

Enforcement of Intellectual Property Rights

Teaching materials

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I. JUDr. Věra Popelková

Copyright

Basic principles, definition of terms, relation between the term intellectual property and the term industrial property, collective administration of copyright

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1. Intellectual Property

1.1 Copyright as a term

The term *copyright(s)* can be understood in two meanings. In the narrower meaning, this term only refers to the author's rights, while in the broader meaning it also includes the rights related to copyright, which, for the most part, refers to the rights of performing artists, the rights of producers of audio or audiovisual recordings, those of radio or television broadcasters, and, in the broadest meaning, also the rights of persons specified under a special law.

Considering the basic division of tangible property (or intellectual property) into industrial rights and copyrights in the broader meaning, the fundamental difference between these two groups primarily lies at the formal legal level, that is in how the intellectual property is granted protection. What is critical to industrial rights as such is the principle of formal protection granted under a decision delivered by the relevant authority, which, in the Czech Republic, is with one exception the Industrial Property Office, while copyright is based on an opposite principle of entirely non-formal establishment of protection for subjects of intellectual rights falling under this group. These subjects become protected at the very moment of having been created in a form directly or indirectly perceptible by human senses; any subsequent registration serves different purposes and does not affect the moment of protection being formed.

1.2 Relation between industrial rights and copyright

Their relation is treated under some of

the special laws giving protection to subjects of intellectual rights, either specifically as in the case of Industrial Designs Act, Section 1(2), or more generally as in the case of the Copyright Act, Section 105, second sentence. Therefore, it may be the case that, for instance, a trademark or an industrial design constitutes a work, which is also protected as a work under the Copyright Act. Protection of such trademark or industrial design is then governed accordingly and independently by all the relevant regulations.

1.3 Legal regulations concerning copyright

Under the Czech law, copyright is treated under Act 121/2000 of the Collection of Laws (Coll.), on copyright, the rights related thereto and amendments to some law (the Copyright Act), as amended under Act 81/2005 Coll., 61/2006 Coll., 186/2006 Coll., and 216/2006 Coll. (full wording as Act 398/2006 Coll.). In Section 1, this law enumerates the intellectual property rights, which it regulates:

Copyright in the narrow meaning:

- Authors' rights to their works
- Rights related to copyright:
- Rights of performing artists to their artistic performance
- Right of the audio recording producer to its recording
- Right of the audiovisual recording producer to its recording
- Right of the radio or television broadcaster to its broadcasts
- Right of the entity publishing a previously unpublished work for which copyrights have expired

- Right of the publisher to receive remuneration in respect of making a copy of a work it has published for personal use.

Other rights:

- Maker's right to the database it made.

1.4 Scope of copyright

Above all, the Copyright Act applies to works by authors and artistic performances by performing artists who are nationals of the Czech Republic, regardless of where the work or performance was made or published.

The Copyright Act applies to works or performances by foreign nationals (or persons without nationality) provided it is stipulated so under international treaties binding on the Czech Republic or where reciprocity is ensured. In contrast to previous regulations, now factual reciprocity is sufficient and no official act is required.

If none of the previous conditions is met, then the Copyright Act only applies to works and performances by persons who are not nationals of the Czech Republic providing it is the Czech Republic where such works or performances have been first made public or where the author or performing artist is resident.

Copyright for works by foreign nationals may not last longer than it does in the country of origin of the work.

As for the other things under protection, i.e. sound recordings, audiovisual recordings, radio and television broadcasts, free works made public, works published by a publisher, and databases, the Czech Copyright Act applies to these where their producers, broadcasters, entities which published them, publishers, or

makers are domiciled in the Czech Republic. The previous conditions, referred to in respect of works by authors and performances by performing artists, accordingly apply to the said things under protection by foreign persons.

2. Author's right

2.1 Copyrighted work

- What falls under copyrighted works

Author's rights apply to copyrighted works. The Copyright Act (CA)– in compliance with international treaties – defines copyrighted works as literary works or other works of art, and scientific works that are a unique result of the author's creative activity and may be expressed in any objectively perceivable form, including electronic form, permanently or temporarily, regardless of their size, purpose and meaning. For a work to be protected under the Copyright Act and, therefore, to constitute a copyrighted work, it has to meet several basic preconditions (Section 2 CA):

- First, such work must be an artistic (including literature) or scientific work, this including literary, musical, drama, music and drama, choreographic, pantomimic, photographic, audiovisual, fine arts, architectural, or cartographic works. Literary works also include computer programmes, but these have a very special definition, so we will deal with them further on in the text.
- Second, the work must be a result of the author's creative activity, and third, such result must be unique. Unlike most industrial property rights, neither priority nor simple individuality (required in some countries) is relevant for copyrighted works; what is relevant is the work's

uniqueness. It is unlikely that an entirely identical work could be created by several authors independently of each other.

- The last precondition is that the work is expressed in an objectively perceivable form, where perception by human senses is not the critical point; the said condition is also met where the work can be perceived using technical equipment. The pure fact that the work is only perceptible temporarily is not critical for the protection of such work at all.
- What is relevant for the very protection of a work is not its size, purpose or importance, or whether such work has been completed or not. The Copyright Act grants protection to parts of the work, and even its title and character names if these meet the basic preconditions mentioned above. Some protection is enjoyed by the title and the external form of the work although they do not meet the conditions required for being recognised as a work. This is the case where there is likelihood of confusion with a different work (cf. Section 45 CA).

Copyright also applies to works, which are the result of a creative treatment of a work by a different author; this includes translations of works. The rights of the original author are not affected.

- What does NOT fall under copyrighted works

The Copyright Act lays down (demonstratively) what is not regarded copyrighted works. These include, above all, the theme for a work, daily news, information as such, ideas, practices, principles, methods, discoveries and scientific theories, mathematical and similar formulas, and similar things.

In addition to that, the Act lays down exceptions to protection in the public interest. This second group, unlike the first one, consists of works as understood under the law, but the law does not grant them any protection. The Copyright Act provides an enumerative list of these works, which include official works, such as legal regulations, decisions, public instruments, etc., chamber of deputies and senate publications, municipal chronicles, and national emblems (see Section 3, CA, for the full list).

2.2 Relation between holder of rights and owner of the thing

Copyright and ownership right, or an analogous right in rem to the underlying material thing whereby the work is expressed, are independent of each other. The acquisition of the thing whereby the work is expressed alone is not enough to establish copyright. For copyright to be established, one needs to enter into a licence agreement unless the Copyright Act stipulates otherwise (free usage, statutory licence). Also, the owner of the thing may not dispose of the author's moral rights; he may not interfere with his work, change or modify it without the author's permission unless the law lays down otherwise. On the other hand, the owner is not obliged to maintain the thing or protect it against destruction.

On the contrary, if the author grants the licence to use, this alone is without prejudice to the ownership title or any analogous right to the tangible rendering of the work.

2.3 Author

The person who has created a work is called the author. Only an individual may be the author, and that individual who created the work. Copyright is not transferable. However, it is not

excluded that a work has been jointly created by several authors, then the Copyright Act refers to such authors as co-authors. In this case there is a condition that what was created is a single work in which the different results of creative activity of the co-authors can be distinguished but these results are not qualified for being used on their own. In the case of a work by co-authors, copyright is established for all the co-authors jointly. The law lays down that any disposal of such work requires unanimity of all co-authors. There is an exception, where a single co-author hinders disposing of the work without any sound reason. Then the court can substitute for such co-author's missing expression of will.

The author may identify the work with his real name or a pseudo name, or decide for the work to be made public without any name indicated (anonymous work). Making a work public refers to the first authorised public presentation, performance, interpretation, exhibition, publication or any other way of making the work available to the public, where publication of a work is understood to be the lawful commencement of public dissemination of copies of the work.

The author is always understood to be the person whose real name or pseudonym that raises no doubts about the author's identity is indicated on the work in the usual way (or, as the case may be, where it is indicated in connection with the work in the register of protected subjects maintained by the collective administrator). That case is referred to as disputable statutory presumption of authorship.

2.4 Content of author's rights

The Copyright Act grants the author exclusive moral rights as well as exclusive proprietary rights. Adopted in 2000, this division shifted from the

monistic view of copyright, preferred up to then, to the dualistic view, providing the opportunity to dispose of rights and making copyright, in this respect, more similar to the second type of intellectual property, i.e. industrial rights.

Moral rights primarily include the author's right to:

- Decide about making the work available to the public;
- Claim authorship, including how such authorship should be indicated in respect of making the work available to the public and its further use;
- Inviolability of the work, which includes the right to grant permission for the work to be changed or interfered with;
- That the work only be used in a way that does not diminish its value.

Moral rights only lie with the author, are not transferable, cannot be waived, and are lapsed upon the death of the author. However, such death does not entitle anyone to claim the author's authorship to the work and the requirement that the work must not be used in a way that would diminish its value continues to apply. This protection for the work may be claimed by both the next of kin (in the meaning of Section 116, Civil Code) and a legal person in which authors are associated or the collective administrator of authors' rights. The right of these persons is not limited by the duration of the protection arising from proprietary rights.

Proprietary rights include the author's right to

- Use his work, both in the original form and a form resulting from treatment or any other change of the work, including the right to

authorise, under an agreement, another person to exercise this right;

- Other proprietary rights.

The author's own right is not extinguished by authorising another person to dispose of the work; the author only becomes obliged to suffer any interference with his work by the authorised person within the disposal authorisation.

Basically, proprietary rights can be divided into two groups. First, it is the rights connected with the disposing of the work expressed in a tangible form. These rights are enumerated under Sections 13–17, CA. Contrary to the proprietary rights of the second type – Sections 18–23 CA – which are not connected with the rendering of the work in a tangible form, there were disputes about whether that enumeration was exhaustive, or demonstrative. In order to remove this ambiguity, a sentence was added in Section 12(5) under the amendment to the Copyright Act in 2006 saying that 'the work may also be used in a way other than those referred to under Subsection 4'. It should be pointed out that under Section 46(2) the Copyright Act unambiguously defines the boundary of disposing of the work, laying down that it is not possible to consent to the work to be used in a way that is not known by the time the consent is given (agreement is entered into).

Proprietary rights connected with the tangible form of the work include particularly

- Right to make copies;
- Right to disseminate the original or copies thereof;
- Right to rent the original or copies thereof;
- Right to lend the original or copies

thereof;

- Right to exhibit the original or copies thereof.
- Proprietary right connected with the intangible form of the work is
- the rights to communicate the work to the public; these include
 - Right to perform the work live or play it from a recording, and the right to transmit the performance of the work;
 - Right to broadcast the work by radio or television;
 - Right to transmit the radio or television broadcasting of the work;
 - Right to operate the radio or television broadcasting of the work.

Other proprietary rights include

- Right to receive remuneration on the re-sale of the original of a work of art;
- Right to receive remuneration in respect of making copies of the work for personal or own internal use.

Reproduction

means making copies of the work or parts thereof; this, in fact, applies to any kind of copy: temporary or permanent, direct or indirect, and made by any means and in any form.

Dissemination

means the making of the work available in tangible form by transferring the ownership title to the original or copies thereof – i.e. sale or any other transfer of ownership title – including offering them for that purpose. The first authorised sale (i.e. by the author or with his consent) exhausts this right across the European Community or any other party to the European Economic Space

Agreement (hereinafter as 'the EU').

Rental

means the making of the work in tangible form available for the purpose of direct or indirect economic or commercial benefit by providing the original or a copy thereof for a definite period of time. Inserting the phrase 'in tangible form' in Section 15, the 2006 amendment to the Copyright Act made it clear that making the work available in intangible form, such as via a computer network (so called *online use*) may not be regarded as leasing, even where the two other conditions – economic benefit of such activity, and the temporary nature – are met. Such use of the work has to be still classified as communicating the work to the public under Section 18(2) CA.

Lending

is by nature similar to rental; the difference is that lending explicitly excludes any direct and indirect economic or commercial benefit related to such disposal of the work. Again, lending refers to the making the work available in tangible form for a definite period of time. However, there is yet another condition saying that the work is made available via a facility open to public access.

Exhibiting

means the making of the work available in tangible form by displaying the original or a copy thereof to be looked at or perceived in a different way. This is typical of, but not peculiar to, works of fine arts, architecture, applied arts, and photographic or cartographic works.

Term communication to the public

is defined under the Copyright Act as the making of the work available in intangible form. This may be live

communication, communication of a recording by means of any kind of technology, making the work available to the public in such a way that anyone can have access to the work where and when they may choose [Section 18(2) CA], particularly via a computer network (the Internet), mobile phone network, and cables and any other lines. Unlike dissemination, communication to the public does not exhaust this right.

The rights under communication to the public especially include the following:

Live performance and transmission thereof.

This refers to performances by performing artists, be it either the reading of a literary work, the playing of a piece of music, the acting a work of drama, or any other type of performance. Then, transmission of such work performed live also implies making the work performed live available using speakers, a screen or any other type of equipment outside the area where the work is being performed, such as making the work being performed on the stage available using a screen in a theatre corridor, or transmitting a live concert to other premises, etc.

Because of rather clumsy terminology, the following three concepts tend to cause confusion in practice:

- play a recording of the work;
- broadcast the work by radio or television;
- operate radio or television broadcasting. If we take into account the terminology in the law on radio and television broadcasting, the confusion in terminology becomes complete.

Play a recording of the work and transmit it

means making available such work that has been recorded as a sound or sound pictorial recording, using a piece of technical equipment. However, the broadcasting of the work and the transmission of such broadcast are expressively excluded. A discothèque is an example of a common use of a work by re-playing a recording. This use is in practice often referred to as direct public performance, i.e. the making of the work available to the public in such a way that the party making the work available – the user of the work – can choose which work it will make available.

Unlike that, **the operating of radio or television broadcasting tends** to be referred to as indirect public performance, i.e. a way of making the work available where the user cannot choose which work it will make available. That rather misleading term refers to making available a work already broadcast on radio or television, using a radio or a television set or a different piece of equipment able to receive radio or television broadcasting (such as a computer).

In 2005, a controversial amendment was adopted, explicitly removing from Section 23 CA, which deals with the operation of radio and television broadcasting, such operation that takes place as part of providing accommodation on premises designated for private use by the persons accommodated. The objections that such an amendment was in conflict with the Bern Convention, i.e. the international convention for the protection of authors' rights to which the Czech Republic is a party, and the relevant EU directive rang hollow. The authors' view was upheld by both the European Commission and the European Court

of Justice, which, in a case brought before the Court by Spain, explicitly held that what takes place on accommodation premises is the communication of the work to the public. Currently, an amendment to the Copyright Act is under preparation and it should remove the conflict between the Czech law, and international regulations and *acquis communautaire*.

Broadcasting of the work by radio or television

This refers to the actual broadcasting, i.e. the making of the work available using means designed to transmit or express sound, or picture and sound, as either wireless or line broadcasting, including cable and satellite transmission. The Czech definition of broadcasting is much broader than those applied in many other countries. By putting no limits on the means designed to transmit sound or picture, it therefore includes not only the classic broadcasting from terrestrial transmitters, but also any other way of transmitting, using either wires, microwave systems, satellites, or computer systems (known as webcasting). Also, it is not relevant whether transmission is digital or analog. What is relevant is that it is the original broadcaster that is the transmitting party. Where the party transmitting the sound and picture is different from the original broadcaster, such process is not broadcasting, but transmission.

In line with the European regulations, Section 21 CA contains provisions concerning satellite broadcasting, laying down that the broadcasting takes place on the territory of that EU country in which the signal bearing sound or picture and sound to be received by the public is indicated under the management of the broadcaster and on its own

responsibility for an uninterrupted communication chain up to the satellite and back to ground. Where broadcasting takes place on the territory of a country that does not provide a level of copyright protection comparable to that provided under the Copyright Act, the broadcasting is deemed to take place on the territory of that EU country in which there is located the station transmitting the signal to the satellite or in which the broadcaster is domiciled.

Transmission of radio or television broadcasting refers to making works available by concurrent, complete, and unaltered transmission of the broadcasting of the work by radio or television by a person other than the original broadcaster. What is relevant is the fulfilment of the all three conditions: the transmission must be concurrent, complete, and unaltered. The transmission technology is irrelevant. The law explicitly mentions cable transmission (which also includes transmission by microwave systems) and this is critical especially for the administration of the right to broadcasting cable transmission.

The right to receive remuneration on the re-sale of the original of a work of art (droit de suite)

is classified under other proprietary rights. Unlike with the previous rights, in this case the author cannot give consent to re-sale or forbid it (see exhaustion of the right to transmit). It concerns the cases where the author has assigned, in return of payment or not, the original of a work of art to another person to own it and the work is then re-sold. The current legislation, in the wording of the Copyright Act amendment of 2006, lays down a condition that for this right to be established for the author, the re-sale purchase price must amount to 1.500 EUR at minimum. It is the seller and

the trader that are jointly and severally liable to the payment of the remuneration. This right, however, does not apply to the first re-sale if the seller obtained the work directly from the author less than three years ago and the re-sale purchase price does not exceed 10.000 EUR.

Right to receive remuneration in respect of copies of the work for personal or own internal use [Section 25 CA]

is a right related to the exception to the right to reproduce the work. Under Section 30, the Copyright Act provides that free use of a work shall mean the use for personal use, when the copy may be made by any means (with some exceptions, see further in the text), and – arising out of the 2006 amendment – the use for internal use by a legal person or an individual-entrepreneur but only where the copy is made on paper or similar material. Therefore, this right has two aspects:

The first aspect exclusively relates to making copies of the work for personal use by an individual; this may be done using a printing machine to produce copies on paper or similar material, or using a piece of equipment to translate sound, sound and pictorial or any other type of recording of a radio or television broadcast onto unrecorded media. The second aspect exclusively relates to making printed copies and extends to legal persons and individuals-entrepreneurs.

The author cannot permit or forbid such copy making, but is entitled to receive remuneration. Persons liable to payment of remuneration are the manufacturer or the importer of the equipment for making copies of recordings or printed copies or the importer of unrecorded media. Besides the term *importer*, the law has explicitly provided (since 2006) the term

recipient referring to the person bringing goods from the EU member countries. Besides manufacturers and importers (recipients), it is the carrier or forwarder that are the obligors, where these latter replace those former if they fail to notify the collective administrator of this right the data needed to identify the identity of the importer, recipient or manufacturer.

2.5 Untransferability of the author's rights

All and any author's proprietary rights may not be transferred or waived by the author. This, however, only applies to the absolute author's rights, and claims arising out of such rights (i.e. relative rights) are transferable.

2.6 Protection period

The proprietary rights generally apply as long as 70 years after the author's death (special cases are referred to under Sections 27 and 28 CA), are subject to probate proceedings and may therefore become escheated property. If the rights go to the state, they are executed by the State Fund of Culture of the Czech Republic in its own name or, in the case of audiovisual works, the State Fund for Support and Development of the Czech Cinematography. In the event of termination of a legal person that has inherited proprietary rights to a work and has no successor, such rights are acquired by the state.

The period of time is commenced on the first day of the year following the year in which the event relevant for the commencement of the period took place.

2.7 Right of the publishing entity of a free work

The free work is a work for which the duration of proprietary rights has expired. Such works may be freely

used by anyone without any restrictions, but such person may not claim authorship to a free work or diminish its value by using it. By first publishing a free work previously unpublished, exclusive proprietary rights to the work are formed for such party, in the scope in which those rights had been enjoyed by the author before they expired. This right applies for 25 years of when the work was made public.

3. Copyright exceptions and restrictions

3.1 Conditions to apply restrictions

A so-called three-tier test applies to any possible exceptions or restrictions. These may be applied as follows:

1. only to special cases provided for under the Copyright Act;
2. only if such use of the work is not contrary to the common use thereof; and
3. does not unduly affect the author's justified interests.

All three conditions must be fulfilled. If any of them is not met, the exception or restriction may not be applied even if the Copyright Act contained it.

The 2006 amendment has changed the whole Part IV of the Copyright Act dealing with exceptions to copyright and restrictions to it. This was because of the necessity to further harmonise the Czech law, specifically with the Information Society Directive. Along with that, the exceptions and restrictions have been made more accurate and stringent.

There are two basic groups of exceptions and restrictions:

1. Free use of the work

2. Statutory licences – free of charge
– in return of payment.

3.2. Free use of work

means that in certain cases exhaustively enumerated by law, the use of work is not regarded a use under the Copyright Act. Free use of a work primarily includes the broad range of use for personal use by individuals that does not aim at gaining direct or indirect economic or commercial profit. Provided this condition is fulfilled, those who will make a recording, a copy or an imitation of a work will not infringe copyright. It should be stressed that the law uses the singular (a copy, a recording, an imitation). Computer programmes are an exception, but these will be dealt with as such further on.

Making paper copies or copies on a similar material is a certain combination of free use and statutory licence. That restriction, or an exception to the right to make copies (both conceptions are referred to by various jurists) only applies to individuals and their personal use, and legal persons and individuals-entrepreneurs and their own internal use. Also, it applies to persons who, following an order, will make such copy for personal use of an individual or own internal use of a legal person or an individual-entrepreneur. This, however, is only allowed on condition of timely payment of remuneration under Section 25. The types of equipment for making copies and unrecorded media subject to this obligation, as well as flat-rate remunerations, is laid down under a Ministry of Culture Decree No. 488/2006 Coll. The exception to restriction is a published musical notation of a work of music or drama

and music to which the restriction does not apply.

Providing for remuneration for the permission to make copies for personal or internal use is a certain breakthrough in the original conception of free use as such. It is, however, in a full compliance with the EU directive. This fact was stressed under the 2006 amendment to the Copyright Act, which left the provisions allowing making copies under Section 30 CA (free use), but put them under a separate Section 30b CA, which separate section is not introduced with the traditional wording for free use, i.e. '[the following] shall not be understood, under this law, to constitute a use of the work', but with a wording used in respect of statutory licences, i.e. '[the following] shall not infringe copyright'.

The same applies to the permission to use a work in connection with demonstrating or mending a piece of equipment for the customer. The use is restricted to the extent necessary for the given purpose.

3.3 Statutory licences

We speak of statutory licences where the law, in place of the author, allows some use by the user, thus granting the user permission, a licence in place of the author. These statutory licences are enumerated exhaustively, and their application must stand the three-tier test referred to above.

Regarding authors, the vast majority of these statutory licences are free of charge, without any entitlement for authors to receive remuneration for their use. These include:

Citation

The Copyright Act provides for four cases of citing a work without any copyright infringement:

1. Extracts from works by different authors that have been made public, in the author's own work – restricted to a justifiable extent;
2. Extracts or whole works (in the case of petty works) for the purpose of a critique or a review in respect of such work or for the purpose of a scientific or professional activity; the use must accord with fair practices and not be in excess of the specific purpose required;
3. Works used in instruction, for demonstration or in scientific research – their purpose may not be the gaining of direct or indirect economic or commercial benefit and the use may not be in excess of the specific purpose pursued;
4. The permission to use work extracts or whole petty works cited by another person according to previous paragraphs 1 and 2.

In all the cases, what must be cited is the author's name (where the work is not anonymous) or the name of the person under the name of which the work is made public, the title of the work, and source. The 2006 amendment weakened this duty by inserting the phrase 'if possible'.

Publicising for exhibition of works of art and sale thereof

This is known as catalogue licence – the permission to use a work to the extent necessary for the publicising of such event. However, this does not allow doing so for direct or indirect economic or commercial benefit. The author's name is to be specified if this is a common practice, and the title of the work and the source need to be mentioned as well.

Use of works situated at public places

This exception applies to the permission to record or express a work that is permanently placed on a square, in the street, in a park or any other public place, and the permission to use the work recorded this way. The author's name needs to be specified if possible, and the title and location of the work. This exception, however, does not apply to making a copy or an imitation of a work of architecture by erecting a structure, or making copies of the work or disseminating it in the form of a three-dimensional copy.

Official licence and news reporting licence

allow works to be used for the purposes of public security, judicial or administrative proceedings, other official purposes or the purposes of parliamentary sessions (the official licence proper). This permission is restricted by the justifiability of the extent of use.

Also, it is allowed to use a work in news reports. However, such news must report of current affairs and the use must agree with the informative purpose.

To a corresponding degree, a work may be used in periodic press, television or radio broadcasting or any other mass media publishing current affairs news on politics, economy or religion. Such work, however, must be a work already made public in other mass media, or a translation of the work. Here, one additional condition applies, i.e. that receipt and any subsequent use are not prohibited.

The last exception under this licence lies in the permission to use a political speech or a passage of public lecture or similar works to the extent adequate to informative purposes. This is without

prejudice to the author's right pertaining to the use of such works in a collection.

Except for the official licence proper, the author's name, title, and the source must be specified for all other cases, if not impossible.

Use of works during civil or religious ceremonies, official events held by public authorities, in school plays, and use of school works

This is a very broad statutory licence aimed at a vast range of potential users. There is always the condition, as there is with various other statutory licences, that the use must not serve the purpose of gaining direct or indirect economic or commercial benefit. In this way, works may be used during civil or religious ceremonies, official events held by public authorities, and in school plays. However, this use in school plays is limited by another condition saying that it must be exclusively the pupils, students, or teachers of the school or any other educational facility who act in such a play. Also, schools and educational facilities may use a work for teaching or own internal use providing such work has been created by a pupil or a student in doing their learning duties following from their legal relation to the school or educational facility (a work referred to as the school work).

Restriction on copyright to collected works

applies to the use of a work for the purpose of accessing its content and for common use of its content. There is Section 91 in the Copyright Act, equivalent to the said use and laying down special rules for databases as such (i.e. including those that are not works under the Copyright Act).

Library licence

This licence may be used by libraries, archives, museums, galleries, schools, universities, and other non-gainful schooling or educational facilities defined under special legal regulations. Allowed to do so under the library licence, such institutions may dispose of a work by way of

- making a copy, which does not serve the purpose of gaining direct or indirect economic or commercial benefit, for their own archiving or preservation use;
- making a copy to substitute for a different copy that has been damaged or lost; for a copy of the whole work, there is the condition that the work is not offered for sale any longer;
- providing access to a work, including making a copy thereof, which is in their collections (where such provision of access does not arise from purchasing or licensing terms and conditions), for members of the general public; in this case, the law lays down many conditions: such provision of access must take place (i) in the building where such institution is located, (ii) by means of technical equipment designed therefor, (iii) solely for the purpose of research or private study, and it must be ensured that members of the general public are prevented from making copies of the work (not applicable to free use). The exception may not be applied to the use under Section 18(2) CA;
- lending already defended dissertations, lower doctorate theses, doctoral theses, and higher doctorate theses; institutions may only do so on the spot and solely for research or private study. In addition to that, the author may exclude such use.

The institutions referred to above also may lend works on condition that the

remuneration payable to authors has been paid. The right to receive remuneration, however, is not established where works already made public are being lent on the spot or it is works published by school libraries or any other library put on the exhaustive list provided under Section 37 CA that is being lent. The exception applies to sound or sound and pictorial recordings only if they are being lent on the spot and making a copy of the works recorded thereon is prevented.

Under this licence, it is also permitted to offer for loan, make available the content of collections by way of copies of a work or parts thereof in collection catalogues, and make such catalogues available to the general public. It is necessary that the possibility of making a copy of a work of visual arts be prevented if such copy could be used for direct or indirect economic or commercial purposes. Also catalogues, like citations, must indicate, if possible, the name of the author or the person under whose name the work is presented in public.

Licence for the disabled

permits – solely for use by the disabled persons and not in pursue of direct or indirect economic or commercial profit – making copies of a published work or having such copies made, and disseminating and communicating such copies;

- solely for use by persons with sight impairment, and not in pursue of direct or indirect economic or commercial profit – providing a sound component of a visually pictorial recording of an audiovisual work by verbal rendering of the pictorial component;
- lending published works – for use by the disabled people in connection with their disability as far as the institutions referred to under the library

licence are concerned.

Temporary copies licence

This licence is particularly important in terms of utilising new, especially computer technologies, and allows the making of copies while meeting all the stringent conditions: it must be a temporary copy that is short-lived or of secondary importance, forms integral and necessary part of a technological process, is of no separate economic significance, and its only purpose is to allow either lawful use of the work or transmission thereof by an intermediary over a computer or a similar network between third parties.

Also, this licence includes a permission to make a so-called ephemeral recording, i.e. a temporary recording for the radio or television broadcaster for its own broadcasts if using its own means.

Licence for the photographic portrait

applies to the person photographed. Unless the author of the photograph forbids so, such person may, where having ordered the portrait in return of a payment, make copies of the portrait and use these copies in a non-gainful manner.

Irrelevant secondary use of a work

Apparent from the title, this refers to contingent other use of a work in connection with the intended primary use or an element thereof. This licence is most likely to be applied in respect of the use of new technologies.

Licence to works of applied arts and those of architecture

This is a special statutory licence only applicable to a certain type of work. The works of this type may be leased, lent or exhibited on condition that they

are expressed as structures or in an utilisable form. In terms of works of architecture, it is allowed to make or propose a change to the completed structure provided doing so is not beyond the necessary extent and preserves the value of the work. For some cases, laid down under Section 38d CA, the author must be notified in advance and provided with the documentation for the structure, including a picture showing the work before the change was made.

Licence for social service facilities

Provided they have not been set up in order to produce profits, this licence allows these facilities (hospitals, prisons) to record broadcast works and re-play these recordings to persons placed in these facilities. This is without prejudice to the author's right to receive remuneration under Section 25.

Use of the original or a copy of a work of visual arts, a photograph or a work expressed by a method similar to photograph, by exhibiting

The owner or the person who has borrowed from the owner the original or copies of the works referred to above may such work put on display or let for being put on display unless this was forbidden by the author in the transfer of title (and the owner or the borrower is or must be aware of this restriction by the author).

4. Contracts and agreements

The application of the dual principle to the author's proprietary rights has simplified disposing of these rights and made them more similar to industrial rights. Yet disposing of copyrighted works is not governed by the provisions in the Commercial Code, but by a separate body of provisions, i.e. the Copyright Act. No special

agreement is provided under the Copyright Act in respect of the very creation of a work, so in practice, it is the contract for work done to be found in the Civil Code that we fall back on.

If the substance of most proprietary rights of the author is not only to use his own work, but – more importantly for practice – permit other persons to use his own work (grant a licence), then this is done by way of licence agreements. As opposed to the previous legal regulations, such agreement need not be always made in writing and the law provides the parties to such agreement, i.e. the author and the user of the work, with a relative discretion about what the agreement will contain. Vast majority of provisions are of non-mandatory nature, and the agreement may be concluded by the parties in deviation from those provisions.

The 2006 amendment has introduced a new element for licence agreements – the option to make an offer to an indefinite group of persons, where each of these persons may accept the offer by their acts without any notification to the offerer [Section 46(5) and (6) CA]. This new option finds its use primarily in respect of freely distributed computer programmes, but also any other works distributed over computer or similar networks.

4.1 Content of licence agreement

By the licence agreement, the author grants the user of his work permission to execute the right to use the work, i.e. a licence. The licence can be granted as a non-exclusive, or an exclusive one. The non-exclusive licence is the author's permission for the user to use the author's work, without the author restricting his right to use his work himself and grant additional licences for additional users to use his work the same way.

Granting an exclusive licence, however, the author may not grant any additional licences to any third parties or use his work in the manner for which he granted the exclusive licence unless he agrees with the licensee otherwise. Concluding an exclusive licence agreement does not affect a prior non-exclusive licence unless the author and the licensee under this prior non-exclusive licence have agreed otherwise.

4.2 Licence agreement restriction

A licence may be restricted to some manners of use, and its scope may be limited in respect of quantity, time, and territory for which it is granted. However, nothing prevents the author from granting a licence containing no material, territorial, temporal or any other restrictions. If a licence agreement lacks the relevant arrangement, it needs to be construed taking account of the purpose of the licence. Unless it follows from the agreement or its purpose otherwise, Section 50 CA contains a statutory presumption that the licence is granted for the territory of the Czech Republic for a period usual for the given type and manner of use of the work but not for more than one year and for a quantity usual for the given type and manner of use of the work. Concerning the licence to make copies, this refutable statutory presumption comprises all the possibilities in making such copies, in terms of both time, extent and technical form thereof, as well as the possibility of distributing the copies made this way.

4.3 Licence agreement form

The licence agreement need not be made in writing, but there are some exceptions to this. Exclusive licence agreements must be made in writing; other exceptions are the agreements

concluded by collective administrators and agreements for audiovisual works. It may be stipulated under a licence agreement that the authorisation granted by the author may be passed by the licensee on to third parties. Such consent of the author has to be made in writing. If a granted licence is re-granted (as a whole or in part) to a third party (sub-licence), what applies to the licensee of the original licence also accordingly applies to the sub-licensee.

The licensee is obliged to use his licence, or else its inactivity is a ground for the author to rescind the agreement; however, the licensee may agree with the author otherwise.

4.4 Obligations of licensee

The licensee (the user) usually covenants to pay the author **remuneration** for the licence. In this point, a substantial change has been made to the 1965 legislation. The remuneration is not seen any more as a payment for the use of the work, but for the granting of the licence, which, among other things, provides for concluding non-remuneration licence agreements. Unless it contains a stipulation that it is a non-remuneration licence agreement, a licence agreement has to stipulate the amount of remuneration, otherwise is rendered invalid. A licence agreement is also not rendered invalid if the negotiations between the parties about entering into a licence agreement are obvious to show their will to enter into an agreement for consideration. Then, the licensee is obliged to pay the author remuneration at the amount usual for the given manner of use as at the time of concluding the agreement. There is one exception to this contractual discretion about remuneration, provided under the Copyright Act: where the author grants licence to rent

the original, or copies thereof, recorded as a sound or sound and pictorial recording to the producer of such recording, the author becomes entitled to receive remuneration for such renting from the person renting the work, and the author may not waive this right. This principle is explicitly provided for under the EU Directive.

Agreeing on the amount of remuneration, it needs to be allowed for the purpose of the licence, its extent, and the manner and circumstances of the use of the work. In addition, the author has the right to claim additional remuneration where the original remuneration, the amount of which is not determined in relation to the revenues from using the licence, is so low that it is evidently inadequate to the profits from the use of the licence. Where the remuneration is arranged in relation to the revenue from the use of the licence, then the licensee is obliged to let the author check on the records showing the actual amount of the remuneration payable to the author. If the licence concerns the right to make copies, the author is usually entitled to receive what is referred to as the author's copy.

Given that in using a licence authorising the licensee to dispose of the author's proprietary rights, the licensee is limited also by the moral rights and that protection of the work needs to be born in mind when using the work, the Copyright Act contains special provisions to deal with this situation. Consequently, the licensee **may not modify or otherwise alter** the work, the title thereof or the indication of the author, unless agreed so with the author. However, the law presumes that modification or alteration is permitted if, with respect to the circumstances of the use of the work, it can be expected and such modification or alteration has not been

reserved by the author. This also applies to joining a work to a different work or including a work in a collection.

4.5 Rescission of agreement

The Copyright Act provides for two special cases where in which the author may rescind the agreement. First, it is the inactivity by the licensee of an exclusive licence, i.e. where such licensee fails to use the licence at all or to a sufficient extent, thus adversely affecting the author's justified interests and it is not the author that caused that inactivity. Then, the author has to invite the licensee to be using the licence, give the licensee a reasonable period of time, and only then may the author rescind the agreement. Unless agreed otherwise, the author may not usually take this action until two years after the licence was granted or the work handed over. The agreement is terminated as the date the rescission is notified to the licensee. Unless there are any special causes, such as those of the failure to use the licence, the licensee is entitled to damages. Where the licence was not used at all and the author has rescind the agreement, the author has to pay back any remuneration already received; where the license was only used to some extent, the author pays back the proportional amount of the remuneration received. Where the licensee was obliged to use the licence, the remuneration is not affected.

Second, it is the rescission because of the author having changed his mind. This is only allowed in connection with a work that has not yet been made public and where making it public might adversely affect the author's legitimate personal interests to a significant degree. Then, the agreement is terminated as the date the written rescission is notified to the

licensee. The author is obliged to compensate the licensee for damage. Should the author again intend to use the work, the original licensee has first refusal on it under the same terms and conditions under which the previous licence agreement was concluded.

4.6 Publisher's agreement

Owing to tradition, the Copyright Act provides for a special type of license agreement, i.e. publishing agreement. This agreement grants a permission to copy and distribute works of literature, music, drama and music, visual arts, or photography if the use of the work is not a performance of the work by performing artists. Usually, this type of licence agreement is concluded as an exclusive agreement, but non-exclusive agreements are also possible. The author is authorised to do minor alterations in his work (author's corrections) unless agreed otherwise with the licensee – the publisher – and unless it causes the publisher to incur additional inadequate costs. Failure to let the author make such corrections constitutes a cause to rescind the agreement if that failure results in a use of the work in a manner diminishing its value. If the agreement puts a limit on the number of copies the publisher is authorised to make and these copies are sold out prior to the expiration of the period for which the licence is granted and the author and the publisher fail to agree to increase the licensed quantity limit within six months of the author's request towards the publisher, the licence agreement is discharged irrespective of the period for which it was concluded.

4.7 Expiration of licence

The licence expires with the death of the individual or the termination of the legal person to which the licence was

granted if the rights and duties under the licence agreement may not be devolved on its successor at law.

5. Special work types

5.1 Employee work

Special treatment is given to works created as part of doing one's duties arising from employment or any similar relation, including where the author is a statutory body, a member thereof, a member of a different body of a company, a member of an unlimited company, etc. Then the proprietary rights to a work are exercised by the employer in its own name and account. These provisions are non-mandatory, so the parties to the agreement may agree otherwise. The employer's exercise of the rights is limited by that such exercise may not be assigned to a third party without the author's consent (not applicable to the sale of a business or part thereof). Death or termination of the employer without any successor at law brings the authorisation to exercise the rights back to the author. If the employer fails to exercise the rights or to do so to a sufficient extent, then the author has the right to request that the employer should grant him the licence under the usual terms and conditions. The employer may refuse to do so for serious reasons.

The author's moral rights, though, remain unaffected, but – unless the parties agree otherwise – it is understood that the employer has the right to make the work public, modify it, process, translate, join with another work, include in a collection, publicly present the work under its name, as well as the right for completion of an unfinished employee work even in the event of the termination of the author's employment or when in doubt whether the author will complete the work duly

or in time. Upon the termination of employment or a similar relation, the rights and duties of the author and the employer remain unaffected.

The author has the right to receive adequate additional remuneration only if the wages, or other remuneration, he received is evidently unproportional to the profits from the use of the rights to the work and the importance of the work for these profits. This, however, may only be applied to computer programmes, databases and cartographic works if having been explicitly agreed so.

Computer programmes, databases and cartographic works always understood to be employee works even if they have been created to order.

5.2 Collective works

The following has to be met for a work to be a collective work:

- several authors contribute to the creation of the work and the work was initiated and is managed by an individual or a legal person;
- such work is presented in public under the name of that individual or legal person and the contributions to such work are incapable of separate use.
- Collective works are deemed to be employee works, even if created to order.

Then, the ordering party is deemed to be the employer.

5.3 Commissioned works and competition works

Commissioned works are those created under a contract for work. Competition works are those created by the author in public competitions.

It applies to both types that, unless agreed otherwise, the author grants

licence to the purpose implied by the contract. Any use of the work beyond the purpose usually requires obtaining licence under a licence agreement. The author may use his work created this way and grant licence to another person to use the work provided this is not in conflict with the justified interests of the ordering party and it is not agreed otherwise.

5.4 School works

An opposite principle applies to works created to fulfil school or study duties than that applying to employee works. The school or educational facility has no right to dispose of the proprietary rights directly, but is entitled to conclude a licence agreement. Should the author be reluctant, without any special cause, to enter into such agreement, the court may decide instead the author. The author of a school work only may use his work and grant licence to use to another person if this is not in conflict with the justifiable interests of the school and it has not been stipulated under the agreement otherwise.

The school or similar facility has the right to claim from the author a reasonable contribution, from the revenue made in connection with the use of the work or the licence granted, to help cover the costs incurred by the school or similar facility and associated with the creation of the work.

5.5 Audiovisual works

are created by arranging works used in an audiovisual manner. Such works consist of a sequence of recorded and interrelated pictures that create impression of movement and are perceptible by sight (and by hearing when having a sound component).

Audiovisual works may only be used upon the author's consent. The

Copyright Act contains a refutable statutory presumption saying that by concluding a written agreement with the producer of the first recording the author grants this producer not only permission to include the work in an audiovisual work without a change or with any change, record the work, dub it, provide it with subtitles, but also an exclusive and unlimited licence to use his work in using the audiovisual work, photographs made in creating the original recording of the audiovisual work, including the permission to grant sublicences to third parties, and that he has agreed on the remuneration at an amount that is common. This presumption, however, traditionally does not apply to works of music. Unless agreed otherwise, no sooner than ten years of the granting of the licence to include his work in a previous audiovisual work may the author grant permission for his work used audiovisually to be included in another audiovisual work, or include it himself.

Director is the author of an audiovisual work, and a refutable statutory presumption applies that by concluding a written contract authorising the producer of the first recording of the audiovisual work to record the work the author grants this producer an exclusive and unlimited licence to use the audiovisual work in the original, dubbed or subtitled version, use photographs made in recording the first recording of the work, including the permission to grant sublicences to third parties, and has agreed with the producer on remuneration at a common amount.

Audiovisual works may be registered in a register of audiovisual works maintained under an international agreement, without this having any effect on the establishment of rights to such works. The statement of rights

entered in the register is deemed to be true unless the contrary is proved.

It is explicitly stated that audiovisual works are not collective works. However, they are accordingly subject to the provisions on the possible use of moral rights, including the question of a work's completion, which apply to employee works.

5.6 Computer programmes

Computer programmes are understood to be works, i.e. literary works, and they need not possess all the attributes of a work as such. Uniqueness is not required; the only criterion is whether a computer programme is original in that it is an own creation of the author. Computer programmes along with preparatory draft material are protected irrespective of the form in which they are expressed. Ideas and principles on which a computer programme is based are not protected under the Copyright Act, but this does not preclude their protection under industrial rights. In some countries, prevailing those outside Europe, it is quite common that computer programmes are patented.

The general legislation on free use in Sections 30, 30a, and 30b does not apply to computer programmes, but also the author's rights to a computer programme are so restricted under the Copyright Act that they could be commonly used without unreasonable hindrance in a way that causes the author no inadequate loss. Restriction on these rights is fully subject to the three-tier test referred to above. Another restriction condition is that they only apply to the authorised user of a copy of the computer programme, where *authorised user* is the authorised purchaser of a copy of the computer programme that has ownership title or any other right to the copy for the use thereof (but no right to transfer), the licensee, or any other

person authorised to use the computer programme.

Such authorised user does not infringe copyright where

- he copies, translates, processes or otherwise alters the computer programme if this is necessary for him to be able to utilise his lawfully acquired copy and he does so when installing and running the computer programme or repairs any errors in the programme;

- he otherwise copies, modifies and alters the computer programme if this is necessary for him to be able to utilise his lawfully acquired copy in compliance with the programme's purpose – and unless agreed otherwise;

- he makes a backup copy necessary for the programme to be used;

- he or a person delegated by him investigates, studies or tests the functionalities of the computer programme in order to find out the ideas and principles on which any element of the programme are based if he does so in saving the programme in a computer's memory or displaying, running or transmitting the programme provided he is authorised to do these operations

- he copies the code or translates its form in making copies of the computer programme or otherwise processing or altering it provided he is authorised to do these operations, if this is necessary in order to obtain information required to effect working interconnections between the computer programme and other computer programmes and providing such information has not been available earlier, more easily and in some other way and the operations are limited to those parts of the computer

programme, which are needed for the interconnections to be established; the user may do these operations himself or via a person he delegated. The user may not make the information obtained in this way available to other persons unless necessary for the establishment of working interconnections between programmes, or use it for other purposes. The user may not use such information to develop, create or commercially use a computer programme similar to that, which is examined, or to infringe copyright otherwise.

The vast majority of statutory licences do not apply to computer programmes, except for the official licence (but not the news reporting licence) and the temporary copies licence in the cases of an intermediary transmitting the work over a computer or similar network between third parties. To some extent, computer programmes are not subject to legal protection to technical means of rights protection.

For computer programmes, some definitions of uses of a work has been modified. Making copies is explicitly defined to include the making of a copy necessary to install and save the programme in computer memory, display it, run or transmit. While *rent* and *lend* is defined to exclude the renting or lending of computer programme copies where the programme is not the relevant subject-matter of the renting or lending.

6. Databases

Databases have a particular position under the Copyright Act legislation.

The database is understood to be a collection of independent works, data or other elements, systematically or methodically arranged and individually accessible by electronic or other means, irrespective of the form in

which they are expressed.

Where a database is, by the selection or arrangement of the content, the author's own intellectual creation and its components are systematically or methodically arranged and made individually accessible electronically or otherwise, such database is deemed to be a work and enjoys the same protection as collected works.

Besides that, particular rights are recognised for the maker of the database, irrespective of whether or not the database or its content is a work and thereby enjoys protection under copyright or any other legal regulations.

The database maker is an individual or a legal person, which will create a database on its own responsibility or for which a database will be created by another person at the first person's request.

6.1 Content of database rights

The content of this special right is the right to mine or utilise the whole content of the database or its qualitatively or quantitatively significant parts, including the right to authorise other persons to exercise this right.

Mining is understood as a permanent or temporary transcription of the whole content of the database or a significant part thereof onto a different basis by any means and methods, excluding the lending of the original or a copy of the database in the meaning of Section 16.

Utilising is understood as any method of making the whole content of the database or a part thereof available to the public by disseminating copies, renting, providing online connection or using other methods of transmission. Again, the lending of the database original or a copy thereof in the meaning of Section 16 is excluded.

6.2 Restrictions on database rights

Repeated and systematic mining or utilisation of the database is not permitted without the database maker's consent, but even the special right of the database maker is restricted so that the database can be used. These restrictions are a special free use and a non-remuneration statutory licence.

Free use refers to permission for the authorised user to mine or utilise the quantitatively or qualitatively insignificant parts of the content of the database or parts thereof for any purposes provided it is a database which has been made available to the public and on the condition that the user uses the database in an ordinary and reasonable manner and without any harm done to the justified interests of the database maker. This activity must not do any harm to the author or the holder of copyright-associated rights to works or other protected things contained in the database.

The non-remuneration statutory licence allows the authorised user to mine or utilise the database

- for personal use; this, however, is without prejudice to the provisions laying down that the general legislation dealing with free use for personal use under Section 30(3) CA does not apply to electronic databases;
- for scientific or instructional purposes, provided the user indicates the source, the purposes justify the extent of use and are not commercial purposes;
- for the sake of public security or for use in administrative or criminal proceedings.

6.3 Protection period

Special rights of the database maker are transferable and last for 15 years of when the database is created or first made available.

7. Copyright protection

7.1 Actions

To ensure protection of copyright, the Copyright Act introduces special actions, which specify the claims resulting either from infringement or endangering of both property and personal rights.

The author has an **explicit right to have his authorship established**. Although the Copyright Act contains a statutory presumption in favour of the author whose real name is indicated for the work in a usual way or registered in the works register maintained by the collective administrator, actions to establish authorship are not rare.

Also, the author may seek a judgement **prohibiting the endangering** or infringement of his right. Such endangering or infringement also includes an offer or promotion of unauthorised use of the work.

Another author's right is to **demand information** on (i) the manner and extent of any unauthorised use of his work; (ii) the price for a service related to the unauthorised use; (iii) the persons involved in the unauthorised use, including the persons envisaged as intended recipients of unauthorised copies or imitations with a view to provide them to third parties. This right may be claimed against persons that (i) used a work without authorisation or endangered the work; (ii) keep unauthorised copies or imitations in order to gain direct or indirect economic or commercial benefit; (iii) for the same purpose, use a service

interfering with the work without authorisation or endangering the work; (iv) render such service for the same purpose; (v) have been identified by the said persons as those involved in unauthorised interference with the work.

Also, the author may require **removal of the results consequential** on the infringements of his right, i.e. especially that unauthorised copies or imitations of the work or work protection technical means under Section 43(2) be recalled from trading or other use, and destroyed.

The author may seek a judgement **prohibiting the rendering of the service** used by third parties to infringe or endanger the author's right.

Besides those, the author has the right to be **awarded reasonable satisfaction** for any loss other than proprietary he suffered. Such satisfaction sought may especially be an apology or financial satisfaction, should different satisfaction not be sufficient. The amount of monetary satisfaction is determined by the court unless the parties agree to make a composition.

The court may award the author the right to **publish the judgment** at the costs of the losing party.

The author has the **right to compensation of damages and the surrendering of unjust enrichment**. The amount of unjust enrichment of the unauthorised user equals twice as much as the remuneration such user would have paid for the licence as at the time of unauthorised disposal of the work.

According to the 2005 and 2006 amendments, the author may not make the refrain claim, claim damages, or claim the surrendering of unjust enrichment under the Copyright Act in

the case of unauthorised use of a work administrated by a collective administrator with which the unauthorised user is negotiating, duly and without unreasonable delay, with a view to conclude the relevant agreement or agrees, in this respect, to using an intermediary under Section 102 CA. This, however, is without prejudice to the right to have unjust enrichment surrendered, but only at an amount that is common under the Civil Code. The unavailability of the deferring claim is dropped where maintaining it would be in conflict with justifiable joint interests of the right holders or endanger the satisfaction of the claim to have the unjust enrichment surrendered under the Civil Code.

7.2 Right to obtain information

Besides dedicated actions, the Copyright Act allows the author to demand information related to some of his rights. The author may demand from customs authorities and national statistical authorities information on the content and extent of import or receipt, or export and shipment, of goods that are

- copies of the author's work or its sound, sound and pictorial or any other recording;
- unrecorded media of such work copies;
- equipment serving the purpose of making copies of the work;
- equipment, products or components providing technical protection of the work under Section 43(2) CA.

With a view to find out whether such import or receipt of goods was authorised or not, the author may consult both customs and statistical documents as much as may be necessary.

7.3 Special copyright-related powers of customs authorities

In 2004, the European Parliament and the Council adopted Directive on Enforcement of Intellectual Property Rights and member countries are obliged to harmonise their legislation with that Directive. Consequently, the 2006 amendment to the copyright law modified the actions and choices for the author to demand information and also other author's claims seeking, under that regulation, to ensure and enforce his rights to copyrighted works. That amendment has affected the law on the Czech customs authorities, endowing them with some special powers intended to ensure copyright.

Customs authorities are empowered to hold up things (for up to one month if they come from the EU) where they suspect the holder of those things infringes copyright. Then, the authorities have to inform the author, the relevant collective administrator, and other persons authorised to exercise proprietary rights to the works. These have 15 days to tell the customs authorities whether they intend to make a claim to have their rights protected with a court; otherwise, the things are returned to the owner. The owner of the things, which were held up, is not entitled to receive any material loss compensation from the state.

7.4 Technical means to ensure copyright

Besides legal means, there are also **technical means** to ensure copyright, which also enjoy legal protection. It infringes copyright when these technical means are circumvented, such circumvention consisting in manufacture, import or any other analogous disposal, including promotion, of equipment, manufacturers or rendering of services

...serving the purpose of circumventing effective technical means. It is not relevant whether they are solely, or just primarily designed for the said purpose, or whether they are intended solely for commercial purposes or the commercial aspect is of limited importance only.

Also, special protection is granted to **electronic information** for the administration of rights to a work. Therefore, enable, facilitate or cover up infringement of copyright by removing or altering such information, and distribute, import to distribute, broadcast or communicate to the public the works from which such information was illegally removed or changed constitute infringement of copyright. Such information must be understood in a rather broad sense; it refers to the identification of the work, the author or other right holders, as well as the methods and conditions of using works. Such information may be any number or code, be attached to a copy of a work or appear in relation with communication a work to the public.

8. Rights of performing artists

8.1 Nature and subject-matter

The rights of performing artists are a separate group of rights, different from those of authors. By nature, however, these rights are very close to the author's rights, and that is why the term "neighbouring rights", used to refer to the rights of performing artists, is a most accurate choice. However, the current Copyright Act does not use this term, but has introduced the term "related rights".

The subjects-matter of rights of performing artists apply to their artistic performances, i.e. performances by singers, musicians, actors, dancers,

and other persons, who sing, act, recite or otherwise perform a work of art. These refer to individual performances by individuals that are a uniquely individual and utterly unrepeatable approach of an individual to a specific work of art. Although the copyright law stipulates that it has to be a work of art that is performed, performance of folk songs, dances, etc. in their original forms, such as an interpretation of a folk song without any arrangement, is understood to be artistic performance, although folk works are not works under the copyright law unless already treated an author-like manner. An acrobat is also understood to be a performance of a performing artist and it is not required that they perform a work of art. **A performing artist** is an individual who created the artistic performance.

Rights of performing artists to their performances are established by delivering their performances. No formalities are required. The performing artist rights, which only belong to the artist who rendered the performance are absolute rights, i.e. they have effect on any other person, binding such person to avoid any right infringement.

8.2 Subject of performing artist rights

It is both personal and proprietary rights.

Moral rights (referred to as moral rights) are untransferrable, and like the author's moral rights they extinguish with the person's death. However, the duty to use performances in a way that does not diminish their value survives. As opposed to the author's right under the previous legislation, the new legislation adopted in 2000 reduces the number of performing artist moral rights, which now include:

- right to decide whether the performance is published;
- right to decide whether the artist's name is to be indicated with the publication and further use of the performance, and how; this right is only conferred on soloists, conductors, choir leaders, and theatre directors, while the performing artists who perform as members of an artistic body only have this right in respect of the joint name (or joint pseudo name) under which they jointly perform; in both cases, this right is limited by the way the performance is used;
- right to have their performances protected against any distortion, disfiguration or any other alteration damaging the performance's repute;
- the performing artists who rendered a performance jointly are obliged to reasonably respect each other.

It should be added to the last indent that the Copyright Act has newly introduced a so called institute of joint representative. Where performing artists jointly render one work as members of an artistic body, such as an orchestra, a choir or a dancing company, such artists are, for the sake of exercising their rights, represented by a joint representative, which is the body's artistic leader. Performing artists may agree on a different person and grant such person a written power of attorney for such representation, provided the person is appointed by the majority of members. This provision does not apply to soloists, conductors, and theatre directors. For protection of performing artist rights, it is completely irrelevant whether the artists are professionals, i.e. persons making their living by performing works, or amateurs, i.e. artists only performing on an occasional basis and making a living elsewhere. Neither are

there any conditions of any relevant schooling in performing arts, registration or any special performing licence that would be required for performing artists. Performing as a performing artist and use by performing artists of their performances are both exempted from the Trade Licensing Act, and do not require any permit or licence to be had by performing artists. Likewise, performing artists are not subject to any registration or membership in any organisations, including the collective administrator.

The proprietary right of performing artists consists in the right to use their performances in the original form, in a form resulting from a treatment by another or an otherwise altered form and grant others, by an agreement, authorisation to exercise this right. Section 71 CA gives a list of performing artist rights; this list is exhaustive, unlike the corresponding list of the author's rights. Performing artist proprietary rights comprise the following:

- Right to recording of live performance;
- Right to copies of a recorded performance;
- Right to distribution of copies of a recorded performance;
- Right to rent copies of a recorded performance;
- Right to lend copies of a recorded performance;
- Right to communicate a recorded performance to the public;
- Right to receive remuneration in respect of copies of their recorded performances for personal use under Section 25 CA.

Performing artist proprietary rights may

not be transferred, and the subject-matter of these rights are identical to those of the corresponding author's rights.

8.3 Restriction and exceptions to performing artist rights

Likewise, performing artists are subject to the vast majority of provisions on free use of works and statutory licences if the nature of the subject-matter does not prevent these provisions from being applied to performances of performing artists. Again, the three-tier test has to be followed. Moreover, performances of performing artists is subject to a special **remuneration statutory licence**, which exclusively applies to performances recorded as sound recordings issued for commercial purposes. Breach of a performing artist right is not committed by those broadcasting such recordings by radio or television and those transmitting such broadcasts. However, performing artists have the right to receive remuneration for such use of their performances and this right may only be exercised by way of collective administration. This statutory licence is not applicable unless two preconditions are met: conclude an agreement with the collective administrator and pay performing artists the royalties stipulated under such agreement. If the user fails to meet any of these preconditions, it may not use the statutory licence. Without such agreement concluded, the use is accordingly regarded as a user that did not ask an artist for a licence to use some of the artist's exclusive rights. Without paying royalties, the collective administrator may forbid any further use by the user until outstanding royalties have been paid. Until then, such user is regarded a user using performances without the relevant licence. **The sound recording issued**

for commercial purposes means a sound recording of a performance by a performing artist the copies of which are disseminated by sale, or a sound recording communicated to the authorised public as defined under Section 18(2) CA, i.e. in a way where any member of the public can have the performance available at a place and time as they may wish, especially over a computer or a similar network.

8.4 Protection period

Performing artist rights enjoy a protection period of 50 years of their establishment. If a performance recording is published during this period, protection period commences with this publication.

Performing artist rights are inherited; then, the general rules under the Civil Code apply.

8.5 Granting of licences

What has been said about the licence agreements on use of author's works also applies to licence granting in respect of use of a performing artist's performance, and the statutory presumptions concerning the extent of rights granted in respect of use of a performance to create an audiovisual work and the employee work provisions also apply to performing artists.

8.6 Protection of performing artist rights

Actions and technical means in respect of ensuring copyright apply to performing artists and their performances accordingly.

9. Rights of sound recording producers

9.1. Nature and subject of rights of sound recording producers

Although the rights of sound recording producers differ from those of authors and those of performing artists in nature, they are related to the latter two groups and therefore covered under copyright-related rights. The rights of sound recording producers are not based on a creation of a creative performance, but consist in a certain organisational-technological contribution in capturing performances of performing artists or other sounds. Accordingly, these rights are exclusively proprietary rights. Producers enjoy no moral rights.

The subjects-matter of rights of sound recordings producers are the rights in sound recordings of performances by performing artists or sound recordings of other sounds. The producer's right is not confined to recordings of performances by an actor, singer, or musician, but extends to any recording of any sound, and the right to the non-tangible property is to be discriminated from the material medium on which a performance or other sound is recorded (i.e. CDs, records, tapes, CD-ROMs and other media). This is the same as what applies to performing artists.

A producer of a sound recording may be not only an individual but also a legal person which, on its own responsibility, will first record a sound track of a performance or other sounds or expressions thereof or for which that will be done by another person at the first person's request.

Unlike author's rights and performing artist's rights, **the rights of sound recordings producers are transferable**, and, like performing

artist's rights, are exhaustively defined by the law. Therefore, sound recordings producers only enjoy those rights that are conferred on them by the law explicitly.

9.2 Content of rights of sound recordings producers

It is the **exclusive proprietary right** to use their sound recordings and license others to use them. These rights are as follows:

- Right to copy their sound recordings;
- Right to distribute the original sound recordings or copies thereof;
- Right to rent the original sound recordings or copies thereof;
- Right to lend the original sound recordings or copies thereof;
- Right to broadcast their sound recordings or communicate them to the public in other ways;
- Right to receive remuneration in respect of copies of their recordings for personal use under Section 25.

What also applies to sound recordings producers is the remuneration statutory licence concerning broadcasts and transmission thereof in respect of sound recordings issued for commercial purposes, referred to under the section on the rights of performing artists.

Again, the content of the rights is identical to that of the corresponding author's rights.

9.3 Protection period

Duration of sound recordings producer's rights is 50 years of the making of the sound recording. Where the sound recording is published with authorisation during the said period, the right only expires from the time of

this publication. Where the sound recording is not published with authorisation, but is communicated to the public with authorisation during the protection period, the right lapses after 50 years of such communication.

The protection period was extended from 25 to 50 years as early as 1990, but this did not affect the rights the protection of which had expired. That is why the current Copyright Act has a special provision [Section 106(3)] saying that the duration of proprietary rights shall be governed by this Act even where the protection period had started and expired before the Act became operative. If this is the case, the duration of rights is restored to the remaining period.

9.4 Licensing

What was said about licence agreements on the use of author's works also applies to licences in respect of use of sound recordings.

9.5 Protection of rights of sound recordings producers

Actions and technical means in respect of ensuring copyright apply to sound recordings producers accordingly.

10. Rights of sound pictorial recordings producers

10.1. Nature and subject of rights of sound pictorial recordings producers

Rights of sound pictorial recordings producers were first recognised as a separate right category conferred on sound recordings manufactures in 2000. Given their links to author's rights, they are also included among the copyright-related rights. The substance of the rights of sound pictorial recordings producers, like that of sound recordings producers,

consists in a certain organisational and technical contribution to the capturing of performing artists' performances or other sounds and pictures. The rights of sound pictorial recordings producers are exclusively proprietary rights.

The subjects-matter of these rights are sound pictorial recordings of performing artists' performances or other pictures, or sounds and pictures. A recording need not have a sound track to qualify as a sound pictorial recording. What is necessary, however, is that the recording creates the impression of movement. Recordings have to be perceptible by sight, and hearing as the case may be.

A producer of a sound pictorial recording may be not only an individual but also a legal person which on its own responsibility will first record a sound track of a performance or other sounds or expressions thereof or for which that will be done by another person at the first person's request.

The rights of sound pictorial recordings producers are transferable.

10.2. Content of rights of sound pictorial recordings producers

Like the rights of sound recordings producers, also these rights are enumerated by the law exhaustively. The content of the right of the sound pictorial recordings producers is the **exclusive proprietary right** to use their sound pictorial recordings and license others to use them. These rights are as follows:

- Right to copy their sound pictorial recordings;
- Right to distribute the original sound pictorial recordings or copies thereof;
- Right to rent the original sound pictorial recordings or copies thereof;

- Right to lend the original sound pictorial recordings or copies thereof;
- Right to broadcast their sound pictorial recordings or communicate them to the public in other ways;
- Right to receive remuneration in respect of copies of their recordings for personal use under Section 25.

Again, the content of the rights is identical to that of the corresponding author's rights.

10.3 Protection period

Duration of the rights of sound pictorial recordings producers is 50 years of the making of the sound pictorial recording. Where the sound pictorial recording is published during the said period, the right only expires from the time of this publication.

Although under the previous legislation sound pictorial recordings producers had no guarantee of separate rights and exercised contractually stipulated author's rights (and the rights of performing artists) to audiovisual works, the current Copyright Act contains a special provision [Section 106(4)] conferring protection on things that had not been protected under the existing regulations.

(That provision also applies to the publishing entity's right to a previously unpublished work, the publisher's right, and the right to a database.

10.4 Licensing

What was said about licence agreements on the use of author's works also applies to licences in respect of use of sound pictorial recordings.

10.5. Protection of rights of sound pictorial recordings producers

Actions and technical means in respect of ensuring copyright apply to these producers accordingly.

11. Rights of radio and television broadcasters

11.1 Subject-matter of the rights

Their broadcasts are the subject-matter of the rights of radio or television broadcasters. They are understood as the result of transmission of sounds or pictures and sounds or expression thereof by radio or television for the receiving by the public.

Broadcaster may be an individual or a legal person which on its own responsibility executes broadcasts or for which broadcasts are executed by another person at the first person's request.

11.2 Content of broadcaster's rights

It is exclusively the proprietary right to use its own broadcasts and contractually authorise others to use them. Broadcaster's proprietary rights are exhaustively enumerated under the Copyright Act and they are as follows:

- Right to records of broadcasts;
- Right to copy recorded broadcasts;
- Right to distribute copies of recorded broadcasts;
- Right to communicate broadcasts to the public.

What is a question is the right to receive remuneration in respect of copies for personal use under Section 25. Unlike the rights of performing artists and those of producers of sound or sound and pictorial recordings, this

right is not explicitly mentioned in the law (Section 84 CA). Section 25, however, is mentioned under Section 86, which refers to the provisions from the passage on the author's rights, which provisions also apply to broadcasters. In spite of that, Section 84 provides no separate share for them. Moreover, the right under Section 25 is subject to compulsory collective administration, and broadcasters' rights cannot have any collective administration. Not even did the 2005 and 2006 amendments to the Copyright Act clarify this question.

Broadcaster's rights are **transferable**.

11.3 Protection period

The rights of radio or television broadcasters last 50 years of the first broadcast.

12. Publisher's right

Publisher's right is also a copyright-related right, conferring on the publisher the right to receive remuneration in respect of personal use copies of works it published. This right lasts 50 years of publication.

13. Collective administration

13.1 Substance and development of collective administration

The fundament of copyright is the exclusive right of the author to use their works or authorise others to use them. Also, there are non-exclusive rights, the right to receive enumeration. Analogous rights are of the same importance for performing artists and producers of sound or sound and pictorial recordings that is the holders of so called related rights. Especially the exclusive right can be fully exercised only if the holder can effectively manage their right, actually have control over the use of their

works, performances or recordings, decide the financial terms of use, and easily monitor whether their rights are fully respected. With the spreading of brand new technologies, individual administration of some rights had become practically impossible. There has been a continuous increase in cases where individual right holders themselves are not able to monitor the use of their works, performances or recordings, negotiate with such users and collect remuneration for such use. Copyrights and copyright-related rights are used by a large number of users. Individuals lack sufficient means to monitor those users, negotiate with them, and collect remuneration. On the other hand, neither can the users practicably get all the necessary authorisations for use and pay remuneration (or only pay remuneration) to all right holders. This situation led to the establishment of collective administration of rights via so called collective administrators (formerly referred to as protective organisations). Under such collective administration, the right holders or the law, as the case may be, authorise collective administrators to exercise collective administration of their rights, i.e. to monitor the use of the relevant works, performances and broadcasts, negotiate with potential users, authorise them under the statutory terms and conditions and in return of remuneration payments, and collect such remuneration and distribute it to the rights holders. Provided collective administration works properly, it ensures the exclusivity of the rights surrendered to collective administration even though the holders of these rights has no direct control over the use thereof.

13.2 Purpose of collective administration

Although collective administration

serves primarily the interests of the holders of copyright and copyright-related rights, it also offers advantages to users, who benefit from being able to get access to works, performances and recordings in a very simple way and at considerably lower rates, given that collective administration saves the costs of negotiation with users, monitoring use, and collecting remuneration. Entering into agreements with the collective administrator, users receive a guarantee that their activity in this respect is not in conflict with the law and that they are not infringing, even unintentionally, any rights protected under the copyright law. Accordingly, the **fundamental purpose** of collective administration is to provide collective protection and exercise proprietary rights of their holders, and make the protected works, performances and recordings accessible for the public.

13.3 Collective administration as a term

As defined under the current Czech legislation (Section 95 et seq. CA), collective administration of rights means representation of a large number of holders or administrators of proprietary rights to their joint benefit.

Collective administration is limited exclusively to

- Proprietary rights;
- Works published or offered for publication;
- Works, artistic performances, sound recordings, and sound pictorial recordings.

Another condition is that other than collective exercise of rights is not allowed (so called compulsory collective administration – Section 96 CA) or is unreasonable (so called optional collective administration –

based on agreements between the collective administrator and the owner of the right).

The following, however, is not collective administration of rights: entering into a licence or other agreement, and occasional or short-term representation of rights other than those subject to compulsory collective administration.

13.4. Compulsory collective administration

The rights subject to compulsory collective administration include especially the rights to receive remuneration, i.e. those cases where the proprietor of the right does not determine the use of their protected subjects. This includes especially administration of the right to receive remuneration for the use of artistic performances recorded on sound recordings published for commercial purposes and use of such recordings by broadcasting them and by transmission of such broadcasts, as well as the right to receive reasonable remuneration for rented works or rented recorded artistic performance, and the right to receive remuneration in respect of copies for personal use, and re-sale of the original copy of a work of art. A specific case is compulsory collective administration of rights for cable transmission of works, performances, sound recordings, and sound pictorial recordings, which is compulsory collective administration of exclusive rights. Given how these protected things are used, direct administration of rights by their proprietors is in fact impossible. Moreover, the regulation described fully corresponds with the relevant EU regulations.

13.5. Collective administrator

Collective administrator can be a legal

person domiciled in the Czech that directly or indirectly associates right holders and has been authorised (licensed) to do so by the Department for Culture. Collective administrator acts in **its name and in account of the represented** right holders, and exercises collective administration as a **non-gainful** activity. It is, however, entitled to claim reimbursement of reasonably incurred costs.

Collective administrators enter into **agreements**, which have to have a written form. Such agreements include especially the following: **en bloc agreements** (authorising to exercise rights to protected things specified en bloc) and **collective** agreements (those concluded with bodies associating users).

The Copyright Act contains a **special statutory presumption** in favour of the collective administrator in respect of a group of holders of those rights for the protected subjects-matter of which the collective administrator concludes agreements in some cases. If the collective administrator enters into an en bloc licence agreement to the operation of artistic performances or non-theatrical operation of music works on sound recordings published for commercial purposes, or those sound recordings, radio or television broadcasts of a certain types or work (with the exception of audiovisual works and works used in an audiovisual manner), performances and sound or sound pictorial recordings; the renting of the original copy or further copies of the work (with the exception of computer programmes, artistic performances recorded on sound or sound pictorial recordings, and such recordings) or recorded artistic performances; live non-theatrical operation of a work without economic or commercial benefit; or the making of works

available by libraries under Section 18(2) CA for research and study purposes, then it is understood that such licence is granted for not only the contractually represented right holders, but also all right holders unless these have explicitly reserved so in respect of the user or the relevant collective administrator, with this being for a specific case as well as all cases en bloc. This statutory presumption is a presumption irrefutable as far as the operation of radio or television broadcasting of a certain type of work, artistic performance and recording is concerned.

13.6 Relations between collective administrators, right holders, and users

The Copyright Act defines the relations between collective administrators and right holders, as well as those between collective administrators and uses of protected subjects-matter. Especially, collective administrators are obliged to exercise collective administration with due managerial diligence, professionally, and within their authorisation.

Collective administrators have primarily the following duties towards right holders:

- Represent each right holder where compulsory collective administration is the case;
- Assume representation of each right holder under usual terms and conditions where optional collective administration is applicable provided such right holder proves that a protected subject-matter to which they hold rights has been used;
- Represent each right holder to the extent stipulated with them;
- Represent right holders on equal terms and conditions;

- Maintain a register of contractually represented right holders and those having a file, and a register of protected subjects-matter the rights to which it administers (if having knowledge of them);
- Seek damages, the surrendering of unjust enrichment in connection with unauthorised exercise of collectively administered rights, and abstention from unauthorised exercise of a collectively administered right;
- Collect, for right holders, remuneration and income from surrendered unjust enrichment, distribute and make payments of these in compliance with the relevant rules; distributing remuneration, collective administrators allow for the right holders which have entered into agreements with them as well as those which have registered with them for that purpose;
- Maintain records of remuneration collected, prepare regular financial statements, have them verified by an auditor, publish the records and the financial statements in the Commercial Journal, and prepare annual reports on business and accounts.

Collective administrators have primarily the following duties towards users:

- Inform them, upon a written request, whether they represent a holder of the right to a protected subject-matter for the exercise of a right;
- Enter into agreements with them under reasonable and equal terms;
- Publish in a suitable manner (such that also allows remote access, i.e. especially on the Internet) suggested remuneration rates or method of calculation thereof for

each use of protected subjects-matter.

The 2005 amendment set further conditions, in respect of the said duty, concerning the calculation of remuneration as follows: collective administrators are obliged to allow especially for the economic or commercial benefit for the user and other circumstances of use, such as business utilisation and place or region of use. Collective administrators are also obliged to ask the legal person associating the relevant users of protected subjects-matter for an opinion provided such legal person files an application with the collective administrator and proves it associates a number of users greater than insignificant.

Collective administrator is **authorised** to ban any and each user from using those protected subjects-matter which the collective administrator has licensed for use by the user concerned if such user fails to pay any outstanding remuneration payments within an additional period of 30 days or pay especially to the broadcaster or the party transmitting such broadcasts for the use of remuneration statutory licence under Section 72 CA under the same terms.

Users have the following duties towards collective administrators:

- Allow them to duly execute collective administration – this includes provision of all information that may be needed;
- Allow them to check on due and timely contractual performance.

13.7 Mediation

If a collective administrator and a user fail to agree to enter into an agreement, they can fall back on the mediation of collective and en bloc

agreements. The register of mediators is maintained by the Ministry of Culture, and the collective administrator and the user pay an equal share each to the Ministry for its service.

13.8 Ministry of Culture supervision

The Ministry of Culture is the body supervising the business of collective administrators, which are obliged to submit the following to the Department (in some cases at its request):

- Information on all and any changes in the data needed for a licence to be granted (especially the name, registered office, identification number, statutory body, etc.);
- Changes in the fundamental documents (especially statutes and rules of remuneration distribution);
- Collective agreements and those entered into with other foreign or home collective administrators;
- Decisions of courts or other authorities.

The Ministry of Culture may order collective administrators to rectify any deficiency in their business may impose penalties and, as the ultimate measure, withdraw the authorisation for collective administration.

14. International copyright-related legal regulations

The Czech legislation regulating the rights of authors and other right holders to the protected subjects-matter described above, which is the Copyright Act, is based on the adopted copyright-related international treaties, to which the Czech Republic is a party, and the regulations of the EU, in which the Czech Republic is a member country.

Today, copyright and the rights related thereto are territorial (basically territorial, we should add), i.e. they are only applicable to the territory of the country in which the applicable laws were adopted. On the other hand, works, performances, recordings and other protected subjects-matter created in one country may well be used also in other countries, even simultaneously. We have international treaties, which have been around for more than one hundred years, ensuring that such protected subjects-matter can also be protected in those other countries in an analogous manner as they are in the country where they were created or where the right holder is domiciled or of which the right holder is a national. The first such treaty concerned author's rights and was agreed as early as 1886.

14.1 International treaties

- General:

1. Convention establishing the World Intellectual Property Organisation of 14 June 1967

This Convention establishes the World Intellectual Property Organisation (WIPO), which administers the whole sphere of intellectual property, i.e. including copyright and industrial rights. Based in Geneva, WIPO has been a specialised professional organisation under United Nations since 1974. It became operative for the former Czechoslovakia in 1970.

2. The Trade-related Aspects of Intellectual Property Rights Agreement (TRIPS Agreement), and annex to the Agreement Establishing the World Trade Organisation (WTO). It became operative for the Czech Republic in 1 January 1996.

- Related to protection of author's rights

1. Bern Convention for the Protection of Literary and Artistic Works of 9 September 1886 (known as Revised Bern Convention), completed at Paris on 4 May 1896, revised at Berlin on 13 November 1908, completed at Berne on 20 March 1914, revised at Rome on 2 June 1928, at Brussels on 26 June 1948, at Stockholm on 14 July 1967, and at Paris on 24 July 1971. It is the fundamental international convention on author's rights.

2. General Copyright Agreement of 6 September 1952, revised at Paris 24 July 1971.

3. World Intellectual Property Organisation Copyright Treaty of 1996 (WCT)

A new international treaty on author's rights, allowing for the development of new technologies affecting protection and use of copyrighted works.

4. Treaty on the International Registration of Audiovisual Works

- Related to radio broadcasters and the rights of performing artists and producers of sound recordings

1. Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations of 26 October 1961 (Rome Convention)

The fundamental convention on some copyright-related rights; has not been revised.

2. Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms of 29 October 1971 (known as Anti-Piracy Convention) – Czechoslovakia became a party to this Convention effective as at 15 January 1985.

3. World Intellectual Property Organisation Performances and Phonograms Treaty (WPPT)

A new international treaty on some copyright-related rights, allowing especially for the development of new technologies affecting protection and use of the said protected subjects.

14.2 EU regulations

The selected directives concern author's rights and copyright-related rights:

1. Council Directive 91/250/EEC of 14 May 1991 on the legal protection of computer programs

2. Council Directive 92/100/EEC of 19 November 1992 on rental right and lending right and on certain rights related to copyright in the field of intellectual property

3. Council Directive 93/83/EEC of 27 September 1993 on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission

4. Council Directive 93/98/EEC of 29 October 1993 harmonizing the term of protection of copyright and certain related rights

5. Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases

6. Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society

7. Directive 2001/84/EC of the European Parliament and of the Council of 27 September 2001 on the resale right for the benefit of the author of an original work of art

8. Council Regulation (EC) No 1383/2003 of 22 July 2003 concerning customs action against goods

suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such right

9. Commission Regulation (EC) No 1891/2004 of 21 October 2004 laying down provisions for the implementation

of Council Regulation (EC) No 1383/2003

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

II. JUDr. David Štross

Sale in Stalls

Legal regulations, current problems, competences and cooperation with the Czech Commercial Inspection, the Czech Agriculture and Food Inspection Authority, customs administration and the Police of the Czech Republic and trade supervisory offices

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1. Costs and losses arising in connection with violation of intellectual property rights

Violation of intellectual property rights is a global problem. It is estimated that violation of intellectual property rights causes economic losses in an amount of USD 176 billion per year, which represents two per cent of the total world trade (and this amount does not include violation occurring within individual economies and furthermore it does not include even violation of rights occurring e.g. within households). At the same time, this problem cannot be perceived separately. These are often activities that are carried out in an organized way, on a very high logistic level, and that are accompanied by other kinds of illegal activities, such as fiscal evasion or money laundering, and in some cases also by action that is hardly acceptable in Western culture countries, e.g. child labour.¹

As we will find out further on, this activity is possibly not only very profitable, but it is also connected with relatively low risks from the point of view of criminal law. The society considers crimes of violence more dangerous than this kind of criminal activity. It may be assumed that large amounts of financial means gained from such illegal activities are not further used in the target countries (apart from the fact that they are not subject to taxation) where they are

generated, but they are exported to third countries where they are returned into national economies in the form of investments and in this way the economy of countries where such products are produced is supported.

However, it is not possible to perceive the problem of violation of intellectual property rights only in terms of geography as a conflict between owners of intellectual property rights in countries with relatively advanced rule of law and suppliers of goods from the so-called third world countries, where the level of legal protection of intellectual property rights or the production costs are low.

That is to say, these rights are violated practically in all economies, namely not only in terms of sale of these goods, but also with respect to their origin. It is said that goods that violate intellectual property rights come from almost 150 countries in the world, including 27 economically developed countries that are members of the OECD (perhaps with the exception of Iceland, Ireland and Sweden). Thus it is obvious that a perception of this problem from the point of view of "us" (the Western culture) and "them" (i.e. some Asian economies) is incorrect. We think that from the geopolitical point of view, the fact cannot be denied that in the long run, production units are transferred to countries with low production costs and generally with such a legal environment that does not exert sufficient pressure on economic subjects e.g. concerning respect for human rights (limitation of working hours, prohibition of child labour, some labour performed by women) or production and technology norms considerate of the environment, and therefore production technology is

¹ Although, of course, many subjects in the area of production, sale and marketing of the so-called brand goods produce in countries where „child labour“ is used. An alternative view of the „world of brands“ is presented e.g. in the publication „Bez loga“ by N. Kleinová, published by Argo/Dokořán in 2005.

exported, which may be then used also for production of unlawful goods.

Nevertheless, almost sixty per cent of seized goods come from five countries, namely from the People's Republic of China, Thailand, Hong Kong (SAR China), South Korea and finally from Malaysia. Other source countries are Turkey, Vietnam, the Philippines and Pakistan.

Subject of violation of intellectual property rights may be practically anything conceivable that is connected with an economic advantage of the person violating the rights. Thus it is not only a matter of simple, technologically undemanding products, such as textile or toys, but also of technologically demanding and complicated products, such as pharmaceuticals, spare parts for means of transport or means of transport themselves. Thus these are not only luxurious products but also products designed for everyday mass consumption, including food. It is stated that interventions of customs authorities (seizures) concern approximately 744 items out of a total of nearly 5200 items of the harmonized Commodity Description and Coding System of the World Customs Organization. This fact disproves also a certain rooted way of perception of violation of rights, which e.g. in the Czech Republic is limited to violation of rights to trademarks and possibly copyrights.

2. Social significance

Nevertheless, not always are protected only the rights and interests of the owner of an intellectual property right as private rights. That is to say, violation of intellectual property rights is an activity that has, for one thing, a

wide social impact (loss of jobs, wasted investments in development, negative perception of law as incapable of ensuring appropriate protection), and for another it may have serious specific impacts on the consumers (both with respect to their misleading and with respect to direct negative influences, such as health damage).

As stated above, intellectual property rights are private rights, nevertheless their enforcement is necessarily connected with public law activities, typically in administrative proceedings. However, if we start from the basic premise according to which the question concerning possible violation of a right in a particular case is reserved only for a court, then a question may arise what is actually the reason for competence of administrative authorities being in the same field. There are undoubtedly more reasons; one of these is also the fact that the owners of intellectual property rights would not be able at all to manage themselves the number of cases of violation and to prevent the violation. That is to say, if it were to be proceeded exclusively in terms of private law, i.e. by means of a legal action, in every case, it would bring about extremely high costs and the whole system would probably collapse. Therefore it seems to be effective to involve individual components of public administration, which have much better chances to seize the infringing goods already upon their entry into a particular geographical area, to examine these goods in cooperation with the owner of the right and to prevent their entry into further distribution channels. Of course, this way the necessity to look up the goods in domestic business intercourse, e.g. in retail trade, is eliminated. There is an apparent disproportion between the

possibility to seize the whole delivery containing several thousand items upon an attempt to enter the market, and the possibilities to trace and dispose of a further distributed delivery in intrastate commercial intercourse.

Thus the role of administrative authorities involved in the process of enforcement of rights consists exactly in repressing obvious, mass and by its nature simple violation of rights, i.e. unquestionable cases of violation of rights when the goods are obviously infringing. Hence the role of administrative authorities does not consist in solving cases whose substance is a dispute as for whether particular goods are infringing given rights or not.

3. Why protect by public law

Thus it is obvious that enforcement of rights by public law is a complement to enforcement of rights by private law, i.e. enforcement by public law cannot substitute enforcement by private law but it should supplement it appropriately. Only in this way a system can be created that will be effective and that will also be able to defend itself against attempts for its misuse.

4. Identity and possibility of confusion of trademarktrademarks

In the field of trademarks, which contributes the most to violation of rights, concepts which are absolutely crucial for the assessment of and procedure in the matter, are often

mixed up or incorrectly interpreted, namely: forgery, infringing goods, and further the categories of possibility of confusion and differences in essential elements.

An essentially incorrect opinion on how it should be proceeded on determining the “possibility of confusion” of trademarktrademarks in case of seized goods still exists. Relevant public administration authorities sometimes use an approach based (probably only unconsciously) on the premise that the “possibility of confusion” is a matter of facts, which may be proved in different ways, and possibly this matter may be subjected to an expertise. Sometimes you may also come across a situation when, on assessment of similarity likely to cause confusion, the public administration authorities start even from the so-called expertise of the owner of the right, or of its representative, on the basis of which it is proceeded in the matter. Although an assessment of the question whether possibility of confusion (we use intentionally the concept of the Trademarks Act) of trademarks is a matter of law or a matter of facts may be subject of discussion, in our view it is appropriate to respect the opinion prevailing in the Czech legal science and judicial decision practice, namely the opinion according to which it is a matter of law, about which the court (or another public administration body) has to make its own judgement. That is to say, we are of the opinion that non-respecting of this conclusion on the nature of the question of possibility of confusion would cast doubt upon the very system of protection and the reasons for protection of intellectual property and of trademarks in particular (this matter will be discussed further in the text).

Nevertheless, the abovementioned confusion of concepts is also partly due to the legislation, which uses different concepts in different legal regulations governing the same field without obvious reason. For instance, the Act on Trademarks (No. 441/2003 Coll.) uses, apart from another concept of “identical denomination” also the concept of “similar denomination”, and the Consumer Protection Act (No. 634/1992 Coll.) uses the concepts of “identical denomination” and “denomination likely to cause confusion”, and finally Regulation concerning customs action against goods suspected of infringing certain intellectual property rights and measures to be taken against goods found to have infringed such rights (Regulation No. 1383/2003) uses concepts such as “coincident denomination” and a rather more descriptive formulation “denomination that may not be distinguished in essential elements.” From the abovementioned different concepts conclusions may be possibly drawn about what scope of powers is reserved for individual authorities concerning the exercise of their activities.² Unfortunately, it is not obvious what the reason of such differentiation is. In our view it would be possible to deduce that customs authorities proceeding pursuant to Regulation No. 1383/2003 (and other related regulations) should act only in cases when an obvious violation of a right occurs, i.e. when there is generally no doubt about the possibility of confusion of trademarks (or, as the case may be, of denominations) itself. Typically, this will be unauthorized use of an identical denomination or use of a denomination that is extremely close to the extent of protection of another

denomination (e.g. change in one letter, use of another colour, etc. – although even in this respect no categorical judgements may be made and no exact line dividing clear and disputable cases may be drawn). Thus these are the cases that Regulation No. 1383/2003 describes as situations when a denomination occurs that may not be distinguished in essential elements. Thus the argument may be made that cases that are disputable whereas correspondence in those essential elements does not exist, do not fall within the competence of an administrative authority but that they should be resolved by judicial proceedings, or, as the case may be, the administrative authorities should use a judicial decision as a base for their decision (and basically to execute it by their action). That is to say, the point is that administrative authorities and the broad competences they have should not be misused by circumventing the judiciary and settling disputes between private subjects in administrative proceedings in such a way that one of the participants in the proceedings (the user of denomination said to be infringing) will be basically eliminated from competition by an intervention of a customs authority. We are of the opinion that the argument that the owner of the right is interested in a fast and effective solution to its problem, i.e. infringement of the right, does not stand up – this argument was based on an incorrect perception of intellectual property rights. Of course there is an interest in a quick solution and protection of rights but these rights must be unambiguous and they must not be restricted and a certain probability of infringement of the rights must obviously exist. That is to say, in many cases³ not the problem of “likely to cause confusion or unlikely to cause

² Although it is certainly legitimate to ask whether this was the legislator’s intention; we are of the opinion that probably it was not.

³ Namely including cases having fatal consequences.

confusion”, but a problem of competition is solved (“to sell or not to sell”, or, to put it differently, “such classical competition”). That is to say, industrial property rights do not protect (only) themselves, but they protect in particular a certain exclusive position of a particular subject on the market. Thus then it is a dispute concerning the given position.

To the problems concerning the interpretation of individual concepts, and in particular, of those “essential elements” in terms of Regulation No. 1383/2003, corresponds also the so-called Prägetheorie, according to which it is possible to identify an element in a trademark that is the inspiring element for the consumer, the inspiring element of the distinguishing capacity. That is to say, should this theory and practice of assessment of trademarks be modified in such a way that all elements would be assessed, then this would mean that by adding an arbitrary number (even a small number) of elements an element with a high distinguishing capacity would become only one of many trademark elements and therefore the whole impression of the denomination would be totally different. One of the objectives of trademark protection should be also the fact that the trademark element retains its exclusiveness and that the distinguishing capacity is not decreased by usurpation of such an element by means if its inclusion in a trademark consisting of more elements. A reference may be made to the opinion of the European Court of Justice in Case C-3/03, Clause 32, according to which the fact that trademarks are assessed as a whole does not mean that the trademark is not determined in a dominant way by one element or by one part. Thus the overall impression the trademark

makes on the consumer is decisive, when the consumer may attribute to a certain element exactly the inspiring distinguishing capacity (and this way it ensures the function of identification of origin of the product) and the consumer considers the other elements possibly only descriptive elements, elements that do not ensure primarily the function of distinguishing the origin of the product (see e.g. BGH GRUR 1996, 198 199 Springende Raubkatze). This decision practice respects basic principles of interpretation of the extent of protection following from a trademark in a way consistent with the decision practice of the Czech Industrial Property Office, the Office for Harmonization in the Internal Market and the European Court of Justice. According to this practice, the question of possibility of confusion must always be assessed globally and it is necessary to take into consideration all relevant factors and facts in the given case. In this respect a reference may be made, for instance, to decisions of the European Court of Justice C-251/95, C-39/97 or C-425/98. At the same time it is necessary to mention that the condition of possibility of confusion of denominations and the condition of similarity or possibility of confusion of products are *cumulative* conditions, see e.g. C-106/03. Neither this aspect should be omitted.

The argument stating that an intervention of an administrative authority must be carried out quickly and effectively even in disputable cases is not correct, because the system of laws contains mechanisms, by which the matter may be appropriately examined from the point of view of judicial proceedings, namely also quickly and effectively. Namely, pursuant to the Civil Procedure Code it is possible to achieve, relatively

quickly, a temporary regulation of relations between the parties to the dispute in judicial proceedings, that is by means of the so-called provisional injunction proceedings. Within this proceedings the person stating that its rights have been infringed must “prove” that the infringement of its rights is occurring, and within the framework of these proceedings also the question⁴ is usually solved whether the denominations are likely to cause confusion or not. Further to this, the relevant provisions of the Administrative Code (No. 500/2004 Coll.) contain legal regulations according to which the administrative authority is bound by a decision of the competent authority on preliminary question that has force of law or, as the case may be, is preliminarily enforceable. This means that if the court decided on ordering a provisional injunction in preliminary proceedings, by which it would impose an obligation to refrain from a certain activity upon a certain subject (e.g. use of a particular denomination), then the administrative authority would be bound by such a decision even if this decision is not powerful – namely by reason of the fact that this decision would be enforceable. If such a petition were refused, it would not mean automatically, of course, that the administrative authority would not act in the case, but it should justify its procedure appropriately and deal in particular with questions of the possibility of confusion, or as the case may be, of difference in essential elements (nevertheless, it may be assumed that if the reason for the court decision on not issuing preliminary injunction is the ascertained impossibility of confusion of trademarks, the administrative authority should respect this opinion of

judicial authority). The reason for the abovementioned opinion are in particular practical situations (that occur relatively very rarely, nevertheless the more serious consequences they may have) when the system is misused and the owner of the industrial property right knowingly ignores the judicial authority and misuses the fact that administrative authorities have, to a certain extent, a relatively different approach (typically in case of situations when the court does not issue a preliminary injunction or situations when no action is brought before the court).

For instance, a case could occur in practice when certain trademarks co-exist together on the market for a long time (i.e. both of them have undergone the registration procedure with the Industrial Property Office, both of them have been successfully registered in the Register of Trademarks), and subsequently, after some time, the owner of the previously registered trademark begins to feel the consequences of existence of another trademark on the market, namely, in particular, from the economic point of view, e.g. by a decrease in sales. A motion for cancellation of the “younger” trademark registration is filed, with which the Industrial Property Office complies, and this trademark is cancelled with effects *ex tunc*, i.e. the given cancelled trademark is regarded as if it had never existed. In so doing, the Industrial Property Office in the grounds of the judgement bases its decision on the conclusion that both compared denominations are confusingly similar to each other (i.e. they are similar and the likelihood of confusion on the part of the public cannot be excluded, see e.g. the provisions of Section 7 Paragraph 1 Letter a) of the Trademark Act). The

⁴ Although not by a decision having force of law.

question whether this decision is a decision stating that by the use of denomination A, infringement of the rights to denomination B occurs, is necessary to answer in such a way that it is not. The given decision is not a decision on infringement of a right, and from such a decision no claims for prohibition of the other trademark may be deduced. Of course, a situation may not be excluded when in the given case the administrative authorities take measures against goods bearing a trademark whose registration has been cancelled, however, in a particular case they should deal with the question whether the given denominations are likely to cause confusion in the essential elements and therefore whether an intervention of the administrative authority should take place even without a judicial decision.

5. Matter of law or matter of facts

Let's get back to the essential question, i.e. the question of assessment of possibility of confusion. Hence, the question of possibility of confusion of trademarks is a matter of law and not a matter of facts, so that it may not be assessed on the basis of public opinion research, expert's opinions, statistics and similar institutes that serve for assessment of matters of facts. Possibility of confusion of denominations (trademarks) is an absolutely cardinal and central legal concept of the trademark law and on no account it is an *empirical* or an *empirically ascertainable* factual concept. Therefore it is not possible at all to prove or certify possibility of confusion of trademark e.g. by means of expert's opinions, public opinion research or

consumer research. This conclusion is valid and absolutely undisputable, and it is accepted both by Czech case law (judicial as well as administrative) and by foreign (European) case law. We may mention, for instance, the judgement of the German Imperial Court in the case (Grenzquell, RG GRUR 1929, 1204 et seq.). The proposer further refers e.g. to the judgement of the Swiss Federal Court in Case RIVELLA, 126 III 315, according to which it is inadmissible to ascertain the possibility of confusion exactly by means of similar institutes, such as public opinion research etc., namely both by the reason that it is a matter of law, and by the reason that in many cases the consumers create their opinion only during the ascertainment of this opinion (which should be, however, existing, and not being created). During a common process of purchase and selection of products or services, the creation of momentaneous impressions and associations in relation to the products in question does not depend on suggestive questions, as it is the case during carrying out of public opinion research.

Therefore it is not possible (and this is a categorical conclusion which may be discussed, however, under the existing state of legal science and decision practice, this conclusion can be hardly contested) that administrative authorities have, in individual cases, appreciated whether certain goods infringe a particular trademark, e.g. within the framework of the so-called expert examination. In practice we sometimes even come across expert's opinions in which not only the question of possibility of confusion is resolved in an absurd way, but there is even a conclusion made that some denomination is infringing the rights to another denomination. The absurdity of

this conclusion made by an expert is obvious, or it follows also from the abovementioned legal opinion on the character of the given question as a matter of law, but above all from the fact that the question of e.g. the right of prior use or other possibilities of limitation of the rights of a trademark owner (see the provisions of Section 10 of the Trademark Act) are totally ignored.

6. Forgery

Another problematic aspect is the fact that in practice, the concept of “forgery” and the question of infringement of a right to a trademark are often confused.

That is to say, something is perceived as a forgery (probably in accordance with common perception on the part of the consumers) if it is a “forgery” in terms of an imitation, usually of a lower material quality, incorrect marking of e.g. labels, something that is placed on the market somehow outside the official commercial distribution channels (typically, on the so-called marketplaces or on the Internet). Then usually questions and calls to the owner of the right follow, asking it to describe its distribution channels, to describe and prove that the labels are “false” or even such a situation occurs sometimes when presentation of an opinion of the so-called commodity expert (expert in the field of science of commodities) is requested, which also happens and then the expert describes in detail the characteristics of the used material (cotton, threads, stitches, trimming, etc., i.e. the opinion then resembles more the magazine “Sew it yourself” or the design magazine “Burda” rather than anything useful in the proceedings).

However, this perception is totally incorrect. Of course, the goods described above are forgeries but a forgery is, above all, a good that is placed unlawfully on the market with the denomination in question. The question of lawfulness and unlawfulness of placing of a good on the market is, that is to say, essential, and an answer to it assumes not an ascertainment of distribution channels but the existence of the consent of the owner of the right to place the good on the market. I.e. if such consent has been granted, then it is not possible to hinder further circulation of the good. However, if such consent has not been granted, these is goods infringing intellectual property rights and a forgery as it is mentioned in the legal regulations in question.

Thus, the circumstance of the consent to place the goods on the market is essential, not the fact whether the goods is being sold on a marketplace or anywhere else. If we use as a basis the standard procedural rules concerning producing evidence, then, if somebody fulfils the obligation of production, then this obligation is accompanied by the obligation to present evidence. Hence if the owner (importer, clearance agent, seller of the goods) affirms that the goods do not infringe rights to a registered trademark, it does not have to prove the identity of design, model, tabs, labels or possibly threads but exactly and in particular the fact whether the goods in question was placed on the market with the consent of the owner of the right. Such evidence and its production should not be generally very difficult because this may be proved e.g. with documents on acquisition of the goods. Of course, there is a certain conflict between proving the origin of the goods and the interest in keeping trade partners (and

possibly other trade secrets) in secrecy but this depends on a decision of the seller of the goods.⁵ Nevertheless, the solution to this apparent problem should not be too difficult in practice, see e.g. decision of the European Court of Justice C-244/00 of 8th April 2003, Van Doren.

That is to say, the abovementioned follows in particular from the traditional principle of territoriality of industrial property rights, i.e. from the fact that these rights are not “global” but territorially determined and limited. At the same time, exhaustion of the rights occurs within the European Economic Area (EEA), which is also confirmed by the traditionally quoted decision of the European Court of Justice in Case C-355/96 of 16th July 1998 *Silhouette*. It may be illustrated by an example of the following situation when a product (e.g. a BMW car) is sold, with consent, in Liechtenstein and subsequently imported to the Czech Republic – under this constellation, exhaustion of the right occurs and the owner of the trademark in question may not hinder further trade with the product in question. On the contrary, if the given car is sold in the Ukraine and from the Ukraine it is imported in the Czech Republic, the exhaustion of the right does not occur under this constellation and the owner of the trademark may hinder further dealing with the goods.⁶

This issue may be viewed also from another point of view, namely in a situation when a trademark is owned by a certain subject but the goods is produced by another subject, with consent of the given subject – the

owner of the trademark. Thus formally these are different legal subjects. The question whether even in this case the exhaustion of the right occurred, will have to be answered affirmatively, namely in particular in a situation when these are subjects that are typically economically interconnected (within the framework of a concern, a holding, licence relationships, etc.). The question will be essential whether the product has been produced and placed on the market with the consent of the owner (the owner may be different by many reasons, last but not least by reasons of international tax optimizations, ensuring of legal stability of proprietary relationships to immaterial goods by selection of suitable jurisdiction, etc.). The form of the consent shall not be decisive. In this respect, a reference may also be made to the decisions of the European Court of Justice in Cases C-9/93 *Ideal Standard* or C-325/95 *Phytheron/Bourdon*.

Thus the existence or non-existence of the consent cannot be deduced from the fact whether the goods is sold in traditional distribution channels or the goods is sold outside these channels (a typical situation – a luxurious boutique vs. a rural marketplace), namely even in a case when this concerns the so-called closed distribution channels, i.e. a situation when the owner of the trademark does not want the goods to be placed on the market in any other way than the way it determines itself (concerning this matter, see e.g. the decisions BGH GRUR 2002, 709, 711).⁷

⁵ Concerning procedural division of burden of proof see e.g. BGH GRUR 2000, 881 *stüssy I*.

⁶ These situations may be certainly modified e.g. in such a way that would describe importation by the consumer; however, this exceeds the purpose of this material.

⁷ Of course, we do not take into consideration absolutely extreme situations, when a claim of an owner of a trade mark could arise pursuant to the provisions of Section 11 Paragraph 3 of the Trade Mark Act, i.e. when a deterioration or a change in the condition or in the nature of a good occurred after the good has been placed on the market.

7. Customs authorities and their competences

As stated above, customs authorities play a decisive role in repression of infringements of intellectual property rights. It may be said without reservation that this way is very efficient within the scope of possibilities of the given system and that this competence area is one of the crucial new competences of customs administration in the Czech Republic. It is also indisputable that the customs administration has been achieving good results in this area.

The work of customs administration authorities is governed by the following legal regulations:

- Council Regulation (EC) No. 1383/2003 of 22nd July 2003 concerning customs action against goods suspected of infringing certain intellectual property rights and measures to be taken against goods found to have infringed such rights, as amended;
- Commission Regulation (EC) No. 1891/2004 of 21st October 2004 laying down provisions for the implementation of Council Regulation (EC) No. 1383/2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights, as amended;
- Act No. 191/1999 Coll., laying down measures concerning entry, export and re-export of goods infringing some intellectual property rights and on amendments of some other acts, as amended;

- Act No. 634/1992 Coll., on consumer protection, as amended.

On the basis of a request of the respective persons (owners of individual rights, such as a trademark, a copyright, a patent, a right to geographical denomination of origin, etc.), customs authorities decide on the first stage on taking measures to prevent infringement of the intellectual property rights in question, namely even in a situation when the goods are subject to customs supervision, i.e. in other words when the goods are in the regime of entry into the Czech Republic (or, more precisely, upon entry into the EU territory). The procedure concerning the request in question is centralised and the request is filed with the Customs Office in Hradec Králové. A request for taking measures to a customs authority may be submitted by the owner of the right in question, by its representative, and also by a person authorized to use the right in question or by its representative. Within the Czech Republic, with effects limited to the Czech Republic, it is possible to claim a customs measure for a trademark, an industrial design/design, a copyright, a supplementary protection certificate (SPC), a designation of origin, a geographical indication, or a right to a variety or to a geographical denomination for spirits.

Of course, it is also possible to claim the protection of Community rights, i.e. rights granted on the Community level with uniform effects, namely in particular for a Community trademark and a Community design.

In this process, customs authorities act on the basis of the above-mentioned legal regulations in the import regime

(in our opinion, this is the most effective way); however, their competence is not limited to letting goods enter the internal market but it comprises also control of goods on the internal market. This competence is exercised on the basis of the Customer Protection Act. This legal norm contains a general prohibition of misleading of the consumers; offer and sale, or, as the case may be, storage of products or goods for the purpose of their offer or sale is also considered misleading of the public.

This act sets forth (compare above) what is considered, for the purposes of the given act, a product or a good (the difference between a product and a good is not clear) infringing some intellectual property rights.

1. A forgery, which is a product or goods, including its packaging, which bear, *without the consent*⁸ of the owner of the trademark, a denomination that is identical or confusingly similar with the trademark, infringing the rights of the owner of the trademark pursuant to a special legal regulation, 4b) further any and all things bearing such a denomination (signs, logos, labels, stickers, advertising pamphlets, instructions for use, warranty certificates, etc.), namely even in cases when they are supplied separately, and separate packaging which bear such a denomination,
2. prohibited imitation, which is a product or goods that is a copy or comprises a copy made without the consent of the owner of copyrights or related rights or without the consent of the owner of rights to the industrial design provided that the production of

such an imitation infringes these rights pursuant to special legal regulations,

3. product or goods infringing the rights of owners of patents or utility models or the rights of owners of supplementary protection certificate for pharmaceuticals and vegetation-protection substances pursuant to a special legal regulation, and further
4. product or goods infringing the rights of a person availing the protection of a registered denomination of origin or a geographical denomination.

For proceeding pursuant to this act, an informal way of cooperation with customs authorities has proved to be effective, when e.g. an owner of a right itself traces an infringement of this right on the internal market and notifies of it a customs authority, which subsequently controls the goods and decides about their possible seizure. Unfortunately, even this, otherwise suitable and effective method, is complicated by the legislation by the fact that the so-called authorized person is obliged to deposit a security with the customs authority having territorial jurisdiction, for the purpose of cover of *costs incurred by the customs office* in case the control does not prove justifiability of the motion, namely within 15 days from the date of filing of the motion. This means in practice that the so-called authorized person traces the infringement, reveals it, notifies the customs authority and it may happen that it is asked to deposit the security by an official procedure, and before this is administratively processed, the goods are replaced or dealt with in another way so that the intervention itself does not have any significance any more and it is not of

⁸ Here it is absolutely obvious that consent or dissent are absolutely decisive criteria.

any use (and another process, equally administratively demanding, of refund of the security will follow). Some customs authorities have recently abandoned the practice of requiring the security and they consider a notification of an owner of a right a common motion for execution of supervision. Requiring a security seems to be problematic also because it is a security for the costs incurred by the customs office, not a security for possible losses incurred by third parties in consequence of an intervention of the customs authority. If the security is not deposited within the set time limit and in the requested amount, the customs office is not obliged to examine the given motion, however, if it is not obliged to do so, it depends on its decision whether it intervenes and executes supervision; we are of the opinion that this process is not contrary to the law and it is possible and permissible without reservations. Although the amounts of the security are not high, concerning the number of motions the basis for calculation of the amount of the security (2006) set at CZK 2,400 per worker of the control group and per day of control is relatively high in our opinion, if we take into consideration the fact that a control group may have more members (in case of interventions on a larger scale even several tens of members). In case of execution of control within the framework of the so-called supervision on the internal market the customs office asks the owner of the right to present "documentation" necessary for examination of the products or goods, within a time limit of fifteen working days from the delivery of the call. In general, a statement of the owner of the right saying that the goods in question were not placed on the market with its consent should be accepted as "documentation". On the

basis of seizure of the products and goods and ascertainment of their unlawful character, i.e. an ascertainment that these products or goods are infringing intellectual property rights, the customs office executes a subsequent procedure of examination of violation of legal regulations and decides on a sanction. If it is decided on imposition of a fine, the customs office decides simultaneously also on imposition of forfeiture or confiscation of the products or goods. During the whole duration of the procedure, the products or goods are seized, namely until the moment when the customs office gives a decision having force of law on confiscation or forfeiture of the seized goods or until the moment when the customs office cancels by a decision the seizure of the products or goods provided it is proven during the procedure, with force of law, that these are not products or goods infringing intellectual property rights as was assumed in the procedure.

The question of liability for losses in case of presentation of untruthful, incomplete, invalid or inaccurate documentation (that is to say, in our opinion it concerns also provision of information) incurred by the owner of the questioned goods, is resolved in such a way that the owner of the intellectual property right is liable for these losses.

The provisions of Section 14a of the Consumer Protection Act are aimed at the area of sale of goods on the so-called marketplaces; they state that the operator of the marketplace (market hall), namely including a municipality renting a part of public space for occasional sale in stalls, is obliged to keep a record of the sellers, which must contain data in the extent specified in a special legal regulation

(i.e. the Trades Licensing Act) and to present it to a supervision authority upon its request. The operator is obliged to keep the record for the duration of one year from the date of making of the given registration entry.

Other public administration authorities have similar powers, namely always with orientation on their specialized competences. Typically, in case of the Czech Agriculture and Food Inspection Authority these powers concern the area of food products, in case of the police criminal sanctions and prosecution of both the infringement of rights itself and investigation of related criminal activities, such as fiscal evasion, money laundering, etc.

8. How to continue de lege ferenda

In our opinion, the system of right enforcement in the sphere of public law is essentially well designed. Some critics might be oriented on disunity concerning used terminology; however, this is not an essential imperfection of the legal regulations and from the point of view of legal interpretation, legal practice is used to this state of affairs from the whole legal order. From the point of view of possible changes it would be useful to cancel the duty to deposit the security for the costs of a customs authority in a situation when the owner of the intellectual property right makes its own effort. That should facilitate and speed up the interventions against infringements on the internal market. The existing mechanism is not even often used in practice.

Generally speaking, it would be useful to point out, in particular, that in practice it would be convenient to differentiate between infringement

prima facie, i.e. between clear examples of goods bearing an identical trademark or a denomination that extremely approximates this trademark, and cases which it is appropriate to pass to civil courts for settlement (e.g. even in the form of a provisional injunction). This should allow preventing occasionally occurring attempts to misuse the system and to circumvent the judiciary, which is in our opinion an absolutely unacceptable practice, which must be unambiguously rejected. This cannot be codified since this is a casuistic approach necessarily different in each case; nevertheless as a general principle of application of a legal norm this is undoubtedly appropriate.

Furthermore, it is necessary to point out and to insist on the fact that the given proceedings do not concern the quality of the goods, the distribution channels, etc. but they concern practically exclusively the existence or absence of the consent of the owner of the trademark with placing of the goods on the market. However, neither this is a problem of legislation but rather a problem of the application and interpretation practice.

Finally it is important to point out that it is suitable to respect the existing legal science and decision practice and to approach the assessment of possibility of confusion as a matter of law, i.e. to get rid of the vice of provision of expert's opinions on questions concerning which it is not even possible to elaborate expert's opinions, which is, unfortunately, relatively widespread. This is a problem of (some) customs authorities and, last but not least, also a problem of some experts, who (despite being experts) mostly do not know the law and they are not aware of what the matter is actually about.

In general, there is a standard rule concerning application of criminal sanctions in the sense that these are legal instruments *ultima ratio*, i.e. they should be applied only as the last resort if an infringement of a private right may not be solved in another way.

For the future, we consider it absolutely essential to reject any attempts of quota restrictions or determination of limits for the number or value of goods for an intervention of administrative authorities.

III. Mgr. Martin Voborník

Infringement of software copyright

Software piracy

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1. Breach of computer program copyright – software piracy

The term 'computer program' was first introduced to the Czech legislation in Act no. 89/1990 Coll., which amended the copyright law valid in 1990 and simultaneously defined basic principles for protection of copyright to computer programs. This act first incorporated an express enactment in the copyright law saying that computer programs shall also be considered subjects of protection if they bear the conceptual characteristics of a work pursuant to copyright law. The basic conception of protection of computer programs as authors' works remained in the Czech legislation, and this conception is also distinctly included in Act no. 121/2000 Coll., on Copyright, Rights Related to Copyright and on the Amendment of Certain Laws (Copyright Act) (hereinafter the 'CA'), which significantly advanced the conception of copyright and protection of authors' works to the standards which are generally accepted in developed countries.

Besides the general definition of the scope of computer program protection which ensues from the nature of the computer program as an author's work and is thus by virtue of

the general definition of copyright to a work, the scope of protection of a computer program is namely defined by the provisions of Section 65 and Section 66 of the CA in its particularity.⁹

It should be said on the subject of computer programs, that these include not only various generally known office applications, but also computer games, complex special programs, etc.

1.1 Means of breaching of computer program copyright

Theoretically, these include encroachment in the whole scale presumed by the CA, i.e. endangering of computer program integrity, unauthorized adjustments or unauthorized assumption of authorship. However, in practice, a vast majority of cases of unauthorized encroachment upon copyright to computer programs consist of unauthorized copying of computer programs and distribution of such copies, as well as cases of

⁹ *The provisions of Section 65 of the CA comprise general definition of the scope of computer program protection, namely, that pursuant to Para. (1): 'a computer program, including its preparatory conceptual materials, shall be protected as a literary work irrespective of how it is expressed.' Pursuant to Para (2): 'The ideas and principles on which any element of a computer program is based, including those which constitute the background of its interconnection to other programs shall not be protected pursuant to this Act'.*

unauthorized use of computer programs. These cases of encroachment upon copyright are often described as software piracy¹⁰.

1.1.1 Use of computer programs beyond the scope allowed by law or a licence agreement

From the software industry point of view, unauthorized use of computer programs is the fundamental problem in the field of copyright protection and currently the most significant economic factor influencing this branch. This has recently been supplemented with counterfeiting of computer programs, which, due to development of its highly organized forms, fundamentally influences the whole shape of this branch.

In practice, there are two basic means of encroachment upon computer program copyright. First of them can be described as purely unauthorized use, which is the activity of users who obtain illegal copies of computer programs and use them, it is thus an activity directly following unauthorized manufacture and distribution of computer programs which is described below.

The second means of unauthorized use of computer programs is the so-

¹⁰ *However unidentical the terms 'software' and 'computer program' are, we will deem them identical for the purpose of this text.*

called overuse. In this case, a computer program user uses more installations (copies) than they are authorized for in the licence agreement. A typical example includes users who purchase a licence to use a computer program on one computer or on a small amount of computers and subsequently install it to a lot of computers in their system. This practice is quite common both in private and public sectors, where the administrators do this to meet the demand for a fully functional system with financially undemanding operation. Herewith, the abovementioned problem is often connected not with some deliberate policy in the effort to save money for computer programs, but rather may be the consequence of inconsistent licence administration and inconsistent control over end users, who, quite naturally, have the tendency to 'adjust' the equipment of their computers if there is no sufficient control over them. Last, but not least, one of the possible causes of the abovementioned phenomenon, especially in the late nineties, was rather fast development of some branches, during which investments into equipment of companies with computer programs often fell behind investments into hardware and other tangible property of the company.

However, home users are engaged in this kind of software piracy as well.

Households often illegally use computer programs and this often concerns even programs which are not necessary from common user's point of view. It is a kind of 'sport' for the given user.

1.1.2 Unauthorized copying of computer programs

This kind of breach of copyright to computer programs is generally considered the least complicated, however, mainly in cases concerning unauthorized copying of computer programs in a larger scale, there is no doubt that this activity is very significant from the authors' point of view. The activities in this kind of copyright encroachment should be divided in two forms:

1.1.2.1 Home production of unauthorized copies ("burning")

This activity constitutes a means of copyright breach, which is quite significant and represents the most important form of software piracy along with unauthorized use of computer programs, particularly in relation to young people. The usual form of this activity is more or less mass production of unauthorized compilations, and the delivered CDs sometimes contain computer programs of more manufacturers.

In this case the user is not in doubt whether the given software is illegal, it is clear from the overall layout and technology used to produce these copies which are burned on home burning devices, and thus not pressed

from original matrices.

1.1.2.2 Software counterfeiting

Software counterfeiting is usually understood as cases when illegal manufacturers counterfeit genuine computer programs and these counterfeits are then sold as originals in a certain market. Part II. deals with the problem of software counterfeiting in more detail.

1.1.3 Unauthorized distribution of computer programs

1.1.3.1 Unauthorized distribution of computer programs together with computers

(„Hard-disk- loading“)

This method is particularly used by hardware distributors, who want to increase their competitiveness, namely by distributing their hardware together with illegally installed computer programs. This usually concerns illegal operating systems, but also other computer programs, most often office packages.

Whether the users know about the illegal origin of the programs, which they obtain and subsequently use, or not, usually varies from case to case in this kind of unauthorized distribution of computer programs.

In practice you can see cases when

the users do not know about the origin of the computer programs in the computers they bought, as well as cases, when unauthorized computer programs were installed to the computer upon its sale because the customer explicitly requested so.

1.1.3.2 Computer programs repeatedly delivered with another product

In practice, it is possible to come across cases, when programs are distributed on media (CD), which are authentic, but are not intended for resale. Such computer programs are usually combined with the Certificate of Authenticity (COA¹¹), The End User Licence Agreement (EULA¹²) or other components of the delivery from dubious sources. Thus, it may happen in practice that a user receives a program, which is labelled as not intended for sale or purchases a separate program in OEM¹³ version

11 *The Certificate of Authenticity (COA) is a label facilitating*

identification of genuine software by Microsoft company. The COA is not a software licence; it is just a visibly placed mark making it easier to determine whether the used Microsoft software is an authentic one. The Certificate of Authenticity (COA) cannot be bought separately without the software, the authenticity of which it certifies.

12 *End User Licence Agreement (EULA) – a standard name for the Licence agreement with the end user.*

13 *Original Equipment Manufactured (OEM) - Software*

intended exclusively for distribution with a computer.¹⁴

Just like in the case mentioned in part 1.3.1 above, this mostly includes activities in which IT distributors can standardly take part in order to offer the users a cheaper solution for their systems. In practice however, these means concurrently serve for distribution of stolen or otherwise illegally obtained computer programs, this time by purely criminal subjects.

1.1.3.3 Computer programs distributed via modern technologies

The Internet is becoming a universal and very popular environment for unauthorized distribution of computer programs due to modern technologies and recently increasing availability of high-speed Internet connection. It is very difficult to name all kinds of unauthorized distribution of computer programs. Here

with OEM

licence is preinstalled by computer manufacturers. The licence purchased in the form of OEM remains bound to the computer to which it was first installed for the whole period of product use. Pursuant to licence rights, OEM cannot be installed to another computer – when you dispose of the computer or discard it, the licence expires concurrently.

14 *The basic signs which allow you to identify such delivery include for example a CD label saying things like 'Not for sale', the Certificate of Authenticity (COA) includes names of other companies than the one from which the software was purchased, there is OEM acronym on the disk, but it is sold separately, etc.*

are some examples:

1.1.3.3.1 Web downloads/Web distribution

These are activities the principle of which is illegal software distribution by various means. This namely concerns cases when unauthorized distributors allow users to download illegal software, or provide instructions where to obtain illegal software (e.g. in the form of links). This also includes various sorts of illegal offers of computer programs, whatever the technical and organizational arrangement is. One such example are auction websites which have become very popular recently and which should be understood as special websites offering their users the possibility to sell and purchase software and remain anonymous.

Here we have to say, that majority of large software manufacturers (e.g. Microsoft) did not authorize any other website operators to offer their software for download. The only way how to download genuine software of a certain manufacturer is thus using services of the software manufacturer's official website.

1.1.3.3.2 Peer-to-Peer (P2P) networks

These currently represent one of the main sources of counterfeit copies of programs and one of the main media serving for their distribution. Peer-to-peer or P2P is a name for computer network architecture, in which individual clients (users) communicate directly with each other. Nowadays the term P2P is used mainly to mean

exchange networks, through which many users may exchange data, whereas they not only have the chance to obtain illegal contents as in article 1.3.3.1 above, but they also usually offer some content to other users themselves. Unfortunately, a large amount of exchanged data usually breaches copyright. One of the basic advantages of P2P networks is the fact that the transfer speed increases with growing amount of users, compared to client-server models (e.g. when standardly downloading software from unauthorized distributor's website) where the clients have to share constant server capacity, and therefore when the amount of users increases, the average transfer speed deteriorates.¹⁵

1.1.3.3.3 Unsolicited email messages

These are quite popular means of illegal software distribution (offering). Unsolicited email messages usually announce huge reduction of prices of software by various companies. Such messages are usually fraudulent. Many of them contain links to websites where you can buy counterfeit copies for bargain prices.

Generally speaking, it is very difficult to comprehensively describe the problem of unauthorized distribution of

¹⁵ <http://en.wikipedia.org/wiki/Peer-to-peer>

computer programs within such widespread and concurrently very variable and ever-evolving environment, which the Internet undoubtedly is. However, generally speaking, it must be said that according to the estimate of software manufacturers, organizations dealing with copyright protection and the police, it is deemed that a large percentage of software sold via auction websites, P2P networks or distributed as warez¹⁶ are counterfeit copies. According to BSA¹⁷ estimate, there are about 840.000 websites in the world

¹⁶ A term describing a community engaging in distribution of illegal software which has become a term designating authors' works which are treated in contradiction to copyright law in computer slang. Warez is sometimes divided pursuant to its kinds to gamez (computer games), appz (applications), crackz (cracks) and also moviez (films). Warez is associated with a quite significant internet subculture and the name warez is also used to describe this culture, besides the data itself. (<http://en.wikipedia.org/wiki/Warez>)

¹⁷ Business Software Alliance (BSA) is an international organization, which engages in assertion of safe and legal digital world. BSA acts as a spokesperson of the world's commercial software industry towards government organizations an in international markets. BSA educates consumers in the field of software management and copyright protection, cybernetic safety, trading, e-commerce, and in other issues connected with the Internet. BSA members on international level include Adobe, Apple, Autodesk, Avid, Bentley Systems, Borland, CNC Software/Mastercam, Internet Security Systems, Microsoft, Network Associates, SolidWorks, Sybase, Symantec, SGS, Tekla Corporation, UGS, Quark and VERITAS Software.

offering illegal software. Pursuant to some estimates, 60% of all software distributed through various websites is counterfeit and more than 90% is distributed in a way that is in contradiction with licence conditions.

1.1.3.4 Street vendors selling counterfeits

Despite the huge upswing of information technologies and Gradual shift of a part of unauthorized distribution of computer programs to the Internet, there are still street vendors selling counterfeit software in most of the countries. These may include standard distributors of information technology who among others also sell counterfeit software or they can be purely unauthorized distributors who exclusively engage in distribution of illegal software or eventually counterfeit copies of other authors' works. The counterfeit copies are sometimes sold openly and sometimes only to those who can ask 'properly'.

2. Software counterfeiting¹⁸

2.1 Basic definition of counterfeiting – quality of counterfeits

Counterfeiting of software is usually understood as cases when illegal manufacturers imitate genuine

¹⁸ Source: Microsoft Corporation

computer programs and then sell these on a certain market as authentic products. This activity may include counterfeiting in hundreds or thousands pieces of individual computer programs, but it can also reach the volume of 'factory' production, when illegal manufacturers make tens of thousands of CDs with illegal computer programs and the quality of such counterfeit copies is very high, as the counterfeiting concerns not only CDs, but also original packages, manuals and recently, the counterfeit sets even comprise imitated protective holograms and registration cards. In contradiction to illegal compilations, a manufacturer engaged in counterfeiting tries to confuse the user in order to make them think that using the counterfeit copy they have purchased constitutes authorized use of a work. Naturally, the ability of the counterfeit copy to confuse a user depends not only on the quality of such counterfeit and thus 'professionalism' and resources of its manufacturer, but also on technical knowledge of the particular user. Even though it is very difficult to draw clear lines concerning the quality of counterfeit copies, they are usually divided into high-grade and low-grade counterfeits.

The difference lies in the degree of imitation of the original. Manufacturers of low-grade counterfeits do not even try to hide their illegal origin (counterfeit

copies contain only handwritten labels, simple paper stickers and simple prints or their

Image no. 1 – a low-grade counterfeit copy

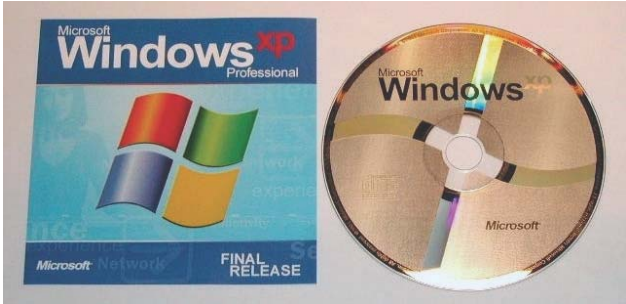


Image. no. 3 – high-grade counterfeits of Microsoft Windows XP intercepted by Australian customs authorities



Image no. 4 – a high-grade counterfeit copy of Microsoft Office 2003 Pro intercepted in the USA and Hong Kong

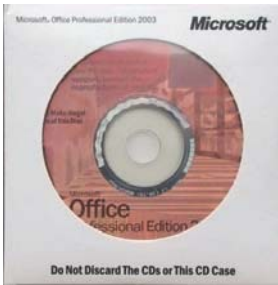


Image no. 5 – gallery of counterfeit Microsoft software with basic examples of various grade counterfeits¹⁹



Image no. 6 – a genuine program



Image no. 7 – a counterfeit



general appearance does not correspond with the appearance of a genuine program), whereas the manufacturers of high-grade counterfeits exert maximum effort to imitate the original in layout and

¹⁹<http://www.microsoft.com/resources/howtotell/counterfeit/en/default.aspx?group=windows>

means of distribution, but also in price.

Examples of low-grade and high-grade counterfeits and the means of their distribution:

It should be said on the subject of the problem with counterfeits that the belowmentioned security features and examples of counterfeits represent only very general guidelines concerning basic identification of counterfeit copies. If you look at the images above (Images no. 6 and 7) it is obvious that especially the identification of high-grade counterfeits is rather difficult and should be carried out by specially-trained experts employed by software manufacturers who have access to complete information concerning security features of individual computer programs. Majority of software manufacturers provide extensive information concerning security features of computer programs from their production, and they also perform analysis of delivered samples of sophisticated counterfeits. If you have any doubts, it is best to address the manufacturer of the software in question.

2.2 Counterfeiting as a form of illegal business

As has already been said above, the most modern trend in software

counterfeiting field is high rate of professionalization of this activity, which is due to inclination to high-quality counterfeits, where the manufacturers not only create counterfeit copies of the corresponding CDs, but also manuals, holograms and labels proving software authenticity.

It is obvious that such extensive and sophisticated activities can only be done by groups that are able to provide:

- notable investments in millions of U.S. Dollars,
- complex manufacturing facilities and expensive commodities,
- skilful technical workers,
- room for production and storing.

Traditional centres of illegal production of computer programs can be found in China, Taiwan or Malaysia, but a new trend of substituting large distributors with smaller ones from countries like Russia, Ukraine, Belize or Mexico has appeared recently. The reasons why various groups use these countries for production of counterfeit computer programs are:

- cheap but qualified manpower,
- modern technologies,
- insufficient copyright protection.

This results in the existence of international groups specializing in computer program counterfeits, which are able to ensure complete

production of great amount of high-quality counterfeits. Such groups can provide financing of illegal production, the production itself and finally also distribution to end-users.

2.3 Identification of counterfeit copies²⁰

The process of counterfeit software identification itself is complicated by the fact that counterfeits appear both in the physical world and in the virtual one. Distribution channels differ depending on the type of counterfeits and the process of their identification corresponds to the means of their distribution. We would like to focus mainly on identification of physical counterfeits (due to relatively easy identification) in the following part, and we will also shortly mention counterfeits in the virtual world.

Even though all software manufacturers have their own methods how to protect their products against counterfeiting, we can say that there are certain basic and common features for identification of genuine software, which are adapted to meet mainly the following requirements:

- easy identification (even an ordinary person should be able to

²⁰ Ing. Marek Fiala from The Prague Criminalistic Institute participated in preparation of this part of text, functioning as a technical expert.

recognize that the software they are purchasing is genuine without any problems)

- complicated (optimally impossible) imitability – (technologies protecting software against counterfeiting surpass even security features of bank-notes in many ways)
- durability of identification features (they should usually survive ‘rough handling’ without suffering any damage)
- form of distribution (reputation among customers)

2.3.1 Security features of physically distributed software²¹

Software security features usually include:

- standardized means of packaging and distribution of IFPI organization codes
- technical design of the distribution medium (printing, holograms...)
- certificates of authenticity
- accompanying documentation

2.3.1.1 Packaging and distribution

The most important indicators of whether the software or information technologies shipped to the place of destination are genuine include:

²¹ Computer programs produced by Microsoft Corporation will be used in this text to demonstrate security features and the problem of counterfeits due to their widespread use.

packaging;

- distribution channels used;
- carrier used;
- standardized accompanying transport documents.

Some companies have ‘set up’ permanent distribution channels, carriers, means of goods packaging, etc. in the course of their existence. Thus it is possible to identify deliveries of illegal software or hardware in some cases just by checking the means of delivery, packaging, etc. Examples of suspicious deliveries:

- an IBM – Lotus package, which comes from a place other than Dublin
- a package containing IBM HW which is delivered to the CR by some other company than DHL
- a negligently packed package;
- packages with unprofessionally looking dispatch notes, etc.

Image no. 8 – a counterfeit and



Image no. 9 – a genuine software package



Image no. 10 – a counterfeit software dispatch note



Image no. 11 – example of a Microsoft genuine software package



2.3.1.2 IFPI codes

The most frequent 'indicators' which lead to suspicion that a compact disc may come from illegal production, distribution and sale, are the so-called IFPI codes.

To increase security of CD production both in the matrix preparation phase and in the replication phase, IFPI in cooperation with Philips Consumer Electronics developed the Source Identification Code tool – better known as the SID.

There are two types of these codes:

2.3.1.2.1 Laser Beam Recorder (LBR) Code

which identifies the plant in which the matrix was made. This code can be found at the inner ring of the CD. It usually begins with letter 'L' followed by 3 digits.

Image no. 12 – IFPI code on an optical medium (CD DVD)



2.3.1.2.2 Mould Code

which identifies the plant in which the disk was replicated. This code is on the clear plastic on the innermost rim of the mirror side of the medium.

Image no. 13 – Mould code on an optical medium (CD DVD)



The advantage of this program is that the history of every disc which bears SID code can be sought back to the place of manufacture or replication. There are reports that even counterfeit SID codes were discovered, nevertheless, in practice, IFPI codes are a significant identification mark of genuine products.

If any of the codes is missing or has been removed, it is quite clear that the computer program is a counterfeit copy.

Image no. 14 – removed IFPI code (outer rim, down)



2.3.1.3 Holograms and disc prints

From Windows 98 onwards, genuine media distributed by Microsoft company are equipped with a special holographic layer.

The hologram is all over the printing of the media (face side – see Image no. 15) and in the inner ring of the disc (see Image no. 16)

Image no. 15 – a medium with a hologram



Image no. 16 – a hologram on a medium



2.3.1.4 The Certificate of Authenticity, COA

The Certificate of Authenticity is a

label facilitating identification of genuine software of Microsoft. The Certificate of Authenticity (COA) is not a software licence; it is a visibly placed mark, which facilitates assessment whether the used Microsoft software is genuine. The Certificate of Authenticity(COA) cannot be purchased separately without the software, the authenticity of which it confirms.

The Certificate of Authenticity comprises extended features preventing counterfeiting, which facilitate verification of authenticity of the purchased software. The Certificate of Authenticity can also contain bar code, which serves for tracing of the product. Generally, there are four basic types of the Certificate of Authenticity:

2.3.1.4.1 Retail software Certificate of Authenticity

The Certificate of Authenticity for software purchased separately in a retail shop is attached on the top of the box.

Image no. 17



2.3.1.4.2 Large manufacturer pre-installed Windows Certificates of Authenticity

Large manufacturer pre-installed Windows Certificate of Authenticity

(OEM version) should be affixed to the computer case. The Certificate of Authenticity contains a 25-digit Product Key, which is requested during eventual reinstalling.

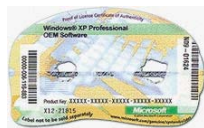
Image no. 18



2.3.1.4.3 Small manufacturer pre-installed Windows Certificates of Authenticity

Small manufacturer pre-installed Windows Certificate of Authenticity, also labelled as a System Builder, is usually affixed to the computer case. The Certificate of Authenticity contains a 25-digit Product Key, which is requested during eventual reinstalling.

Image no. 19



2.3.1.4.4 Pre-installed non-Windows software Certificates of Authenticity

If some software other than Windows is purchased together with a computer (e.g. Microsoft Office), the COA should be included with your system recovery disc or Office Ready PC package.

Image no. 20



There is a large amount of COA labels and they contain various security features, such as:

- holograms,
- bar codes,

Image no. 21 – examples of COA security features



- product numbers
- manufacturer's logos
- micro texts etc.

If you come across more sophisticated counterfeit copies of the COA, you should ask the manufacturer for cooperation.

2.3.1.5 Depending on the character of the product, genuine software is supplemented with corresponding documentation, such as manuals, licence agreements, etc.

2.3.2 Counterfeit copies in the virtual world (counterfeit copy in computer network)

The most frequent source of counterfeit copies is the so-called warez, which is shared through P2P networks. Warez is usually produced and distributed as follows:

- Some expected version of commercial software is released.
- Warez group uses its contacts to obtain a copy before the software is released (or steals a CD from the factory where it is manufactured).
- The software is handed over to an expert programmer (cracker), who removes its copy protection.
- Thus modified software is given to a so-called courier, who spreads it to many FTP servers or uses P2P network for its distribution.
- The result is that an unauthorized copy of a program is commonly available on the same day as its official release (so-called 0-day), sometimes even sooner.

Warez versions of commercial software are typical 'virtual world counterfeits', and they are usually released in two versions: a full version and a so-called rip ('trimmed') version.

- A rip-version is smaller, does not contain unnecessary parts, such as a PDF guide, rip-versions of computer games usually lack video sequences, some parts can also be

compressed (e.g. into MP3 format) and users have to decompress them before use.

- Full versions are usually distributed as CD or DVD images (so-called BIN, ISO, CCD or MDF files).

Warez distribution of software usually contains a set of 'crack' applications or key generators.²²

We have to say on the subject of warez that many users who obtain software from warez sources are confident that they do no harm to anyone. Their argument, for example, is that if they did not obtain the software as warez, they would not surely purchase it either.

The program manufacturer thus did not lose anything. Majority of western countries consider production and distribution of warez illegal, but it is either completely legal or at least tolerated or even totally ignored in poorer third world or communistic countries.

The main problem of detection and proof of counterfeits in the virtual world lies in the difficulties connected with its finding, but also finding out whether it is already installed genuine software or a counterfeit copy.

²² *Cracking means surpassing of protections, (but also testing of their resistance against breaking) and subsequent unauthorized use or distribution of the program (its counterfeit copy).*

3. Statistics²³

In relation to the problem with the abovementioned cases of computer program copyright encroachment, we think that some international comparison could be quite interesting. International studies of specialized agencies are standardly used to describe software piracy development and to compare the scope of this phenomenon in individual regions.

The latest study issued by IDC company and processed in cooperation with Business Software Alliance (BSA) in 2007 provides very interesting comparison both in individual global macroregions, and within the frame of comparison of individual countries per 2006.

The image below shows relative assessment per piracy rate in seven regions in the world composed of 102 countries and six subregions pursuant to IDC categorization.

Image no. 22



²³ Source 'Fourth Annual BSA and IDC Global Software Piracy Study'

Although it is impossible to gain completely accurate numbers within such extensive study and such large industrial branch, the outputs of this survey are very important both for following certain general trend in development of the given problems (the study has already been processed several years in a row) and for comparison of individual regions (the same methodology is used for the whole world). The worldwide software piracy rate was 35% in 2006 as well as in 2005 and 2004, which is so far the lowest value.

Eastern Europe, where the piracy rate is as high as 68% is traditionally the most problematic region. Several countries with the highest piracy rates, such as Moldova with 94% or Ukraine with 84% can be found in this region.

On the contrary, North America is traditionally the region with the lowest rate of illegal software with 22% followed by Western Europe, the second region in this imaginary chart with 34% rate. The USA is the country, which boasts the lowest software piracy rate with 21% share of illegal software. However, an interesting fact is that even such percentage means a USD 7 billion loss on such a big market as the American one. The chart below indicates that even countries with relatively low software piracy rate can experience enormous losses due to the size of the local market.

Comparison of individual countries, which results in the following comparison chart of countries with the highest and the lowest software piracy rate is very interesting from the point of view of the Czech Republic:

20 countries with the highest		20 countries with the lowest	
Armenia	95%	USA	21%
Moldova	94%	New Zealand	22%
Azerbaijan	94%	Japan	25%
Zimbabwe	91%	Denmark	25%
Vietnam	88%	Austria	26%
Venezuela	86%	Switzerland	26%
Pakistan	86%	Sweden	26%
Indonesia	85%	Finland	27%
Ukraine	84%	The UK	27%
Cameroon	84%	Belgium	27%
Algeria	84%	Germany	28%
Montenegro	82%	Netherlands	29%
Salvador	82%	Australia	29%
Zambia	82%	Norway	29%
Bolivia	82%	Israel	32%
Ivory Coast	82%	Canada	34%
China	82%	United Arab Emirates	35%
Nigeria	82%	South Africa	35%
Paraguay	82%	Ireland	36%
Guatemala	81%	The Czech Republic Singapore	39%

As regards the Czech Republic, the abovementioned comparison indicates that the stated software piracy rate in the Czech Republic has generally declined in the last few years, namely from the former 64% (1994) to the current 39% of illegal software, which is the best result in the region comprising post-socialistic countries on one hand, but on the

other hand it still falls behind the developed world economies. Losses caused in the territory of the Czech Republic are estimated at USD 147 million, which equals almost CZK 2,5 billion, and this number is more than estimable. At any rate, we have to say on the subject of the stated 39% rate that some software manufacturers consider it greatly undervalued, they say the real rate is somewhere around 60%. Here we have to say that software piracy does not have the same impact on all manufacturers alike. There is naturally a difference between the view of a manufacturer of common office or user software, which is generally mass counterfeited and used, and the view of manufacturers of some specialized software, which has not so wide user background.

We think that it is generally very interesting to see the comparison of individual regions and even individual neighbouring countries.

It seems obvious that the state of advancement of a certain economy and its orientation to modern technologies on one side corresponds to the software piracy rate on the other. Thus the countries with strong background in the information technology field, for example the United Kingdom and Scandinavian countries in Europe, or the USA, Australia, New Zealand or Japan

outside Europe usually have rather low software piracy rates. On the other hand, this rate in countries, which traditionally fall behind, in this field is higher, even if these countries are situated in a generally problem-free region. Here we can mention Portugal, Spain, Italy or Greece, where the software piracy rates notably exceed the European average. However, the IDC study noticed that exceptions can be found even here, as for example France or Italy can boast relatively well-developed IT sectors and despite this they do not belong among countries with the lowest software piracy rates. According to IDC, the reason is that these are countries with high share of small and medium enterprises, which can have higher rate of illegal software use.

4. Basic contact information

If you have any doubts about the authenticity of a particular computer program then, with regard to the wide range of computer program security features in use and wide possibilities of their protection, you should address directly its manufacturer, who will be able to ensure verification of the product authenticity by highly specialized and trained experts. Below we mention at least the most fundamental contracts and links concerning the problem of software piracy, and counterfeiting in computer program field:

www.bsa.cz

BSA hotline: 224 811 748

www.microsoft.cz

<http://www.microsoft.com/resources/howtotell/content.aspx?displaylang=cs&pg=counterfei>