementation of the Enforcement Directive in time.\textsuperscript{94} The Intellectual Property (Enforcement, etc.) Regulations 2006 made changes to several acts on specific rights, including the Copyright, Designs and Patents Act 1988, as well as to the Civil Procedure Rules and secondary legislation.\textsuperscript{95}

The United Kingdom made use of the discretion awarded by the Commission in the Enforcement Directive and choose not to implement Article 12.\textsuperscript{96} This article has not attracted much attention from legal scholarship in the United Kingdom, nor has this Member State taken a clear position on the reasons for not implementing it. The Explanatory Memorandum only contained a general comment with reference to both Article 11 and 12 saying that no action was required since injunctive relief was already provided for.\textsuperscript{97} Arnold J concluded in \textit{HTC Corp v Nokia}\textsuperscript{98} that existing domestic law already allowed domestic courts to grant damages \textit{in lieu} in appropriate cases, so there was no need for Article 12 (and Article 3) to be transposed into domestic law.\textsuperscript{99}

Indeed, domestic courts already had the ability to grant damages \textit{in lieu}. The first codification thereof was section 2 of the Chancery Amendment Act 1858, better known as Lord Cairns’ Act,\textsuperscript{100} and later section 50 of the Senior Courts Act 1981 (which used to be the Supreme Court Act)\textsuperscript{101} and section 38 of the County Courts Act 1984.\textsuperscript{102} This provision clarified to some extent the court of equity’s power to grant damages,\textsuperscript{103} and aimed to prevent parties from having to bring proceedings in both courts.\textsuperscript{104} Prior to section 2, courts of equity were wary about granting damages, \textit{inter alia} because they considered it to be a power best handled by the common law courts due to their procedures to determine


\textsuperscript{97} Explanatory Memorandum to the Intellectual Property (Enforcement, etc.) Regulations 2006 No. 1028, 13.


\textsuperscript{102} I.C.F. Spry, \textit{Equitable Remedies} (9th edn, Sweet & Maxwell, 2014) 650.

the damage suffered.\textsuperscript{105} The wording of section 2 also cleared the way for damages \textit{in lieu}.\textsuperscript{106} This section described the discretionary power of courts of equity in very general terms, with the result that the rule took some time to develop into a judicial doctrine. This will be further elaborated in the next chapter.

Three points that have been raised about Article 12 by either the state or legal scholars are the issue of limiting Article 12 to the interests of the defendant and the rightholder, the nature of equitable remedies and the dual discretionary power of domestic courts based on Article 11 and 12 when read in conjunction. First, the United Kingdom was among the Member States to propose amendments to this provision as drafted in the initial proposal and thus invested in its development.\textsuperscript{107} The United Kingdom had proposed to change the word “applicant” in the initial draft to “rightholder”. Instead, the Commission changed “applicant” to “injured party” in the final text, and, as previously mentioned, just made the Article voluntary. Unfortunately, it remains unclear whether this was part of the reason this Member State choose not to implement Article 12.\textsuperscript{108}

Second, some attention must be paid to the different approach to injunctive relief in the legal tradition of this Member State as opposed to that of Continental Europe. It was already established that injunctive relief is not automated under the Enforcement Directive, nor is judicial discretion limited to the conditions in Article 12 due to Article 3. However, an infringement of an intellectual property right does not automatically warrant such a remedy as injunctive relief in a common law tradition like it would in a civil law tradition.\textsuperscript{109} The flexible nature of equitable remedies precludes mandatory injunctive relief, and requires broad judicial discretion.\textsuperscript{110} However, this discretion has become more limited by judicial doctrine overtime.\textsuperscript{111} In particular in intellectual property cases, high protection is granted to rightholders, which has led to the granting of injunctions becoming the general rule if an existing infringement is established.\textsuperscript{112} In addition, principles have been developed in case law guiding courts when they consider granting damages \textit{in lieu}, as will be further explored in sub chapter 4.1.\textsuperscript{113} Nevertheless, the assessment courts are to make illustrates that the discretionary nature of this remedy persists.\textsuperscript{114} In a 2016 report to the Commission, the UK Intellectual Property Office emphasized the discretionary nature of injunctions in the United Kingdom, naming some examples outside the scope of Article 12 which could warrant a refusal to grant injunctions such as the claimant’s conduct and the

\textsuperscript{105} I.C.F. Spry, \textit{Equitable Remedies} (9th edn, Sweet & Maxwell, 2014) 647; However, there are some exceptional cases in which courts of equity found it, nevertheless, appropriate to grant damages, e.g. \textit{Greenaway v. Adams} (1806) 12 Ves. 395, 33 E.R. 149 and \textit{Phelps v. Prothero} (1855) 7 De G.M. & G. 722, 44 E.R. 280.


\textsuperscript{107} Council, ‘Addendum to Outcome of Proceedings’, 1327/03 ADDI (2 October 2003), 4.


\textsuperscript{112} Mary Vitoria and others, \textit{The Modern Law of Copyright and Designs} (4th edn, LexisNexis 2011) 2, 2253; Gwilym Harbottle, ‘Permanent Injunctions in Copyright Cases: When Will They Be Refused?’ (2001) E.I.P.R. 23(3) 154

\textsuperscript{113} J.A. Jolowicz, ‘Damages in Equity – A Study of Lord Cairns’ Act’ (1975) Cambridge Law Journal 34(2) 224, 235, 239; Edmund Purcell Skone James and others, \textit{Copinger and Skone James on Copyright, Including International Copyright: With the Statutes, Orders, Conventions, and Agreements Thereto Relating; and Precedents and Court Forms, Also Related Forms of Protection} (13th edn, Sweet & Maxwell 1991), 339 at 11-58.

repetition risk of the offense. The judicial discretion in deciding upon equitable remedies allows for application of this provision, but it is thus much broader than in other Member States, most notably Germany.

Third, Articles 11 and 12 both allow domestic courts to exercise discretion: based on Article 11, courts may grant injunctive relief, and based on Article 12, they may grant damages in lieu. This means that there is a ‘discretion based upon a discretion’ for courts that would lead to a scenario that courts may grant damages in lieu if they could - not would - grant an injunction. In other words, a court only requires the possibility of granting injunctive relief to be able to grant damages based on Article 12. The United Kingdom is no stranger to a “discretion upon a discretion”. The wording of the original section 2 of Lord Cairns’ Act allowed courts to exercise discretion in deciding upon the remedies, essentially enabling courts of equity to grant damages ‘either in addition or in substitution’ for an equitable remedy. Section 37 of the Senior Courts Act 1981 provides courts with the general discretion to grant or refuse an injunction. Again, this means that if the court could grant an injunction, it may choose to grant damages in lieu, irrespective of whether the court would have otherwise granted an injunction. However, under domestic law, there are no specific conditions for exercising the discretion to grant damages in lieu like in Article 12 of the Enforcement Directive. Focusing solely on the wording of Article 12, damages in lieu is not an option if its conditions are not met. This leaves the court to either order an injunction, even if it initially decided against it, or leave the rightholder without a remedy. Consequently, these requirements only make sense in cases in which a court would grant an injunction, but being perfect Article-12 cases, the court decides to grant damages instead. This is a wrinkle caused by the fact that Article 12 is based on an exception in a civil law tradition in which infringements of intellectual property rights are practically automatically followed by injunctions, namely Germany.

The implications of the non-implementation of Article 12 have been debated in domestic legal scholarship, but so far remain unclear. Some have argued that domestic courts are to exercise their discretion within the scope of Article 12 due to the principle of consistent interpretation. Although this provision has not been expressly incorporated in domestic law, the fact remains that corresponding domestic law existed already. While a valid point is raised here, this principle can only extend the obligations of Member States and their courts so far. Both Article 11 and 12 obliged the Member

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States to endow their courts with discretion, which the courts in the United Kingdom already had in their selection of remedies. Moreover, as previously mentioned, courts can apply the conditions of Article 12 within the existing principles, even though the United Kingdom choose not to implement this provision. In addition, there is the impact of Article 3 on the scope of judicial discretion to consider, as has been argued in the last chapter. Consistent interpretation is, therefore, unlikely to impact the case law of the United Kingdom any further as to become an obligation to only allow for damages in lieu if the conditions of Article 12 are met. As put somewhat blunt, but effective, by Vitoria and others: ‘… as the overall objective is for remedies to be fair and equitable, there is no reason for the UK courts to change their practice.’ Of course, given the present circumstances with the upcoming “Brexit”, the courts’ practice is unlikely to change in favour of Article 12 in the future.

III.2 GERMANY

While the Enforcement Directive got a rather mixed reception in German legal scholarship, the political world was on board. Germany was too late with its implementation and even faced infringement proceedings brought by the Commission, but the fact is that a draft for implementation was submitted by the Federal Ministry of Justice on 3 January 2006. On 24 January 2007, the Federal Cabinet adopted the Gesetz zur Verbesserung der Durchsetzung von Rechten des Geistigen Eigentums with only some minor revisions. This implementation act uses a different approach than the Enforcement Directive’s horizontal approach. Whether Germany has now fully complied with its obligations under Article 258 of the Functioning Treaty could thus be questioned. First, the implementation act has declared provisions in the Zivilprozessordnung (ZPO) and the Bürgerliches Gesetzbuch (BGB) corresponding to the generally applicable provisions (e.g. precautionary measures and legal costs) as being satisfactory. Second, the remaining provisions have been addressed by adding to or amending substantive rights in individual acts, including the Urheberrechtsgesetz (UrhG). Consequently, Germany has managed to avoid making changes to general procedural rules.

There was no need for Germany to implement Article 12, as Article 12 is really § 101(1) of the UrhG from an EU perspective. A similar provision exists for design rights in the

129 Case C-395/07 Commission v Germany [2008] ECR I-00088. The Commission brought proceedings to obtain a declaration that Germany had failed to fulfil its obligations under the Enforcement Directive. The CJEU provided this declaration in June 2008, half a year after the implementing act was adopted.
131 German Civil Code of Civil Procedure.
132 German Civil Code.
134 German Copyright Act.
136 The order in the Urheberrechtsgesetz of 9 September 1965 (BGBl. I S. 1273) was amended by the Gesetz zur Verbesserung der Durchsetzung von Rechten des geistigen Eigentums of 7 July 2008 (BGBl. I S. 1191).
Geschmackmustergesetz\textsuperscript{138}, but there is no equivalent for the other intellectual property rights.\textsuperscript{139} § 100 of the UrhG came about to allow for a more proportional approach in infringement cases regarding films.\textsuperscript{140} There is a magnitude of intellectual property rights involved in producing film, and producers could easily omit to obtain a licence for some of the rights by accident.\textsuperscript{141} Proportionality concerns emerged for the situation that an entire film would be in jeopardy if claims were brought for injunctions regarding some of the rights involved given the economic value of the product as a whole.\textsuperscript{142} Therefore, a general right of aversion was introduced into copyright law, which provides that an innocent infringer may pay compensation to the rightholder instead of being enjoined.\textsuperscript{143} However, an infringer can invoke the right of aversion only in exceptional circumstances, as this right constitutes an exception.\textsuperscript{144} An English translation of this provision is provided by the Bundesministerium der Justiz und für Verbraucherschutz\textsuperscript{145}:

‘Where the injuring party acts neither intentionally nor negligently, he may, in order to avert the assertion of the claims under sections 97 and 98,\textsuperscript{146} pay punitive compensation to the injured party if the fulfilment of the claims would cause disproportionate harm and the injured party can be expected to accept punitive compensation. The compensation shall total that amount which would constitute equitable remuneration were the right to be contractually granted. Payment of such compensation shall be equivalent to granting the injuring party permission to exploit the right to the customary extent.’\textsuperscript{147}

All factual conditions must be claimed and proven by the infringer;\textsuperscript{148} the conditions in the German provision are cumulative, just like the Member States that have implemented Article 12 have interpreted

\begin{thebibliography}{99}
\footnotesize
\item[138] German Designs Act.
\item[141] Ulrich Block and others, Handbuch Urheberrecht und Internet, vol 7 (Verlag Recht und Wirtschaft Heidelberg 2002), 336; Stefan Weidert and Jürgen Ensthaler, Urheberrecht und Internet (3rd edn, Fachmedien Recht und Wirtschaft, 2017), para. 403.
\item[143] Ulrich Block and others, Handbuch Urheberrecht und Internet, vol 7 (Verlag Recht und Wirtschaft Heidelberg 2002), 335.
\item[145] Federal Ministry of Justice and Consumer Protection.
\item[146] § 97 UrhG is the legal basis for injunctions, and § 98 for the surrender or destruction of infringing goods.
\item[148] Ulrich Block and others, Handbuch Urheberrecht und Internet, vol 7 (Verlag Recht und Wirtschaft Heidelberg 2002), 336.
\end{thebibliography}
the conditions of the latter article.\textsuperscript{149} It is clear that most of the elements of § 100 of the UrhG are present in Article 12 as well. Nevertheless, there are important differences between the provisions. For example, the German provision, as a matter of substantive law, provides the infringer with a right (“Ablösungsbefugnis”) to avert injunctive relief by payment of punitive compensation, whereas Article 12 has more of a procedural nature and simply gives courts the possibility to grant damages in lieu if infringers apply for avarion.\textsuperscript{150}

The German exception is laid down as a benefit to the infringer that is not to be awarded too easily; an infringer must be “deserving”.\textsuperscript{151} As the Commission has observed, the narrow and cumulative interpretation of the German provision makes it very difficult to meet the threshold, thereby making the granting of injunctions close to automatic.\textsuperscript{152} In German law, the emphasis is on the nature of intellectual property rights, namely exclusivity. This is clear when looking at the approach taken to property in general. For instance, § 903 of the German Civil Code (BGB) says that the owner of an object can preclude others from exercising any influence on it, unless that would clash with the law or rights of third parties.\textsuperscript{153} If infringers were allowed to simply buy the rights of the rightholders before a court without the rightholders having much say in the matter, that would seriously hamper the exclusivity of these rights. As Ohly pointed out: ‘If injunctive relief was excluded, the ’property rule’ would be reduced to a mere ‘liability rule’ and the market process […] would fail.’\textsuperscript{154} The possibility of punitive compensation is thus not considered to be an adequate alternative to injunctions unless there are special reasons.\textsuperscript{155} This is also notable when looking at the wording in the provision for injunctions, § 97(1) of the UrhG, which does not oblige courts to grant injunctions, but essentially says that it is a possibility. § 97(2) of the UrhG, on the other hand, contains a clear obligation (“shall”) for courts to order infringers to pay damages in case of negligence or intent. Similarly, Article 12 as such does not seem to allow for many exceptions due to the nature of intellectual property rights. However, this conclusion is slightly mitigated when Article 12 is read in conjunction with Articles 3 and 11 and Recitals 17 and 24, which reinforce the importance of the principle of proportionality, even if the general rule favours the granting of injunctions.\textsuperscript{156}

A condition for injunctive relief that is also of relevance for this narrow exception is the existence of “Begehungsgefahr”, which translates roughly to “danger of committing”. This term encompasses both the risk of a first infringement, for example when there is serious and tangible proof that an infringement will occur,\textsuperscript{157} and the risk of repetition, which is the most relevant variant for this


\textsuperscript{153} For an English version of the BGB, see www.juris.de.


\textsuperscript{155} For an English version of the BGB, see www.juris.de.


\textsuperscript{157} BGH, 15.01.2009 - I ZR 57/07 „Cybersky“, GRUR 2009, 841 Rn. 8; Franz Hofmann, Der Unterlassungsanspruch als Rechtsbehelf, vol 218 (Mohr Siebeck, 2017), 410.
thesis.158 In Germany, it is assumed that an occurred infringement threatens to repeat itself.159 This assumption strengthens the preference for injunctive relief. Consequently, it is questionable whether the German practice is in compliance in light of the overall judicial discretion that is prescribed by this instrument in several recitals and provisions. This will be further explored in chapter 4.2. Nevertheless, the more automated granting of injunctions does eliminate the double-discretion problem that exists with Articles 11 and 12 of the Enforcement Directive.160 However, this may change in the not so distant future. German courts are not generally known for their blind faith in EU law and the CJEU, but Weidert and Ensthaler have predicted that the scope and interpretation of § 100 of the UrhG will be determined by the ECI in the future.161 Foreigners increasingly rely on this exception in copyright-infringement cases,162 making it a matter of time before the success rate goes up.

While Peukert is not speaking about Germany or Article 12 specifically, he, nevertheless, raises an interesting point for this discussion, namely that the tendency of strong enforcement shows that the emphasis is too much on intellectual property rights ‘as completely positive, self-sufficient measures required by fundamental rights’.163 He notes that the protection of such rights is merely the means to the objective behind intellectual property rights, and not ‘an end in itself’.164 He essentially gives the warning that the negative effects of intellectual property rights must be taken into account, and that there is need for caution in the degree of enforcement of such rights in the EU.165 Kur gives a similar warning in terms of a danger of a chilling effect. Strong enforcement will also increase caution by players in the field of intellectual property rights, causing these rights to expand in effect.166 As observed previously, and as we shall see in the next chapter, these words are very appropriate for Germany itself in light of their strong enforcement regime.

III.3 THE NETHERLANDS

The Netherlands did not transpose the Enforcement Directive in its entirety into domestic law until a year after the expiry of the deadline.167 However, that does not mean the preparations had not been initiated timely. On the contrary, consultations with interested groups were commenced early on, as was the initiation of the procedures for implementation.168 Nevertheless, the only act that had been amended promptly was the Rijksoctrooiwet 1995169,170 The Wetboek van Burgerlijke Rechtsvordering171 and the other individual acts on intellectual property rights were amended in March

159 Franz Hofmann, Der Unterlassungsanspruch als Rechtsbehelf, vol 218 (Mohr Siebeck, 2017), 410.
161 Stefan Weidert and Jürgen Ensthaler, Urheberrecht und Internet (3rd edn, Fachmedien Recht und Wirtschaft, 2017), para. 403.
162 Stefan Weidert and Jürgen Ensthaler, Urheberrecht und Internet (3rd edn, Fachmedien Recht und Wirtschaft, 2017), para. 403.
169 Dutch Copyright Act.
171 Dutch Code for Civil Procedure.
2007 and entered into force two months later.\textsuperscript{172} By means of a new title in the Third Book of the Wetboek van Burgerlijke Rechtsvordering, namely Title 15, and to some degree in the individual acts,\textsuperscript{173} Articles 1, 2, 5-11 and 13-15 of the Enforcement Directive were implemented.\textsuperscript{174} The Netherlands had chosen to create a new title in the Wetboek van Burgerlijke Rechtsvordering that would apply exclusively to intellectual property rights rather than amending existing articles. This approach has received heavy critique from renowned Dutch academics.\textsuperscript{175} Their main point was that this approach may have enabled easier implementation, but that it has led to the indefensible result that the owners of intellectual property rights are given much better legal protection than other rightholders.\textsuperscript{176}

Articles 3, 4 and the first sentence of Article 11 were not included in the amending acts because they were considered to be sufficiently covered by several pre-existing provisions in the general and individual acts.\textsuperscript{177} In the Netherlands, legal actions such as to obtain an injunction can be based on the general Article 3:296 of the Burgerlijk Wetboek. There is no specific equivalent for intellectual property rights corresponding to the first sentence of Article 11 of the Enforcement Directive.\textsuperscript{178} In comparison, Article 12 is not implemented, nor is there a pre-existing domestic equivalent. The Netherlands found that this article has a punitive character to it,\textsuperscript{179} and Dutch law does not allow for punitive damages.\textsuperscript{180} However, there are cases in which courts have rejected the claim for injunctions, yet granted the claim for damages. This has brought the Netherlands in a tricky position. It is possible to obtain damages \textit{in lieu} in cases revolving around the infringement of intellectual property rights, yet not under similar conditions as Article 12 of the Enforcement Directive. In addition, purely compensatory damages as an independent remedy are likely to be insufficient to comply with the general obligations under EU law and Article 3 of the Enforcement Directive.\textsuperscript{181} Article 3 requires remedies to be effective in terms of the enforcement of intellectual property rights. In \textit{Von Colson}\textsuperscript{182}, the CJEU decided that if damages are used as an enforcement instrument, an additional deterrent effect is required to ensure effectiveness of the remedy.\textsuperscript{183} Interestingly, there have been recent cases in which courts decided to grant damages


\textsuperscript{174} Martin Husovec and Lisa van Dongen, ‘Website Blocking, Injunctions and Beyond: View on the Harmonization from the Netherlands’ (2017) GRUR International 7 580, 581.


\textsuperscript{180} Kamerstukken II 2005/06, 30392, 6 (Document from the second chamber of the Dutch Parliament), 3-4; Herman Speyart, ‘Schadeopslagen in het IE-Recht: Ongeoorloofde Punitive Schade van Geoorloofde Forfaitaire Berekening’ (2013) IER 5 49, paras. 5 and 9.


\textsuperscript{182} Case C-14/83 \textit{Von Colson v Land Nordrhein-Westfalen} [1986] ECR 1984-01891.

higher than the qualified injury in an attempt to increase the deterrent effect, despite of incompatibility with Dutch law. Unfortunately, this trend remains a very controversial issue in Dutch civil law.\textsuperscript{184}

Furthermore, while it is possible to obtain injunctions against defendants who are not culpable under certain conditions,\textsuperscript{185} this is not the case for damages.\textsuperscript{186} As mentioned earlier, it is considered to be incompatible with Dutch law to order someone who has been found to have acted without guilt or negligence to pay damages.\textsuperscript{187} Article 6:162 of the Burgerlijk Wetboek\textsuperscript{188} is the general article defining tortious acts,\textsuperscript{189} and the legal basis for damages in copyright-infringement cases in the Netherlands.\textsuperscript{190} It requires a causal link between the tortious act and the damage, attributability of the act to the tortfeasor, and that the norm invoked by the injured party must aim to protect the breached right of the injured party.\textsuperscript{191} The attributability requirement has been established as a degree of culpability or some other type of causation accepted in the public opinion that warrants the accountability of the defendant.\textsuperscript{192} This civil law principle is very strongly rooted in Dutch civil law. Consequently, the decision of this Member State not to implement Article 12 generated little critique in the domestic academic world.

Another issue for the Netherlands raised by Dutch legal academics was the double proportionality in the Enforcement Directive.\textsuperscript{193} Earlier, Articles 11 and 12 were discussed in this context, but attention was paid to the similar implications of the inclusion of a proportionality test in Articles 3 and 10 as well in Dutch legal scholarship.\textsuperscript{194} In addition, the ambiguity about what is expected of domestic courts was criticised. As previously argued, the Enforcement Directive aims to provide domestic courts with discretion in their choice of remedies. However, there are a myriad of factors that need to be taken into account by courts after careful reading of Articles 3, 11 and 12 and the recitals on the objective of the Enforcement Directive. This allows Member States and their courts to go in either direction based on how they interpret, weigh and apply these factors in practice: strong, largely

\begin{flushright}
\textsuperscript{188}Article 162 of the sixth book of the Dutch Civil Code.
\textsuperscript{189}Article 6:162(2) BW translates to: As a tortious act is considered a violation of a right, and an act or omission in violation of a legal obligation or of what according to unwritten law has to be regarded as proper social conduct, save for the existence of a justification.
\textsuperscript{190}F. Willem Grosheide, Monografieën BW A32: Intellectuele Eigendom (Kluwer 2011), 56; Willem Hendrik Drucker and others, Kort Begrip van het Intellectuele Eigendom (12th edn, Kluwer 2017), 584. The Auteurswet 1912 (Dutch Copyright Act) also contains an Article on damages, namely Article 27, but this provision corresponds to Article 13 of the Enforcement Directive and only gives rightholders the capacity to bring claims for monetary compensation against those who infringe their copyright. Willem Hendrik Drucker and others, Kort Begrip van het Intellectuele Eigendom (12th edn, Kluwer 2017), 570.
\textsuperscript{193}George Cumming, Mirjam Freudenthal and Ruth Janal, Enforcement of Intellectual Property Rights in Dutch, English and German Civil Procedure (Kluwer Law International 2008), 131.
\end{flushright}
automated enforcement or weak, discretionary enforcement. Compared to the relevant legislation in the United Kingdom and Germany, the granting of injunctions after an infringement is found appears to be somewhere in between. In Dutch civil law in general, injunctions are meant to be an automated remedy rather than discretionary, but the legislator has emphasized the judicial discretionary power to assess the proportionality of the requested injunctions in intellectual property cases. The Dutch legislator thus reveals that an injunction is the general consequence of an infringement, but that it is not necessarily followed by an injunction due to the principle of proportionality.

IV. JUDICIAL DOCTRINE

IV.1 THE UNITED KINGDOM

IV.1.1 General Assessment

As explained earlier, the wording of section 2 of Lord Cairn’s Act allowed the courts of equity a broader power than was presumably anticipated. While most of these courts remained hesitant or unaware of the opportunities, others were glad to accept. These courts saw this as a discretionary power to order the payment of damages instead of an injunction if they considered this approach to be more fitting for the case. Some courts deemed this possible in certain cases even when equitable relief was no longer available at the time of the proceedings. Furthermore, where common law courts could only grant damages for past injuries, courts of equity interpreted their power to include granting damages for future injuries. This means that in the United Kingdom, damages were available in the courts of equity that were not possible before the common law courts and could prevent the need of future proceedings. Therefore, in the United Kingdom, damages in lieu initially developed as a remedy beneficial to the claimant. While this section has long been replaced and the difference between these courts has lost its significance, the fact remains that the courts of equity were largely responsible for shaping the judicial doctrine of damages in lieu since the enactment of the original provision.

197 Kamerstukken II 2005/06, 30392, 6 (Document from the second chamber of the Dutch Parliament), 5.
Even though the granting of an injunction after the establishment of an infringement has become the general rule,²⁰⁴ the exercise of this discretion still comes down to a balancing exercise of the interests of the two parties conducted by the court. The outcome will always be a compromise of some sort.²⁰⁵ If the court would deny the injured party an injunction and grant damages instead, the popular opinion is that the court would, in a way, allow the infringer to purchase the rights of the injured party, and possibly allow for the continuation of the infringement.²⁰⁶ On the other hand, by awarding the injunction, the court may leave the defendant to a less than favourable position to negotiate with the injured party about the price of the infringement.²⁰⁷ In reality, most injunctions revolve around the sum to be paid by the defendant, in particular in intellectual property cases.²⁰⁸ There are circumstances which could arguably make the former approach the most just course of action.²⁰⁹ This predicament has bothered judges in the United Kingdom since they have had to interpret and (dis)apply this rule.²¹⁰ Due to the authority of case law, judgments and even dissenting opinions have overtime developed the principles that now govern the exercise of this discretion into a somewhat more comprehensible judicial doctrine.²¹¹

Due to the fact that it is a general power applicable, but not limited, to cases in intellectual property law, the cases analysed in this subchapter are not all cases involving copyright. The cases are selected for the importance of the interpretation and understanding of the scope and how this authority is applied. Probably the most significant case here will be Shelfer v City of London Electric Lighting Co. Ltd,²¹² in which A.L. Smith L.J. introduced the “good working rule”. While this is quite an old case, it has long dominated discussions about the scope of the discretion of courts in their choice of remedies, both in case law and legal scholarship.²¹³ It, therefore, deserves some special attention.

IV.1.2 Shelfer v City of London Electric Lighting Co. Ltd
Shelfer was a nuisance case involving claims brought by Shelfer (the tenants) and Meux’s Brewery Company (the reversioner) to stop the City of London Electric Lighting Company from causing damage

²¹² Shelfer v City of London Electric Lighting Co. Ltd. [1895] 1 Ch. 287.
to them by the defendant’s activities. They caused *inter alia* strong vibrations, and this company was about to increase the power of the engines when proceedings were brought against it. In first instance, damages in lieu was granted in favour of the defendant based on section 2 of Lord Cairn’s Act. The Court of Appeal (Chancery Division) disagreed with this judgement, and allowed the appeal. The Court of Appeal decided unanimously in favour of injunctions, and thus ruled in favour of the injured parties. While Lord Halsbury’s assessment has not generated much attention, this was different for that of both Lindley L.J. and A.L. Smith L.J., even though they arguably took a different approach to the circumstances under which it would or could be appropriate for courts to exercise the discretion granted by section 2 of Lord Cairn’s Act. Lindley L.J. argued that settled principles should be considered in deciding whether to exercise this discretion or not. Lindley L.J. emphasised that it was never meant to legalise wrongful acts and should thus only be exercised in exceptional cases: “[T]he Court has always protested against the notion that it ought to allow a wrong to continue simply because the wrongdoer is able and willing to pay for the injury he may inflict.” Lindley L.J. then gave examples of circumstances which may warrant granting damages in lieu:

‘… [C]ases in which a plaintiff has shewn that he only wants money; vexatious and oppressive cases; and cases where the plaintiff has so conducted himself as to render it unjust to give him more than punitive relief … and in all [other cases] where an action for damages is really an adequate remedy.’

A.L. Smith L.J. took a much less liberal approach than Lindley L.J. A.L. Smith L.J. made it clear that this section should not be considered to entitle an infringer to request damages to be granted instead of an injunction. However, according to the latter, there were circumstances in which a court may choose to exercise this discretion. This led to the development of the famous “good working rule”, which constituted an assessment of relevant factors as follows.

‘In my opinion, it may be stated as a good working rule that —
(1.) If the injury to the plaintiff’s legal rights is small,
(2.) And is one which is capable of being estimated in money,
(3.) And is one which can be adequately compensated by a small money payment,
(4.) And the case is one in which it would be oppressive to the defendant to grant an injunction:—
then damages in substitution for an injunction may be given.’

A.L. Smith L.J. then mitigated the strictness of this “good working rule” slightly by stating that the answer to some of these questions depended on the facts of each case, and thereby emphasising the

216 *Shelfer v City of London Electric Lighting Co. Ltd.* [1895] 1 Ch. 287, 287, 316 and 325.
221 *Shelfer v City of London Electric Lighting Co. Ltd.* [1895] 1 Ch. 287, 315-316.
importance of the court's assessment.\textsuperscript{226} For instance, the determination of the gravity of the injury could mean something different entirely from case to case. Nevertheless, the approach of Lindley L.J. allows for a broader assessment of relevant facts than the narrow “good working rule”. Even so, both approaches are broader than the conditions for judicial discretion in the much younger Article 12 of the Enforcement Directive, since they do not require that the infringer has acted both unintentionally and without negligence, nor does it depend on a request from the infringer. In the United Kingdom, the judicial discretion to choose between remedies requires some judicial activism.

While Lindley L.J. judgment in \textit{Shelfer} is often quoted, many judges have treated A.L. Smith L.J.’s “good working rule” as an exhaustive test.\textsuperscript{227} When the conditions of the “good working rule” were not all satisfied, these judges choose to only grant damages \textit{in lieu} in exceptional cases rather than adhering to Lindley L.J.’s more open approach.\textsuperscript{228} However, there are also many other judges and legal scholars who have taken a different approach to \textit{Shelfer}.\textsuperscript{229}

\textbf{IV.1.3 Case assessments after \textit{Shelfer}}

One of the cases in which this was the case is \textit{Jaggard v Sawyer},\textsuperscript{230} an appeal case about the covenant on a cul de sac.\textsuperscript{231} The defendants had purchased a plot of land behind their first house, and built another house on it which could only be accessed via a cul de sac and a driveway in their old garden.\textsuperscript{232} However, the cul de sac was a private road subject to a covenant on successive owners not to use any part of the unbuilt land other than as a private garden. The plaintiff had threatened to bring proceedings to obtain an injunction prior to the start of building, but only followed through when the house was at an advanced stage. The judge in first instance had analysed the facts applying the “good working rule” and decided against the granting of an injunction.\textsuperscript{233} While the judge in first instance considered all ‘conditions’ to be met, most of the argument was dedicated to the oppressiveness of an injunction due to the failure of the plaintiff to try for an interlocutory injunction.\textsuperscript{234} Consequently, damages were granted instead of the requested injunction under section 50 of the then Supreme Court Act 1981.\textsuperscript{235} The Court of Appeal decided the judge of first instance was correct in its decision, and decided to dismiss the appeal in favour of the defendants.\textsuperscript{236} Interestingly, one of the judges in the Court of Appeal, Millet L.J., emphasised that previous cases in which granting damages \textit{in lieu} was considered are merely examples.\textsuperscript{237} Millet L.J. stated that the assessment of courts in such cases are not binding, concluding that courts are free to exercise this discretion differently.\textsuperscript{238} This does not mean that Millet L.J. disagreed with the “good working rule”, but it shows the view that it is just one way for a court to come to a decision on whether to exercise this discretion or not. This view has also been expressed in earlier cases such as \textit{Fishenden}.

\begin{thebibliography}{99}
\bibitem{Shelfer} \textit{Shelfer v City of London Electric Lighting Co. Ltd.} [1895] 1 Ch. 287, 323.
\bibitem{Jaggard-Sawyer} \textit{Jaggard v Sawyer} [1995] 1 W.L.R. 269.
\end{thebibliography}

24
Another case relevant for the judicial doctrine of damages in lieu is Banks v EMI Songs Ltd (No. 2) [formerly known as CBS Songs Ltd]. The case revolved around the copyright ownership on lyrics and the infringement thereof. A band (UB40) had used lyrics (‘Don’t Break My Heart’) provided by Khan, who they believed to be the copyright owner, but who later turned out to have gotten the lyrics from Banks. Banks applied for conversion damages and injunctions with regard to the infringing reproductions, but was awarded damages instead after the defendant’s plea. Relevant factors in this case were inter alia that the lyrics were not provided by a stranger but someone with whom one of the band members had been friends with for a long time already (Khan), that certain claims made by the rightholder during her communications with the band were already known to be false at the time, and earlier assurances made by the rightholder about her intentions. Furthermore, it was clear from the facts of the case and the attitude of the rightholder that what she really wanted was money. Jacob J. also considered both Shelfer and Jaggard v Sawyer, and concluded based on Millet L.J.’s judgment that ‘the checklist of the Shelfer case is not an exhaustive statement and that there may be other cases in which damages may be awarded in stay of an injunction’. Nevertheless, Jacob J. appeared to find it necessary to emphasise that this case was ‘a wholly exceptional case outside head (3) of Shelfer’. It is notable that Jacob J. never doubted the applicability of the “good working rule” from Shelfer to copyright cases. Also noteworthy is that the approach of Jacob J. was more in line with Lindley L.J.’s approach in Shelfer, yet Jacob J. only referred to A.L. Smith L.J. As argued by Lindley L.J., the behaviour of the claimant and the apparent objective to obtain a sum were factors that could warrant granting damages in lieu.

The next case, Navitaire Inc v easyJet Airline Ltd (No. 2), is mostly relevant for this paper for the court’s assessment on the claims involving copyright infringement, but many other issues were addressed in this case. The facts are in short as follows. easyJet had a licence agreement for software from the claimant (Navitaire Inc) for two years, after which it had requested alterations that the claimant addressed in this case. For one of the den

v Higgs & Hill Ltd. Millet L.J. found that the judge in first instance had, nevertheless, considered all the relevant facts in applying the “good working rule”, and thus dismissed the appeal.

Another case relevant for the judicial doctrine of damages in lieu is Banks v EMI Songs Ltd (No. 2) [formerly known as CBS Songs Ltd]. The case revolved around the copyright ownership on lyrics and the infringement thereof. A band (UB40) had used lyrics (‘Don’t Break My Heart’) provided by Khan, who they believed to be the copyright owner, but who later turned out to have gotten the lyrics from Banks. Banks applied for conversion damages and injunctions with regard to the infringing reproductions, but was awarded damages instead after the defendant’s plea. Relevant factors in this case were inter alia that the lyrics were not provided by a stranger but someone with whom one of the band members had been friends with for a long time already (Khan), that certain claims made by the rightholder during her communications with the band were already known to be false at the time, and earlier assurances made by the rightholder about her intentions. Furthermore, it was clear from the facts of the case and the attitude of the rightholder that what she really wanted was money. Jacob J. also considered both Shelfer and Jaggard v Sawyer, and concluded based on Millet L.J.’s judgment that ‘the checklist of the Shelfer case is not an exhaustive statement and that there may be other cases in which damages may be awarded in stay of an injunction’. Nevertheless, Jacob J. appeared to find it necessary to emphasise that this case was ‘a wholly exceptional case outside head (3) of Shelfer’. It is notable that Jacob J. never doubted the applicability of the “good working rule” from Shelfer to copyright cases. Also noteworthy is that the approach of Jacob J. was more in line with Lindley L.J.’s approach in Shelfer, yet Jacob J. only referred to A.L. Smith L.J. As argued by Lindley L.J., the behaviour of the claimant and the apparent objective to obtain a sum were factors that could warrant granting damages in lieu.

The next case, Navitaire Inc v easyJet Airline Ltd (No. 2), is mostly relevant for this paper for the court’s assessment on the claims involving copyright infringement, but many other issues were addressed in this case. The facts are in short as follows. easyJet had a licence agreement for software from the claimant (Navitaire Inc) for two years, after which it had requested alterations that the claimant addressed in this case. For one of the den

239 Fishenden v Higgs & Hill Ltd (1935) 153 LT 128, 139-141 (copyright case).
248 Shelfer v City of London Electric Lighting Co. Ltd. [1895] 1 Ch. 287, 317.
249 Navitaire Inc v easyJet Airline Ltd (No. 2) [2005] EWHC 0828 (Ch) 213.
250 Examples are confidentiality and joint liability. The claimant and defendants both won and lost, see Navitaire Inc v easyJet Airline Ltd (No. 2) [2005] EWHC 0828 (Ch) 213, paras. 88, 95, 98-100, 110 and 112. Some of the injunctions were rejected, but most of the injunctions were granted in this case. For one of the denied injunctions, damages was awarded instead because the breach was so small and capable of being appreciated in monetary compensation, and the effect of the injunction would be oppressive. Navitaire Inc v easyJet Airline Ltd (No. 2) [2005] EWHC 0828 (Ch) 213, paras. 106, 110-113.
251 Navitaire Inc v easyJet Airline Ltd (No. 2) [2005] EWHC 0828 (Ch) 213, 220.
253 Navitaire Inc v easyJet Airline Ltd (No. 2) [2005] EWHC 0828 (Ch) 213, para. 101.
was considered to be the general rule. Second, the court may, nevertheless, choose not to grant an injunction, or award damages in lieu, if the injunction would be oppressive or there is no danger of further or new infringements. This principle was derived from Jaggard v Sawyer. Third, the fact that the defendant is willing and able to pay, does, in itself, not warrant the exercise of discretion to grant damages instead, as argued again by Lindley L.J. in Shelfer. Finally, it may not be the case that a final injunction is simply granted or refused because this would be more convenient. This principle was derived from Shelfer, from both Lindley L.J. and A.L. Smith L.J.’s judgments.

IV.1.4 The End of Shelfer?

However, in the recent case of Coventry v Lawrence, A.L. Smith L.J.’s “good working rule” in Shelfer came under heavy fire and was even rejected by Lord Sumption. The facts of the case are not really of relevance for this paper, but in short, the case was one of private nuisance. It revolved around the amount of noise made by the activities in a stadium leased and later bought by David Coventry and his brother, against whom nearby residents brought proceedings to obtain injunctions aiming to limit the noise. In the appeal, the respondents argued that if the noise caused by these activities constituted a nuisance, damages in lieu should have been granted. While Lord Neuberger argued that a respondent should not be able to raise this point, an application as such against a provision in the court’s order should be allowed. This is interesting, since it is contrary to Article 12 of the Enforcement Directive. There, a request by the defendant is specifically required to enable the court to exercise discretion in choosing remedies. In addition to citing Millet L.J.’s observations in Jaggard v Sawyer mentioned earlier, Lord Neuberger stated that:

‘[the] court’s power to award damages in lieu of an injunction involves a classic exercise of discretion, which should not, as a matter of principle, be fettered … [and], as a matter of practical fairness, each case is likely to be so fact-sensitive that any firm guidance is likely to do more harm than good.’

Nevertheless, rules about factors that may be taken into account were considered appropriate in order for the exercise of the discretion to be more predictable. Both Lord Clarke and Lord Sumption agreed with Lord Neuberger. Lord Sumption bluntly rejected the argument to prefer injunctions over damages to avoid ‘sanctioning a wrong by allowing a defendant to pay’ as an ‘unduly moralistic approach to disputes’. According to Lord Sumption, the general rule is not to grant an injunction if ‘an adequate legal remedy’ is available, namely damages, not the other way around. Interestingly, while the court in Shelfer found that an injunction was the general rule, Lindley L.J did argue that damages could be granted instead of an injunction ‘in all [other cases] where an action for damages is

254 Navitaire Inc v easyJet Airline Ltd (No. 2) [2005] EWHC 0828 (Ch) 213, para. 101.
256 Navitaire Inc v easyJet Airline Ltd (No. 2) [2005] EWHC 0828 (Ch) 213, para. 102.
257 Shelfer v City of London Electric Lighting Co. [1895] 1 Ch 287, 317.
258 Navitaire Inc v easyJet Airline Ltd (No. 2) [2005] EWHC 0828 (Ch) 213, para. 104.
262 Coventry v Lawrence [2014] UKSC 13, paras. 1, 7-14.
263 Coventry v Lawrence [2014] UKSC 13, para. 100.
264 Coventry v Lawrence [2014] UKSC 13, para. 152.
265 Coventry v Lawrence [2014] UKSC 13, para. 119-120.
266 Coventry v Lawrence [2014] UKSC 13, para. 121.
267 Coventry v Lawrence [2014] UKSC 13, paras. 154 and 170.
269 Coventry v Lawrence [2014] UKSC 13, para. 159.
really an adequate remedy. However, Lord Sumption disagreed on almost all other relevant accounts. He considered Shelfer to be out of date, and expressed regret that the “good working rule” has dominated case law for so long on the question when and how to exercise this discretion.

However, it is important to point out that the reasons following the statements of the court related to nuisance disputes involving property specifically. Still, these arguments of Lord Sumption and Lord Neuberger were not explicitly limited to one type of cases and they touched upon a generally applicable case practice. While Coventry v Lawrence is not a copyright case, it is exciting to see this highly esteemed court take a vastly other take on Shelfer than what was considered to be common practice. Looking at the influence of Shelfer on court practice, these critical considerations were probably not anticipated. However, it cannot come as a complete surprise since this case dates back to 1895, especially not with the debate that emerged after eBay v MercExchange. Moreover, like with any area of law in the United Kingdom, courts are granted discretion in choosing their remedies in such cases as well. Therefore, it cannot be ruled out that Coventry v Lawrence will also have its implications for the court’s discretion in disputes involving intellectual property rights. The discretion to grant damages in lieu in intellectual property cases may generally be applied in a stricter fashion than with disputes relating to other rights, but it is clearly there. As previously argued, even the narrow “good working rule” leaves courts more discretion than Article 12 of the Enforcement Directive. This is only slightly mitigated by Article 3 of the same directive. Moreover, the principles from domestic case law do not seem to be applied differently in disputes on intellectual property rights. For example, Arnold J emphasised in a recent patent case that A.L. Smith L.J.’s “good working rule” is not a statute, and should thus not be treated as such. Furthermore, in another patent case, Justice Henry Carr did not even mention Shelfer when he was contemplating the availability and appropriateness of remedies. Moreover, while Shelfer has been part of the court’s assessment in the cases discussed in this subchapter, it seems that courts in copyright cases do not necessarily adhere to the “good working rule”. In the examples above, courts discuss Shelfer, but if the conditions of the “good working rule” are not met, it does not mean it ends there. These are just a few cases, so caution is required in drawing a conclusion of any trends in case practices, but these cases have all been cited plenty in other cases and legal scholarship as part of analyses of the court’s discretion in choosing remedies. Consequently, they cannot be simply dismissed as irregularities.

270 Shelfer v City of London Electric Lighting Co. Ltd. [1895] 1 Ch. 287, 317.
275 HTC Corp v Nokia Corp [2013] EWHC 3778 (Pat).
276 It should be pointed out that Justice Henry Carr was not considering granting damages instead of an injunction. The patent holder declared it would not seek an injunction. The Justice was merely asked by the parties to assess whether an account of profits for future infringement was possible instead of an injunction. GlaxoSmithKline UK Ltd v Wyeth Holdings LLC [2017] EWHC 91 (Pat).
IV.2 GERMANY

IV.2.1 General Assessment

The exception laid down in § 100 of the Urheberrechtsgesetz can be used against claims for removal, destruction, recall, transfer and omission.\textsuperscript{278} For the invocation of the right of aversion, all conditions of this provision must be satisfied.\textsuperscript{279} The infringer has the burden of proof, meaning that if any doubt remains for any of the conditions, they will be to the detriment of the infringer.\textsuperscript{280} If there are multiple parties involved in the infringement, all of them could individually invoke the right of aversion, but each party would need to prove their own case.\textsuperscript{281}

First, the application of this provision requires the infringer to have acted without guilt.\textsuperscript{282} Interestingly, like in the Netherlands, damages require a degree of fault,\textsuperscript{283} yet this exception requires the infringer to be without blame. The compromise made at the expense of this civil law principle shows that strong enforcement is favoured over weak enforcement. This includes inter alia organisational and supervisory fault, as well as the fault of third parties when attributable to the infringer.\textsuperscript{284} The high “due care” threshold for non-negligence that exists in the field of intellectual property makes the establishment of innocent infringements rather scarce.\textsuperscript{285} Second, the damage to the infringer that would follow the granting of injunctions has to be disproportional compared to the general cost of a licence.\textsuperscript{286} Disproportionately large is when the significance of the legal infringement and the generally payable licence fee would be quite out of proportion.\textsuperscript{287} This is the case, for example, if the infringement is limited to individual parts of a comprehensive and complete work, but their removal requires a costly


\textsuperscript{280} Ulrich Block and others, Handbuch Urheberrecht und Internet, vol 7 (Verlag Recht und Wirtschaft Heidelberg 2002), 336; BeckOK UrhR / Reber, 17th Ed. 1.4.2017, UrhG § 100.

\textsuperscript{281} Ulrich Block and others, Handbuch Urheberrecht und Internet, vol 7 (Verlag Recht und Wirtschaft Heidelberg 2002), 336; Stefan Weidert and Jürgen Ensthaler, Urheberrecht und Internet (3rd edn, Fachmedien Recht und Wirtschaft, 2017), para. 402.


\textsuperscript{283} BeckOK UrhR / Reber, 17th Ed. 1.4.2017, UrhG § 100.


modification of the entire work. The examination of reasonability requires a weighing of interests of both parties, e.g. when a usage authorisation is usually granted against a fee. Thereafter, the compensation sum shall be payable as would be appropriate in the case of contractual licensing based on the second and third sentence of § 100 of the UrhG, or, in case of dispute, shall this be determined by the court in accordance with § 287 ZPO.

With infringement of the moral rights of copyright, on the other hand, a replacement will generally not be reasonable. The reason that this exception is interpreted so narrow is that it is the general view that the injured party is entitled to injunctive relief, and an exception interferes with that. In Germany, a Member State with a strict civil law tradition, damages is not considered an adequate remedy. The success of invoking this right thus hinges mostly on the satisfaction of the other requirements.

IV.2.2 The Case Assessments

Based on the case law on this provision in several German databases, no defendant has been triumphant up to and including the last instance in invoking this exception. In fact, it was confirmed in 2013 that no infringer had been successful on that matter. This would mean that the Commission’s observation that this provision is applied strictly is phrased rather euphemistically. Nevertheless, there are some cases of interest for understanding the interpretation of this provision by German courts.

The exception came to be via the introduction of the new German copyright act in 1965, the Urheberrechtsgesetz (UrhG), and the first case on this exception already reached the Bundesgerichtshof (BGH) in 1974. The BGH had to decide on a decision made by the Oberlandesgericht (OLG) Köln of 3 August 1973. The defendant, a small and (at the time) relatively young company in the recording industry, had introduced four long-playing records in Germany under the names ‘Die unsterbliche Stimme’ and ‘Die unsterblichen Stimmen’. The recordings were obtained via a license granted by Everest Record Inc. (LA, US), which had assured the defendant that it owned all the rights to the recordings after having obtained it from another US-based company. The plaintiff had asked for an injunction to prevent the defendant from pressing records containing

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289 German Copyright Act.

290 German Civil Code of Civil Procedure.


292 Third, the injured party could reasonably be compensated in money. The examination of reasonability requires a weighing of interests of both parties, e.g. when a usage authorisation is usually granted against a fee. Thereafter, the compensation sum shall be payable as would be appropriate in the case of contractual licensing based on the second and third sentence of § 100 of the UrhG, or, in case of dispute, shall this be determined by the court in accordance with § 287 ZPO.

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301 Ulrich Block and others, *Handbuch Urheberrecht und Internet*, vol 7 (Verlag Recht und Wirtschaft Heidelberg 2002), 337.


305 Ulrich Block and others, *Handbuch Urheberrecht und Internet*, vol 7 (Verlag Recht und Wirtschaft Heidelberg 2002), 337.


308 Ulrich Block and others, *Handbuch Urheberrecht und Internet*, vol 7 (Verlag Recht und Wirtschaft Heidelberg 2002), 337.


310 Ulrich Block and others, *Handbuch Urheberrecht und Internet*, vol 7 (Verlag Recht und Wirtschaft Heidelberg 2002), 337.


312 Ulrich Block and others, *Handbuch Urheberrecht und Internet*, vol 7 (Verlag Recht und Wirtschaft Heidelberg 2002), 337.


314 Ulrich Block and others, *Handbuch Urheberrecht und Internet*, vol 7 (Verlag Recht und Wirtschaft Heidelberg 2002), 337.
copies of the original recordings and distribute such re-prints, as well as information and determination of liability for damages.\(^{303}\) The defendant invoked § 101(1) of the UrhG (old numbering), in particular since it had relied on a provision that was later found partially unconstitutional, as well as that one particular record could not be carried on due to two works if the injunctions were granted.\(^{304}\) The Court of Appeal found that the plaintiff was not entitled to an injunction under § 97 of the UrhG as a result of the special provision in Art. 2 of the Änderungsgesetz (ÄndG)\(^{305}\), concluding that a compensation in money is not unreasonable.\(^{306}\) However, the BGH was of the opinion that the Court of Appeal had misjudged the legal concept of “acceptability”.\(^{307}\) In assessing whether the record producer whose rights have been infringed can afford to be granted damages \textit{in lieu}, it is important, in addition to the purpose of the law, to balance the interests of both parties. In that regard, the OLG had wrongly assumed that the interest of the plaintiff in an unrestricted distribution planning need not be considered in assessing the question of unreasonableness. In order to assess whether the claim for injunctive relief is justified, it is also relevant whether, under the contracts concluded with the performing artists, the plaintiff is obliged to pay them or their heirs turnover royalties.\(^{308}\) Consequently, the BGH decided that the decision had to be set aside and that the case was to be referred back the OLG Köln.\(^{309}\) It is interesting that the scope of what is acceptable for the purpose of this exception is not even affected by relying on a provision. The BGH may speak of balancing interests, but it clearly favours the interests of a record company with royalty contracts over those of another that only ended up infringing copyrighted works due to its reliance on a provision that was later declared partially unconstitutional.

After this case, there are not many cases recorded in which an assessment on this exception reached the OLG or higher court. Based on several searches in two German databases, it seems that it did not reappear in case law at the level of the highest district courts until 1998.\(^{310}\) In this case,\(^{311}\) the complainant is an association for professional photographers representing 70 of its members for unauthorised use of recordings of certain CD-ROMs by the defendant.\(^{312}\) The dispute revolved around the question whether, on the basis of the agreements with the authors, the defendant was entitled to redistribute the photographs published in a news magazine between 1989 and 1993 in CD-ROM year-editions.\(^{313}\) The association brought proceedings to obtain both damages and injunctions.\(^{314}\) The BGH decided that the decision of the highest district courts was not entitled to an injunction under § 97 of the UrhG, concluding that the decision had to be set aside and that the case was to be referred back the OLG Köln.\(^{315}\) Consequently, the BGH decided that the decision had to be set aside and that the case was to be referred back the OLG Köln.\(^{316}\) It is interesting that the scope of what is acceptable for the purpose of this exception is not even affected by relying on a provision. The BGH may speak of balancing interests, but it clearly favours the interests of a record company with royalty contracts over those of another that only ended up infringing copyrighted works due to its reliance on a provision that was later declared partially unconstitutional.


\(^{305}\) Amendment Act.


\(^{313}\) BGH, 28.02.1975 I ZR 101/73 “Unsterbliche Stimmen”, JurionRS 1975, 11680, para. 64.


\(^{316}\) The OLG Hamburg 5.11.1998 - 3 U 212/97.

\(^{317}\) OLG Hamburg 5.11.1998 - 3 U 212/97, 225.

\(^{318}\) OLG Hamburg 5.11.1998 - 3 U 212/97, 225.

\(^{319}\) OLG Hamburg 5.11.1998 - 3 U 212/97, 225.

\(^{320}\) OLG Hamburg 5.11.1998 - 3 U 212/97, 226.

\(^{321}\) OLG Hamburg 5.11.1998 - 3 U 212/97, 226.

\(^{322}\) OLG Hamburg 5.11.1998 - 3 U 212/97, 228.


\(^{325}\) Amendment Act.


\(^{330}\) These searches entailed going through the case law on both § 100 UrhG (since 1 September 2008) and § 101(1) UrhG (from 9 September 1965 until 31 August 2008) via \url{www.beck-online.de} and \url{www.dejure.org}.

\(^{331}\) OLG Hamburg 5.11.1998 - 3 U 212/97.

\(^{332}\) OLG Hamburg 5.11.1998 - 3 U 212/97, 225.

\(^{333}\) OLG Hamburg 5.11.1998 - 3 U 212/97, 225.

\(^{334}\) OLG Hamburg 5.11.1998 - 3 U 212/97, 225.

\(^{335}\) OLG Hamburg 5.11.1998 - 3 U 212/97, 225.

\(^{336}\) OLG Hamburg 5.11.1998 - 3 U 212/97, 226.

\(^{337}\) OLG Hamburg 5.11.1998 - 3 U 212/97, 226.
the photographers when she decided to use CD-ROMS. The old § 101 of the UrhG could not help the defendant in this case, because she has acted at least negligently. The defendant, as a publishing company, should have known in view of its commercial activity, that it was acting unlawfully. In this respect, strict due diligence applies.

Unfortunately, it is not explained what this principle entails in this context. From the facts of this case, it appears that strict due diligence would demand from a person or entity in the business of copyrighted works that this person or entity should remove any doubts. Even if there is a general contract on use of the works, if there is any doubt on the scope of the consent for using copyrighted works, this person or entity should contact the rightholders. While this may be considered obvious, this is never that easy in practice. If that were the case, legal professionals would have a lot more free time on their hands. In this case, the OLG referred to multiple sources debating the use of CD-ROMS and common knowledge thereof around the time the contracts were concluded, emphasising the lack of consensus. Therefore, the strict due diligence standard to which persons or entities in the business are held here seems unreasonable. First, it would make such persons or commercial entities vulnerable every time technological developments occur, irrespective of whether there is consensus in the legal world on their ramifications for intellectual property rights. Second, the consequences of such errors are quite severe in a jurisdiction in which the automatic result would be the granting of an injunction.

Another case from 1998 before an OLG revolved around unauthorised reproductions of famous paintings including works of Chagall, Miró, Magritte, Kandinsky and Picasso. The plaintiffs asked for injunctive relief, consent for destruction, damages and information, which was denied by the LG but granted by the OLG Hamburg. The paintings were copied with small deviations by skilled painters, but the OLG found that the contested paintings were, nevertheless, reproductions. The deviations in the copies were deemed too slight, and it does not matter by which method and in what number the copies are made under the UrhG. The defendant was found unable to avert the destruction of the reproductions. The plaintiffs ask for injunctive relief, consent for destruction, damages and information, which was denied by the LG but granted by the OLG Hamburg.

In short, the original sculpture was made by Constantin Brâncusi, who was a French national at the time of his death, but possibly also a Romanian citizen. He appointed a couple in France collectively as custodians over inter alia his artwork, which he left to the French state after his death. A collecting society in Germany has concluded a reciprocal contract with the French collecting society, which in turn is endowed with and empowered by the legal successor of this legacy to enforce certain rights.

318 OLG Hamburg 5.11.1998 - 3 U 212/97, 228.
319 OLG Hamburg 5.11.1998 - 3 U 212/97, 228.
320 OLG Hamburg 29. 1. 1998 - 3 U 244/94, 1133 and 1135.
322 OLG Hamburg 29. 1. 1998 - 3 U 244/94, 1136.
323 LG München, 11.03.2009 - 7 O 13897/06; OLG München 17.09.2009 - 29 U 2579/09, paras. 25-27 and 30-32.
326 OLG München 17.09.2009 - 29 U 2579/09, paras. 23 and 64.
The German collecting society concluded that the reproduction in question was not authorised by the French collecting society and brought proceedings against the German infringer for its destruction.\textsuperscript{327} The infringer asked the OLG to annul the judgment of the LG München and dismiss the action.\textsuperscript{328} Without success, the infringer argued that the destruction of the reproduction would be disproportionate.\textsuperscript{329} The OLG first concluded that the reproduction was a serious interference with the copyright protection on the original because it was a reproduction of the entire work.\textsuperscript{330} Second, even though the infringer had relied on assurances about the copyright ownership made by the representative of a foundation he believed to be the copyright owner, sought to obtain consent and paid for it, the OLG found that the defendant had acted negligent.\textsuperscript{331} The money was transferred to the representative of the foundation and not the foundation itself, which should have prompted the infringer to ask for solicitor proof of the acquirement of copyright. Third, the interest in destruction of the reproduction far outweighed the interests of its preservation.\textsuperscript{332} The OLG dismissed the appeal.\textsuperscript{333} Here, the failure to remove any doubt ended up being detrimental to the infringer again. If something seems off, third parties are reasonably expected to investigate the inconsistencies or suspicions and walk away if they cannot be resolved adequately.

**IV.2.3 An Exception or an Empty Promise?**
If an infringement is established by the court, it is almost certain that injunctive relief will follow in Germany; this much can be inferred from the case assessments. When looking simply at the effectiveness and efficacy of § 100 of the UrhG, the attempt to provide an alternative to injunctive relief has failed miserably in practice. Germany has a very strong regime of copyright enforcement. The lack of successful invocations of this right of aversion in 52 years has unfortunately been kept a judicial doctrine from being developed. Only two of the elements have received some attention as to the standards that should apply. The first is “acceptability” in the context of assessing whether the injured party could reasonably be compensated by being granted damages in lieu. The second is the standard of culpability courts should hold infringers to. The lack of clarity on what degree of negligence could be accepted by courts for the purpose of granting this specific exception has led to the judicial practice that “any indication of negligence” will result in the rejection of this exception. German courts do not appear to have any discretion in the assessment of the degree of fault. The conclusions that can be drawn from these cases is all that they have accomplished is limiting the scope of this exception further.

It is interesting that we have arrived at this conclusion, while it was this exception which led to the inclusion of Article 12 in the Enforcement Directive. Both articles contain the same elements and are brought on to provide an alternative to injunctions in favour of defendants. In conjunction with Article 3 of the Enforcement Directive, both the more discretionary approach taken by courts in the United Kingdom as the nearly automated approach in Germany are defendable. So much for a “equivalent and homogenous level of protection” in the context of enforcement?

**IV.3 THE NETHERLANDS**

**IV.3.1 General assessment**
As previously explained, there is no legal basis for a judicial discretionary power to grant damages in lieu. An injured party in a tort case will have to rely on Article 6:162 of the Burgerlijk Wetboek to obtain damages. In the majority of copyright-infringement cases in the Netherlands, the injured party

\textsuperscript{327} OLG München 17.09.2009 - 29 U 2579/09, para. 23.
\textsuperscript{328} OLG München 17.09.2009 - 29 U 2579/09, paras. 28-29 and 35-37.
\textsuperscript{329} OLG München 17.09.2009 - 29 U 2579/09, paras. 74-77.
\textsuperscript{330} OLG München 17.09.2009 - 29 U 2579/09, para. 75.
\textsuperscript{331} OLG München 17.09.2009 - 29 U 2579/09, para. 75.
\textsuperscript{332} OLG München 17.09.2009 - 29 U 2579/09, paras. 76-77.
\textsuperscript{333} OLG München 17.09.2009 - 29 U 2579/09, para. 80.
will try for damages in addition to an injunction and/or declaration. For injunctions, injured parties can generally invoke Article 3:296 of the Burgerlijk Wetboek. Both of these articles are of a general nature. This means that, theoretically, the Dutch courts have had room to interpret these articles. This had led to some interesting developments in the approach of Dutch courts to damages.

In the Netherlands, damages are only meant to restore the injured party’s situation to what it was before the infringements occurred, as well as compensating other remaining losses or disadvantages caused by the infringements. They cannot have any punitive character. However, damages may take many different forms, and therefore vary in functionalities and effects. For instance, in case of a copyright infringement, the infringer can be ordered to hand over the profit of the infringement instead of restitutive damages. This option was mostly meant for combatting piracy, but it can be applied generally. In addition, in the last decade, more attention has been paid to the potential functionalities of damages in Dutch private law in respect of the rights enforced, and a rebellion has started brewing. The sum of the damages is generally based on what the author would have received if permission was obtained based on the usual terms, but can be increased according to the Dutch principle ‘naar redelijkheid en billijkheid’. However, courts have in recent years become increasingly more willing to grant damages higher than the actual damage suffered. While the legality of this conduct is criticised in domestic legal scholarship, some courts have argued that just awarding damages to compensate only the determined injury would actually make it more attractive for infringers to continue infringing. Infringers know that they merely risk having to pay the sum they would have paid if they had obtained permission if the infringement claim is successfully brought to court. This undermines copyright protection. To counter this effect, several courts of first instance have started to increase the damages they grant, thereby giving the damages a more punitive character. This practice has recently been endorsed by a court of appeal. This means that damages are increasingly used as an instrument

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337 Michel Frequin, Auteursrechtgids voor de Nederlandse Praktijk (SDU 2005), 214-215.
340 This translates literally to ‘to reasonableness and fairness’; Michel Frequin, Auteursrechtgids voor de Nederlandse Praktijk (SDU 2005), 214.
342 See, for example, Herman Speyart, ‘Schadeopslagen in het IE-Recht: Ongeoorloofde Punitieve Schade of Geoorloofde Forfaitaire Berekening’ (2013) IER 5 49.
of enforcement. Nevertheless, all these cases have in common that the infringer was culpable to some degree. The Dutch culpability requirement for ordering the payment of damages is a significant difference between the Dutch approach to damages as a remedy and Article 12 of the Enforcement Directive. As previously discussed, the latter’s elements - requiring an infringer to have acted unintentional and without negligence - prevented the Netherlands from implementing it. Still, this trend shows a different approach to damages is emerging in Dutch court practices. Courts seem more willing to test the established boundaries of damages to shape this remedy into a more effective tool for enforcement.

IV.3.2 The Case Assessments
The assessments of case law from this particular Member State are particularly interesting due to the lack of an equivalent provision to Article 12. Unlike the other two Member States discussed, there is no legal basis for damages in lieu in Dutch law, nor has much attention been paid in law, case law or legal scholarship to the possibilities of this alternative measure as a possible exception. However, this does not mean that it is not possible. There are several cases involving copyright infringements in which the rightholder or a debt-collecting society brought proceedings against an infringer to obtain declarations of wrongdoing, final injunctions and damages, but only received declarations and/or damages. For example, in a case between Martinelli Luce S.P.A. and 4edesigned347, 4edesigned had purchased lamps resembling the copyrighted ‘Pipi’ lamps from Martinelli Luce. 4edesigned had only sold one of those lamps before Martinelli Luce found out about the infringement and approached 4edesigned. The latter agreed in a declaration to abstain from any further infringements, thereby subjecting itself to penalties for failure to comply.348 Nevertheless, Martinelli Luce brought proceedings against 4edesigned to obtain inter alia an injunction, a rectification, the transfer of the profit generated with the infringement and damages.349 The court granted the transfer of the profits and the rectification, although the court denied some of the conditions asked for.350 The court denied damages due to the fact that under Dutch law, it is not possible to obtain both damages and transfer of profits.351 More importantly, the injunction was denied for lack of interest due to the declaration.352 The approach taken by the court was vastly different than the conditions set out in Article 12. The infringer had not requested to only be ordered to pay damages, but had argued against the granting of all claims. Furthermore, the infringer was found to be culpable, and no arguments of disproportionate harm were made. The injunction was rejected for lack of interest, which is not one of the conditions under Article 12. However, this is a consideration that would be relevant under Article 11 of the Enforcement Directive, since it phrases the authority to grant injunctions as: ‘judicial authorities may issue … an injunction aimed at prohibiting the continuation of the infringement.’ Not only did the infringement in this case constitute a one-time occurrence, but the infringer had already pledged voluntarily to refrain from infringing the rightholder’s rights, thereby subjecting itself to monetary penalties. It would appear the court simply came to the conclusion that there was no need for an injunction to be granted, but that the rightholder was still entitled to transfer of profits for the infringement.

In the next case, the lack of interest was less obvious. BühmannUbbens B.V. approached publisher Walburg Pers B.V. to develop a book on screen printing, for which the copyright would stay...

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353 Article 3:303 of the Burgerlijk Wetboek.
with the former. Silk Screen is a screen printer that made the book available via its website from 2000 to 2005 after obtaining verbal permission from someone at Bühmann-Ubben's B.V. Unfortunately, in the book itself, it was clearly stated that permission was to be obtained in writing. When Silk Screen was confronted, it removed the book from its website. Nevertheless, proceedings were brought against Silk Screen to obtain an injunction and damages. Only damages were granted. The judge argued that there was no need for an injunction, since Silk Screen did not appear intent on making the book public again. The reason that this is notable, is that the possibility or repetition had not been claimed by the claimant, nor had the opposite been brought forward as a defence. It appears the judge conducted this assessment on her own initiative, and on the basis thereof, decided against granting an injunction, much like in the first case.

In Cozzmoss B.V. v Haarlemse Volkstuindersvereniging ZWN, the judge refused awarding the injunction for the same reason, without any of the parties arguing the risk of repetition. Cozzmoss has committed to enforcing Trouw’s copyright, a Dutch newspaper, which in turn had committed to enforcing the copyright of the author of the article in question. The Haarlemse Volkstuindersvereniging ZWN had saved an article on its website that thereby became accessible for third parties via search engines, without permission and the proper reference to the author. The injunction was rejected, but damages were awarded due to the fact that even though it was a minor infringement, it was still an infringement. The common factors in these two cases appear to be that the infringers immediately stopped their infringement once confronted by the rightholders or their representative, and that a clear incentive to commit the same infringement again is lacking. However, there were significantly different types of parties involved in the cases, as well as the deviating duration and/or severity of the infringement. Silk Screen in the second case was a commercial entity that published a copyrighted book online for five years without permission. In the third case, the infringing party is a hobby-like gardening society against a debt-collection agency that indirectly made an article available to the public for a month via a poorly-visited website. It thus seems that it is not so much the commercial character of the infringer that is important, but the actions of the infringer after the confrontation.

These factors were also present in a fourth case, which involved another website with a hobby-like character to it. Again, Trouw (Dutch newspaper) had entered into a contract with three authors to enforce their moral rights. Apart from the failure to obtain permission prior to the communication, the website on which these articles were made public lacked any reference to the authors. The judge agreed this was an infringement of these authors’ moral rights, yet only damages were granted. The reasons for the judge were more explicit in this case, and strengthen the previous conclusion. The injunction was refused since the website removed the articles after confrontation and was no longer infringing the rights of Trouw and the authors, nor was there any sign that the infringer would infringe the copyright of Trouw and the authors again. These arguments are repeated in at least two more cases. While five cases in the first level of the Dutch judicial branch is clearly insufficient to conclude that they show an established practice, it is, nevertheless, another sign of changes occurring in the Dutch court practices in copyright cases.

Two other cases reveal arguments of a different kind for refusing to grant injunctions. The first case is not a copyright-infringement case, but the claims relate to the contents of a book. The subject of the book is a whistle-blower scandal that does not paint a pretty picture of the claimant.\(^\text{365}\) In the proceedings, the court found that most of the paragraphs opposed by the claimant were factually backed up, but a few of the statements in the book were found to be unlawful to the claimant.\(^\text{366}\) However, given that these statements were only a small fraction of the entire claim, and an even smaller portion of the book, the court decided against awarding an injunction.\(^\text{367}\) Instead, a rectification was ordered by means of a separate page to be added to the unsold copies accompanying the page containing the wrongful statements, as well as damages.\(^\text{368}\) This assessment is in line with the intentions of the legislator. When the legislator was answering questions from political parties on the Dutch implementation of the Enforcement Directive, the discretionary power of courts to weigh the requested measures against the severity of the infringement was emphasised.\(^\text{369}\) In addition, the interests of third parties may also be taken into consideration.\(^\text{370}\)

The second case was between the Freelancers and the NPS, for which they have taken on assignments several times for a radio show.\(^\text{371}\) The terms and conditions were subject to a form to be signed per assignment, but after a while, the NPS amended the form.\(^\text{372}\) The amendment would allow the NPS to unconditionally broadcast the works via digital networks, including the Internet.\(^\text{373}\) The Freelancers notified NPS per letter not to agree to these terms without compensation, but the negotiations did not lead to an agreement.\(^\text{374}\) The damages requested by the Freelancers were granted by the court, but not the injunction and the penalties for failure to comply. The terms in which the request for the injunction was put were considered too general and could also have included works to which the NPS is or could become entitled.\(^\text{375}\) Instead of limiting the applicability of the requested injunction to a specific set of works, the claim was rejected altogether. It is a little unsatisfactory that the court did not clarify this part of the decision any further.

**IV.3.3 Judicial Doctrine in the Making?**

These case assessments show that courts are increasingly willing to grant damages *in lieu* in copyright-infringement cases. However, there are a few side notes to make. First, it is clearly not (yet) common practice. Out of 229 recorded cases of all judiciary branches in the Netherlands, only six cases involving copyright infringements resulted in damages being granted and final injunctions being refused. Second, the principle behind these judgments is not to go easy on (innocent) infringers by granting damages *in lieu*, but, as previously stated, simply that the claims were only partially granted. Nevertheless, it does not mean these cases do not signal any change in the manner in which Dutch courts exercise discretion in choosing their remedies. Perhaps the most important point to make here is that all these cases are quite recent, with the first six cases dating back to at most 2010. It may be the case that all of these

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judgments were given by courts of first instance, but this is how the practice of increased damages started as well. There, it took only ten years since the first case for a court of appeal to endorse it.374

V. THE DOMESTIC APPROACH: AN ANALYTICAL SUMMARY

It turns out that the Member States have not exactly been brought closer in their vision of the nature of injunctions as a remedy when looking at these three Member States. It was already a discretionary power of the courts in the United Kingdom to grant damages in lieu. The Enforcement Directive has not brought focus to the factors mentioned in the various articles and recitals mentioned in this thesis in the exercise of this power by courts in the United Kingdom. In Germany, there seems to be no effect so far on the automated application of injunctions by the more authoritative higher levels of German courts. The Netherlands has no legal basis for damages in lieu, yet injunctions are not automated remedies. As the subchapter on Dutch case law has illustrated, Dutch courts focus on the interest of the rightholder in being awarded the requested remedies,375 which means that even if an infringement is found, it is not automatically followed by an injunction.

Section 2 of the Chancery Amendment Act 1858 started out as the legal basis for damages in lieu in the United Kingdom,376 but now it is section 50 of the Senior Courts Act 1981 (which used to be the Supreme Court Act)377 and section 38 of the County Courts Act 1984.378 The general discretion to grant injunctions is laid down in section 37 of the Senior Courts Act 1981.379 These articles are generally applicable, so the come up in different types of cases. As apparent from the case analysis, examples are cases involving nuisance, breach of contract and copyright infringement. There are several ways to assess the type and degree of discretion of the courts in the United Kingdom.380 Looking at the black letter of the law, courts have a decision-making discretion.381 Based on these sections, the courts have a double discretion. Moreover, their wording is of a very general nature, thereby giving the courts a low of room to interpret and apply the law. There are always principles that should be taken into account in court proceedings (e.g. fairness, proportionality), but courts are free in their choice of methods. This primary judicial discretion would imply they cannot choose wrong between these two remedies, or the assessment leading up to their decision.382 However, based on the analysis of case law, courts seem to put themselves under limitations derived from case law. This is also accepted generally in the field of intellectual property, as is apparent from the Intellectual Property Office’s view in the United Kingdom that injunctions are the general rule. Some of the methods established in case law, such as the “good

375 Article 3:303 of the Burgerlijk Wetboek explicitly requires a sufficient interest in a legal action.
381 Maurice Rosenberg, ‘Judicial Discretion of the Trial Court Viewed from Above’ (1971) Syracuse Law Review 22(3) 635, 637.
382 Maurice Rosenberg, ‘Judicial Discretion of the Trial Court Viewed from Above’ (1971) Syracuse Law Review 22(3) 635, 637.
working rule” in the nuisance case Shelfer, have been very dominant in this sense. Nevertheless, other courts have acted in a manner corresponding more to the letter of the law, arguing that as long as certain principles are part of their assessment, they are free to choose their approach and remedy. Interestingly, there seems to be little secondary judicial discretion since court decisions can be reviewed to a great extent by the next instance, yet the analysis showed there are, nevertheless, examples in which courts felt there were reasons to deviate from previous cases. In such cases, there is arguably a greater risk for a court of first instance that a court of appeal would overturn the decision before it. Of course, these cases are only a few examples on the subject of a myriad of cases, so there is little to be said about what this means for the overall picture. Nevertheless, it shows that there are courts in the United Kingdom willing to get a bit creative.

In Germany, things are vastly different. First, the power to grant damages in lieu is limited to cases concerning copyright and designs, so it is not generally applicable. Second, as in the United Kingdom, there is the double discretion for courts in their choice of remedies in copyright-infringement cases when looking at the wording of § 97(1) of the UrhG on the court’s power to grant injunctions and § 100 of the UrhG on damages in lieu. However, while this double discretion does not pose any problems either, this is due to the treatment of injunctions as an automated remedy. Looking at court practice in the case analyses, it is clear courts have very little room to interpret the elements of § 100 of the UrhG. Even though there is room in the statutes for interpretation, there are firmly established principles countervailing the degree of primary discretion afforded by the statutes. Damages are not considered to be an adequate alternative to an injunction, which can also be inferred from how the elements of this power are defined. One of the main problems seems to be the very strict definition of fault. Once a ground is found that could indicate fault, damages in lieu will be refused. The German courts do not establish a degree of fault nor assess its weight in light of other relevant factors of a specific case in its entirety. It is a very broad and low threshold, that is applied rather mechanically. In addition to a very limited decision-making discretion, there are strong hierarchical relations between courts in Germany, meaning there is also little secondary judicial discretion.\(^3\) Other elements of this provision are that the injunction would cause disproportional harm to the infringer and that the injured party could reasonably be compensated in money. The approach taken by the higher level of courts shows that they consider that entertaining granting damages in lieu is highly exceptional. Due to their strong preference for injunctions, the research conducted here has not been able to find an infringer who was successful in invoking § 100 of the UrhG up to and including the highest court involved in the case. Based on this analysis and the research concluded in 2013, any successful invocations of this right were in the end overturned.

The Netherlands is the only Member State subjected to the comparative analysis in this thesis that lacked a legal basis for a judicial discretionary power to grant damages instead of injunctions applicable in copyright-infringement cases. As stated previously, Articles 3:296 and 6:162 of the Burgerlijk Wetboek are both of a general nature and are thus not specific to intellectual property rights. Article 6:162 of the Burgerlijk Wetboek leaves very little room for courts to exercise discretion in granting damages in tort cases. The elements and the developed definitions are applied rather mechanically. Article 3:296 of the Burgerlijk Wetboek is an open norm, meaning that Dutch courts have had room for interpretation and application with regard to injunctions in copyright cases. In practice, final injunctions have been developed into non-automated remedies. This is due to the way Dutch courts perform their assessment, but more recently the changing perception to damages in light of enforcement is also gaining in relevance. First, the first two levels of courts assess for each of the claims individually whether it is warranted based on the relevant facts. In the majority of infringement cases, the claims will entail or include a claim for damages, meaning that courts may decide to only grant damages or vice versa. Second, based on the conducted case analyses, the strong emphasis on

interest as a condition for each of the claims is key for the development of injunctions as a discretionary measure. Dutch courts establish whether the injured party actually has an interest in the requested legal orders, which is not a given even if a copyright infringement is established. Based on the case analyses, if the infringement has ended after confrontation by the copyright holder (or his/her representative) and there is no sign that the infringer will re-engage in infringing activities with regard to the same copyrighted object, the injunction will most likely be denied. Third, domestic legal scholarship has also stressed the importance of proportionality in the courts assessment. Fourth, as explained previously, courts are also more willing to utilise damages as a means of enforcement, despite of the strong countervailing forces in the Dutch court system. Officially, there are no precedents in case law, but depending on the type of court and other relevant factors, courts of higher instances can overturn decisions to a considerable extent. It is, therefore, a significant development that courts have attempted to increase the effectiveness of damages by ordering the payment of higher sum of damages than the established injury. However, in light of Article 12 of the Enforcement Directive, it should be emphasised that damages still require culpability. The court practice in the Netherlands is a few steps closer to granting damages as an alternative measure, but not under the conditions of Article 12.

VI. CONCLUSION

For such a rushed instrument, the Enforcement Directive generated quite a positive response. Unfortunately, while most Member States were still in the process of transposing its articles into their domestic law at the end of the implementation term, the Enforcement Directive came under scrutiny once more. After eBay v MercExchange, the debate on judicial discretion in choosing remedies in cases involving the infringement of intellectual property rights got a new spark. This debate was the reason this thesis aimed to answer the question: How has the implementation of the Enforcement Directive affected the discretionary power of domestic courts in granting damages in lieu?

The Enforcement Directive conveys a very mixed message when it comes to how judicial discretion should be exercised in cases involving the enforcement of intellectual property rights, but it is clear that domestic courts are meant to have it. The most important indications on the envisioned implementation by Member States and application by their courts are Articles 3, 11 and 12 and Recitals 1-3, 17, 24 and 25 of the instrument. First, Article 11 prescribes that courts may grant injunctions. Second, Article 12 says that they may also choose to grant damages in lieu in cases in which they could, not would, grant an injunction, provided that its conditions are met. Third, Article 3 somewhat mitigates this double discretion caused by the Commission’s copy and paste work from different legal traditions. It also strengthens the discretionary nature of granting injunctions. Article 3 precludes that the conditions of Article 12 are the only ones that could warrant not granting an injunction, because it adds that a flexible approach is required of courts in their assessment to apply key principles and additional conditions. The conclusion drawn in this paper is thus that the Enforcement Directive meant for injunctions to be a discretionary remedy, and actually precludes injunctions as an automated remedy.

That leaves approaching the degree of judiciary discretion. The objective of the directive is laid down in Recital 10, namely ‘a high, equivalent and homogenous level of protection in the internal market’. This would imply a limited degree of judicial discretion, since a higher degree would inevitably lead to disparities in the approach taken by the domestic courts of the Member States. This objective is also echoed in some of the other recitals and articles. However, it is undermined by several other recitals and articles. For instance, Article 2(1) states that the Enforcement Directive is an instrument for minimum harmonisation, meaning that only the minimum level of protection is established. Member States may provide for more, which invites a heterogeneous level of protection. In addition, Recitals 1-3, 17, 24 and 25 emphasise that domestic courts should be able to balance interests and consider relevant factors - not limited to those mentioned in those recitals based on Article 3 - in their assessment. Obviously, it is not possible to provide for every situation in law. This means that, in order for such an assessment to lead to a fair and equitable result, as required by Article 3(1), domestic law should allow for an adequate level of judicial discretion in choosing and applying remedies.
With those obligations of the Member States and their courts in mind, was the Enforcement Directive successful in harmonising the Member States’ approach to enforcement? Unfortunately, this does not seem to be the case based on the comparative analysis of the implementation and case law on copyright-infringement cases conducted in this thesis.

From the three Member States subjected to the comparative legal analysis in this thesis, the United Kingdom was the only one to have implemented the Enforcement Directive in time. While it chose not to implement Articles 3 and 12, they were essentially covered by existing legislation and principles developed in case law. The United Kingdom is even familiar with the double discretion, since Section 37 of the Senior Courts Act 1981 codified the court’s discretion to grant or refuse injunctions, and Section 50 of the Senior Courts Act 1981 and 38 of the County Courts Act 1984 confirmed their discretion to grant damages *in lieu* if they *could* grant injunctions. The lack of explicit legal conditions for exercising the discretion to grant injunctions or grant damages *in lieu* allows for courts to take the factors and interests into account of Article 12 and 3, and beyond. This is also what happened in practice.

In the relevant case law of the United Kingdom, the most dominant case on this discretion was *Shelfer.* *Shelfer* has been treated as a general rule for a long time by many courts, and has been applied to copyright cases. However, there are plenty of courts who perceived its “good working rule” as just another approach to the assessment or have even rejected it to some degree. While injunctions have become the general rule, judicial discretion has been re-emphasised in two recent patent cases. Therefore, the choice of remedies and the methods to make this decision remain clearly within the discretion of courts to decide upon. They are by no means bound to choose one option over another, as long as the decision is substantiated, not unreasonable and the relevant factors are taken into account.

In Germany, things went a little differently. Not only were they late with implementing the Enforcement Directive, they have done so in a way that makes it debatable whether they have fully complied with their legal obligations under Article 258 of the Functioning Treaty. § 100 of the UrhG is the provision after which Article 12 of the Enforcement Directive was modelled (after renumbering in 2008). However, in Germany, damages are not considered an adequate alternative to injunctions. There is a strong emphasis is on the exclusivity of intellectual property rights. While Germany’s § 97(1) and 100 of the UrhG, are very similar to Articles 11 and 12 of the Enforcement Directive, the approach taken in case law is close to automated. If an infringement is established, the exception in § 100 of the UrhG will not help the infringer. The elements of this provision are applied so strictly, that it was reported in 2013 that no invocation of this right had ever been successful since its enactment in 1965. Even if a court has granted damages *in lieu,* it will ultimately fail at a higher level of the judicial branch. The exception predominantly straddles at negligence. This has been interpreted as a general standard of fault, with a very low threshold that is applied in a very strict manner. The courts do not appear to determine or weigh the degree of fault, but merely establish whether there are any indications that the threshold is met. Since Articles 11 and 3, in conjunction with Recitals 17 and 24, preclude automated granting of injunctions, it is also questionable whether Germany complies in practice with their obligations regarding the Enforcement Directive.

The Netherlands was also late with transposing the Enforcement Directive, but finished its implementation in March 2007. Article 3 was not implemented, but the elements of Article 3 were already covered by several provisions in the various acts relevant to intellectual property law enforcement. Article 12 was also not transposed into domestic law, because it was found incompatible with their approach to damages. In the Netherlands, damages may only be ordered against parties who are culpable, or when it is accepted in society that it is similarly attributable based on Article 6:162 BW. In addition, they may only be granted with a restitutive character, not punitively. However, this is mitigated by case law, since injunctions are not automatically granted in practice.

While damages are officially only restitutive, many Dutch courts have in recent years granted damages with a punitive character, *inter alia* by increasing the damage established with a percentage. In addition, since 2010 courts have started to refuse injunctions for lack of interest while granting the damage claim. However, the infringers were found culpable in these cases, and the damages were not granted specifically as an alternative to the requested injunction, so this emerging practice is not even
close to reminiscent of Article 12. Nevertheless, such a development in a country without a law or judicial doctrine allowing for damages in lieu is certainly intriguing. Unfortunately, this also begs the question whether this is contrary to the Netherlands’ obligations under the Enforcement Directive.

Consequently, based on the domestic law of these three Member States, it seems the Enforcement Directive has not affected the discretionary power of domestic courts so far. It also seems the rights, principles and factors of inter alia Articles 3, 11 and 12 have not had any recognisable impact on court practice (yet) either. Moreover, even though the Commission reported that only a few Member States have implemented Article 12, this clearly does not mean the other Member States do not allow for damages in lieu in some way. It does not even mean that the Member States that did ‘implement’ this provision, do. Based on the comparative legal analysis conducted here focusing mostly on a voluntary provision, a cautious conclusion can be drawn about the existing differences in judicial discretion in granting or refusing injunctions. On the spectrum from judicial discretion to automated, Germany would be situated close to the latter approach, and find itself at quite a distance from the United Kingdom. The Netherlands would be somewhere between the United Kingdom and Germany, but closer to Germany. This is surprising, since the Netherlands does not even have a provision for damages in lieu, and Article 12 is based on Germany’s exception.

While there were many accomplishments not covered in this thesis, it must thus be concluded that the Commission’s approach ‘to ensure a high, equivalent and homogenous level of protection in the internal market’ (Recital 10) has not led to undivided success.

384 The term ‘implement’ should be used loosely here, since the Commission reported that Germany was one of the Member States that implemented Article 12, while Article 12 was actually based on the pre-existing German provision.