



Neutral Citation Number: [2008] EWHC 44 (Ch)

Case No: IHC 695/07

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

Royal Courts of Justice
Strand, London, WC2A 2LL

Date: 18/01/2008

Before :

MR JUSTICE BARLING

Between :

The Football Association Premier League Limited **Claimant**
- and -
QC Leisure & ors **Defendants**

Mr James Flynn QC, Mr Aidan Robertson and Miss Charlotte May (instructed by **DLA Piper UK LLP**) for the **Claimant**
Mr Martin Howe QC and Mr Andrew Norris (instructed by **Orchard Brayton Graham LLP**) for the **Defendants in the QC Leisure and Madden actions; Mr Martin Howe QC** (instructed by **Molesworth Bright Clegg**) for the **defendants in the AV station PLC action**

Hearing dates: Wednesday 19th December 2007

Judgment

Mr Justice Barling :

Introduction

1. There are before me a number of applications in three sets of proceedings which have been ordered to be heard at the same time so far as liability is concerned. In all the proceedings the Claimant is the Football Association Premier League Limited although one of the applications, which was not in the event contested, was to add two further claimants in each of the three proceedings, namely NetMed Hellas SA and MultiChoice Hellas SA. The addition of these claimants and certain other directions are recorded in a letter dated the 18 December 2007 sent by the solicitors for the Claimant to the solicitors for the Defendants. These directions are agreed between the parties and have been incorporated in a consent order. The parties did not suggest that the addition of these claimants affected in any way the applications with which I am dealing. The directions in

the letter provide for a further PTR to be held on the earliest available date after 23 January 2007 (by which is meant 23 January 2008).

2. The Defendants in the three sets of proceedings are as follows : in claim number HC06C04418 they are; (1) QC Leisure (2) Mr David Richardson (“the QC claim”); in claim number HC07C00082 they are: (1) AV Station PLC (2) Mr Malcolm Chamberlain (“ the AV claim”); and in claim number HC07C01749 they are: (1) Michael Madden (2) Sanjay Raval (3) David Greenslade (4) S.R. Leisure Limited (5) Phillip George Charles Houghton (6) Derek Owen (“ the Madden claim”). For the purposes of the applications it has not been necessary to distinguish between the three sets of proceedings or between the respective pleadings. Accordingly counsel in addressing me found it convenient to refer to the pleadings in the QC claim alone, and I shall adopt the same course in this judgment.
3. The applications that remain effective before me are:
 - i) The Claimant’s applications (in all three claims) for summary judgment in respect of that part of the Defendants’ defence based on Article 81 of the EC Treaty.
 - ii) The Claimant’s application (as an alternative to (1)) to stay the trial of the Article 81 defence until further order.
 - iii) Applications by the Defendants in the QC and AV claims for specific disclosure. (There does not appear to be a corresponding application in the Madden claim. This may be because pursuant to the order of Master Moncaster dated the 6 December 2007 disclosure in the QC and AV actions is also to stand as disclosure on the Madden claim).
4. In the event there was no time to hear arguments on the disclosure application and the parties agreed, with my blessing, that they should be stood over to be dealt with at the next PTR. This course had the merit that this decision on the summary judgment and stay applications would then be available.
5. For the sake of completeness I should add that the Claimant originally also sought to strike out the paragraphs of the Defendants’ pleadings which raised, or related to, the Article 81 defence. However Mr James Flynn QC appearing with Mr Aidan Robertson and Ms Charlotte May for the Claimant informed me that in view of the clarification of the Defendants’ case which had taken place pursuant to an order of Briggs J made on the 19 November 2007, the strike out applications were no longer being pursued.

Summary judgment/stay

6. As I have said the summary judgment and alternative stay applications are made by the Claimant in each of the three actions and on the same grounds.
7. In summary it is submitted on behalf of the Claimant firstly that it is entitled to summary judgment on the Defendants’ Article 81 defence (as clarified) because in the light of the case law of the Court of Justice, and in particular two

decisions known as *Coditel I* (Case 62/79 *Coditel SA and Others v Ciné-Vog Films SA and Others* [1980] ECR 881) and *Coditel II* (Case 262/81 *Coditel SA and Others v Cine-Vog Films SA and Others* [1982] ECR 3381), the defence in question cannot as a matter of law succeed. Alternatively the Claimant submits that if the Defendants are permitted to maintain the defence, the trial of that issue should be stayed until after the trial of the principal copyright claims. No evidence had been adduced in support of, or in resistance to, the applications.

Background

8. The Claimant is the governing body of the association football competition known as the Premier League. Its members are the constituent football clubs of the Premier League. On behalf of the Claimant each Premier League football match is filmed and modified (to include commentary, graphics music etc) as explained more fully in the Particulars of Claim. This process creates what is known as “the World Feed” in which the Claimant owns various copyrights. The Claimant enters into agreements with foreign broadcasters for the rights to broadcast live the World Feed supplied from the United Kingdom. In some instances the foreign broadcasters may add commentary in their own language before they make the broadcasts. Such broadcasts are made by encrypted signals via satellite, and the broadcasters supply decoder cards to their paying customers in their respective territories so as to enable those customers to receive the broadcasts. The foreign broadcasters are required by the terms of their licence agreement with the Claimant to undertake to procure that no device is knowingly authorised or enabled by or with their authority or that of their sub-licensees, distributors, agents employees etc so as to permit anyone to view in an intelligible form any such transmission outside their particular licensed territory. I shall refer to the precise terms of this contractual provision later, but it is paraphrased in paragraph 20 of the Claimant’s skeleton argument as follows:

“Foreign broadcasters are prohibited from supplying non-UK cards for use in the UK and none of their customers are authorised to view or receive broadcasts from within the UK.”

9. The Defendants in the QC and AV claims are importers and suppliers of equipment to bars and public houses in the United Kingdom. It is the Claimant’s case that in the course of their business they have supplied pubs in the United Kingdom with non-UK decoder cards sourced through subterfuge from Greece in particular, but also from a variety of countries within and outside the EU, and that they are not entitled to do so. The Claimant goes on to assert that publicans (i.e. the Defendants in the Madden claim) have, with the knowledge and authorisation of the QC and AV Defendants, been using non-UK decoder cards in order to broadcast live Premier League football matches to the detriment of the sale of decoder cards authorised for UK reception by the Claimant’s licensees, with consequent loss of revenue to the Claimant. The Claimant asserts that unlike UK decoder cards the non-UK cards enable users to watch live football matches between 2.45pm and 5.15pm on Saturdays contrary to the closed period for live football coverage required by the sport’s European governing body UEFA as a safeguard for domestic football match attendance. The Claimant states that this has potential detrimental effect on attendance, ticket sales and revenues for the Claimant and its member clubs.

10. By the acts described above the Claimant claims that the Defendants have imported, distributed and possessed for commercial purposes non-UK decoder cards obtained from foreign broadcasters and designed or adapted to enable others to access premier league matches broadcast on foreign television channels or to circumvent conditional access technology related to such programmes when they are not entitled to do so, and that such acts are contrary to Sections 298 and 299 of the Copyright Designs and Patents Act 1988 (“the 1988 Act”).
11. Sections 298 and 299 of the 1988 Act give the rights holder equivalent rights and remedies as a copyright owner would have in respect of infringement of copyright. Paraphrasing those sections, the holders of the specific rights are persons who charge for the reception of broadcast services or who send encrypted transmissions or who provide conditional access services, in each case from a place in the United Kingdom or another EU Member State. The infringers are those who, without entitlement to do so, make, import, distribute, sell, hire, or advertise, or who possess, install, maintain or replace for commercial purposes any apparatus which enables persons to access the programmes or other transmissions or to circumvent conditional access technology related to those problems or transmissions.
12. In addition, the Claimant alleges what it calls “traditional” copyright infringement in respect of certain film, artistic and musical copyrights, claiming that by the acts described above the Defendants have authorised and procured others to copy without permission the copyright works comprised in the matches screened in UK pubs. Mr Martin Howe QC, who with Mr Andrew Norris appeared on behalf of the Defendants, took issue with the epithet “traditional”, asserting that in fact the infringement claim in question is highly novel and speculative. He put this forward, in addition to other points, as a reason why the present situation is not governed by the *Coditel* cases to which I have referred. I will return to this in due course.
13. The Defendants claim to be entitled in law to act as alleged without the authorisation of the Claimant or the relevant foreign broadcaster, both by virtue of the 1988 Act and also of certain provisions of EC law, including EC Treaty articles guaranteeing free movement of goods and services. Another provision of EC law relied upon by the Defendants is Article 81 of the EC Treaty relating to agreements or concerted practices between undertakings which may affect trade between Member States and which have the object or effect of restricting, preventing or distorting competition within the common market. Article 81 is prayed in aid in response to both the infringement claim under Sections 298-9 and the “traditional” copyright infringement claim. It is also deployed in response to the Claimant’s assertion that the alleged infringements have caused it loss of revenue. I should perhaps explain briefly the way these issues have been pleaded by the parties.
14. Paragraph 41 of the Amended Particulars of Claim in the QC action states
“The Foreign Broadcasters are prohibited from supplying
SMART cards for use in the United Kingdom”.

15. The Claimant was asked for further particulars of the prohibition referred to and gave the following response in a document dated 21 March 2007:

“7. Under the terms of the license under which the Foreign Broadcasters received transmissions of the Matches from Premier League Productions each Foreign Broadcaster (“Licensee”) is required to undertake that it shall *“procure that no device (including but not limited to any “smart card” and any decoding equipment which is necessary to decode or decrypt any such Transmission) shall be knowingly authorised or enabled by or with the authority of the Licensee and/or any Permitted Sub-Licensee and/or any distributor, agent or employee of the Licensee and/or any Permitted Sub-Licensee so as to permit any person to view any such Transmission outside the Territory [which Territory does not include the UK] in an intelligible form.”* This form of wording is present in the licence agreements... applicable to the “ART” cards and “Nova” smart cards referred to in the statements of case to date. Clauses to this effect are included in all relevant overseas broadcasting agreements”

16. Further, in relation to the “traditional” infringement claim, paragraphs 47 and 48 of the Amended Particulars of Claim assert that the Claimant has not consented to the dealings with the cards complained of, and that such dealings are unauthorised. Paragraph 49 alleges that those dealings have caused the Claimant loss of revenue.

17. Paragraphs 17 and 18 of the Amended Defence in the QC action states:

“17. In so far as the prohibition alleged in the first sentence of paragraph 41 is based upon or the consequence of agreements between undertakings or concerted practices, such prohibition has as its object or effect the prevention, restriction or distortion of competition within the common market. In particular such prohibition purports to limit or control the markets to which broadcasters are permitted to supply their broadcasting services and/or to supply decoder cards, contrary to Article 81 (1) (b) EC.

18. The alleged prohibition is accordingly void and cannot be relied upon as a basis for contending that the Defendants’ customers are not entitled to receive the satellite broadcasts concerned. ”

18. The Defendants provided further information about this allegation pursuant to the order of Briggs J to which I have referred. This clarification, dated 26 November 2007, states:

“1. The Defendants’ case under Article 81 EC relates solely to the prohibition on the Foreign Broadcasters which is pleaded by the Claimant in the first sentence of paragraph 10 of its Particulars of Claim....and as further particularised in

Responses 6 and 7 in its Further Information Responses served ... on 21 March 2007.

2. The Defendants contend that the agreements as pleaded in Response 7 between the Claimant and its Licensee in each territory... breach Article 81 in so far as they contain or... reflect the term pleaded in Response 7. Alternatively the insertion of such terms into the said agreements to constitute a network of agreements providing territorial protection for each Foreign Broadcaster constitutes a concerted practice to which the Claimant and its Licensees and sub-Licensees are parties.

3. The Defendants contend that steps taken to implement the prohibition such as steps taken by Foreign Broadcasters to prevent the circulation or use of decoder cards outside their respective territories or steps taken by the Claimant to induce the Foreign Broadcasters to take such steps, are the unlawful consequences of the above pleaded breach of Article 81 EC. ”

19. This defence is also raised in paragraph 21 in the context of the “traditional” copyright infringement claim and paragraph 22 (last sentence) in response to the assertion that damages have been suffered.
20. It is to these paragraphs of the Amended Defence, namely paragraphs 17, 18, 21 and 22 (part), together with the Further Information of the 26 November 2007, that the Claimant’s application for summary judgment or stay is directed.

Summary Judgment

21. As I have said, neither side has adduced any evidence in support of or in resistance to the application for summary judgment, which is made under CPR rule 24.2. Mr Flynn, for the Claimant, emphasised at the outset of his oral submissions that the application did not turn on any issue of fact and that it raised only a question of law.

22. CPR rule 24.2, so far as relevant, provides

“24.2 The court may give summary judgment against a ...defendant on the whole of a claim or on a particular issue if-

(a) it considers that -

i)

ii) that defendant has no real prospect of successfully defending the claim or issue; and

(b) there is no other compelling reason why the case or issue should be disposed of at a trial.

....”

23. The principles to be derived from that provision and from a number of other sources were conveniently summarised by Sir Andrew Morritt V-C (as he then was) in *Celador Productions Limited v Melville* [2004] EWHC 2362 (CH), at paragraphs 6 and 7 as follows:

“From these sources I derive the following elementary propositions:

- (a) It is for the applicant for summary judgment to demonstrate that the respondent has no real prospect of success in his claim or defence as the case may be;
- (b) a “real” prospect of success is one which is more than fanciful or merely arguable;
- (c) if it is clear beyond question that the respondent will not be able at trial to establish the facts on which he relies then his prospects of success are not real; but
- (d) the court is not entitled on an application for summary judgment to conduct a trial on documents without disclosure or cross-examination.”

24. That summary of applicable principles was approved by the Court of Appeal in *Doncaster Pharmaceuticals Group Limited and others v The Bolton Pharmaceutical Company 100 Limited* [2006] EWCA Civ 661 (see paragraph 4 of the judgment of Mummery LJ). Both Mr Flynn and Mr Howe accept that these are the principles I should apply here.

25. Mr Flynn submits that the Article 81 defence has no real prospect of success at trial as a matter of law, and can safely be decided in the Claimant’s favour now. For that proposition he relies on the Court of Justice judgment in *Coditel II* submitting:

- (1) that that judgment makes it clear that exclusive territorial licences of copyright in broadcasts do not offend Article 81 by reason of their territorial exclusivity; and
- (2) that the licence arrangements between the Claimant and foreign broadcasters are akin to the licence which was the subject of that judgment.

26. Mr Howe, in response, makes two main submissions. First he submits that the circumstances of the present case are different from those in *Coditel II* with the result that that case does not govern the position here. Secondly even if *Coditel II* would otherwise be applicable here, that decision is now 25 years old and the legal, regulatory and commercial contexts relating to satellite broadcasting within the EU have moved on and are still developing, such that it is far from certain that the Court of Justice would reach the same conclusion today. Mr Howe states that when all relevant facts have been found it is the Defendants’ intention to seek an Article 234 reference to the Court of Justice both in relation to the Article 81 issue and also in relation to certain other questions of EC law

upon which the Defendants rely by way of defence to the claims, including points concerning free movement rights. (See for example paragraphs 16(b) to (i) of the QC defence.)

27. These other questions of EC law are not the subject of any application by the Claimant for summary judgment or stay, and will therefore presumably go to trial.
28. Since *Coditel II* is fundamental to this application for summary judgment - it is claimed to be, in effect, a knock-out blow so far as the Article 81 defence is concerned - I should deal with the *Coditel* cases in a little detail.
29. Coditel ran a cable television service in Belgium which picked up television broadcasts from other Member States and then supplied those broadcasts to Coditel's subscribers by cable diffusion. A German television company broadcast a film, "Le Boucher". Coditel picked up this broadcast over the border in Belgium and supplied it by cable to its subscribers. The exclusive licensee of the copyright in "Le Boucher" in Belgium was Ciné Vog who successfully sued Coditel for breach of copyright. Coditel appealed and the Belgian Cour d'Appel made a reference for a preliminary ruling to the Court of Justice asking questions about the impact of the Community rules relating to free movement of services contained in what is now Article 49. In its ruling (*Coditel I*) the Court of Justice considered that the questions referred by the Cour d'Appel amounted to whether an assignment of copyright limited to the territory of a Member State is capable of constituting a restriction on freedom to provide services. The Court held:

"The provisions of the Treaty relating to the freedom to provide services do not preclude an assignee of the performing right in a cinematographic film in a Member State from relying upon his right to prohibit the exhibition of that film in that State, without his authority, by means of cable diffusion, if the film so exhibited is picked up and transmitted after being broadcast in another Member State by a third party with the consent of the original owner of the right"

30. In the course of its judgment the Court distinguished between the category of literary and artistic works made available to the public by performances, and the category of such works where the publication is inseparable from the circulation of the material form of the works such as books or records. The Court stated that Community law impacted differently on the two categories. In regard to the former the right of the copyright holder and his licensees to require fees for any showing of a film was part of the essential function of copyright in this type of work. Further, the exploitation of such copyright could not be regulated without regard to the possibility of television broadcasts of such film. (See paragraphs 12 to 14 of the Judgment.) The Court went on at paragraph 16:

"The effect of this is that, whilst copyright entails the right to demand fees for any showing or performance, the rules of the Treaty cannot in principle constitute an obstacle to the geographical limits which the parties to a contract of

assignment have agreed upon in order to protect the author and his assigns in this regard. The mere fact that those geographical limits may coincide with national frontiers does not point to a different solution in a situation where television is organised in the Member State largely on the basis of legal broadcasting monopolies, which indicates that a limitation other than the geographical field of application of an assignment is often impracticable. ”

31. Mr Howe referred to the last sentence of that paragraph as indicating that even in relation to free movement rights the Court of Justice may well now wish to reconsider the situation where films are licensed by reference to a series of exclusive assignments of copyright within national boundaries, in the light of developments in the market and regulatory systems.
32. In a passage to which the Claimant drew my attention Advocate General Warner in his Opinion in *Coditel I* pointed out that, save in certain exceptional cases, the right to authorise a broadcast and the right to authorise its cable diffusion were regarded under the laws of Member States as separate; that being so, it could not be right for Community law to deny the owner of the performing right the power to authorise or forbid the cable diffusion of a broadcast of the work. (See page 879 of the report.)
33. Mr Howe however submitted that this was one of the important differences between the *Coditel* position and the position here: he argued that if the Defendants were piping the Greek broadcasts to their cable customers in the United Kingdom then the position would be the same as in *Coditel* and there would probably be a breach of the UK copyright holder’s rights, as there would be a separate broadcast when the material is diffused through the cable by virtue of s.6 of the 1988 Act. In the present case, by contrast, there is only one broadcast - the one from Greece - the reception and showing of which to an audience who have not paid does not constitute an infringement under national copyright law. *Coditel I* therefore does not apply.
34. Pending the Court of Justice’s ruling in *Coditel I*, Coditel appealed to the Cour de Cassation against the Cour d’Appel’s decision not to refer any question on the potential applicability of Article 81, and the Cour de Cassation made a reference on that issue to the Court of Justice. The Court, having referred to its judgment in *Coditel I*, stated that:

“9. The question essentially seeks to ascertain the position, in relation to prohibitions contained in Article [81] of the Treaty, of a contract whereby the owner of a copyright in a film grants the exclusive right to exhibit that film within the territory of a Member State and for a specified period.

15...the mere fact that the owner of a copyright in a film has granted to a sole licensee the exclusive right to exhibit that film in the territory of a Member State and, consequently, to prohibit, during a specified period, its showing by others, is not sufficient to justify the finding that such a contract must be

regarded as the purpose, the means or the result of an agreement, decision or concerted practice prohibited by the Treaty.

16. The characteristics of the cinematographic industry and of its market in the Community, especially those relating to dubbing and subtitling for the benefit of different language groups, to the possibilities of television broadcast, and to the system of financing cinematographic production in Europe serve to show that an exclusive exhibition license is not, in itself, such as to prevent, restrict or distort competition.

17. Although copyright in a film and the right deriving from it, namely that of exhibiting the film, are not, therefore, as such subject to the prohibition contained in Article [81], the exercise of those rights may, none the less, come within the said prohibitions where there are economic or legal circumstances the effect of which is to restrict film distribution to an appreciable degree or to distort competition, on the cinematographic market, regard being had to the specific characteristics of that market. ”

35. As to the last paragraph cited above, Mr Howe indicated that the Defendants were not seeking to rely upon the existence of “other economic or legal circumstances” in support of the alleged breach of Article 81. The Defendants’ case in relation to Article 81 is solely based on the contractual provisions in the licence agreements with the foreign broadcasters. Those are the provisions which Mr Flynn submits are governed by the decision in *Coditel II* so as to preclude any real prospect of the Defendants succeeding on this point.
36. Mr Flynn submitted that on the basis of that case, and in particular paragraph 15 of the judgment, there is nothing objectionable as a matter of competition law about a licence provision such as that in question. The same patchwork of territorial licences exist here as existed in *Coditel I*. (See page 3388 of the report of that judgment). Mr Flynn referred me to the passage from Advocate General Warner’s Opinion in *Coditel I* (above) and submitted that the learned Advocate General’s statement there was predicated on the existence of territorial restrictions on licensees. Mr Flynn also cited a European Commission orientation paper dated May 1998 in which the author (unidentified) sets out an interpretation of the effect of *Coditel II* which Mr Flynn adopts. The passage in question states:
- “In the *Coditel II* decision, the ECJ held that exclusive licences of performing rights did not per se infringe Article 85 (1), even though they conferred absolute territorial protection and might prevent transmission into a neighbouring State.”
37. Finally Mr Flynn referred to a Commission Decision of the 22 March 2006 relating to a proceeding pursuant to Article 81 of the EC Treaty (Case COMP/C - 2/38.173: joint selling of the media rights to the FA Premier League). This decision was addressed to the Claimant and related to horizontal joint selling

arrangements between the football clubs in the Premier League in respect of exploitation in the UK of media rights relating to matches. Mr Flynn told me that in the course of the investigation leading up to that decision the Commission had seen the agreements with foreign broadcasters and had every opportunity to object but did not. Further he pointed out that the Commission raised no objection generally to the licensing of such rights on a national basis.

38. I incline to the view that the Claimant places more weight on *Coditel II* than it can bear. The scope of the judgment in that case was narrow, being restricted to “the mere fact” of the grant to a licensee of exclusive rights in a particular territory. The contractual provision with which we are concerned does not consist merely of a grant of such exclusive rights; indeed the clause in question is not granting any right at all: on the contrary the provision appears to impose certain obligations upon the foreign broadcaster, namely to undertake to “procure” that non - UK decoder cards are not authorised or enabled by the licensee or any sub-licensee or distributor, agent or employee of such persons, so as to enable anyone to view the foreign broadcaster’s transmission outside the latter’s territory. In other words, foreign licensees are apparently required to prevent use of the decoder cards outside their licensed territory.
39. The Court of Justice in *Coditel II* was not dealing with the impact (if any) of Article 81 on such a clause. It was dealing with the impact of Article 81 on the “mere” grant of an exclusive licence for the territory of a Member State. The difference may well be significant: the mere grant of an exclusive licence for a territory does not necessarily imply any obligation on the licensee to take steps to obstruct the export of decoder cards or the use thereof outside the territory. The normal attribute of an exclusive licence for a particular territory is that the licensor is precluded from licensing anyone else within the territory in question, and, possibly, that the licensee may be able to use the licensed rights to exclude others from exploiting within the territory. In so far as the clause here provides for other obligations it does not seem to me to be so clearly covered by *Coditel II*.
40. Mr Howe, in the course of his oral submission, sought to distinguish *Coditel II* in further respects. In particular he argued that whereas the *Coditel* cases were dealing with copyright consisting in a performing right, in the present case the decoder cards are much closer to books or records: even though they do not contain the film they are in the nature of a “key” covering the whole channel for a period of time. The essential function of the decoder card right was to protect the revenue of the broadcaster, and this function was fulfilled irrespective of where the card was used to view the match. He argued that these issues raised policy questions which only the Court of Justice could resolve. Mr Flynn, in response to this point, submitted that the card was much more in the nature of a ticket to a performance.
41. The significance of the Defendants’ argument in this respect is that the Community law principles of exhaustion of rights admittedly operates differently depending on whether the copyright in question is in the nature of a performing right or of a copyright in a tangible object such as a book or a record. (See paragraphs 12 to 16 of the judgment of the Court in *Coditel I* and paragraphs 11 to 14 of the judgment in *Coditel II*.) The judgment in relation to

Article 81 in *Coditel II* was predicated on the fact that the copyright in question consisted in a performing right.

42. Mr Howe asserted a further distinction between the present case and the circumstances in the *Coditel* cases. It is the one to which I have already referred namely that in *Coditel* there were two separate broadcasts: one by satellite and one by Coditel when they relayed the satellite broadcast over their own cable system.
43. Finally, in relation to *Coditel II* Mr Howe referred to the decision of the Court of Justice in Case 258/78 *Nungesser and Another v EC Commission* [1983] 1 CMLR 278, a case involving plant breeders' rights. In that case the Court drew a distinction between a so-called "open" exclusive licence (which does no more than prevent the licensor from licensing others in the territory and from itself exploiting the subject-matter of the rights in the territory) and an exclusive licence where absolute territorial protection is intended to be achieved on the territory by the exclusion of parallel imports. (See in particular paragraph 53 of the judgment.) The Court referred in particular to a clause in the contract whereby the licensor promised that it and its other licensees would do everything in their power to prevent the export of the product in question into the territory. Only the "open" exclusive licence arrangements were held to be outside Article 81.
44. Mr Howe submitted that the licensing arrangements for foreign broadcasters relied upon by the Claimant in the present case are very different from the contractual arrangements with which the Court were concerned in *Nungesser*: in the case of a football match broadcast there is no question of the broadcaster needing to put investment into establishing a new product on the market, in contrast to the position where new varieties of plants are involved; there is no reason to suppose that lack of exclusivity would deter a broadcaster from broadcasting a popular sporting event such as a premier league football match or that a broadcaster needs exclusivity in order to invest in developing a market for such a broadcast; further the Claimant's contracts are not "open" exclusive licences of the kind approved by the Court of Justice. They are closed licences which seek to create absolute territorial protection contrary to the principles of the common market by trying to prevent broadcasters from responding to even "passive" orders received from outside their respective territories or parallel traders from supplying parallel imports of decoder cards. It follows, according to Mr Howe, that the contractual obligations relied upon by the Claimant as part of its case are in breach of Article 81.
45. Mr Flynn's response to this was, understandably, to the effect that *Nungesser* was not applicable to a case such as the present, involving as it did plant breeders' rights rather than performing rights, and that the latter are governed by *Coditel II*.
46. As I have said, I incline to the view that *Coditel II* does not provide the answer to this case. Ultimately this will be for the trial judge to decide in the light of fuller argument and conceivably following a reference to the Court of Justice under Article 234; at this interlocutory stage the Claimant has not satisfied me that Mr Howe's arguments have no real prospect of success. I do not know

whether or not ultimately they will be successful, but his submissions are not fanciful or outlandish. Nor do I consider them to be merely arguable. They seem to me to have some force - enough to satisfy the test in CPR rule 24.2.

47. Neither the Commission's orientation paper of 1998 nor its decision in respect of the Claimant's horizontal joint selling arrangements have persuaded me that summary judgment on the Article 81 defence can or should be given here. The first is simply an unidentified official's interpretation of *Coditel II*, expressed in somewhat speculative terms. The second is of even less relevance: it is said that the Commission raised no objection to the foreign license agreements in question nor to the sale of rights on a national basis. But it is not suggested that the agreements, let alone the clause in issue in the present case were the subject of the Commission's investigation which led to that decision. Indeed it appears they were not.
48. In the light of the conclusions I have reached in relation to the applicability of the *Coditel II* judgment upon which the Claimant's application has centred, it is unnecessary for me to deal at length with Mr Howe's second line of argument to the effect that even if *Coditel II* were in point, certain legal and regulatory developments make it likely that the Court of Justice would wish to reconsider its decision.
49. In summary Mr Howe submitted that the legislative background has changed since the *Coditel* cases by reason of certain initiatives designed to open up what he referred to as a single audiovisual space within the EU. As a result of these initiatives and in contrast to the position 25 years ago, the barriers to cross-border satellite broadcasting have been almost totally eliminated. These changes, he argued, have significantly altered the impact of EC law upon contractual arrangements of the kind with which we are concerned, and *Coditel II* would be likely to be decided differently were it to arise now.
50. Mr Howe identified three legislative measures.
51. *Council Directive 89/552/EEC* of 3 October 1989 on the co-ordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the pursuit of television broadcasting activities (OJ No L 298/23 of 17 October 1989, as amended.) The so-called Television Without Frontiers Directive provides for a harmonised system of home country regulation of the content of broadcasts so that cross-border broadcasting could take place without falling foul of regulatory laws in the country of reception.
52. *Council Directive 93/83/EEC* of 27 September 1993 on the coordination of certain rules concerning copyright and rights relating to copyright applicable to satellite broadcasting and cable retransmission (OJ No L248/15 of 6 October 1993.) The purpose of this directive is described as follows in the Commission's report COM (2002) 430 final 26.07.2002 dealing with its implementation:

“The object of the Directive with the definition of the notion of communication to the public by satellite at Community level was to put an end to the legal uncertainty regarding the rights to be acquired, by specifying the place where the act of

communication occurs and the copyright legislation applicable to contractual relations regarding the transfer of rights. The applicable law is that of the Member State in which the programme-carrying signals are transmitted; its application extends beyond national borders into the Member States in which the signals are received ... This principle avoids the cumulative application of several national legislations of the various Member States covered by the footprint....”

53. The Commission go on to state that the practice of transferring broadcasting rights on a national basis runs counter to the principle of the directive which is to enable the entire footprint to be the basis for the transfer of such rights. Mr Howe submitted in the light of this directive that it is not an infringement of copyright in Member State B to receive a broadcast from Member State A because the act of communication to the public is deemed to take place solely within Member State A. This, he said, changes the position of the exclusive licensee from that in which he found himself in the *Coditel* cases. He cited the Court of Justice’s ruling in Case C-293/98 *Egeda v Hoasa* [2000] ECR I-629 as confirming that interpretation. He submitted that the contractual provision in the licence agreement in the present case is being used to obstruct the free movement rights afforded by these directives to receivers of broadcasts made from other Member States. He also referred to Section 72 of the 1988 Act as providing that the showing of broadcasts to non-paying audiences does not infringe copyright in any sound recording or film. This, he said, was a distinction from *Coditel I* and was the reason the Claimant was driven to advance a claim for “traditional” infringement of copyright. Such “partial” or “technical” infringements as the Claimant has alleged are not, he argued, within the scope of the “essential function” of the copyright, unlike the infringement involved in the *Coditel* cases. In so far as the contractual prohibition in question was being used in support of those “technical” infringements, Article 81 was engaged.

54. *Directive 98/84/EC of the European Parliament and of the Council of 20 November 1998 on the legal protection of services based on, or consisting of, conditional access* (OJ No L320/54 of 28 November 1998.) Mr Howe submitted that the main purpose of the Conditional Access Directive was to remove obstacles to cross-border broadcasting and to the free circulation of decoder cards by harmonising the level of protection for services based on conditional access devices. He referred in particular to Article 3(2) of the Directive which provides:

“Without prejudice to paragraph 1 Member States may not:

- (a) restrict the provision of protected services, or associated services, which originated in another Member State or
- (b) restrict the freedom of movement of conditional access devices;

for reasons falling within the field coordinated by this Directive”

55. He submitted that the directive recognised a distinction between decoders marketed with the consent of the encryptor and those marketed without the encryptor's consent. Circulation of the latter but not the former could lawfully be restricted. He argued that in its claims based on Section 298 of the 1988 Act the Claimant was using the contractual prohibition in the licence as part of a barrier against free movement of cross-border broadcasting and cross-border trade in decoder cards, contrary to the principles now enshrined in Section 298 as amended in the light of the directive.
56. In addition to these arguments Mr Howe also referred to certain factual changes in the European broadcasting markets which he said had taken place over the last 25 years or so.
57. Mr Flynn for the Claimant addressed me briefly on these points in his oral submissions. In relation to Directive 93/83 he referred me to recitals 15 and 16 as showing that the underlying basis of the directive was supportive of contractual freedom and was not inimical to contractual prohibitions such as those in issue. As for Directive 98/84 he submitted that nothing turned on this: the prohibition on restriction of free movement of conditional access devices in Article 3(2) relied upon by the Defendants was without prejudice to paragraph 1 of that Article, which cross-referred to Articles 4 and 5 of the directive and the requirement on Member States to take measures against "illicit devices" which give unauthorised access to protected services. The argument, as I understood it, was that decoder cards originating in Greece and used in the United Kingdom constituted such devices. In essence his submission was that there was nothing in the legislative material relied upon by Mr Howe which rendered the contractual prohibition in question objectionable.
58. It seems likely that the legislation identified by Mr Howe will need to be examined closely. It is not fanciful to argue that those provisions have a bearing upon the infringement claims brought by the Claimant, whether in relation to the interpretation of certain key provisions of national copyright legislation and/or in relation to the Defendants' arguments based on the free movement rights guaranteed by Community law, which are not the subject of these applications for summary judgment or stay. As for the impact if any of that legislation on the competition law defence, even the parties' inevitably abbreviated rehearsal of their arguments on these points in the course of this application is sufficient to indicate that there is substance in Mr Howe's submission that the legislative landscape in this area has changed materially since *Coditel II*.
59. Therefore the Community legislation relied upon by the Defendants fortifies me in the conclusion that the Article 81 defence is a legitimate subject for a trial, and that the application for summary judgment should be rejected.

Alternative Application for a Stay

60. There remains the Claimant's alternative application that the Article 81 defence be stayed. The Claimant seeks a stay until after the trial of the remainder of the issues involved in these claims, on the basis that no purpose would be served in trying the competition law defence until the outcome of those other issues is known. The Claimant argues that it is necessary first to determine whether (as

the Claimant contends) the prohibition in relation to the supply of non-UK decoder cards for use in the UK contained in the license agreement is a legitimate exercise of its right under the 1988 Act. Only when that is determined will it be appropriate to consider whether the prohibition infringes Article 81 and is void.

61. In support of the stay application the Claimant refers to a decision of the Court of Appeal in *Intel v VIA* [2003] UKCLR 106 approving a decision of Jacob J (as he then was). There the learned judge had ordered certain competition issues to be tried after issues relating to the validity and infringement of a number of patents. The competition issues were in summary:

- i) Whether the bringing of the patent infringement actions represented an unlawful attempt by the patent holder to compel the defendant to enter into an agreement which would be contrary to Article 81 and/or was abuse of a dominant position under Article 82.
- ii) Whether the refusal to grant the defendant a patent licence on lawful or reasonable terms was an abuse of a dominant position contrary to Article 82.

62. In relation to these defences Sir Andrew Morritt V-C said:

“The issues in relation to Articles 81 and 82 only arise if the patents in suit are both valid and infringed. At this stage it is impossible to say whether any and if so which claims in any of them is both valid and infringed. Until it has been determined that at least one of them is, the issues relating to Articles 81 and 82 are hypothetical. Moreover unless and until it has been determined which claims in the patents in suit are valid the extent to which any of the patents in suit is capable of restricting competition and therefore capable of giving rise to infringements of Articles 81 and 82 is uncertain.”

63. Finally Mr Flynn suggested that although the scope of the competition law defence was now clearer in the light of the clarification provided by the Defendants, it might still involve factual issues and it was possible that the period allocated for the trial might be insufficient to accommodate the trial of this defence.

64. The latter point was resolved during the hearing before me when enquiries were made of the listing office. It was confirmed that the case is currently floating from April 14 and that even if the trial were to be extended by as much as six days beyond the present time estimate, this would not affect that listing.

65. I agree with Mr Howe that it would not be appropriate to stay the trial of the competition defence.

66. The competition issues are not the only questions of EC law which are involved in these claims. As we have seen, free movement of goods and services issues are also raised and are proceeding to trial. The *Coditel* cases themselves provide a cautionary tale as to the risks of dealing with Article 81 and free movement

issues separately where both are raised in the same case. In that litigation it resulted in two separate references to the Court of Justice. Such a risk could arise here. The Defendants have indicated that at an appropriate stage it is their intention to seek a reference for a preliminary ruling under Article 234 in respect of the EC issues which they have raised. Nor would it be wise to discount the possibility that such a reference will need to be made at some point. In my view the possibility is a distinct one. In those circumstances it would be undesirable to decouple some of the EC issues from the others. Such a course might well lead to further expense and to delay in the ultimate resolution of the claims.

67. Further Mr Howe submits, and it appears to be the case, that the infringement claims and the Article 81 issue are linked in that the validity of the pleaded contractual prohibition is a necessary part of the Claimant's argument in relation to both the copyright and the decoder card right claims. For example Mr Howe asserted, and Mr Flynn did not demur, that in relation to the alleged Section 298 infringement the Claimant needs to show that the decoder cards were not authorised for reception in the UK, and thereby became "illicit" devices under the Conditional Access Directive.
68. As to the *Intel* case relied upon by the Claimant, I do not consider that this provides support for a stay here. Matters such as a stay or a split trial constitute case management, and each case must be considered on its own facts in the light of the overriding objective of dealing with cases justly. In any event the position was different in *Intel*. The competition law defences there were more free-standing in nature in that the patent holder was not there relying upon a contractual provision as an integral part of its infringement action. Rather the defendant was objecting to the terms of a draft licence agreement which had not yet been entered into, and was alleging abuse of a dominant position by virtue of the patent holder's refusal to license the defendant except on those terms, which were said to be unlawful. Moreover, in that case there were issues of validity of the patents which first needed to be determined. Finally there appeared to be very little if any risk that points suitable for reference to the Court of Justice under Article 234 of the Treaty might be separated into different parts of the litigation.
69. As for the suggestion at paragraph 58 of the Claimant's skeleton argument that the Article 81 issues would introduce a need for considerable factual evidence which could lead to overrun of the trial, this was disputed by Mr Howe, and any risk of overrun can be dealt with by appropriate adjustment of the time estimate for trial, there being available capacity in the relevant period, as I have said.
70. Finally Mr Howe argues that hiving off the Article 81 issues to a separate trial will expose the parties to the risk of significant extra cost and delay if the second part of the trial were to proceed. He says that given the asymmetry between the depth of the Claimant's and the depth of his clients' respective pockets, this is a further factor militating against a stay. I see some force in this point too.
71. For these reasons I also refuse the Claimant's application for a stay of the competition law defence.