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TPM systems to protect video games and illegal “mod chips” to circumvent them – in the light of a referral to the CJEU

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INTRODUCTION

The Court of Justice of the European Union (CJEU) is inundated by referrals for preliminary rulings about various copyright issues so much that, in my view, this shows already some signs of dysfunctional elements of the EU juridical system. Some of the referrals are undoubtedly justified, but several of them concern provisions in the *acquis communautaire* that are sufficiently clear and, thus, it may be expected from national courts to simply apply them instead of burdening the CJEU with this task. One of the current cases the CJEU is constrained to deal with – the *Nintendo Co., Ltd and Others v PC Box Sri and 9Net Srl.* case – on the basis of a referral by the Tribunal of Milan¹ seems to be a good example of such referrals.

In this paper, first, in order to identify the subject matter of the dispute, I describe the combined software/firmware TPM systems applied by Nintendo to guarantee lawful use of video games produced by it and the devices ("mod chips" and "game copiers") produced and distributed to circumvent them. Then, I review the international norms and the provisions of the *acquis communautaire* applicable for such TPM systems. This is followed by the description of the relevant case law and the recent decision adopted in the US administrative review procedure concerning access-control TPMs. It is after this that I address the issues raised in the above-mentioned referral. The paper is closed by summing up what responses seem to be justified to the two questions raised by the Italian court in the light of the findings of my analysis.

SUBJECT MATTER OF THE DISPUTE: NINTENDO'S TPM SYSTEMS AND THE DEVICES PRODUCED FOR THE PURPOSE TO CIRCUMVENT THEM

The description offered by Nintendo companies as plaintiffs about their products that are the subject matter of the dispute - (i) handheld portable videogame systems (Nintendo DS and Nintendo DS Lite) and (ii) fixed console game systems (Wii) - referred to the CJEU by the Tribunal of Milan may be summed up as follows.

The first category of products includes a software card containing a videogame to be inserted into the handheld device. When the system is switched on, the authentication process that

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¹Case C-355/12 of the CJEU; order for referral of the Tribunal of Milan No. R.G. 11739/09.

checks if the inserted card contains the boot code is activated. If this is the case, the handheld device allows the game to be loaded. This system includes technological protection measures to prevent the unauthorized copying of *Nintendo DS* games, on the one hand, and the use of counterfeit games on the Nintendo DS handheld portable system, on the other hand.

The videogame console called the *Wii* consists of a hardware/software system that is connected to a television set and its videogames are contained on optical discs to be inserted into the device. The discs contain a protection system which prevents the use of unauthorized copies of *Wii* games. It consists of a software-based protection code that is detected by the central processing unit (CPU) in the *Wii* console, and if this code is missing, the disc is not loaded. The protection code cannot be read and copied by using normal CD or DVD writers, as making a pirated copy requires the (unauthorized) copy of the decryption code that grants access to the game software found on the *Wii* disc.

The court refers to the plaintiffs' claim that devices made specifically to circumvent these protection systems are being produced and distributed aimed at allowing illegal copies of videogames to be used in both categories of systems described above. As far as the system for *Nintendo DS/Nintendo DS Lite* is concerned, the external shape of the devices that allow the technological protection measures to be circumvented (game copiers) is identical to the original game cards - so that they can be inserted into the special slots provided in these handheld devices - but they lack game software, containing only software inside that sends a signal to the device to disable the TPMs incorporated therein and thus allows any pirated videogame to be played. This type of card also has a slot for a flash card suitable to save video games downloaded illegally from the Internet which then can be used on the handheld devices by taking advantage of the disabling of the computerized technological protection measures by the game copiers.

As regards *Wii*, the console videogame device concerned, devices known as "mod chips" (modifying chips) are produced and distributed to be installed on the device *Wii* in order to "trick" the hardware element of the TPM system and, thus, to allow pirated video games to be used.

The plaintiffs filed a lawsuit before this Milan court against the defendants *PC Box s.r.l.* and *9NET s.r.l.* after having obtained the precautionary sequestration of several types of mod chips (namely Argon, D2Pro2, Wiikley and D2Sun) and game copiers (namely K7, N5Revolution, R4 Revolution and DSOne) and their further marketing by *PC Box s.r.l.* in the prohibition order, which was selling them on its website, www.recoverybios.com, as well as by *9NET s.r.l.*, the internet service provider hosting the website in question.

The two TPM systems raise similar legal questions, and since the Tribunal of Milan mainly deal with mod chips, my comments also mainly relate to them.

TPM PROVISION OF THE WIPO COPYRIGHT TREATY (WCT) AND ITS IMPLEMENTATION BY THE INFORMATION SOCIETY (COPYRIGHT) DIRECTIVE

Of the two WIPO "Internet Treaties" adopted in 1996 – the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT), obviously the former one, the WCT, is applicable to video games as protected works.

Article 11 of the WCT contains the provision on the obligation of Contracting Parties to provide adequate protection and effective legal remedies against the circumvention of TPMs applied by copyright owners:

Article 11
Obligations concerning Technological Measures

Contracting Parties shall provide adequate legal protection and effective legal remedies against the circumvention of effective technological measures that are used by authors in connection with the exercise of their rights under this Treaty or the Berne Convention and that restrict acts, in respect of their works, which are not authorized by the authors concerned or permitted by law.

The basic objective of the Treaty is reflected in the very first paragraph of its Preamble beginning with the word “desiring” (which shows that what follows after it indicates the objective of the Treaty). It reads as follows: “*Desiring* to develop and maintain the protection of the rights of authors in their literary and artistic works in a manner as effective and uniform as possible.” One of the other four preamble paragraphs emphasizes the reason for which the Contracting Parties want to serve this objective by the adoption of the Treaty (“*Emphasizing* the outstanding significance of copyright protection as an incentive for literary and artistic works”) while the three other paragraphs refer to certain aspects recognized when the Treaty serving the above-mentioned objective was adopted.

In the language of Article 11 of the WCT, there is a direct “interface” with the objective of the Treaty “to develop and maintain *protection... in a manner as effective... as possible,*” since it provides for the obligation to “provide *adequate legal protection and effective legal remedies* against the circumvention of effective technological measures that are used by authors” (emphasis added) further described in the article (of course, also taking into account the recognition of the “need to maintain a balance” with “the largest public interest, particularly education, research and access to information, as reflected in the Berne Convention” stated in the last preamble paragraph).

The preparatory work of the two WIPO Treaties took place in various stages and various forms: in a series of sessions of two committees of experts, at regional consultations and world forums, and then at the Diplomatic Conference both in official sessions and, as regards certain important issues, in the form of informal negotiations. As WIPO Assistant Director General in charge of copyright at that time, I participated in all stages and in all forms of the preparatory work. This does not make me a more reliable commentator to interpret the provisions of the Treaties than any other lawyer who applies the principles laid down in the above-mentioned provisions of the Vienna Convention. The only advantage I might have is that I have obtained sufficiently good orientation in the great number of documents prepared and/or published with my direct involvement and that I am also in possession of information concerning the key elements of agreements reached during the informal negotiations sometimes with my contribution in my neutral catalyst role. The advantage of the latter aspect is not that I may tell others what kinds of agreements on what basis were reached during the informal negotiations and then some people may, while other may not, believe me. The advantage is that I may draw attention to how those agreements are duly reflected in the text of the treaty provisions in a way that, if adequately interpreted, they do correspond to the intentions of the delegations.

I have published a number of books and articles on the two Treaties and on their provisions on TPMs. Therefore, due to the limited volume of this paper, I only refer briefly to some aspects of the interpretation of the above-quoted WCT provision and only address those issues more in

detail which is particularly relevant from the viewpoint of the case in which the Milan court has requested preliminary CJEU ruling.

My Guide to the WCT published by WIPO deals with the most essential issues of the interpretation and application of Article 11,² while my 700-plus-page book on the two Treaties published by Oxford University Press may be suggested to those who wish to study a detailed history of the preparatory work.³ However, as regards the provisions on TPMs, it seems that I should rather refer to another publication, not only because it is more recent but also because it deals specifically with the copyright issues of digital rights management (DRM), and in particular with TPMs. I simply quote the subtitles on TPMs of my chapter entitled “Protection of ‘DRM’ under the WIPO ‘Internet Treaties’: Interpretation, Implementation and Application” included in a collection of papers on “Copyright Enforcement and the Internet” published by Wolters Kluwer in 2010.⁴ As it can be seen, these subtitles always begin with a quotation of the text of the TPM provisions of the Treaties and then the essence of the findings of my analysis of the issues covered by the given subtitle is summed up briefly.

1. '[A]dequate legal protection... against... circumvention': the treaty obligations extend to provide protection against 'preparatory acts'⁵
2. '[T]echnological measures that are used... in connection with... exercise of rights... and that restrict acts': the treaty obligations to provide adequate protection cover both 'access-control' and 'copy-control'⁶
3. '[Technological measures that are used by [authors] [performers or producers of phonograms]': the treaty obligations also cover TPMs applied by successors in title and licensees of authors, performers and producers of phonograms, respectively⁷
4. '[Effective Technological Measures]': infallibility is not a criterion of effectiveness⁸
5. '[I]n Connection with the Exercise of Their Rights... and That Restricts Acts... Which Are Not Authorized by [the Authors] [the Performers or the Producers of Phonograms]': the treaty obligations to provide adequate protection against circumvention are not reduced to acts linked to infringements; at the same time, they do not result in a new 'access right' alien to the copyright paradigm⁹
6. '[I]n connection with the exercise of their rights... and that restrict acts... which are not... permitted by law': it is necessary (and possible) to establish adequate balance between the protection of TPMs and the applicability of exceptions and limitations¹⁰
7. '[Technological measures that are used by [authors] [performers or producers of phonograms] in connection with the exercise of their rights [under this Treaty or the Berne Convention] [under this Treaty] and that restrict acts, in respect of their [works][performances or phonograms]': the

² M. Ficsor: “*Guide to the Copyright and Related Rights Treaties Administered by WIPO*,” WIPO publication No. 891(E), 2003 (hereinafter: WIPO Guide),

³ M. Ficsor: “*The Law of Copyright and the Internet – The 1996 WIPO Treaties, their Interpretation and Implementation*,” Oxford University Press, 2002.

⁴ M. Ficsor: “Protection of ‘DRM’ under the WIPO ‘Internet Treaties’: Interpretation, Implementation and Application” in I. A. Stamatoudi (ed.): “*Copyright Enforcement and the Internet*,” Wolters Kluwer, 2010 (hereinafter: Ficsor 2010).

⁵ Ficsor 2010, pp. 259-264.

⁶ *Ibid.* pp. 264-268.,

⁷ *Ibid.* pp. 268-269.,

⁸ *Ibid.* pp. 270-281,

⁹ *Ibid.* pp. 281-287.,

¹⁰ *Ibid.* pp. 287-293.,

anti-circumvention provisions do not apply to productions not qualifying as works, performances or phonograms neither to those that are in the public domain¹¹

8. 'Effective legal remedies': the same kinds of remedies are needed as in the case of infringements and, in respect of commercial 'preparatory acts', as in the case of piracy on a commercial scale¹²

The implementation of the WCT and WPPT provisions on TPM protection by the Information Society (Copyright) Directive has taken place in accordance with what I believe is the correct interpretation reflected in these subtitles. (The legal dispute in respect of which the Italian court has requested a preliminary CJEU ruling does not concern the majority of the aspects covered by the subtitles.) The key provisions of Article 6 of the Directive read as follows:

1. Member States shall provide adequate legal protection against the circumvention of any effective technological measures, which the person concerned carries out in the knowledge, or with reasonable grounds to know, that he or she is pursuing that objective.
2. Member States shall provide adequate legal protection against the manufacture, import, distribution, sale, rental, advertisement for sale or rental, or possession for commercial purposes of devices, products or components or the provision of services which:
 - (a) are promoted, advertised or marketed for the purpose of circumvention of, or
 - (b) have only a limited commercially significant purpose or use other than to circumvent, or
 - (c) are primarily designed, produced, adapted or performed for the purpose of enabling or facilitating the circumventionof, any effective technological measures.
3. For the purposes of this Directive, the expression 'technological measures' means any technology, device or component that, in the normal course of its operation, is designed to prevent or restrict acts, in respect of works or other subject matter, which are not authorised by the rightholder of any copyright or any right related to copyright as provided for by law or the *sui generis* right provided for in Chapter III of Directive 96/9/EC. Technological measures shall be deemed 'effective' where the use of a protected work or other subject matter is controlled by the rightholders through application of an access control or protection process, such as encryption, scrambling or other transformation of the work or other subject-matter or a copy control mechanism, which achieves the protection objective.

In the Italian Copyright Law,¹³ Articles 102-quarter and 171-ter implement the provisions of the WCT and the Directive (which, of course, are to be interpreted in accordance with the above-quoted provisions of the Directive).

Since the provisions in the *acquis communautaire* is in accordance with what I believe is the correct interpretation of WCT Article 11, it seems that I should only address two issues of interpretation specifically relevant for the "principal cause of action;" namely those covered by subtitles 3 and 5 quoted above. The first issue should be reviewed because Nintendo's TPM systems contain both copy-control and access-control elements, and it is necessary to point out that the obligation to provide adequate protection and effective remedies against circumvention of TPMs also extends to access-control measures. The second one should be discussed since it seems necessary to rebut certain unfounded arguments raised in the principal

¹¹ *Ibid.* pp. 293-296.,

¹² *Ibid.* pp. 296-297.,

¹³ Law No. 633 of 1948 (amended several times).

procedure to suggest that the firmware element of the TPM systems built in the Nintendo devices do not qualify as TPMs because it does not control a right but only the use of an unauthorized copy of a video game by visualizing and playing with it which is not covered by the rights of copyright owners.

It is to be noted that the issue of whether or not the obligation to provide adequate protection and effective remedies against circumvention applies to software-based TPMs, firmware-based TPMs and to TPMs composed of both software- and firmware-based elements¹⁴ has not been specifically addressed in any of my publications on the WIPO Treaties (as the other major commentaries have not dealt with it either). The reason is that it is obvious that Article 11 of the WCT (as well as the corresponding provision of the WPPT) equally applies to all these categories of TPMs.

THE OBLIGATION TO PROVIDE ADEQUATE PROTECTION AGAINST CIRCUMVENTION AND RELATED “PREPARATORY ACTS” COVERS BOTH “ACCESS-CONTROL” AND “COPY-CONTROL” MEASURES

The WIPO Guide to the WCT outlines the following interpretation of the relevant treaty provisions:

Contracting Parties may only be sure that they are able to fulfil their obligations under Article 11 of the Treaty if they provide the required protection and remedies: (i) against both unauthorized acts of circumvention, and the so-called “preparatory activities” rendering such acts possible (that is, against the manufacture, importation and distribution of circumvention tools and the offering of services for circumvention); (ii) against all such acts in respect of both technological measures used for “access-control” and those used for the control of exercise of rights, such as “copy-control” devices (it should be noted from this viewpoint that “access-control” may have a double effect extending also to copy-control); (iii) not only against those devices whose only – sole – purpose is circumvention, but also against those which are primarily designed and produced for such purposes, which only have a limited, commercially significant objective or use other than circumvention, or about which it is obvious that they are meant for circumvention since they are marketed (advertised, etc.) as such; and (iv) not only against an entire device which is of the nature just described, but also against individual components or built-in special functions that correspond to the criteria indicated concerning entire devices.¹⁵

In this text, the meaning of the expression “access-control” is self-evident; it refers to those TPMs which protect works and objects of related rights against unauthorized access. The frequently used expression “copy-control” also seems to be obvious in the sense that it means those TPMs which protect works and objects of related rights against unauthorized copying and related acts not authorized by the rightholders. It should be added, however, that TPMs may also be used to control other acts covered by or related to the exercise of economic rights. What is said about “copy-control” TPMs, *mutatis mutandis*, also applies to those TPMs. (Therefore, in fact, the expression “right-control” may be more precise; however, in general, it is not used or only very rarely used.)

Both the major commentaries on the two WIPO Treaties¹⁶ and the negotiation history (“preparatory work”) thereof confirm the interpretation presented in the WIPO Guide as quoted

¹⁴ In the given case, the firmware-based element is the authentication software embedded in the Nintendo DS and the Wii consoles that serve as an access control mechanism during the boot-up process.

¹⁵ WIPO Guide, p. 218.

¹⁶ See Ficsor 2002, pp. 549-550; J. Reinbothe – S. v. Lewinski: „*The WIPO Treaties 1996 – The WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty; Commentary and Legal Analysis*,” Butterworth – LexisNexis, 2002 (hereinafter: Reinbothe – v. Lewinski; pp. 143 and. 145; S. Ricketson – J. C.Ginsburg:

above, according to which Article 11 of the WCT and Article 18 of the WPPT obligate Contracting Parties to protect adequately any kind of TPMs – both “access-control” and “copy-control” measures – against unauthorized circumvention.

This was made clear already in 1999 at the first major WIPO meeting devoted to the issues of interpretation and implementation of the Treaties¹⁷ (which at that time had not yet entered into force but the implementation of their provisions had begun already).

Dean Marks and Bruce Turnbull stated as follows:

Copy protection technologies currently fall into two general categories: measures that control access to content, such as encryption, and measures that control the copying of content... Access control technologies, such as encryption, generally pose clear-cut situations for the application of anti-circumvention laws. If content is encrypted, a playback or record device can either pass along the content in encrypted form without descrambling it, or the device can decrypt the content to make it viewable or accessible to the end user. Such decryption cannot occur by accident. Decryption requires affirmative action by the device to “unlock” the controls on the content and make it accessible. Therefore, decryption without authorization constitutes circumvention.¹⁸

This description fits 100% to the Nintendo system where a copy of a video game is protected by software-based TPM and it may only be made viewable and accessible if the firmware-based element of the system recognizes it as an authorized copy and allows it to be viewed and used.

Alain Strowel and Severine Dussolier described, at the same WIPO meeting, the various possible functions of “access-control” measures to be protected under the Treaties and their possible connection with “copy-control” mechanisms in a similar manner:

The access mechanism can either controls initial access, and then leave the work free for any further use, or a check can be made that conditions have been met each time access is requested. Access can also be differentiated with ease according to the type of user, and this is the huge advantage of these systems. For example, a university may have obtained access by paying an annual fee for a work or a collection of works, for a certain number of students or for one year. The system will check in such cases for a decrypting key on the university’s computers or for a password agreed by contract, or even via the student’s identity. Conversely, the same technology can provide repeated access to an individual in exchange for a renewable payment, usually proportionate to the frequency of use.¹⁹

Jürgen Reinbothe and Silke von Lewinski express the same opinion in their treatise on the two WIPO Treaties:

If the technological protection measures applied by rightholders consist of access control technology, circumvention presupposes decryption. Decryption requires deliberate action and an

„*International Copyright and Neighbouring Rights – The Berne Convention and Beyond*,” Oxford University Press, 2006 (hereinafter; Ricketson - Ginsburg); pp. 975-976 and. 978.

¹⁷ Workshop on Implementaion Issues of the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT), Geneva, December 6 and 7, 1999.

¹⁸ D. S. Marks, B. H. Turnbull, *Technical protection measures: the intersection of technology, law and commercial licenses* (Geneva, WIPO document WCT-WPPT/IMP/3, 1999) p. 6.

¹⁹ A. Strowel, S. Dussolier, *Legal protection of technological systems* (Geneva, WIPO document WCT-WPPT/IMP/2, 1999), p. 28.

active step taken by the device and its operator. In this scenario, granting adequate legal protection under Article 11 WCT would require rightholders to be protected against such affirmative action.²⁰

Sam Ricketson and Jane Ginsburg also agree with this interpretation. They point out that an “access-control” TPM also corresponds to the condition that a TPM is supposed to be “used by [authors][performers or producers of phonograms] in connection with the exercise of their rights:”

[O]ne must... ask whether access controls are technological measures “used in connection with the exercise” of exclusive rights. Here the case for WCT coverage appears stronger. For example, access controls may be used in connection with the exercise of the reproduction and communication rights, because an access-controlled copy, even if reproduced or communicated without authorization, will yield its copyist or recipient no benefits; that person will not be able to apprehend the work. Thus, access controls underpin the reproduction, communication, and distribution rights.²¹

It is relevant that the treaty provisions speak about TPMs used *in connection with* the exercise of rights. If they spoke about TPMs used *for the exercise of* rights – that is to only control acts directly covered by rights – they might be interpreted in a way that they only apply for “copy-control” (or “right-control”) measures. This is, however, not the case. Both the text of treaty provisions and the documents of the preparatory work confirm that the negotiating delegations did not intend to reduce protection only to “copy-control” measures. Quite clearly they took it as granted that TPMs included in devices to guarantee that works may only be used by “end users” where it is authorized by the owners of right in connection with the exercise of their rights must also enjoy adequate protection against circumvention.

At the last sessions of the preparatory committees, the delegations submitted two kinds of “treaty-language” proposals.²² First, the proposals submitted by the US²³ and by the EC and its Member States,²⁴ which required the prohibition of, and providing appropriate remedies against, “preparatory acts.” Those proposals did not refer separately to “access-control” and/or “copy-control” TPMs, but the general language used in them covered both categories. A comment by the US delegation at the session of the committees made it clear that what it proposed was “provisions to prohibit decoders and anti-copy prevention devices and services”²⁵ (in this context, “decoders” mentioned as devices other than anti-“copy-control” devices quite clearly referred to devices for the circumvention of “access-control” measures).

The second category of treaty-language proposals submitted in the WIPO committees (by Argentina²⁶ – supported by the Group of Latin American and Caribbean Countries²⁷ – and

²⁰ Reinbothe – v. Lewinski, p. 143.

²¹ Ricketson – Ginsburg, pp. 975-976.

²² For a detailed description of the preparatory work in the WIPO committees and at the Diplomatic Conference, see Ficsor 2002, pp. 386 to 406.

²³ See WIPO document BCP/CE/VI/12, p. 38.

²⁴ See WIPO document BCP/CE/VII/1-INR/CE/VI/1 pp. 3 and 5.

²⁵ See WIPO document BCP/CE/IV/2, Annex pp. 4-5..

²⁶ See WIPO document BCP/CE/V/12, p 36. The text of the Argentine proposal read as follows:

...The Contracting Parties shall enforce the same sanctions as are provided for in the event of copyright infringement of any person who:

(a) alters, removes, modifies, or in any way disables the technical devices incorporated in the copies of protected works or productions *for the prevention or restriction of copying*;

(b) alters, removes, modifies, or in any way disables *coded signals designed to restrict the communication of protected works, productions or broadcasts to the public or to prevent the copying thereof*;

(c) imports or markets *apparatus, programs or technical devices* that permit or facilitate the disablement of technical devices or signals incorporated to prevent or restrict the *copying or communications of works and*

Brazil²⁸) did not refer to TPMs in general, but rather directly to two concrete categories of TPMs. They proposed the prohibition of both disabling “access-control” measures to control the use (viewing) of coded television signals and disabling “copy-control” measures.

There is no indication in the records of the Diplomatic Conference to suggest that, when the general term – “technological measures” – was adopted in the treaty provisions, it was intended to narrow the coverage foreseen in the above-mentioned proposals only to “copy-control” measures.

The drafts of what became the two Treaties submitted to the Diplomatic Conference (as “Basic Proposals”) used the general term “protection-defeating devices.”²⁹ The draft provisions defined the expression “technological measures” as “any process, treatment, mechanism or system that prevents or inhibits any of the acts covered by the rights under this Treaty.” This definition did not suggest any intention of restricting the broad coverage of TPMs foreseen in the above-mentioned proposals presented in the preparatory committees. If that had been the intention, it would have been – and should have been – indicated in the notes added to the draft provisions. This was not, however, the case. The notes explicitly confirmed that the draft provisions’ use of general terms, such as “technological measures” and “protection-defeating devices,” was consistent with the proposals by the US, the EC, Argentina and Brazil that extended to both “access-control” and “copy-control” measures.³⁰

The reports of Main Committee I and the Plenary of the Diplomatic Conference did not contain any statement or reference to any intention of any delegation to narrow, in this respect, the scope of the protection of technological measures from what was proposed previously.

In fact, the text, as finally adopted, eliminated from the draft provisions a possible basis for an interpretation narrower than foreseen in the preparatory work. The draft provisions (in referring to “protection-defeating devices”) included the expression “used *for, or in the course of,* the exercise of rights.” This could have served as a basis for a narrowing interpretation to which reference is made above to suggest that protection only extends to the proscription of circumvention of “copy-control” – or other “right-control” – measures. However, during the informal consultations, such narrowing of the scope of protection was not found acceptable and thus the coverage of protection was extended again (as under the above-mentioned proposals made by various delegations) to any TPMs used *in connection* with the exercise of rights.

productions.” (Emphasis added; the restriction of communication clearly referred to decoders which in fact restrict the reception of the communication, and act not directly covered by the right of communication to the public.)

²⁷ See WIPO document BCP/CE/VI/15, p. 3; *ibid.*, p. 391.

²⁸ See WIPO document BCP/CE/V/12, p. 36; *ibid.*, pp. 390-391. The text of the Brazilian proposal reads as follows:

...1. Contracting Parties shall decide that the following acts must be considered illicit, as they are infringement to copyrights:

(a) to modify, eliminate or mutilate, by any means, the technical devices introduced in copies of protected works *in order to avoid or to restrain their reproduction, or the encrypted signals intended to limit the communication to the public of protected work or to avoid its copying;*

(b) to make, import or commercialize *any apparatus, programs or technical devices* aimed primarily at allowing or facilitating the mutilation of the technical devices or signals introduced *in order to avoid or limit copying or communication of protected works.*”(Emphasis added; as it can be seen, this proposal in substance contained the same elements as the above-quoted Argentine proposal.)

²⁹ *Records of the Diplomatic Conference* (Geneva, WIPO publication No. 348 (E) (hereinafter: Records), pp. 217.

³⁰ *Ibid.*, pp. 216 and 320. When the Chairman of Main Committee opened the debate on these draft provisions included in the Basic Proposals, he also clearly stated: ...The provisions on obligations concerning technological measures were based on the proposals presented by certain Governments in the preparatory process.” (*Ibid.*, p. 709).

It is another matter that, at the Diplomatic Conference, certain delegations spoke about the issue of access to works *for beneficiaries of certain exceptions*.³¹ This, however, did not concern the question of whether or not protection should extend to both “access-control” and “copy-control” measures. The comments only stressed that the protection of TPMs should not endanger access to works for benefitting from certain exceptions that are important from the viewpoint of the public interest. This is a different issue which in the Information Society (Copyright) Directive is covered by Article 6(4).

As regards the scope of protection of TPMs, the Directive is in accordance with the TPM provisions of the two WIPO Treaties and their interpretation in the light of the text and the preparatory work (the “negotiation history” reflected in the relevant documents referred to above). This is so since the definition of “effective technological measures” in Article 6(3) of the Directive makes it crystal clear that both any “access control” and any “protection process” measures [the latter category of measures other than access controls, obviously means “copy-control” measures in the broad sense discussed above] are covered by the provisions of Article 6. This is so since the second sentence of Article 6(3) reads in this way: “Technological measures shall be deemed ‘effective’ where the use of a protected work or other subject matter is *controlled by the rightholders through application of an access control or protection process*,... which achieves [of course, as stated in the first sentence: “in the normal course of its operation”] the protection objective.”

This means that, even if the firmware element of the TPM system embedded in the consoles were regarded to only have an “access-control” function, there might be no doubt that the devices (mod chips and/or game copiers) manufactured, distributed, etc. to circumvent them are prohibited. (However, as discussed below, the firmware element also has a certain copy-control function.)

THE OBLIGATION TO PROVIDE ADEQUATE PROTECTION AGAINST CIRCUMVENTION IS NOT REDUCED TO CASES WHERE IT WOULD RESULT IN INFRINGEMENT OF RIGHTS

As it can be seen above, in my subtitle 5, the following parts of WCT Article 11 are quoted “in connection with the exercise of their rights... and that restricts acts... which are not authorized by the authors concerned,” and the related finding concerning the interpretation of the provisions is added as follows: “the treaty obligations to provide adequate protection against circumvention are not reduced to acts linked to infringements; at the same time, they do not result in a new “access right” alien to the copyright paradigm.”

In order to discuss this aspect of the treaty provisions, it seems necessary to refer to the last stage of the preparatory work of Article 6(3) of the Copyright in the Information Society Directive.

The Proposal for a Directive on Copyright in the Information Society was published by the European Commission in December 1997.³² It provided a definition of “technological measures” as follows:

The expression “technological measures”, as used in this Article, means any device, product or component incorporated into a process, device or product designed to prevent or inhibit the

³¹ See Records, p. 710 (Republic of Korea), p. 523 (Canada).

³² COM(97) 628 final.

infringement of any copyright or any rights related to copyright as provided by law or the sui generis right provided for in Chapter III of Directive 96/9/EC. Technological measures shall only be deemed “effective” where the work or other subject matter is rendered accessible to the user only through application of an access code or process,³³ including by decryption, descrambling or other transformation of the work or other subject matter, with the authority of the rightholders.

The text spoke about “any device, product or component incorporated into a process, device or product designed to prevent or inhibit... infringement.” There was no reference yet to “normal course of operation;” neither to the condition of effectiveness according to which a technological measure should be able to achieve the protection objective. (At the same time, the definition was narrower than in the adopted version since it still reduced the objective to preventing or inhibiting *infringements*.)

Under the resolution of the European Parliament published in May 1999,³⁴ the Parliament adopted the draft Directive with a number of amendments. Article 6(2) containing the definition of “effective technological measures” was modified by amendment 54 as a separate Article 6(2a) – later becoming Article 6(3) – as follows:

The expression “technological measures”, as used in this Article, means any technology, device or component that, in the ordinary course of its operation, is designed to prevent or inhibit the infringement of any copyright or any rights related to copyright as provided by law or the sui generis right provided for in Chapter III of Directive 96/9/EC. Technological measures shall only be deemed “effective” where the work or other subject matter is rendered accessible to the user only through application of an access code or any other process, including by decryption, descrambling or other transformation of the work or other subject matter, with the authority of the rightholders.

In the first sentence of this version, the phrase “in the ordinary course of operation” appears in the same way that it will appear in the final version, but the second sentence does not yet contain the condition of effectiveness that the TPM should achieve the protection objective. Still preventing or inhibiting infringement is indicated as protection objective.

The Commission published its Amended Proposal for the Directive in June 1999.³⁵ The provision containing the definition of ‘effective technological measures’ was numbered already as Article 6(3). It read as follows:

The expression "technological measures", as used in this Article, means any technology, device or component that, in the normal course of its operation, is designed to prevent or inhibit the infringement of any copyright or any right related to copyright as provided by law or the sui generis right provided for in Chapter III of European Parliament and Council Directive 96/9/EC. Technological measures shall be deemed "effective" where the access to or use of a protected work or other subject matter is controlled through application of an access code or any other type of protection process which achieves the protection objective in an operational and reliable manner with the authority of the rightholders. Such measures may include decryption, descrambling or other transformation of the work or other subject matter.

³³ It is to be noted that, in the second sentence of the definition only “an access code or process” is mentioned which could have been understood to mean “access code or access process;” that is only “access-control” TPMs. As quoted above, in the final versions, this has been replaced by “an access control or protection process” by which the coverage of the definition, in accordance with the relevant provisions of the WIPO Treaties, has extended to both “access-control” and right-protection TPMs.

³⁴ No. A4-0026/99, published in the 28 May 1999 issues of the Official Journal of the European Communities.

³⁵ COM/99/0250 final.

In this newer version, the first sentence remained unchanged (including the narrower objective of preventing or inhibiting infringements), but the second sentence was completed for the first time by the condition that a TPM should be able to achieve the protection objective (also a third sentence was added to refer to certain typical forms of TPMs). At the same time, the text of the second sentence still differed from its final version.

The Explanatory Memorandum added to the Amended Proposal included the following comments:

This paragraph is based on and expands amendment 54, in particular with a view to assuring the cohesion of Article 6 in its entirety. To that end, it first defines what are technological measures and *then explains what is meant by effectiveness taking due account of the operability and reliability of the protection*. It introduces a more restrictive interpretation of the types of process controlling the accessibility or use of a protected work and, within the definition of the technological measures, it reinstates the concept of "infringement of copyright". (Emphasis added.)

The phrase "then explains what is meant by effectiveness taking due account of the operability and reliability of the protection" is emphasized since it confirms the close connection between the two sentences, and it confirms, in particular, the need for taking into account the "operability" (and "reliability") of a TPM – that is, how it functions in its normal course of operation (and how reliable it is in that context) – for determining whether or not it is effective.

The definition took its final form in the Common Position of the Council adopted on September 20, 2000.³⁶ It contains a truly significant change in comparison with the previous versions in respect of the *protection objective which, in the final version, is not just the prevention or inhibition of infringements, but it is much broader*.

As it is reviewed above, the *previous* variants of the draft definitions which, in a modified manner, were finally adopted as Article 6(3) of the Directive, all indicated the prevention or inhibition of infringements as the protection objective of TPMs. *The definition which was included in the Directive appeared, for the first time, in Common Position of the Council adopted on September 20, 2000. That definition did not speak about infringements anymore. It rather determined the protection objective of TPMs as follows: "to prevent or restrict acts, in respect of works or other subject-matter, which are not authorised by the rightholder of any copyright or any right related to copyright as provided for by law or the sui generis right provided for in Chapter III of Directive 96/9/EC."*

It is also important to quote the comments added to this quite important substantive modification in the Statement of the Council's Reasons concerning Common Position:

43. In its amendment 47, the European Parliament had suggested that it be stipulated... that the legal protection of technological measures prevailed over the exceptions listed in Article 5. The Commission had addressed this issue under Article 6(3) of its amended proposal, providing that only technological measures preventing or inhibiting the infringement of copyright were protected under Article 6. This meant that technological measures designed to prevent or inhibit acts allowed by law (e.g. by virtue of an exception) were not protectable under Article 6. In other words, under the Commission's amended proposal, the exceptions provided for in Article 5 prevailed over the legal protection of technological measures provided for in Article 6. *The Council has taken a different approach, which it considers strikes a reasonable balance between the interests of rightholders and those of beneficiaries of exceptions. It has adopted in Article*

³⁶ No. (EC) 48/2000, published in the 12 December 2000 issue of the Official Journal of the European Communities.

6(3) first sentence of its Common Position a definition of the protectable technological measures which is broader than the one provided for in the Commission's amended proposal or the one set out in Parliament's amendment 54. The terms "... designed to prevent or restrict acts, in respect of works or other subject matter, which are not authorised by the rightholder of any copyright ..." in the Council's definition make it clear that Article 6(1) protects against circumvention of all technological measures designed to prevent or restrict acts not authorised by the rightholder, regardless of whether the person performing the circumvention is a beneficiary of one of the exceptions provided for in Article 5... (Emphasis added.)

In the Communication from the Commission to the European Parliament and the Council, published on 9 November 2000, the Commission stated that it had accepted all the changes made to its Amended Proposal by the Council.³⁷

It is submitted that it is exactly as a result of this final substantive modification that the Directive became compatible with Article 11 of the WCT and Article 18 of the WPPT, since the obligation to provide adequate protection and effective remedies for the protection of TPMs prescribed in those provisions is not limited to those TPMs that are designed to prevent or inhibit infringements.

The treaty provisions do not speak just about 'technological measures that are used by [authors][performers or producers of phonograms] to prevent or inhibit infringements of their rights'. If the delegations participating in the Diplomatic Conference had had the intention to limit the scope of protected TPMs in this way, they could have done so, but they did not. Otherwise, it is quite understandable why they did not, since by doing so they would have just included more or less redundant provisions; provisions that would not have been truly necessary, since what would have been provided in them followed already from the existing international norms.

This is so since it goes without saying that it was already an obligation under the Berne Convention, the Rome Convention, the Phonograms Convention and – in particular – under the TRIPS Agreement to provide adequate legal protection against infringements; that is, against uses of works and objects of related rights without the authorization of the owners of rights. Therefore, if the Treaties had only obligated the Contracting Parties to provide for adequate protection against the circumvention of TPMs designed to prevent or inhibit infringements in order to make it possible such unauthorized uses of works or objects of related rights, they would have hardly stated more than that the obligation to provide adequate protection against infringements also applies when infringements are committed through circumvention of TPMs designed to prevent or inhibit infringements.

The results of the analysis above show that, even if the function of the firmware measure built in the consoles is regarded to only control the visualization and use of video games by not allowing that it may be performed in the case of illegal copies, the manufacture, distribution of devices (mod chips or game copiers) to circumvent this element of the TPM system would be prohibited under the WCT and the Directive. However, it should also be taken into account that, when a pirated copy of a game – as a result of the removal of TPM protection – is included in a console to visualize and use it, at least a temporary copy is made in the RAM of the console such an act is covered by the right of reproduction due to the fact that at least a temporary copy is made (and since no lawful use takes place, the exception foreseen in Article 5(1) of the Directive is not applicable). That is, the firmware measure has both "access-control" and "copy-control" functions.

³⁷ See p. 3 of the Communication.

APPLICATION OF TPM PROVISIONS CONCERNING MOD CHIPS –
CASE LAW AND ADMINISTRATIVE RULE MAKING

European Union: emerging standards of correct interpretation. The Information Society (Copyright) Directive has faithfully implemented the provisions of the WCT and the WPPT. The provisions of Article 6 of the Directive, and in particular the definition of "effective technological measures" in paragraph (3) do not leave any doubt that Member States must provide adequate protection and effective remedies also against the circumvention of firmware-based authentication elements of TPM systems, including preparatory acts, such as manufacturing and distributing such unauthorized circumvention devices as mod chips.

There are ever more EU countries where the courts, sometimes after some detours in the not necessarily correct direction, have interpreted and applied Article 6 of the Information Society (Copyright) Directive adequately.

For example, in the *United Kingdom*, where in the *Gilham v. the Queen* case,³⁸ the defendant was condemned for criminal offence because it had distributed mod chips. Then in *Nintendo Co Ltd and Nintendo of Europe GmbH v Playables Ltd and Wai Dat Chan*, the High Court of Justice (Chancery Division) granted summary judgment against an importer of R4 mod chip cards for copyright infringement and unauthorized circumvention of TPM.³⁹ The card was able to circumvent the element of firmware authentication of the TPM system of Nintendo DS applied to verify whether a game card inserted is genuine. As a result, it became possible to download illegal copies of video games from the internet and play them on the Nintendo DS.

The defendant tried to argue that the circumvention device had also a lawful use in the form of playing "homebrew games." However, the court was not impressed by this. It stated that "[t]he mere fact that the device can be used for a non-infringing purpose is not a defence, provided one of the conditions in section 296ZD(1)(b) [of the amended Copyright, Designs and Patents Act of 1988 on the prohibitions of circumvention of TPMs] is satisfied."

In another judgment – the *Sony v Ball* case – adopted on behalf of the same Court, Justice Laddie directly addressed the two combined elements of TPM system applied for lawful playing of Sony's PS2 games (with TPM as software) on PlayStation PS2 consoles (with TPM embedded as firmware) pointing out their inseparable nature: "The two parts co-operate together... like a lock and key enabling the P22 game to be played on the type of P2P console for which it is designed."⁴⁰

In other countries, as mentioned above, court practice has taken time and again some detours before reaching appropriate findings on the application of anti-circumvention norms against mod chip manufacturers and distributors.

In *Spain*, in 2009, the Court of Salamanca adopted a weird ruling in a procedure initiated by *Nintendo* against *Movilquick* which consisted in disregarding the international, EU and national norms on the protection of TPMs.⁴¹ One may form no other impression in reading the

³⁸ EWCA Crim. 2293 of November 3, 2009.

³⁹ EWHC 1932 (Ch) of July 28, 2010.

⁴⁰ EHC [2004] 1738 (Ch).

⁴¹ The ruling was adopted in November 2009 by the Salamanca court. Its text has not been available to me. However, various reports have been published on it; e.g. on the *Techdirt* website (www.techdirt.com) on November 23, 2009.

report on the ruling. The court found that Movilquick's mod chip served for circumventing the TPM applied by Nintendo in its video console for the protection of games. It also recognized that this opened the gate for the use of pirated games. However, the court still dismissed Nintendo's claim by referring to the possibility that, when the TPM was circumvented, the console might be used not only for illegal objectives but also for certain legal purposes. The court did not interpret the provisions on prohibition of unauthorized circumvention of TPMs in a narrower or broader way; it simply neglected them.⁴²

Another Spanish court, however, seems to have recognized that it is bound to apply the clear legal provisions on the protection of TPMs rather than to disregard them. In 2010, the Criminal Court of Palma de Mallorca, found guilty⁴³ the importers and sellers of R4 card mod chips for circumvention of the firmware TPM applied in Nintendo video consoles. One of the defendants was condemned to imprisonment; heavy fines were applied; and the payment of substantial damages was ordered.

In *France*, similar developments have taken place. In 2009, a criminal court in Paris adopted more or less the same kind of strange judgment - and for similar flawed reasons - as the Salamanca court in Spain in a procedure initiated by *Nintendo* against *Divineo SARL*, a distributor of illegal R4 cards to circumvent the TPM protection of video consoles. It did not condemn the perpetrators; however, two years later, the Court of Appeals in Paris issued a guilty verdict⁴⁴ imposing suspended imprisonment, high criminal fines and a big amount of damages.

In *Italy*, since the verdict of the Supreme Court (*Corte di Cassazione*) adopted in 2007⁴⁵ – confirmed by another one in 2011⁴⁶ – it has been a stable position in jurisprudence that the circumvention of TPM protection of video consoles is prohibited and the distribution of mod chips is a crime. The referral by the Tribunal of Milan has emerged as a surprising (and unjustified) development acting against the ever more harmonious court practice established in the Member States of the EU.

United States: failed attempt at using administrative rulemaking to try to remove firmware protection built in video consoles. The issue of the protection of videogames by combined software- and hardware-based TPMs and the "mod chips" produced and distributed for its unauthorized circumvention was also on the agenda of latest tri-annual rulemaking proceeding at the US Copyright Office as mandated by section 1201 of the Copyright Act. As it is known, as a result of such proceedings, the Librarian of Congress may designate certain classes of works to be exempted from the prohibition against circumvention of access-control TPMs when such circumvention is done to engage in "non-infringing uses of works in the designated classes."

In the rulemaking proceeding, the Electronic Frontier Foundation (EFF) and other proponents proposed the designation of the following class of works to be exempted from access-control protection (as quoted in the report of Maria Palante, Register of Copyright): "Computer programs that enable lawfully acquired software applications, where circumvention is

⁴² A probable explanation for this error of the Salamanca Court may be that there seems to be a deficiency in Article 270(3) of the Spanish Penal Code, which does not sufficiently clearly distinguish between TPMs to protect computer programs and those that protect works other than computer programs.

⁴³ Decision of the Criminal Court of Palma de Mallorca, October 26, 2010.

⁴⁴ Decision of September 23, 2011 of the Court of Appeal.

⁴⁵ Cass, penale 33768/07.

⁴⁶ Cass, penale 8791/11.

undertaken for the purpose of enabling interoperability of such applications with computer programs on the gaming console."⁴⁷ Such interoperability – according to the proposal – would be needed basically for the purpose of using Linux software and "homebrew" games (created by independent programmers) on the consoles protected by firmware TPMs.

In her report, the Register of Copyright has rejected practically all the arguments presented by EFF. She has referred to ample proofs indicating that the problems the EFF aimed to eliminate, if they existed at all, consisted in mere inconvenience. There are a number of possible ways to use Linux and "homebrew" games other than through circumventing the firmware protection system of the game consoles in question (which in addition to Nintendo's *Wii*, also included Sony's *Play Station* and Microsoft's *Xbox*).

While the EFF mainly concentrated in its submission on the alleged problems created by the firmware protection in the PS3 version of Sony's *Play Station* for "homebrew" game makers, the opponents of the submission referred to the fact that the number of such game developers is quite small; only less than *one-tenth of one percent* of PS3 users had made use of the PS3's OtherOS feature which made it possible the use of the console for "homebrew" products (without circumventing the firmware protection).⁴⁸ It was also pointed out that, if the TPM protection built in the consoles creates any problem for the makers of alternative products it is not more than, at maximum, a relative inconvenience; it does not consist as an obstacle for the use and exploitation of those products. This is so since, as it was noted, there are over 4,000 devices on which Linux can be run without the need for circumvention, and "homebrew" games and applications can be played on a wide array of open platform devices.⁴⁹

The opponents of EFF's submission also stressed the fact that each of the three major video game console manufacturers has a program to support independent developers in creating and publishing compatible games. In fact, the example, of one of the facilities offered for "homebrew" developers to use *Play Station* has also offered a good illustration of what is taking place in the triangle of TPM-protected games, "homebrew" games and pirate copies of games. The report describes what happened in the following way:

Although the hackers stated that they did not endorse or condone piracy, one hacker subsequently published PS3's encryption keys on the Internet, which were quickly used to create jailbreak software to permit the use of illegally made games. Sony saw an immediate rise in the number of illegal copies but no increase in homebrew development, while sales of legitimate software "declined dramatically." As a result of the hack, Sony decided it had no choice but to discontinue OtherOS and issued a system upgrade that disabled OtherOS functionality for those who wished to maintain access to Sony's *PlayStation* network.⁵⁰

Also a number of concrete examples are listed in the report on how mod chips are promoted with clear reference to the purpose of making illegal copies of games through circumvention of the TPM protection. In this connection, also with reference to the finding that EFF has been unable to prove that an exception to the prohibition of circumvention of the TPM system of video consoles would be necessary for fair use purposes, the report contains the following statement:

⁴⁷ *Section 1201 Rulemaking: Fifth Triennial Proceeding to Determine Exemptions to the Prohibition on Circumvention - Recommendation of the Register of Copyrights*, October 2012; to be found on the Copyright Office's website (www.copyright.gov) at "Rulemaking Proceedings," p. 26.

⁴⁸ *Ibid.*, p. 37.

⁴⁹ *Ibid.*

⁵⁰ *Ibid.*, p. 36.

The Register noted that instead of countering this evidence with a factual showing to prove opponents wrong, EFF merely asserted that its proposal would not permit infringing uses. The Register did not believe that this response satisfied proponents' obligation to address the "real-world impact" of their proposed exemption. Overall, the Register found that proponents had failed to fulfill their obligation to establish persuasively that fair use could serve as a basis for the exemption they sought.⁵¹

The Register of Copyright has rejected the EFF's allegation that the objective of the TPM systems would be to exclude competition for games developed by independent producers. She has pointed out that they protect the integrity of valuable works protected by copyright, and stressed that "[i]n so doing, they provide important incentives to create video games and other content for consoles, and thus play a critical role in the development and dissemination of highly innovative copyrighted works."⁵²

THE FIRST QUESTION REFERRED TO THE CJEU

Under its order for referral, the Tribunal of Milan has submitted two questions to the CJEU. The first one reads as follows:

Must Article 6 of Directive 2001/29/EC be interpreted, including in the light of recital 48 in the preamble thereto, as meaning that the protection of technological protection measures attaching to copyright-protected works or other subject matter may also extend to a system, produced and marketed by the same undertaking, in which a device is installed in the hardware which is capable of recognising on a separate housing mechanism containing the protected works (videogames produced by the same undertaking as well as by third parties, proprietors of the protected works) a recognition code, in the absence of which the works in question cannot be visualised or used in conjunction with that system, the equipment in question thus incorporating a system which is not interoperable with complementary equipment or products other than those of the undertaking which produces the system itself?

To put it in a simpler way, by asking this question, the Italian court would like to know whether the obligation to provide adequate protection and effective remedies against circumvention of TPMs also apply to Nintendo's TPM systems described above. The question suggests that the possible reason for which doubts may emerge in this connection is that the system "is not interoperable with complementary equipment or products other than those of the undertaking which produces the system itself." It is also to be noted that the court believes that asking this question – along with the possible doubts just mentioned – is justified in the light of Recital 48 in the preamble of the Information Society (Copyright) Directive.

As discussed above, the obligation to provide adequate protection and effective remedies against circumvention of TPMs is not limited to certain types of TPMs whether they are software-based, firmware-based or consisting in a combination of software-based and firmware-based elements. To put it another way, the protection of TPMs do not depend on whether the measures are linked to the copies of works or they are embodied in devices through which the works are used or they act through interaction between certain elements included in copies of works and others are embodied as firmware in devices. Furthermore, as also discussed above, the circumvention of a TPM system is prohibited irrespective of whether an "access-control" measure, a "copy-control" measure or the combination thereof is involved. And not only where it is applied *in the course of exercising rights* in the sense that without the circumvention of the TPM, certain acts covered by specific rights cannot be performed but also

⁵¹ *Ibid.*, p. 44.

⁵² *Ibid.*, p. 50.

where it is applied *in connection with the exercise of rights* to control acts which, although are not directly covered by a right, without their control, it would not be possible to normally exploit the rights concerned.

Thus, there is no doubt whatsoever that the TPM systems applied by Nintendo (and by similar video game producers) as the inseparable combination of a software-based “copy-control” in the copies of the games and a firmware-based “access control” in the consoles (which only allows access to copies to be viewed and used where the firmware check finds that a lawful copy is involved) fully correspond to the concept of effective technological measures in the way it is provided in Article 11 of the WCT and in Article 6 of the Directive, and as specifically defined in paragraph (3) of that article of the Directive.

This is so irrespective of from what angle and in what light it is seen, including the case where someone wishes to see it “in the light of recital (48) of the Directive.”

Recital (48) of the Directive hardly has any relevance from the viewpoint of the definition of TPMs. It reads as follows – along with the preceding Recital (47) – without which it cannot be fully understood:

(47) Technological development will allow rightholders to make use of technological measures designed to prevent or restrict acts not authorised by the rightholders of any copyright, rights related to copyright or the sui generis right in databases. The danger, however, exists that illegal activities might be carried out in order to enable or facilitate the circumvention of the technical protection provided by these measures. In order to avoid fragmented legal approaches that could potentially hinder the functioning of the internal market, there is a need to provide for harmonised legal protection against circumvention of effective technological measures and against provision of devices and products or services to this effect.

(48) Such legal protection should be provided in respect of technological measures that effectively restrict acts not authorised by the rightholders of any copyright, rights related to copyright or the sui generis right in databases without, however, preventing the normal operation of electronic equipment and its technological development. Such legal protection implies no obligation to design devices, products, components or services to correspond to technological measures, so long as such device, product, component or service does not otherwise fall under the prohibition of Article 6. Such legal protection should respect proportionality and should not prohibit those devices or activities which have a commercially significant purpose or use other than to circumvent the technical protection. In particular, this protection should not hinder research into cryptography.

In the last-but-one sentence of Recital (48) on which the Milan court seems to mainly concentrate two elements are included.

The first element is a general reference to the principle of proportionality. The validity and the need for application of this principle are hardly questionable. However, it should be noted that, in the given context, it should be applied *not only* from the viewpoint of whether or not, in the name of proportionality, it is justified to disregard the need for the protection of TPMs, *but also* from the viewpoint of whether or not it would be proportionate to remove the key element of the ecosystem of the game industry and, thus, to deprive it of an indispensable means of protection against piracy.

The Directive not only states the general principle of proportionality in that recital but it also includes detailed norms in Article 6 to regulate how the protection of TPMs against unauthorized circumvention may be applied in a proportionate way ensuring truly adequate

protection but also duly recognizing the legitimate interests of other actors on the digital markets and the public interests justifying special arrangements to facilitate the applicability of exceptions and limitations dictated by those interests. This proportionate regulation includes a well-thought determination in paragraph (2) of the scope of devices, products or components the manufacture, import, distribution, etc. of which is prohibited. It also includes a selection in paragraph (4) of exceptions and limitations in the case of which measures are needed to guarantee that the beneficiaries may enjoy them. However, in accordance with the principle of proportionality, the Directive also makes it clear that, even in the case of those exceptions and limitations, the beneficiaries are not allowed simply to circumvent TPMs. First, preference must be given to voluntary arrangements by the rightholders, and even where such arrangements are not applied, the solution is not just giving green light to circumvention, but the application of appropriate measures by the governments of the Member States. There is a further element of the regulation reflecting the recognition that the proportionality principle also requires due taking into account of the legitimate interests of rightholders which, in the given context, necessarily includes the interest that the adequate protection of TPMs is not undermined. In recognition of this, it is also stated in Article 6(4) that any intervention mechanisms applied in Member States must not go beyond “the extent necessary to benefit from [the given] exception or limitation.” That is, for example, where the exception serves the purposes of people with disabilities, the TPM may only be circumvented in a way that it guarantees that only those people may benefit from the exception or where it is granted for educational purposes, it must be made sure that the access and use provided by the intervention measures are limited to such purposes. It is a further fine-tuning of the balance of interest in recognition of the proportionality principle that Article 6(4) excludes the application of intervention mechanisms where works or other protected materials are made available to the public on agreed contractual terms for online interactive use.

There is no possible legal basis whatsoever not to recognize a TPM system clearly corresponding to the concept of TPM under the Treaty and the Directive by citing the principle of proportionality, just because the system does not allow the use of products made by others without the application of a device – such as a mod chip or game copier – which inevitably circumvents the TPM not only for the use of the products made by others but also for the use of pirated copies (which, in fact, seems to be far the most dominant use of video consoles from which TPM protection is eliminated). Not recognizing TPM systems as such for this reason not only would be alien for the principle of proportionality and due balance of interests but, in the light of the provisions of the WCT and the Directive, it would be absurd.

The second element in the sentence on which the Italian court certainly mainly concentrates in Recital (48) is a reference to Article 6(2)(b) of the Directive under which devices or activities that have a commercially significant purpose or use other than to circumvent TPMs are not prohibited. It is impossible to understand for what reasons the idea has emerged that the interpretation and application of the provision in Article 6(2)(b) might be relevant for excluding a TPM system from the scope of protected TPMs just because the device in which the firmware element of the system is embedded cannot be used for other products (unless the makers of those products accept the conditions of using the device in a way that the TPM protection is maintained or unless the TPM protection is removed by a device produced specifically to circumvent the TPM).

The subject matter of Article 6(2) – namely the prohibition of certain “preparatory acts” for the purpose of circumvention of TPMs – has nothing to do with the concept and definition of TPMs. Furthermore, as discussed more in detail below concerning the second question referred to the CJEU, the devices (“mod chips” and “game copiers”) in question do not have any

function other than to circumvent. Article 6(2)(b) is about multifunctional devices – such as computers – which may be used also for circumvention but do have other commercially significant purposes and, thus, it would be a non-proportional measure to prohibit their use. Mod chips and game copiers do not have any relevant function other than circumvention of TPMs. As it is rightly noted by Michel Walter and Silke von Lewinski in their treatise on European copyright law, in the case of such a device, “the objective purpose, which can be concluded from the qualities of the device, should matter;” it is irrelevant “whether the person designing, producing, etc. the device does so with the aim of enabling or facilitating circumvention.”⁵³

Thus, the answer to the first question referred to the CJEU by the Italian court must be a clear and definitive “No.” In a more detailed manner, it should be this:

Yes, Article 6 of Directive 2001/29/EC obviously must be interpreted in a way that the protection of technological protection measures attaching to copyright-protected works or other subject matter also extends to a system, produced and marketed by the same undertaking, in which “a device” mentioned in the question – more precisely a firmware-based authentication measure – is installed in the hardware capable of recognising on a separate housing mechanism containing the protected works (videogames produced by the same undertaking as well as by third parties, proprietors of the protected works) a recognition code, in the absence of which the works in question cannot be visualised or used in conjunction with that system. The reference to Recital 48 is not justified in this respect since it has nothing to do with the concept and definition of technological measures. From the viewpoint of the question of whether or not such technological measures are covered by the definition of technological measures it is also irrelevant whether or not the equipment incorporating such a system is “interoperable with complementary equipment or products other than those of the undertaking which produces the system itself system.”

It is to be noted that this answer covers such TPM systems in an inseparable manner (as the legendary Justice Laddie has pointed it out in his above-mentioned ruling). What makes them truly effective – which is indispensable for the ecosystem of the game industry – is that they, with the software code/firmware authentication interface exclude the possibility of using unauthorized copies.

The issue of whether or not the production and distribution of the devices which are the subject matter of the dispute – mod chips and game copiers – are prohibited is another matter. It does not concern the concept and definition of TPMs. It is discussed below in connection with the second question referred to the CJEU by the Italian court.

THE SECOND QUESTION REFERRED TO THE CJEU

The second question referred to the CJEU by the Tribunal of Milan reads as follows:

Should it be necessary to consider whether or not the use of a product or component whose purpose is to circumvent a technological protection measure predominates over other commercially important purposes or uses, may Article 6 of Directive 2001/29/EC be interpreted, including in the light of recital 48 in the preamble thereto, as meaning that the national court must adopt criteria in assessing that question which give prominence to the particular intended use attributed by the right holder to the product in which the protected content is inserted or, in the alternative or in addition, criteria of a quantitative nature relating to the extent of the uses under

⁵³ M. Walter – S. von Lewinski: „*European Copyright Law*,” Oxford University Press, 2010, p. 1070.

comparison, or criteria of a qualitative nature, that is, relating to the nature and importance of the uses themselves?

If one looks at this question as such, the answer – on the basis of the text of Article 6 and the related Recital (48) – seems to be easy and obvious. The principle of proportionality mentioned in Recital (48) should be applied the way it is reflected in the text of Article 6. It is paragraph (2) of the article which, on the basis of this principle, determines the scope of devices, products or components the manufacture, distribution, etc. of which is prohibited. The paragraph lists three categories which are independent from each other. Mod chips and game copiers are not only primarily – but specifically and exclusively – designed, produced and performed for the circumvention of firmware-based TPMs included in game consoles and hand-held devices. Thus, these circumvention devices fall beyond any doubt under point (c) of paragraph (2). Since this is obviously the case, the manufacture, distribution, etc. of mod chips and game copiers are prohibited under the Directive.

It is possible that such circumvention devices also fall under point (a) of paragraph (2), provided they are promoted, advertised or marketed for the purpose of circumvention. However, since they are already clearly prohibited under point (c), there is no need to determine whether they are also prohibited for that other reason.

While, in the case of mod chips and game copiers described in the order for reference, the further consideration of the criteria of point (a) is superfluous, any consideration of the criteria of point (b) of paragraph (2) is not only superfluous but also meaningless. Mod chips and game copiers have nothing to do with devices which have only a limited commercial purpose or use other than to circumvent. This is so since mod chips and game copiers are designed, produced and distributed exclusively for the purpose of circumvention. It is only in the case of multi-purpose devices falling under point (b) that the question of what sorts of quantitative and/or qualitative criteria should be used to determine whether or not there is a commercially significant use other than to circumvent.

Thus, on the basis of the text and “preparatory work” of Article 6 of the Directive the answer to the second question may hardly be anything else but a definitive “No.”

In spite of this, it still may be worthwhile reviewing the reasons for which the Tribunal of Milan had some doubts and thus raised this – in my opinion, superfluous and unjustified – question.

Let us quote the relevant parts of the order for referral on the basis of the – hopefully faithful – English translation having obtained commentators following the procedure in Milan. Since the court’s analysis and statements include several paragraphs, I try to add comments after each block of issues. (The text of the order for reference appears in *italics*.) Before beginning this review of the order, I would like to emphasize again that I cannot see any doubts as to that, on the basis of what I believe is a correct interpretation of the relevant provisions of the WCT and the Information Society (Copyright) Directive in the light of their “preparatory work,” only a negative answer may be given to the second question. There seems to be no reason not to apply the clear and unequivocal provisions of the Treaty and the Directive for any criteria mentioned in the question.

“The presence of a protection system in the hardware that prevents the use of unauthorised copies of Wii game software, consisting of a protection code on the support containing the protected subject-matter (videogame) that is detected by a device in the Wii console, makes it fundamentally impossible to use programs, games and generally multimedia content on the aforesaid hardware that do not originate from Nintendo.”

Comment: In the meantime, the statements appearing in this way in the original order for referral have turned out to be incorrect. On the basis of proof presented by the plaintiffs, the court has had to recognize that the Nintendo system allows the use of independently created games provided that the makers of those games accept that the integrity of the TPM system should be maintained (to function both for Nintendo games and independently created games).

The most important proof was that, due to this kind of voluntary opening of the system for independently created games, the Italian Antitrust Authority has also found that the way Nintendo operates its *Wii* console does not involve any anti-competitive elements.

Due to this, the Collegiate Court of Milan was constrained to modify the order for referral and, in particular, the first question referred to the CJEU in which still an incorrect statement was included.⁵⁴ In the middle of the question where now the following text may be seen in parentheses “(videogames produced by the same undertaking as well as by third parties, proprietors of the protected works),” in the original order for referral still only the word (“videogames”) appeared implicitly suggesting that only the video games produced by Nintendo are meant. The truth is that a videogame developed by an independent producer may be incorporated into a Nintendo device equipped with the firmware element of the TPM system. The TPM system does not affect the ability of independent publishers to use their videogames through a Nintendo device (nor, of course, their ability to market their games through alternative channels.

Since, in this way, one of the basic reasons – if not the most basic one – for the doubts of the Tribunal of Milan seemed to have turned out to be unfounded, the Plaintiffs suggested the revocation of the reference. The Collegiate Court, although it modified the first question, turned down this request.

From the viewpoint of what response is justified to the second question, it is worthwhile reviewing the reasons for which the Collegiate Court did not take into account the Italian Antitrust Authority’s order rebutting the above-quoted basic allegation in the order for referral. The first one was just a formal procedural reason, namely that the result of the procedure before the Antitrust Authority had been notified *after* the adoption of the order for reference.⁵⁵ The second reason, however, was substantive. The court argued in this way:

“The Collegiate Court does not believe that based on the new documentation produced by the plaintiffs, the questions raised in the preliminary reference order dated 13.4.2012 may be deemed to be overcome, so as to proceed with the revocation of the order itself as requested by the plaintiffs at the hearing.

“It must instead be noted that in respect of the prompt requests for information submitted by the Authority on 5.5.2010 to Nintendo of Europe GmnH the presence of numerous “omissions” in the document containing the answers to these requests and filed with this Court does not allow to establish as point of fact additional or different elements other than the ones already collected during the proceeding and summarised in the reference for preliminary ruling.

“Not taking into account the procedures used by the plaintiffs for the preventive selection of the games developed also by independent third parties and to be included in the context of “original Wii games” through the application of the technological protection measures, all the reasons originating the interpretation doubts illustrated in the challenged order stand.

“No element can be inferred from said document that may exclude the nature of “closed system” as appears to be the one set up by the plaintiffs in accordance with the reference for preliminary ruling, considering the omissions in the document filed specifically in the points concerning questions asked by the Authority that are specifically relevant to this aspect...

“In this context the dismissal order of the Antitrust Authority appears to the Collegiate

⁵⁴ Order of the Collegiate Court adopted on June 28, 2012.

⁵⁵ Point 3 of the order of the Collegiate Court.

Court to be de facto incomprehensible in the reasons expressed, which could not be reconstructed even indirectly from the documentation produced by the plaintiffs for the above explained reasons.”⁵⁶

These arguments are not persuasive. Irrespective of on the basis of what questions and answers the Antitrust Authority dismissed the allegation about Nintendo’s anti-competitive behavior, the dismissal of this charge still remains an important fact in an order for referral in which the questions are built to a great extent on the doubt that Nintendo’s behavior is anti-competitive. However, the Collegiate Court still recognizes the validity of the most important and decisive finding that the plaintiff has a procedure which does allow to be included and used original games developed by others “through the application of the technological protection measures.” The Court adds in a surprising manner that beyond the recognition of the existence of such possibility “all the reasons originating the interpretation doubts illustrated in the challenged order stand.” (See the comments above for an explanation of why the Italian competition authority reached the decision that it did.)

It is submitted that just the contrary is true. By recognition of this fact the fundamental reasons for the referral disappear. The application of the Nintendo TPM system is not anti-competitive; the system is only “closed” for piracy but not “closed” for independently made products if their producers accept that the TPM system should remain intact and may also serve the protection of their products. Thus, it is also confirmed that Nintendo’ dominating objective with the application of the TPM system is the protection of video games against unauthorized use.

“As incidentally observed by the Court of Cassation (see judgment no. 33768 of 25.5.2007, already quoted), the question of the protection of original works is particularly delicate in a context where the right-holders of the aforesaid works can be considered to be the exclusive holders also of the technological instruments that are essential for the user to be able to enjoy the product, as it may potentially cause limitations to the rights of the citizen and the consumer that cannot be justified according to criteria of proportionality regarding the methods through which these forms of protection can be expressed.”

Comment: The Tribunal refers to the said judgment of the Court of Cassation to which I have also referred above.⁵⁷ There is something strange, however, in the fact that it refers to a judgment of a higher court which found that the manufacture and distribution of “mod chips” is prohibited due to the obligation to provide adequate protection against circumvention of TPMs. This is strange since this reference is made in an order raising doubts about this position.

However, it is an even more conspicuous contradiction that, in this paragraph in which the Tribunal places the principle of proportionality in focus, it only mentions those arguments which, in its view, may question the justified nature of the protection of TPMs guaranteeing adequate protection against widespread infringements without any reference to the weighty considerations serving as a basis for such protection.

In this paragraph again, the basic reason for the Tribunal’s doubts – the belief that the owners of rights in works to be protected and the holders of the technological instrument are the same – is repeated again. As discussed in the comment to the preceding paragraph of the order quoted above, this belief has been proved to be unfounded.

There is no substantiation of the statement about “limitations to the rights of the citizen and the consumer that cannot be justified according to criteria of proportionality.” In fact, no such unjustified limitation seems to exist. When consumers buy a Wii – usually and normally in addition to certain general-purpose devices (PCs, laptops, tablets, etc.) they have already own – they know that what they buy is intended for the use of video games. If they would like to use a device for other purposes, as it has been amply proven in the recent very thorough administrative procedure in the US, plenty of other alternatives are available, and this is also true for the use of

⁵⁶ Point 4 of the order of the Collegiate Court.

⁵⁷ See footnote 45 above.

those independently made games in the case of which the makers do not intend to use their products through Nintendo Wii along with its TPM protection. What may emerge as a theoretical “disadvantage” is a minor inconvenience. If a policy maker, a legislator or a judge accepts the task to establish an appropriate balance on the basis of the principle of proportionality, he or she may hardly find it reasonable to eliminate this relative and easily curable inconvenience at the price of denying adequate protection for TPMs without which the ecosystem of an entire industry would collapse (as a result of which consumers would also lose since less and less valuable works would be produced and made available and finally even the manufacture of the consoles – allegedly so important for them – would be logically abandoned).

“In this context it is now necessary to assess the adequacy of the actual methods that protect the right-holders of the original works also in relation to the interest of maintaining an appropriate and balanced competition structure on the market.”

Comment: No repetition of my previous comments seems necessary here. It is sufficient to note that the belief that the protection of Nintendo’s TPMs – basically against the extremely unfair competition by pirated products – might raise any substantial competition problems, for the reasons, mentioned above, has turned out to be unfounded.

“The close and enforced connection between the hardware platform and the protected works (videogames), which is caused by the adding of the technological protection measures described above, produces the obvious and direct result of preventing all possibilities of interoperability - both with regard to similar platforms made by others, as well as to the use of software and videogames produced by anyone other than Nintendo – thus outwardly causing the reinforcement of the position of Nintendo both in the sector of the marketing of the machines as well as in the sector of the manufacturing and sale of videogames deriving from the application of technological protection measures that in fact integrate a closed system that in itself is totally impervious to activities and products with different origins and sources.”

Comment: As regards the close and enforced connection between the hardware platform and the protected works, it is the very nature of these kinds of TPM systems. It is an indispensable condition for the survival of professional game production. If the game makers producing consoles for the use of their games (Nintendo, Sony and Microsoft) were obligated to abandon TPM protection for the sake of interoperability between their devices and consequently also with any other devices, it would become meaningless for them to continue investing into truly attractive games requiring important creative efforts and financial contributions. There would be interoperability without due protection and between machines the use of which would not guarantee sustainable creation and production of such works.

As regards the reinforcement of the position of Nintendo in the market through the use of consoles with built-in TPM, the charge that this may result in unfair competition, *inter alia* because the system is closed for independent creations, has proved to be unfounded. It has also been proved with sufficient certainty that Nintendo’s primary objective is protection against piracy both for its own games and for independently created games supported by its TPM system.

“This in itself may give rise to a phenomenon of altering the relations of the producers of computer hardware and developers of software and videogames in particular in the market, in addition to influencing the position of the final consumer, who, in order to be able to use Nintendo videogames, is obliged to purchase special hardware that in itself is no different structurally from a normal computer – apart from the protection measures added by the producer that limit its operation.”

Comment: This consists basically in rephrasing the statements already commented on above. The same seems to be the case as regards several paragraphs that follow. Thus, in order to avoid unnecessarily increase of the volume of this paper, it is justified to only quote those parts of the order where new elements emerge.

“In Italian jurisprudence, which specifically developed the criminal side of the matter, it was discovered that the problem was dealt with by allocating importance to the methods used to present the console to the public and its design for the use of videogames, as it is conceived by the producer of the

machine itself.

“From this statement it follows that the presetting of the mod chip would in itself appear to be designed for having the primary purpose of circumventing the technological protection measures (see Crim. Cass. 33768/07 already quoted, but also more recently Crim. Cass. 8791/11).

“Nevertheless, there is the doubt that a viewpoint based on the single consideration of the conduct and the will of the producer of the system could exhaust the scope of assessment in the civil courts of the set of possible purposes that the device under examination can legally have in a context – expressly excluded from the assessments made by the aforementioned criminal jurisprudence – in which the requirement to avoid anti-competitive practices must be equally relevant.”

Comments: This is one the strangest parts of the order since it is suggested in it that while, under the Italian penal law, it may be justified to punish the makers and distributors of “mod chips” due to the violation of the prohibition of making and distributing such anti-circumvention devices, in the context of civil law, it may still be found that such activity is not prohibited. And all this is based again on the theory of Nintendo’s anti-competitive behavior which, as discussed above, seems to have turned out to be unfounded for multiple reasons.

“Quantitative criteria providing elements that can be used to assess the actual extent of the legal uses that can be associated with the mod chips compared to the uses that freely circumvent the technological protection measures can be added to the elements on this subject highlighted by the aforementioned criminal jurisprudence, but it is obvious that it is incredibly difficult to acquire trustworthy information on the actual diffusion of both these legal and illegal uses.

“A further method could also be identified in a qualitative context, which mainly poses the different question whether the possible legal uses – the use of independent software, the enjoyment of all the functions of the hardware, etc. – can in themselves be considered worthy of protection and therefore open to an acknowledgement of value that can lead the interpreter to deliver supreme judgement or a judgement of mere equivalence for the illegal uses, a judgement from which the lawfulness of these devices would be derived.”

Comment: It is on the basis of these paragraphs that one may get some idea what may be the quantitative and qualitative criteria to which reference is made in the second question.

It is important to note, however, that on the basis of Article 6(2) of the Directive, in the case of a device the purpose of which is nothing but to circumvent TPMs, there is no reason and no legal basis whatsoever to ask the question to what extent its manufacture, distribution, etc. may be allowed either on a “quantitative basis” or on a “qualitative basis.” The manufacture, distribution, etc. of such a device is unequivocally prohibited by Article 6(2)(c).

Where quantitative or qualitative criteria may truly be applied is the case of multi-purpose devices mentioned in Article 6(2)(b) in order to establish whether they have only a limited commercially significant purpose or use other than to circumvent. The “mod chips” and “game copiers” covered by the “principal cause of action” do not fall into that category since their only purpose is to circumvent.

The Tribunal of Milan has raised the possibility of disregarding these crystal-clear provisions of the Directive by citing possible competition problems. However, there is no basis in the well-balanced and fine-tuned provisions of Article 6 that might justify an exception to the protection of TPMs on such a reason. Even if there were a possibility for such an exception – as there is none – it would be alien to the principles on which the truly proportional provisions of Article 6(4) of the Directive are based to allow – to commercially highly interested makers of unauthorized circumvention devices – to simply eliminate the protection of an important copyright-based industry and to open the way to uncontrolled piracy by referring to the need for allowing the use of the consoles for so-called “homebrew” games which only represent a miniscule portion⁵⁸ of the games used through such devices.

⁵⁸ See the reference in the Rulemaking report to the fact that only on-tenth of one percent of the games used in a

However, the facts presented in the case do not justify the supposition that Nintendo would use its TPM systems for anti-competitive purposes or in an anti-competitive manner. It has been proved that, contrary to the findings in the original order for referral, Nintendo does allow the use of its Wii console for independently created games provided that their producers accept that it should go along with preserving the integrity of its TPM system. What the system does not allow is the use of infringing copies of either Nintendo games or independently created games using the same system. Since this is the case, it is also clear that the main and dominant objective of the TPM system built in the consoles is protection against piracy.

It is even more important to add that, even if – contrary to what is the case – there were signs of some kind of anti-competitive behavior (as there is no such signs), it would not justify either to deny protection against circumvention of Nintendo’s TPM system through mod chips and/or game copiers. Competition law exists in order to control abuses of rights, and it provides appropriate remedies including fines by the European Commission against companies which engage in anti-competitive behavior. The correct interpretation of Article 6 of the Directive cannot depend upon whether a particular company involved in a specific case is behaving anti-competitively. Nor should the provisions of Article 6 be interpreted in a manner which removes all effective protection from rightsholders because of the possibility that some of them might use their rights in this way: if they do, they will then be subject to remedies under competition law provided by national or EU competition authorities.

In view of this, the unequivocal negative answer to the second question based on the text and “preparatory work” of Article 6 of the Directive may and should be confirmed.

The following answer is justified to the second question:

No, in the case of devices, products or component primarily (or, as it may be established in the cause of action, exclusively) designed, produced or performed for the purpose of enabling or facilitating the circumvention of effective technological measures – which thus fall under point (c) of Article 6(2) of Directive 2001/29/EC – it is not necessary and it is even not possible to consider whether or not the use of a device, product or component whose purpose is to circumvent a technological protection measure predominates over other commercially important purposes or uses, since by definition, such a device, product or component may not be used for any commercially important purpose other than to circumvent. It is only under point (b) of Article 6(2) of the Directive that the application of criteria of quantitative or qualitative nature may be necessary to establish whether the manufacture, distribution, etc. of a device, product or component is prohibited since it has only a limited commercially significant purpose or use other than to circumvent. It is that category of devices, products and components where the application of the proportionality principle pronounced in Recital (48) is truly justified, the more so since, when the recital states the principle, it refers in the same sentence exclusively to the criteria provided in point (b) of Article 6(2). However, as pointed out, the devices concerned in the case of action are not covered by point (b); they are covered exclusively by point (c).

SUMMARY

Question 1 referred to the CJEU:

Must Article 6 of Directive 2001/29/EC be interpreted, including in the light of recital 48 in the preamble thereto, as meaning that the protection of technological protection measures attaching to copyright-protected works or other subject matter may also extend to a system, produced and marketed by the same undertaking, in which a device is installed in the hardware which is capable of recognising on a separate housing

console fall in the category of “homebrew” games.

mechanism containing the protected works (videogames produced by the same undertaking as well as by third parties, proprietors of the protected works) a recognition code, in the absence of which the works in question cannot be visualised or used in conjunction with that system, the equipment in question thus incorporating a system which is not interoperable with complementary equipment or products other than those of the undertaking which produces the system itself?

Answer that is justified to Question 1:

Yes, Article 6 of Directive 2001/29/EC obviously must be interpreted in a way that the protection of technological protection measures attaching to copyright-protected works or other subject matter also extends to a system, produced and marketed by the same undertaking, in which a “device” mentioned in the question – more precisely a firmware-based authentication measure – is installed in the hardware capable of recognising on a separate housing mechanism containing the protected works (videogames produced by the same undertaking as well as by third parties, proprietors of the protected works) a recognition code, in the absence of which the works in question cannot be visualised or used in conjunction with that system. The reference to Recital 48 is not justified in this respect since it has nothing to do with the concept and definition of technological measures. From the viewpoint of the question of whether or not such technological measures are covered by the definition of technological measures it is also irrelevant whether or not the equipment incorporating such a system is “interoperable with complementary equipment or products other than those of the undertaking which produces the system itself system.”

Question 2 referred to the CJEU:

Should it be necessary to consider whether or not the use of a product or component whose purpose is to circumvent a technological protection measure predominates over other commercially important purposes or uses, may Article 6 of Directive 2001/29/EC be interpreted, including in the light of recital 48 in the preamble thereto, as meaning that the national court must adopt criteria in assessing that question which give prominence to the particular intended use attributed by the right holder to the product in which the protected content is inserted or, in the alternative or in addition, criteria of a quantitative nature relating to the extent of the uses under comparison, or criteria of a qualitative nature, that is, relating to the nature and importance of the uses themselves?

Answer that is justified to Question 2

No, in the case of devices. products or component primarily (or, as it may be established in the cause of action, exclusively) designed, produced or performed for the purpose of enabling or facilitating the circumvention of effective technological measures – which thus fall under point (c) of Article 6(2) of Directive 2001/29/EC – it is not necessary and it is even not possible to consider whether or not the use of a device, product or component whose purpose is to circumvent a technological protection measure predominates over other commercially important purposes or uses, since by definition, such a device, product or component may not be used for any commercially important purpose other than to circumvent. It is only under point (b) of Article 6(2) of the Directive that the application of criteria of quantitative or qualitative nature may be necessary to establish whether the manufacture, distribution, etc. of a device, product or component is prohibited since it has only a limited commercially significant purpose or

use other than to circumvent. It is that category of devices, products and components where the application of the proportionality principle pronounced in Recital (48) is truly justified, the more so since, when the recital states the principle, it refers in the same sentence exclusively to the criteria provided in point (b) of Article 6(2). However, as pointed out, the devices concerned in the case of action are not covered by point (b); they are covered exclusively by point (c).

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