CJEU INCREASES BURDEN ON MANUFACTURERS OF GAMES CONSOLES TO PROVE THE UNLAWFULNESS OF DEVICES CIRCUMVENTING TECHNOLOGICAL PROTECTION MEASURES AND THAT THEIR TPMS ARE PROPORTIONATE

Installation of equipment on Nintendo consoles to deactivate their technological protection measures ("TPMs") in order to enable the use of additional software applications from third party manufacturers can be lawful in appropriate circumstances.

So held the Court of Justice of the European Union yesterday in a reference from the Milan District Court (Nintendo v PC Box C-355/12, 23 January 2014) to clarify the extent of the legal protection on which Nintendo could rely under the Copyright/Information Society Directive 2001/29/EC (the Directive) in order to combat the circumvention of technical measures put in place to prevent such use.

Summary

The CJEU set out criteria that the referring court should take into account when considering whether there were lawful uses for the circumvention device and the relative cost and practicalities of using other TPMs which allowed consoles to be used to play legitimate but non-Nintendo software.

Business Impact

- The effect of these declarations from the CJEU will likely increase the burden of proof on console manufacturers to show that circumvention products are primarily aimed at illegitimate use as well as demonstrating that their TPMs are not excluding legitimate uses.

- In order to rely on a TPM, manufacturers will need to show that
  - their TPMs are proportionate in their exclusion of third party software
  - other TPMs allowing software not originating from the
The manufacturer to run on the consoles could not reasonably be used (considering cost, technological practicalities and effectiveness), and

- the circumvention devices do not have any commercially significant purpose other than to circumvent the technical protection.

Application to the UK

- In the UK the aspects of the Directive relating to circumvention of TPMs were implemented by amending the Copyright Designs and Patents Act 1988 (CDPA) via the Copyright and Related Rights Regulations 2003 (SI 2003/2498) (sections 296 and 296ZD, CDPA). The High Court considered a similar case in 2010 (Nintendo Company Ltd and another v Playables Ltd). There, summary judgment was granted to Nintendo where the circumvention devices involved were primarily designed to allow pirated Nintendo games to be played on the consoles. In Floyd J's judgment, the fact that the devices allowed non-pirated (but non-Nintendo) games to be played on the consoles did not operate as a defence.

- The CJEU has taken a more generous view, in respect of the circumvention devices, referring to the Recitals of the Directive. Recital 48 in particular provides for protection in respect of technological measures only with respect to those which restrict acts not authorised by the copyright holder "without, however, preventing the normal operation of electronic equipment and its technological development". In other words they should not be used as a way of creating a monopoly or restricting competition. The Recital continues: "Such legal protection should respect proportionality and should not prohibit those devices or activities which have a commercially significant purpose or use other than to circumvent the technical protection".