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Excessive or abusive reliance on measures, procedures and remedies under Directive 2004/48/EC—the issue of ‘trolls’ in the IP enforcement framework in light of Case C-597/19 *Mircom*

Amandine Léonard

On 17 June 2021, the Court of Justice of the European Union (CJEU) delivered a preliminary ruling answering three questions from the Company Court of Antwerp (*Ondernemingsrechtbank Antwerpen*, Belgium) in the *Mircom* case (C-597/19).¹ One of the referred questions relates to whether an intellectual property rights (IPRs) holder, who does not exploit these rights directly in the market, has proper standing to request and make use of the measures, procedures and remedies envisaged by the Directive 2004/48 on the enforcement of IPRs (‘Enforcement Directive’ or ‘the Directive’).² These intellectual property (IP) holders are commonly known as non-practicing entities (NPEs) or more pejoratively as IP ‘trolls’. Two underlying questions were also raised in this case. The first question was if a distinction should be made between right holders who exploit their IPRs and those who do not exploit these rights when it comes to the exercise of a right to information. In other words, could it be that, because of the lack of exploitation, requests for information regarding IP infringing activities should be assessed differently by national courts. The second question was if right holders who do not exploit their IPRs directly in the market, and therefore do not generate revenues on the market, can actually suffer any monetary damages due to infringement.

Two other questions were put before the CJEU: first, regarding the interpretation to be given to the concept of communication to the public within the copyright framework (under Article 3(1) of Directive 2001/29)³;

- 1 Judgment of 17 June 2021, Case C-597/19, *Mircom International Content Management & Consulting (M.I.C.M.) Limited v Telenet BVBA*, EU:C:2021:492.
- 2 Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of IPRs.
- 3 Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonization of certain aspects of copyright and related rights in the information society.

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This article

- The decision of the Court of Justice of the European Union (CJEU) in *Mircom* (C-597/19) is the first to deal with the question of whether intellectual property rights holders, who do not exploit their rights, can request and make use of the measures, procedures and remedies envisaged by the Directive 2004/48 on the enforcement of intellectual property rights.
- In particular, the referring court doubted whether an undertaking which does not exploit its rights, but merely uses them in order to obtain some monetary damages from alleged infringers, could benefit from the enforcement toolbox envisaged by the Directive. This *modus operandi* is generally associated with so-called ‘copyright trolls’.
- This article explores the legal reasoning of the Court on the enforcement Directive and its relationship with non-practicing entities (NPEs) or so-called IP trolls. Arguing that categorical refusals to grant requests on the basis of the business model adopted by an applicant would be contradictory to the text and spirit of the Directive,

it suggests that national courts should make greater use of the flexibility provided by the Directive when dealing with trolls within the IP enforcement framework. However, due to the limited discretion in the hands of national courts in Europe, to claim that courts should rely on flexibility may not be the panacea.

second, on the protection of natural persons vis-à-vis the processing of personal data (under Article 6 of the General Data Protection Regulation).⁴ This article concerns exclusively the interpretation given by the CJEU to the various provisions of the Enforcement Directive and its potential impact on the practice of NPEs. It, therefore, takes place within the debate on the role and consequences of ‘trolls’ within the IP enforcement framework.

1. Facts

Mircom International Content Management & Consulting (MICIM) Ltd (Mircom) is a company incorporated under Cypriot law. It is the holder of certain rights over a portfolio of pornographic movies produced by eight production companies based in the USA and Canada. According to their contractual agreement, Mircom’s mission is to detect and pursue copyright infringement. In particular, Mircom’s mission is to identify copyright infringers and obtain reparation for their copyright violation (50 per cent of the revenue related to reparation being passed on to the producers). Mircom believed that some customers of Telenet (ie, a Belgian Internet access provider) were involved in copyright infringement, in particular, by sharing some films from its portfolio on a peer-to-peer network.

Following its contractual mission, Mircom wished to initiate infringement proceedings against these potential infringers. Therefore, it contacted Telenet in order to obtain some information enabling its customers to be identified on the basis of several thousand IP addresses already collected by Mircom. Facing the refusal of Telenet to communicate this information, Mircom seized the Belgian court in order to obtain an order against Telenet to produce the identification data for its customers whose Internet connections had been used.

In substance, the Company Court of Antwerp doubted whether an undertaking such as Mircom could benefit

from the protection conferred by Directive 2004/48 in so far as it does not exploit its IPRs directly in the market but merely uses them in order to obtain some monetary damages from alleged infringers. This modus operandi resembles the traditional definition of so-called ‘copyright trolls’. The Company Court also questioned whether Mircom could benefit from the protection envisaged by the Enforcement Directive when its revenues depend on the existence of copyright infringement and piracy rather than the fight against such reprehensible behaviour. The Belgian court, therefore, decided to refer some preliminary questions to the CJEU.

2. The CJEU’s reasoning

After reformulating the questions of the referring court, the CJEU considered that, by its second question, ‘the referring court asks, in essence, whether Directive 2004/48 must be interpreted as meaning that a person who is the contractual holder of certain IPRs, who does not however use them himself or herself, but merely claims damages from alleged infringers, may benefit from the measures, procedures and remedies provided for in Chapter II of that Directive.’⁵

The CJEU identified three parts to this question⁶: first, a part relating to the question of legal standing (under Article 4); second, a part relating to the prejudice potentially suffered by an undertaking such as Mircom (within the meaning of Article 13); and, finally, a part on the admissibility of the information request pursuant to Article 8, read in conjunction with Article 3(2).

A. Legal standing

With regard to legal standing, the CJEU reminds that, pursuant to Article 4 of Directive 2004/48, there are four categories of persons or bodies which can seek the application of the measures, procedures and remedies provided for in the Enforcement Directive.⁷ These categories are: the IPR holders, the authorized persons such as licensees (as far as national law allows), IP collective rights management bodies and professional defence bodies (here again, as far as national law allows).

In the present case, Mircom owns certain rights on the portfolio of pornographic films thanks to a contract concluded with the producers of these films. In light of this contract, it is relatively easy to consider that Mircom can

4 Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC (General Data Protection Regulation).

5 *Mircom* (n 1) para 60.

6 *Ibid* para 61.

7 *Ibid* para 62.

either be qualified as a right holder or a person authorized by the right holders (such as a licensee).⁸ It can therefore easily fall within one of the categories of persons or bodies which can seek the application of the Enforcement Directive under Article 4.⁹ The fact that Mircom does not exploit its IPRs cannot affect its legal standing since such a requirement is not envisaged in the text of this provision.¹⁰

B. Prejudice suffered by an NPE

According to Article 13 of the Enforcement Directive, a person suffering prejudice as a result of infringing activities has the right to obtain damages appropriate to the actual prejudice suffered. In essence, Article 13 provides for three methods of evaluation of these damages: the negative economic consequences suffered by the injured party, the unfair profits made by the infringer and the method of the comparable licence. The latter focuses on what the infringer would have paid in terms of royalties or fees to the injured party had an authorization to use the IPR in question been requested. This is also known as the method of ‘hypothetical negotiations.’¹¹

With regard to this second part of the question, the CJEU considers that damages must be evaluated in light of the ‘activities [which] may hinder the normal use of those rights or diminish their revenue.’¹² The normal use of IPRs is not defined by the court, but it is nonetheless accepted that a person, while having IPRs, may merely engage with the recovery of damages in respect of claims assigned to him or her by other holders of IPRs. The fact that Mircom may act as an assignee, providing the film

producers with a service for the collection of claims for damages, does not mean that Mircom should be excluded from the benefit of the measures, procedures and remedies provided by the Directive, including Article 13. Such an exclusion would be contrary to the objective of ensuring a high level of protection of IPRs in the internal market (as clearly stated in recital 10).¹³ In other words, an assignment of claims cannot, in itself, affect the nature of the rights which have been infringed, in particular, in the sense that that assignment would have an effect on the determination of the court having jurisdiction or on other procedural aspects, such as the possibility of seeking measures, procedures and remedies within the meaning of Chapter II of the Directive.¹⁴

C. Right of information and the question of abuse

Under Article 8 of the Enforcement Directive, in case of infringement, the persons and bodies allowed to seek the applications of the enforcement measures, procedures and remedies, pursuant to Article 4, have the right to request from competent judicial authorities that information on the origin and distribution networks of the goods or services which infringe an IPR be provided by the infringer and/or other persons who may hold this information.¹⁵ These requests must nonetheless be justified and proportionate.

In the present case, the question was whether Mircom could exercise this right of information against Telenet in order to obtain complementary information on alleged infringers. The underlying objective behind this exercise was that it would allow Mircom to bring actions for damages against these infringers before the competent court. The referring court was questioning the legitimacy of the exercise of this right of information. On the one hand, the referring court harboured doubt as to the admissibility of Mircom’s request for information in so far as that company would not make serious use of the rights acquired. There were some uncertainties as to whether Mircom truly intended to bring any action for damages. There was strong evidence that Mircom merely proposed an amicable settlement with the sole aim of obtaining a lump sum of damages of EUR 500.¹⁶ On the other hand,

8 Ibid paras 68 and 69.

9 In his opinion, however, the Advocate General (AG) argued that due to the fact that *Mircom* merely engaged with the acquisition and recovery of claims relating to infringement, it may not have proper standing. An assignment to obtain compensation for damage resulting from the exclusive powers of IPR holders is not a normal license agreement and therefore does not confer the same rights and prerogatives. As an assignee (and not an IPR holder or a licensee), *Mircom* would not be entitled to benefit from the measures provided for in Directive 2004/48. Since the notion of the use of IP rights does not cover assignments to recover damages, *Mircom* would lack interest in bringing proceedings within the meaning of Article 4 read in conjunction with recital 18 of the Directive. Opinion of AG Szpunar of 17 December 2020 in *Mircom v Telenet*, EU:C:2020:1063. Para 82 et seq.

10 *Mircom* (n 1) para 67. It remains for the referring court to verify the validity of the license and *Mircom*’s legal standing under Belgian procedural rules. For example, Belgian case law and doctrine tend to recognize that a license is only enforceable against third parties if registered. See in trademark law: Comm. Mons, 27 June 2002, J.L.M.B., 2003, pp. 796 and s. Bruxelles, 24 Jan. 2006, I.R.D.I., 2006, p. 208. And in patent law: Civ. Brux., 27 June 2002, I.R.D.I., 2002, p. 295. Civ. Gand, 4 April 2007, I.R.D.I., 2008, p. 152. Comm. Anvers (cess.), 5 April 2007, Ing.-Cons., 2008, p. 428 et I.R.D.I., 2007, p. 309.

11 In some instances, the moral prejudice caused to the right holder by the infringement can also be taken into account to determine damages. See judgment of 17 March 2016, Case C-99/15, *Liffers*, EU:C:2016:173.

12 *Mircom* (n 1) para 72.

13 Ibid paras 74 and 75.

14 Ibid para 76.

15 In particular, any person who was found in possession of the infringing goods on a commercial scale, any person found to be using the infringing services on a commercial scale or to be providing services used in infringing activities on a commercial scale or any person who was involved in the production, manufacture or distribution of the goods or the provision of the services.

16 *Mircom* (n 1) para 79.

the referring court raised the question of a potential abuse of rights by Mircom in light of Article 3(2) of the Enforcement Directive and the possibility of classifying Mircom as a 'copyright troll'.¹⁷

Following the Advocate General (AG) Szpunar, the CJEU holds, in the first place, that 'seeking an amicable solution is often a prerequisite for bringing an action for damages'.¹⁸ Therefore, it cannot be considered, *per se*, that a request for information is prohibited for that reason alone that it takes place in a pre-litigation phase. The CJEU observes that the right of information may be exercised during an autonomous procedure and not necessarily during proceedings on the merits. For example, the right of information can be exercised *after* closing an action on the merits in the remedial phase of the dispute. It is, therefore, appropriate to apply the same reasoning in relation to a separate procedure *preceding* an action for damages.¹⁹ Moreover, the CJEU observes that Article 8 of the Enforcement Directive seeks to apply and implement the fundamental right to an effective remedy guaranteed in Article 47 of the Charter of fundamental rights. Thereby it ensures the effective exercise of the fundamental right to property, which includes the IPR protected in Article 17(2) of the Charter.²⁰ The CJEU nonetheless highlights that it is for the referring court to determine whether the request, as specifically formulated by an undertaking such as Mircom, is well founded and proportionate.

As regards the question of abuse of rights, the CJEU acknowledges that Article 3 of the Directive imposes a general obligation to ensure that measures, procedures and remedies necessary to ensure the enforcement of IPRs are fair and equitable and applied in such a way as to provide for safeguards against their abuse.²¹ In the event of abusive reliance on these enforcement tools, national courts should be able to refuse these requests. The CJEU however does not provide much guidance on what may be an abusive request: it 'falls entirely within the scope of the assessment of the facts in the main proceedings and, therefore, within the jurisdiction'²² of national courts to determine if there is an abuse of rights in light of all the circumstances of the case. Nonetheless, the CJEU observes that, in order to find an abuse, the referring court could, on the one hand, examine the *modus operandi* adopted by Mircom with regard to amicable settlements and, on the other hand, verify if Mircom truly

brings actions for damages in the event of a refusal to reach such an amicable solution. Moreover, the CJEU suggests examining whether Mircom is, in fact, attempting, under the guise of proposing amicable solutions to alleged infringements, to extract economic revenue from the very membership of the users concerned in a peer-to-peer network, such as the one at issue, without specifically seeking to combat the copyright infringements caused by that network.²³

3. Comments

The question before the CJEU raises two points of discussion, which are examined below. First, the case touches upon the issue of IP trolls. This first point can be divided into two further sections. On the one hand, the fact that the form or business model adopted by IPR holders cannot lead to the categorical refusal to access the measures, procedures and remedies envisaged under Directive 2004/48. On the other hand, the fact that different types of IP trolls exist and correlatively different enforcement strategies also take place. Therefore, if the form or business model adopted by a right holder cannot lead to a categorical refusal to access enforcement tools, it is also not particularly easy to categorically refuse or limit the exercise of these tools by right holders, IP trolls or not. Second, the case touches upon this issue of excessive or abusive exercise of enforcement tools under Directive 2004/48. Here again, this second point can be divided into two further sections: on the one hand, by looking into the meaning of a principle prohibiting abuse of rights from a national and European perspective; on the other hand, by examining a decision from the UK High Court in a parallel litigation involving Mircom, which can provide some food for thought on this question not only to the referring court but also to other courts having to deal with requests from undertakings such as Mircom.

A. IP trolls

(1) Substance over form

In its decision, the CJEU essentially holds that a right holder (or an authorized person) who does not exploit their IPRs cannot, for this reason only, be excluded from the benefit of the measures, procedures and remedies envisaged by Directive 2004/48. Such an exclusion would run counter to the general objective of the Directive, embodied in recital 10, to ensure a high level of protection of IP.²⁴ This conclusion is not entirely new. In instances

17 Ibid para 78.

18 AG Opinion in *Mircom* (n 9) para 113. *Mircom* (n 1) para 80.

19 *Mircom* (n 1) paras 81 and 82.

20 Ibid para 83.

21 Ibid para 94.

22 Ibid para 95.

23 Ibid.

24 Ibid para 75.

preceding this case, national courts already concluded that the nature or the form adopted by a right holder, including the form of an NPE, could not lead to a categorical refusal of access to legal tools considered essential for the enforcement of IPRs.²⁵

Interestingly, the CJEU observes that right holders who decide to transfer some of their rights to a company such as Mircom, which specializes in the recovery of damages, should not suffer less favourable treatment than other IPR owners. Such a treatment would dissuade right holders from outsourcing their right to recovery of damages and could, in turn, undermine the attractiveness of that outsourcing from an economic point of view. The CJEU also compares companies specialized in the recovery of damages to those active in the field of protection of air passengers; in particular, to companies specialized in the compensation and assistance to passengers in the event of denied boarding and of cancellation or long delay of flights.²⁶ These comparisons and qualifications are far less pejorative than those traditionally associated with NPEs and IP trolls in particular.

As for the question of damages, the CJEU follows the same reasoning as for legal standing. *Per se*, the economic business model adopted by NPEs is not objectionable. It cannot be excluded that right holders, or authorized persons, do not suffer any damages envisaged under Article 13 of the Directive, simply due to the fact that they do not exploit their rights.²⁷ It is clear for the CJEU that the economic model adopted by right holders cannot, in itself, suffice to categorically condition the access to remedies envisaged within the IP enforcement framework. As such it seems logical to conclude that, *vis-à-vis* IP trolls, *the substance*, in the sense of the actual practices adopted by these right holders, takes precedence over the *form* adopted by them. If national courts (or defendants in IP litigation) believe that they face copyright (or other IPR) trolls, it will remain to be proven that these trolls have actually engaged in reprehensible behaviour. To classify companies as ‘trolls’ is insufficient to draw legal consequences.

What is not excluded from the CJEU’s decision is that the economic model adopted by right holders (or their

authorized persons) can be taken into account in the concrete application of measures, procedures and remedies specific to IP litigation. For example, the method used to determine the harm suffered by an NPE could be affected by the business model chosen by the entity in question. In practice, it could be more difficult for an NPE to argue that the negative economic consequences that should be compensated should be evaluated in light of losses suffered in the market (one of the methods envisaged by Article 13 of the Directive). If these entities do not directly exploit their rights in the market, there is no loss that can be suffered. A similar reasoning may apply to the method of compensation relying on undue benefits obtained by the infringer. The profits made by the infringers cannot be considered as profits that the right holder would have realized since there is no exploitation in the market. On the other hand, the method of compensation relying on hypothetical negotiations seems to be, in general, more suitable for companies exclusively interested in the recovery of damages or, as it is more often the case in particular in patent litigation, in obtaining a license agreement. These hypothetical negotiations represent the typical method of compensation for damages caused to the ‘normal use’ of IPRs by an NPE.

(2) Different types of IP trolls

As suggested before, the phenomenon of IP trolls is not only present in copyright law. So-called trolls can be found in all branches of IP law. Patent trolls have, in particular, made the headlines in recent years. Specific strategies have grown in the different branches of IP law in order to exploit particular loopholes or opportunities in the different systems of protection and enforcement.

If, as observed by the CJEU, effective exploitation, or effective use, is not a *sine qua non* condition of access to the procedural means of enforcement under Directive 2004/48; this condition is also absent from the substantive legal frameworks (be it national or European) of copyright or patent law. There is no ‘use requirement’ under copyright and patent law. On the other hand, in trademark law, the absence of genuine use of a trademark in the market can lead to its revocation. It can also lead to limits or sanctions related to the exercise of exclusive rights enjoyed by trademark owners. The CJEU has recently developed this point and the interpretation to be given to this condition of exploitation, in particular, with regard to the principle of good faith.²⁸ This is due to the

25 In particular, in the field of patent law see, eg, in the UK: *Vringo Infrastructure Inc. v. ZTE (UK) Ltd* [2014] EWHC 3924 (Pat). *Nokia OYJ v. ICom GmbH & Co. KG* [2012] EWCA Civ 567. In Germany: LG Düsseldorf 4b O 140/13 (26.03.15), LG Düsseldorf 4b O 16/16 (24.05.16), LG München 7 O 16945/15 (21.04.16), OLG München 6U 2888/15 (02.06.16), LG Mannheim 7 O 38/14 (26.02.16) and LG Düsseldorf 4b O 120/14 (19.01.16). In the Netherlands: *Rechtbank Den Haag*, 24 Oct. 2014, KG ZA 14–870.

26 *Mircom* (n 1) para 77.

27 *Ibid* para 72.

28 Judgment of 29 January 2020, Case C-371/18, *Sky and Others*, EU:C:2020:45.

fact that both the Trade Mark Directive²⁹ and the Regulation³⁰ explicitly provide that a trade mark owner must (within a certain period after registration) put the trade mark to genuine use in the course of trade.

When put under the limelight of this use requirement, the question of the referring court on the consequences of a lack of use of copyright does not, therefore, appear to be completely unrelated to the overall IP framework. However, since such a use requirement is contemplated under neither copyright law nor patent law, it is tenuous to object to the fact that copyright or patent owners hold IPRs but do not exploit them in the market. Another peculiarity of trade mark law is also that some undertakings adopt particular strategies at the moment of registration and not only vis-à-vis enforcement tools. Certain companies have specialized in the practice of 'trade mark squatting'.³¹ These companies register a trade mark merely to obtain some financial gain when someone actually wants to use the trade mark in the course of trade. In Europe, the General Court has also provided some guidance on this point and the interpretation to be given to this type of behaviour, in particular, with regard to the principle of good faith.³² However, this practice of registering a trade mark and its correlative limitations and sanctions under trade mark law cannot be found in copyright law since the latter does not require any registration.

Moreover, the targets and the context in which these strategies take place differ between IPRs. With regard to copyright, a common practice of copyright trolls is to reach out to alleged infringers and seek compensation for copyright infringement. These alleged infringers are, in most cases, natural persons or end users of copyright-protected works. The acts of infringement usually targeted by copyright trolls take place on the Internet via file-sharing networks, such as peer-to-peer networks. Nowadays, it is fairly common to pursue infringement of copyright online. However, copyright trolls tend to focus their actions on shared files which relate to pornographic content. When contacted by these trolls, alleged infringers (ie, natural persons) are concerned that the fact that they are watching or downloading pornographic films can be revealed to friends and family through legal proceedings. A feeling of embarrassment, therefore,

leads many of these users to end the litigation threat by paying the required sums rather than defending themselves, even if they are not the real infringers.³³ Since the requests are sent to Internet connection holders based on IP addresses, these are not necessarily the people who committed the infringement. Overall, the parties being threatened by litigation prefer to put an end to the dispute by paying the sum requested by the holder rather than exposing themselves.³⁴ This context is quite unique to copyright trolls. Under patent law, requests from NPEs are addressed to a large panel of potential infringers who are often active in the field of information and communication technology (ICT sector). While some opt for suing large companies such as Apple³⁵ or Huawei,³⁶ others are targeting Small and Medium-sized Enterprises (SMEs).³⁷ The latter practice is however more common in the USA compared to Europe where the activities of NPEs seems, *a priori* (or for the time being), to be focused on large companies. What is nonetheless common to the strategies of copyright, patent and trade mark trolls is the type of dispute resolution sought by these companies. IP trolls are essentially trying to obtain some financial gain through amicable resolution or settlement. In the context of patent law, alleged infringers usually prefer to reach an amicable resolution in light of the high costs associated with legal proceedings. This is in contrast with copyright law where, as previously mentioned, embarrassment leads to settlements.

B. Excessive or abusive requests

(1) The principle of the prohibition of abuse of rights

As mentioned above, when it comes to the question of abusive request or use of measures, procedures and remedies, the CJEU does not really innovate. In the few cases concerning the interpretation to be given to Article 3 (2) of the Enforcement Directive, the CJEU takes a consistent position,³⁸ namely that this interpretation depends on national authorities and can only be examined in light

29 Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks. Article 16.

30 Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark. Article 18.

31 See eg, C Fink et al., 'Trademark Squatters: Evidence from Chile' (2018) 59 International Journal of Industrial Organization 340–71.

32 Judgment of the General Court of 29 September 2021, Case T-592/20, *Univiers Argo EOOD v. EUIPO*, EU:T:2021:633.

33 As observed in the AG Opinion in *Mircom* (n 9) para 73.

34 Ibid.

35 *Optis Cellular Technology LLC v Apple Retail UK Ltd* [2021] EWHC 131 (Pat).

36 *Unwired Planet International Ltd v Huawei Technologies (UK) Ltd and others* [2020] Bus. L.R. 2422 (UKSC).

37 For example, in 2011, *Innovatio IP Ventures LLP* sent more than 13 000 inquiries to hotels, cafes or restaurants that offered Wi-Fi to their customers. *Innovatio* claiming compensation of more or less \$2500 per infringement of its patent rights. After Cisco intervened to represent the interests of the SMEs being sued, the dispute ended in an out-of-court settlement. *In re Innovatio IP Ventures, LLC*, (N.D. Ill. Sep. 27, 2013).

38 See, eg, judgment of 25 January 2017, C-367/15, *Stowarzyszenie 'Oławska Telewizja Kablowa' w Oławie v. Stowarzyszenie Filmowców Polskich w Warszawie*, EU:C:2017:36.

of the particular circumstances of a case.³⁹ What is also common to these cases is that the question of abuse has important ramifications with the general principle of proportionality—a principle that is well known in Union law.

In Belgium, the principle of the prohibition of abuse of rights⁴⁰ has a long jurisprudential history.⁴¹ However, (successful) reliance on the principle of the prohibition of abuse of rights in IP litigation in order to limit the exercise of enforcement tools remains limited.⁴² Despite this limited success, legal commentaries frequently call upon the principle of the prohibition of abuse of rights, either as a standalone principle or in support of the principle of proportionality or the principle of good faith,⁴³ as a tool capable of correcting or limiting the negative effects deriving from the exercise of IPRs.⁴⁴ There are many national versions of the principle of the prohibition of abuse of rights. However, with regard to the case at hand and the recourse to measures, procedures and remedies provided for by Directive 2004/48, it is important to note that there is also a general EU principle of the prohibition of abuse of rights.⁴⁵

AG Szpunar has notably mentioned in his opinion that there is nothing preventing this principle from applying to the measures envisaged by Directive 2004/48, in particular, in view of Article 3 (2), which explicitly stipulates that ‘safeguards against their abuse’ should be in place.⁴⁶ This argument has also been advanced by part of the doctrine.⁴⁷ Although the AG’s opinion represents a step

further in this direction of recognizing the applicability of the principle of EU law in IP litigation, the next step would obviously be for this recognition to also appear in the CJEU’s reasoning. According to the EU principle, an abuse must be established on the basis of objective circumstances, from which it is evident that the intended objective of a particular rule is not achieved despite formal observance of the conditions laid down by such rule and on the basis of the subjective abusive intention. It should be noted that the subjective abusive intention of the EU principle can refer to the purpose or the aim of a person, ie, its state of mind,⁴⁸ but the intentional component of abuse can also refer to the aim of certain transactions. Therefore, an abuse is characterized by the fact that a right holder attempts to rely on EU provisions not with the aim of achieving the objectives of those provisions but with the aim of benefiting from an advantage linked to a right when the conditions for benefiting from this advantage are only formally fulfilled.⁴⁹

(2) Excess or abuse—Quid in practice?

Applying the principle of EU law to the facts of the case, one could argue that a company like Mircom is acquiring licenses without the intention to execute them either by exploiting the underlying copyrights or by engaging in litigation. On the contrary, it only seeks to avail itself of them in order to acquire the status of licensee and to be able, then, to initiate legal proceedings in order to obtain the data of alleged infringers. Thus, although having formally fulfilled the conditions to benefit from the status of licensee, such a company would invoke this status for a different purpose than that for which Directive 2004/48 confers on licensees the right to sue in the event of infringement. The purpose of this standing is to protect the normal use of their licenses and not to punish infringements of copyright and related rights in order to gain financial benefit.

This argument seems somewhat uncertain, however. For one thing, national courts would have to answer the question of what constitutes the ‘normal’ exploitation of licenses. This exercise does not seem impossible but certainly complicates the task of national courts. According to a classic approach to licensing contracts, it is true that

39 *Mircom* (n 1) paras 93 to 95.

40 The codification of the prohibition of abuse of rights also appears in the latest bill inserting Book 5 ‘Obligations’ into the new Belgian civil code. ‘Article 5.73 Execution in good faith and prohibition of abuse of rights’.

41 Cass. 06 Jan. 2011, Pas. 2011, I, p. 44. Cass. 22 Sept. 2008, Pas. 2008, p. 1999. Cass. 24 Sept. 1992, Pas. 1992, I, p. 1049. Cass. 19 Oct. 1989, Pas. 1990, I, p. 392. Cass. 05 Mars 1984, Pas. 1984, I, p. 768.

42 A Léonard, ‘“Abuse of Rights” in Belgian and French Patent Law—A Case Law Analysis’ (2016) *Journal of Intellectual Property, Information Technology and Electronic Commerce Law* 7(1), 30–50.

43 See, eg, in Germany where the question of abuse is closely linked to the principle of good faith under Article 242 of the BGB (‘*Treu und Glauben*’).

44 C Le Stanc, ‘L’abus dans l’exercice du droit de brevet: les “patent trolls” (2010) 9(10) *Propriété Industrielle* 3. C Caron, *Abus de droit et droit d’auteur*, Litec (1998). A Léonard, ‘L’abus de droit comme mécanisme correctif des pratiques excessives en droit des brevets’, I.R.D.I. 2019/2, p. 86. RM Hilty, ‘Legal Remedies Against Abuse, Misuse, and Other Forms of Inappropriate Conduct of IP Right Holders’ in RM Hilty et K-C Liu (eds) *Compulsory Licensing: Practical Experiences and Ways Forward*. (MPI Studies on Intellectual Property and Competition Law, Springer-Verlag, 2015) 377–95.

45 Developed in the case law of the CJEU and explicitly recognized for the first time in the *Kofoed* case. Judgment of 5 July 2007, C-321/05, *Hans Markus Kofoed v. Skatteministeriet*, EU:C:2007:408.

46 AG Opinion in *Mircom* (n 9) paras 77–80.

47 A Metzger, ‘Abuse of Law in EU Private Law: A (re-) Construction from Fragments’ in R De La Feria et S Vogenauer (eds) *Prohibition of Abuse of Law, A New General Principle of EU Law?* (Studies of the Oxford Institute of European and Comparative Law, Hart Publishing, 2011) 237. A

Léonard ‘L’abus de droit dans le contentieux des brevets—Entre divergences nationales et vœu d’harmonisation de la juridiction unifiée du brevet—Une piste à suivre?’ *Propriété Industrielle*, No. 1, Étude 2 (2017). Léonard ‘L’abus de droit dans le contentieux des brevets (n 31).

48 A Sayde, *Abuse of EU law and Regulation of the Internal Market* (Hart Publishing, 2014) 193.

49 S Vogenauer, ‘The Prohibition of Abuse of Law: An Emerging General Principle of EU Law’ in R De La Feria et S Vogenauer (eds) *Prohibition of Abuse of Law, A New General Principle of EU Law?* (Studies of the Oxford Institute of European and Comparative Law, Hart Publishing, 2011).

so-called 'normal' exploitation generally concerns the exploitation of IPRs in the market. For example, in patent law, a license that could be described as normal would be for the manufacture or sale of a product. However, as previously mentioned, there is not, either in copyright or in patent law, an obligation to use these rights in the market. Moreover, the term 'exploitation' is not constrained to manufacture or sale. It might therefore be more difficult to characterize a license agreement as 'abnormal' because it would serve to suppress infringements in order to obtain a financial benefit rather than to exploit those IPRs in the market.

Another solution would be to consider that Mircom is relying on this licensee status not to actually initiate legal proceedings against offenders but only for the purpose of obtaining a financial advantage through amicable settlements. Nevertheless, the CJEU has already considered, in this case, that an amicable resolution is often a prerequisite for the action for reparation. While it cannot be considered that, as such, the exercise of the right to information in a pre-litigation phase is prohibited, it seems as difficult to argue that relying on the measures made available by the Enforcement Directive in order to obtain an amicable settlement is to be prohibited. There are many reasons (legal and economic) that can justify relying on enforcement tools in order to avoid litigation.

However, some of these considerations open the door to another line of thought. In its decision, the CJEU also suggests some avenues to be explored which present clear connection with the principle of abuse. The CJEU suggests that the referring court take a closer look at whether Mircom actually intends to take legal action in the absence of an amicable settlement. In particular, the fact that Mircom does not prosecute infringers despite the absence of an amicable settlement should be taken into consideration in the analysis of the conditions of access and exercise of the measures, procedures and remedies provided for by Directive 2004/48. This could serve to demonstrate that Mircom does not really intend to exercise its rights under Directive 2004/48 to achieve the objectives of these provisions (ie, to prosecute infringers in order to put an end to copyright infringement) or even to benefit from an advantage related to this right (ie, to obtain amicable settlements). Such a situation would represent a diversion of the purpose of the right to rely on enforcement tools and could therefore be characterized as an abuse of rights.

This approach would not be totally foreign in the context of IP litigation. For example, in the context of requests for seizure measures (known as '*saisie descriptive*' or '*saisie réelle*' in French), some national courts

have already considered that the diversion of the purpose of these measures by IPR holders could fall within the scope of a claim of abuse of right,⁵⁰ in particular when the applicant tries to divert the evidentiary objective of these measures for exploratory purposes and therefore tries to conduct a 'fishing expedition'.

This possibility is not the only legal option to consider the actual intentions of a company such as Mircom in the exercise of enforcement tools. In a parallel instance involving Mircom,⁵¹ the UK High Court has already mentioned this possibility of taking into account the intention of the applicant to bring legal actions in the event of lack of amicable settlement in order to determine whether information measures were to be granted in a pre-litigation phase. As in the case before the Antwerp Company Court, Mircom was trying to exercise its right of information against Virgin Media in order to obtain additional information on Virgin Media's clients.⁵² In light of Virgin's refusal to share this information, Mircom sought to obtain a *Norwich Pharmacal* order.⁵³ Five conditions are usually required to obtain such an order:

- (i) An arguable wrong has been committed against the claimant;
- (ii) The respondent is involved in this wrong;
- (iii) The claimant intends to seek redress for this wrong;
- (iv) Disclosure of the requested information is necessary for the claimant to pursue the redress;
- (v) It is necessary and proportionate to grant the order/the court should exercise its discretion in favour of granting relief.

In the present case, Mircom's request was rejected by the High Court on the grounds that the applicant had not provided sufficient evidence to justify his right to information.⁵⁴ In particular, the expert reports were out of date and over 9 years old. They had not been properly commissioned and lacked truthfulness. In the witness statements, exhibits indicating the relevant IP addresses

50 In Belgium: Brussels Court of first instance (TPI Bruxelles (7^e ch.)) 20 June 2007, *SA GlaxoSmithKline Biologicals v. SA Sanofi Pasteur*, Ref. No. RG2006/6577/A. In France: Court of Cassation (Cass. (Comm.)) 12 Feb. 2013, ref No. F 11-26.361.

51 The referring court has already mentioned this decision in the context of its preliminary question to the CJEU. AG Opinion in *Mircom* (n 9) para 75.

52 *Mircom International Content Management & Consulting Ltd and Ors and Golden Eye International Ltd and Ors v Virgin Media Limited and Persons Unknown* [2019] EWHC 1827 (Ch).

53 *Norwich Pharmacal Co v Customs and Excise Commissioners* [1974] AC 133.

54 In a 2012 case, *GoldenEye* (Mircom's partner in the 2019 instance) had successfully obtained a *Norwich Pharmacal* order. However, in this case, the Court of Appeal seemed more certain that *GoldenEye* was actually going to sue infringers who did not reach an amicable settlement. *GoldenEye et al. v Telefonica Ltd* [2012] EWCA Civ 1740.

were missing and wrong exhibits had been presented to the court. In conclusion, the application was dismissed as the evidence presented was not sufficient to convince the judge that the first condition for obtaining the order was met (ie, that an arguable wrong had been committed). Since this first condition was not met, the court did not have to decide on the weight to be given to the applicant's intention to sue in the absence of an amicable settlement on the grant of the order. However, this element could certainly have been taken into consideration under the third (ie, the plaintiff intends to seek redress for the wrong) and fifth conditions (ie, proportionality and discretion).

It is in particular with regard to the fifth condition and the role to be played by the principle of proportionality that the High Court may have given the Belgian referring court food for thought. In fact, there was evidence that Mircom had sent 749 formal notices. Seventy-six ended with an admission of guilt and 15 with an amicable settlement without an admission of guilt. Therefore, 658 formal notices remained unanswered and Mircom had not initiated any legal proceedings. The High Court considered Virgin Media's central argument that the plaintiff generally did not intend to sue anyone or, in Virgin Media's words, that it was all part of a 'money making scheme' or a 'shakedown'.⁵⁵ The applicant intending to 'continue to ride the "gravy train" of letter-writing in the absence of court supervision'.⁵⁶ For the High Court, these facts could have been taken into account in the analysis of proportionality. A balancing exercise could have been made between the applicant's 'genuine intention to try to obtain redress for the infringement' and the potential 'money-making scheme that was designed to embarrass and coerce as many people as possible (regardless of whether they were actual infringers) into making the payments demanded'.⁵⁷

Although Belgian courts do not have the same test as the UK courts at their disposal, this does not mean that a similar situation of facts could not be taken into account before granting (or refusing) a request for information, in particular, in view of the terms used in Article 8 of the Directive and the condition that such a request must be 'justified and proportionate'. This provision has been transposed into Belgian law in Article XI.334§ of the Code of Economic Law. It includes the condition that a request may be granted if 'justified and proportionate'. Depending on the evidence presented before the Belgian court, a similar analysis to that conducted by the UK

court could help in determining whether the claim is justified and proportionate. Since the CJEU has not specified the interpretation to be given to these concepts, Belgian judges benefit from a certain margin of manoeuvre.

As to whether such a request may also constitute an abusive exercise of the right to information, here too, national courts enjoy a certain margin of manoeuvre. This room for manoeuvre is nevertheless limited in Belgium by the principle of 'marginal control'⁵⁸ and the need to demonstrate that an exercise is 'manifestly' abusive. Nevertheless, the diversion of the objective (or purpose) of a right has already been recognized in the case law as a criterion for abuse.⁵⁹ In addition, the interpretation to be given to the principle of the prohibition of abuse of rights in IP litigation benefits from a specific provision, namely Article 3 (2) of Directive 2004/48. This provision does not envisage a particular test of abuse and simply states that safeguards against the abuse of measures, procedures and remedies must be in place. However, the test of abuse developed by the CJEU (and mentioned above) can inform national courts on how to interpret Article 3(2). In particular, national courts would have to apply their national test of abuse in conformity with the EU principle when applicants rely on measures, procedures and remedies arising from Directive 2004/48.

To conclude on this point, it should be noted that, faced with requests coming from company such as Mircom, national courts are not completely powerless. While it is conceivable to apply a version of the principle of the prohibition of abuse of rights (either national or deriving from Union law), it is also possible to rely on the flexibility available to courts at this stage of the dispute. These two options are not mutually exclusive. However, the consequences of either approach differ. In some instances, a finding of abuse may lead to the award of damages. This sanction could not only have a compensatory effect but also a dissuasive effect. With regard to the exercise of flexibility, the consequence of the discretion is generally limited to the refusal of the request and not to the award of damages. Once again as mentioned by the CJEU, all the circumstances of the case must be taken into account and it cannot be concluded, *a priori*, that the behaviour of any IP troll is necessarily abusive and should therefore be sanctioned. Likewise, it cannot be determined, *a priori*, that a request is unjustified and disproportionate because it emanates from such entity and should therefore be refused.

55 *Mircom UK* (n 52) para 54.

56 *Ibid.*

57 *Ibid* para 59.

58 S Stijns and I Samoy, 'La confiance légitime en droit des obligations' in S Stijns et P Wery (eds) *De bronnen van niet-contractuele verbintenissen—Les sources d'obligations extra-contractuelle* (Bruges, Die Keure, 2007) 59.

59 Léonard *L'abus de droit dans le contentieux des brevets* (n 42).

4. Conclusion

In essence, the decision of the CJEU on this second preliminary question is hardly surprising. We find the traditional markers of IP litigation. In particular, the CJEU does not fail to recall the importance of recital 10 of Directive 2004/48 and the guarantee of a high level of protection of IP rights.⁶⁰ In addition, it is also not surprising that the CJEU leaves it to national courts to interpret, in light of all the circumstances of a case, concepts such as the principle of abuse of rights, the merits of a request and whether it is justified and proportionate. It might have been useful to get more guidance from the CJEU on these particular questions. Nevertheless, the observations regarding the consideration of the real intentions of the applicant are already a step forward in the debate concerning IP trolls.

Two minor elements leave us somewhat perplexed. The first is regarding the comparison between companies such as Mircom with companies specialized in the compensation and assistance to passengers in the event of denied boarding and of cancellation or long delay of flights.⁶¹ Such comparison is much less pejorative than that traditionally associated with NPEs and IP trolls in particular. This qualification also seems to have generated some doubts for the AG on the legal standing of Mircom and its capacity to rely on Directive 2004/48.⁶² The second element is concerning the CJEU's application of the 'same reasoning' between exercising the right to information before or after a decision on the merits in IP litigation. While it seems logical to recognize the full exercise of this right after the definitive closure of an action having found that an IPR has been infringed, it is not unreasonable to submit the exercise of this right to a higher degree of scrutiny when infringement (or validity, in particular, as regards patents and trademarks) has not yet been recognized by a competent court. Although the importance of the right to information is recognized with reference to Articles 47 and 17 (2) of the Charter of fundamental rights, as mentioned by the CJEU, the application of the 'same reasoning' raises some questions.

As for the merits of the request for information and the interpretation of an abuse of right, these questions remain exclusively in the hands of the referring court. If the doubts of the referring court as to the lack of genuine intention to sue are confirmed, eg, if a factual situation similar to that present in the UK is also found before the Belgian court, Mircom's claims could be rejected. In addition, it is not excluded that the Antwerp Company

Court considers that these requests were formulated abusively. It may seem like an uncertain scenario, but it is not unprecedented. In 2012, the president of the Commercial Court of Antwerp already considered that sending formal notices and making requests for information by a similar company was abusive and also constituted an unfair market practice.⁶³

More generally, the question remains whether the strategies adopted by so-called IP trolls should be sanctioned and, if so, via which legal mechanism. In view of the nature of the principle of the prohibition of abuse of rights, it seems almost impossible to determine *a priori* whether the exercise of a right (from a subjective or a procedural point of view) falls within the scope of the prohibition. This determination requires reviewing of all the circumstances of the case. The same reasoning applies for the determination of 'justified and proportionate' requests. To rely on the flexibility offered by Article 8 of the Enforcement Directive (and the national provisions implementing it) can only be done on a case-by-case basis. Whether that would be sufficient to put an end to the nuisance generated by so-called IP trolls remain to be seen.

Overall, the questions of the referring court offer an example of the legal uncertainty that reigns vis-à-vis the treatment of IP trolls. In continental Europe, national courts do not enjoy great discretionary powers. Therefore, it is possible that, without legislative intervention, this uncertainty will likely persist. In the USA (and to some extent in the UK), courts enjoy, and frequently rely on, their discretionary powers in order to limit certain practices considered excessive (or abusive). The binding force of legal precedent also makes it possible to establish more consistent practices and thus develop more legal certainty. The merits of a legislative intervention in Europe should nevertheless be informed by a legal analysis as well as an economic analysis of the costs generated by these entities and the harm they may be causing to the IP system.⁶⁴ Unfortunately, this more in-depth examination goes (far) beyond the scope of this contribution.

63 President of the Commercial Court of Antwerp (Voorz. Kh. Antwerpen) 03 April 2012, *United Video Properties Inc. (UVP) v. NV Telenet* (A/11/05443).

64 In part, such an analysis has already been conducted in the field of patent law by the European Commission and the Joint Research Centre. N Thumm and G Gabison (eds), JRC Report, Patent Assertion Entities in Europe: Their impact on innovation and knowledge transfer in ICT markets (2016). Available at <https://ec.europa.eu/digital-single-market/en/news/study-patent-assertion-entities-europe> (accessed 10 November 2021). Some undertakings have also requested more studies on this question. For example, IP2 Innovate has recently launched an initiative in order to obtain more testimonies from SMEs victims of abuse. See: www.sospatentabuse.eu (accessed 10 November 2021).

60 *Mircom* (n 1) para 75.

61 *Ibid* para 77.

62 AG Opinion in *Mircom* (n 9) para 87.