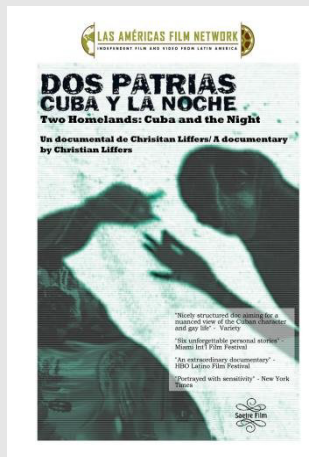


Court of Justice EU, 17 March 2016, Liffers v Mediaset



LIABILITY

Damages must be calculated based on hypothetical royalties and any moral prejudice

• In those circumstances, the reply to the question referred is that Article 13(1) of Directive 2004/48 must be interpreted as permitting a party injured by an intellectual property infringement, who claims compensation for his material damage as calculated, in accordance with heading (b) of the second subparagraph of Article 13(1) of that directive, on the basis of the amount of hypothetical royalties, also to claim compensation for the moral prejudice that he has suffered, as provided for under heading (a) of the second subparagraph of Article 13(1) of that directive.

24 It thus follows from recitals 10, 17 and 26 of Directive 2004/48 that the objective of that directive is to attain a high level of protection of intellectual property rights that takes into account the specific aspects of each given case and is based on a method of calculating damages that addresses those specific aspects.

25 In the light of the objectives of Directive 2004/48, the first subparagraph of Article 13(1) of that directive must be interpreted as establishing the principle that the calculation of the amount of damages to be paid to the holder of the intellectual property right must seek to ensure that the latter is compensated in full for the ‘actual prejudice suffered’ by him, which also includes any moral prejudice.

26 However, as is apparent from paragraph 20 of the present judgment, setting the amount of damages due as a lump sum on the basis of hypothetical royalties alone covers only the material damage suffered by the intellectual property rightholder concerned; consequently, for the purposes of providing compensation in full, that rightholder must be able to seek, in addition to the damages thus calculated, compensation for any moral prejudice which he has suffered.

Source: curia.europa.eu

Court of Justice EU, 17 March 2016

(J. L. da Cruz Vilaça, F. Biltge, A. Borg Barthet, E. Levits and M. Berger (Rapporteur))

JUDGMENT OF THE COURT (Fifth Chamber)

17 March 2016 (*)

(Reference for a preliminary ruling — Intellectual property — Directive 2004/48/EC — Article 13(1) — Audiovisual work — Infringing activity — Damages — Rules for calculation — Lump sum — Moral prejudice — Inclusion)

In Case C-99/15,

REQUEST for a preliminary ruling under Article 267 TFEU from the Tribunal Supremo (Supreme Court, Spain), made by decision of 12 January 2015, received at the Court on 27 February 2015, in the proceedings
Christian Liffers

v

Producciones Mandarina SL,
Mediaset España Comunicación SA, formerly
Gestevisión Telecinco SA,
THE COURT (Fifth Chamber),

composed of J.L. da Cruz Vilaça, President of the Chamber, F. Biltgen, A. Borg Barthet, E. Levits and M. Berger (Rapporteur), Judges,
Advocate General: M. Wathelet,

Registrar: A. Calot Escobar,

having regard to the written procedure,

after considering the observations submitted on behalf of:

– Mr Liffers, by E. Jordi Cubells, abogado,

– Producciones Mandarina SL, by A. González Gozalo, abogado,

– Mediaset España Comunicación SA, by R. Seel, abogado,

– the Spanish Government, by M. Sampol Pucurull, acting as Agent,

– the German Government, by T. Henze and J. Kemper, acting as Agents,

– the French Government, by D. Colas and D. Segoin, acting as Agents,

– the Polish Government, by B. Majczyna, acting as Agent,

– the European Commission, by E. Gippini Fournier and F. Wilman, acting as Agents,

after hearing [the Opinion of the Advocate General](#) at the sitting on 19 November 2015, gives the following

Judgment

1 This request for a preliminary ruling concerns the interpretation of Article 13(1) of Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights (OJ 2004 L 157, p. 45).

2 The request has been made in proceedings between, on the one hand, Mr Liffers and, on the other, Producciones Mandarina SL (‘Mandarina’) and Mediaset España Comunicación SA, formerly Gestevisión Telecinco SA (‘Mediaset’), concerning an action for infringement of an intellectual property right.

Legal context

EU law

3 Recitals 10, 17 and 26 of Directive 2004/48 state as follows:

'(10) The objective of this Directive is to approximate [the] legislative systems [of the Member States] so as to ensure a high, equivalent and homogeneous level of protection in the Internal Market.

...

(17) The measures, procedures and remedies provided for in this Directive should be determined in each case in such a manner as to take due account of the specific characteristics of that case, including the specific features of each intellectual property right and, where appropriate, the intentional or unintentional character of the infringement.

...

(26) With a view to compensating for the prejudice suffered as a result of an infringement committed by an infringer who engaged in an activity in the knowledge, or with reasonable grounds for knowing, that it would give rise to such an infringement, the amount of damages awarded to the rightholder should take account of all appropriate aspects, such as loss of earnings incurred by the rightholder, or unfair profits made by the infringer and, where appropriate, any moral prejudice caused to the rightholder. As an alternative, for example where it would be difficult to determine the amount of the actual prejudice suffered, the amount of the damages might be derived from elements such as the royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question. The aim is not to introduce an obligation to provide for punitive damages but to allow for compensation based on an objective criterion while taking account of the expenses incurred by the rightholder, such as the costs of identification and research.'

4 Paragraph 1 of Article 13 of that directive, entitled 'Damages', provides:

'Member States shall ensure that the competent judicial authorities, on application of the injured party, order the infringer who knowingly, or with reasonable grounds to know, engaged in an infringing activity, to pay the rightholder damages appropriate to the actual prejudice suffered by him/her as a result of the infringement.

When the judicial authorities set the damages:

(a) they shall take into account all appropriate aspects, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused to the rightholder by the infringement;

or

(b) as an alternative to (a), they may, in appropriate cases, set the damages as a lump sum on the basis of elements such as at least the amount of royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question.

...

Spanish law

5 Article 140 of the consolidated version of the Law on Intellectual Property, which sets out, clarifies and harmonises the legislative provisions in force in that area and was approved by Royal Legislative Decree 1/1996 of 12 April 1996, (Real Decreto Legislativo 1/1996, por el que se aprueba el texto refundido de la Ley de Propiedad Intelectual, regularizando, aclarando y armonizando las disposiciones legales vigentes sobre la materia) (BOE No 97, p. 14369), as amended by Law 19/2006 of 5 June 2006 extending the means of protection of intellectual and industrial property rights and establishing procedural rules to facilitate the application of various EU regulations (Ley 19/2006, por la que se amplían los medios de tutela de los derechos de propiedad intelectual e industrial y se establecen normas procesales para facilitar la aplicación de diversos reglamentos comunitarios) (BOE No 134, p. 21230) ('Law on Intellectual Property'), provides:

'1. The damages owed to the injured rightholder shall include not only the value of the loss that he has suffered, but also that of the loss of earnings incurred as a result of the infringement of his right. The amount of damages may include, where appropriate, the investigation costs incurred in order to obtain reasonable evidence of the commission of the infringement at issue.

2. The damages for prejudice shall be set, at the choice of the injured party, in accordance with one of the following criteria:

(a) The negative economic consequences, including lost profits suffered by the injured party and the profits obtained by the infringing party through the unlawful use. Where there is moral prejudice, this shall be compensated even if no economic prejudice has been proven. For the purposes of quantification, account shall be taken of the circumstances of the infringement, the severity of the injury suffered and the degree of unlawful dissemination of the work.

(b) The amount which the injured party would have received as payment, if the infringer had requested authorisation to use the intellectual property right in question.'

The dispute in the main proceedings and the question referred for a preliminary ruling

6 Mr Liffers is the director, scriptwriter and producer of the audiovisual work entitled *Dos patrias, Cuba y la noche* (Two Homelands: Cuba and the Night), which relates six personal and intimate stories concerning various homosexual or transsexual inhabitants of Havana (Cuba).

7 Mandarin produced an audiovisual documentary on child prostitution in Cuba, which portrays criminal activities recorded using a hidden camera. Certain passages of the work *Dos patrias, Cuba y la noche* were included in that documentary without any authorisation having been sought from Mr Liffers. That documentary was broadcast by the Spanish television channel Telecinco, which is owned by Mediaset.

8 Mr Liffers brought an action before the Juzgado de lo Mercantil No 6 de Madrid (Commercial Court No 6, Madrid) against Mandarin and Mediaset, in which he requested that court, amongst other things, to order those parties to cease all infringement of his intellectual property rights and to pay him EUR 6 740, by reason of the infringement of his rights of exploitation, together with an additional sum of EUR 10 000 as compensation for the moral prejudice which he claimed to have suffered.

9 Mr Liffers determined the amount of damages for the infringement of the rights of exploitation of his work by reference to the amount of royalties or fees that would have been due to him if Mandarin and Mediaset had requested his authorisation to use the intellectual property right in question, thus applying Article 140(2)(b) of the Law on Intellectual Property, which allows the injured rightholder to determine compensation for his loss on the basis of the amount of royalties or fees which would have been due to him if the infringer had requested his authorisation to use that right ('hypothetical royalties'). This calculation method, unlike that provided for under Article 140(2)(a) of that Law, does not require the claimant for damages to prove the extent of his actual prejudice. To that end, Mr Liffers relied on the rates established by the Entidad de Gestión de Derechos de los Productores Audiovisuales (Organisation for the management of the rights of audiovisual producers). To the amount of material damage calculated by means of this method, Mr Liffers added a lump sum in respect of the moral prejudice which he claimed to have suffered.

10 Mr Liffers' action was partly successful before the Juzgado de lo Mercantil No 6 de Madrid (Commercial Court No 6, Madrid), which ordered Mandarin and Mediaset, amongst other things, to pay him EUR 3 370 as compensation for the material damage caused by the infringement together with EUR 10 000 as compensation for the moral prejudice. On appeal, the Audiencia Provincial de Madrid (Provincial Court, Madrid) reduced the compensation for material damage to EUR 962.33 and set aside, in its entirety, the order requiring Mandarin and Mediaset to pay compensation for moral prejudice. According to that court, since Mr Liffers had chosen to use the calculation method based on hypothetical royalties, as set out under Article 140(2)(b) of the Law on Intellectual Property, he was no longer entitled to claim compensation for moral prejudice as well. In order to do so, he would have had to use the calculation method set out under Article 140(2)(a). That court took the view that the calculation methods are mutually exclusive and that a combination of the two is therefore not possible.

11 In his appeal before the referring court, the Tribunal Supremo (Supreme Court), Mr Liffers contends that compensation for moral prejudice should be awarded in all cases, irrespective of whether the applicant had opted for the method of calculating loss set out under Article 140(2)(a) of the Law on Intellectual Property or under Article 140(2)(b) thereof. The referring court is unsure as to the interpretation of Article 13(1) of

Directive 2004/48 and of Article 140(2) of the Law on Intellectual Property, intended to transpose that provision into Spanish law.

12 In those circumstances, the Tribunal Supremo (Supreme Court) decided to stay the proceedings and to refer the following question to the Court for a preliminary ruling:

'May Article 13(1) of Directive 2004/48 be interpreted as meaning that the party injured by an intellectual property infringement who claims damages for pecuniary loss based on the amount of royalties or fees that would be due if the infringer had requested authorisation to use the intellectual property right in question cannot also claim damages for the moral prejudice suffered?'

The question referred for a preliminary ruling

13 By its question, the referring court essentially asks whether Article 13(1) of Directive 2004/48 must be interpreted as not permitting a person injured by an intellectual property infringement, who claims compensation for the material damage suffered as calculated, in accordance with heading (b) of the second subparagraph of Article 13(1) of that directive, on the basis of hypothetical royalties, also to claim compensation for his moral prejudice as provided for under heading (a) of the second subparagraph of Article 13(1) of that directive.

14 In that regard, according to the Court's settled case-law, for the purpose of interpreting a provision of EU law, it is necessary to consider not only its wording but also the context in which it occurs and the objectives pursued by the rules of which it is part (judgment in *Surmačs*, C-127/14, EU:C:2015:522, paragraph 28 and the case-law cited).

15 With regard, first, to the wording of heading (b) of the second subparagraph of Article 13(1) of Directive 2004/48, it must be noted that, although that provision does not mention moral prejudice as an element which the judicial authorities must take into consideration when setting the amount of damages to be paid to the rightholder, it also does not exclude that type of harm from being taken into account. By providing for the possibility of setting the damages as a lump sum on the basis of, 'at least', the elements referred to therein, that provision allows other elements to be included in that amount, such as, where appropriate, compensation for any moral prejudice caused to the rightholder.

16 Secondly, it must be pointed out that such a finding is confirmed by an analysis of the context in which that provision features.

17 On the one hand, the first subparagraph of Article 13(1) of Directive 2004/48 sets out the general rule that the competent judicial authorities must order the infringer to pay the injured rightholder damages that are '*appropriate to the actual prejudice suffered by him as a result of the infringement*'. As noted by the Advocate General in [point 28 of his Opinion](#), moral prejudice, such as damage to the reputation of the author of a work, constitutes, provided that it is proven, a component of the prejudice actually suffered by the rightholder.

18 Consequently, where the rightholder in question has in fact suffered moral prejudice, the actual wording of heading (b) of the second subparagraph of Article 13(1) of Directive 2004/48, read in conjunction with the first subparagraph of Article 13(1) of that directive, precludes the calculation of the amount of damages to be paid to that rightholder from being based exclusively on the amount of hypothetical royalties.

19 On the other hand, it should be noted that the application, by the competent judicial authorities, of the lump sum calculation method provided for under heading (b) of the second subparagraph of Article 13(1) of Directive 2004/48 is permitted as an alternative only *'in appropriate cases'*.

20 As indicated in recital 26 of that directive, the latter term applies *'for example where it would be difficult to determine the amount of the actual prejudice suffered'*. In such circumstances, the amount of damages may be calculated on the basis of elements such as the royalties or fees normally due for use of the intellectual property right, which does not take into account any moral prejudice.

21 As regards, lastly, the objectives pursued by Directive 2004/48, it must first of all be pointed out that, according to recital 10 thereof, the objective of that directive is to ensure, inter alia, a high, equivalent and homogeneous level of intellectual property protection in the internal market.

22 Next, recital 17 of that directive indicates that the measures, procedures and remedies provided for therein should be determined in each case in such a manner as to take due account of the specific characteristics of that case.

23 Finally, recital 26 of the directive states, inter alia, that, with a view to compensating for the prejudice suffered as a result of an infringement committed by an infringer, the amount of damages awarded to the holder of the intellectual property right should take account of all appropriate aspects, including any moral prejudice caused to the rightholder.

24 It thus follows from recitals 10, 17 and 26 of Directive 2004/48 that the objective of that directive is to attain a high level of protection of intellectual property rights that takes into account the specific aspects of each given case and is based on a method of calculating damages that addresses those specific aspects.

25 In the light of the objectives of Directive 2004/48, the first subparagraph of Article 13(1) of that directive must be interpreted as establishing the principle that the calculation of the amount of damages to be paid to the holder of the intellectual property right must seek to ensure that the latter is compensated in full for the *'actual prejudice suffered'* by him, which also includes any moral prejudice.

26 However, as is apparent from paragraph 20 of the present judgment, setting the amount of damages due as a lump sum on the basis of hypothetical royalties alone covers only the material damage suffered by the intellectual property rightholder concerned; consequently, for the purposes of providing

compensation in full, that rightholder must be able to seek, in addition to the damages thus calculated, compensation for any moral prejudice which he has suffered.

27 In those circumstances, the reply to the question referred is that Article 13(1) of Directive 2004/48 must be interpreted as permitting a party injured by an intellectual property infringement, who claims compensation for his material damage as calculated, in accordance with heading (b) of the second subparagraph of Article 13(1) of that directive, on the basis of the amount of hypothetical royalties, also to claim compensation for the moral prejudice that he has suffered, as provided for under heading (a) of the second subparagraph of Article 13(1) of that directive.

Costs

28 Since these proceedings are, for the parties to the main proceedings, a step in the action pending before the national court, the decision on costs is a matter for that court. Costs incurred in submitting observations to the Court, other than the costs of those parties, are not recoverable.

On those grounds, the Court (Fifth Chamber) hereby rules:

Article 13(1) of Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights must be interpreted as permitting a party injured by an intellectual property infringement, who claims compensation for his material damage as calculated, in accordance with heading (b) of the second subparagraph of Article 13(1) of that directive, on the basis of the amount of royalties or fees which would have been due to him if the infringer had requested his authorisation to use that right, also to claim compensation for the moral prejudice that he has suffered, as provided for under heading (a) of the second subparagraph of Article 13(1) of that directive.

[Signatures]

* Language of the case: Spanish.

OPINION OF ADVOCATE GENERAL WATHELET

delivered on 19 November 2015 (1)

Case C-99/15

Christian Liffers

(Request for a preliminary ruling from the Tribunal Supremo (Supreme Court, Spain))

(Reference for a preliminary ruling — Intellectual property — Audiovisual work — Directive 2004/48/EC — Article 13 — Damages — Amount — Moral prejudice — Method of determination)

I – Introduction

1. This request for a preliminary ruling concerns the interpretation of Article 13(1) of Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights. (2)

2. By its question, the Tribunal Supremo (Supreme Court, Spain) enquires of the Court as to the extent of

compensation that may be claimed by a party injured by an infringement of an intellectual property right, and whether moral prejudice is excluded from such compensation.

II – The legal framework

A – EU law

3. According to recital 10 of Directive 2004/48, the objective of that directive is ‘to approximate [the] legislative systems [of the Member States] so as to ensure a high, equivalent and homogeneous level of protection in the Internal Market’.

4. Recital 26 of that directive states that ‘[w]ith a view to compensating for the prejudice suffered as a result of an infringement committed by an infringer who engaged in an activity in the knowledge, or with reasonable grounds for knowing, that it would give rise to such an infringement, the amount of damages awarded to the rightholder should take account of all appropriate aspects, such as loss of earnings incurred by the rightholder, or unfair profits made by the infringer and, where appropriate, any moral prejudice caused to the rightholder. As an alternative, for example where it would be difficult to determine the amount of the actual prejudice suffered, the amount of the damages might be derived from elements such as the royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question. The aim is not to introduce an obligation to provide for punitive damages but to allow for compensation based on an objective criterion while taking account of the expenses incurred by the rightholder, such as the costs of identification and research’.

5. Article 3(2) of Directive 2004/48 provides that ‘measures, procedures and remedies shall also be effective, proportionate and dissuasive and shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse’.

6. Finally, Article 13 of that directive, entitled ‘Damages’, provides:

‘1. Member States shall ensure that the competent judicial authorities, on application of the injured party, order the infringer who knowingly, or with reasonable grounds to know, engaged in an infringing activity, to pay the rightholder damages appropriate to the actual prejudice suffered by him/her as a result of the infringement.

When the judicial authorities set the damages:

(a) they shall take into account all appropriate aspects, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused to the rightholder by the infringement;

or

(b) as an alternative to (a), they may, in appropriate cases, set the damages as a lump sum on the basis of elements such as at least the amount of royalties or fees which would have been due if the infringer had

requested authorisation to use the intellectual property right in question.

2. Where the infringer did not knowingly, or with reasonable grounds to know, engage in infringing activity, Member States may lay down that the judicial authorities may order the recovery of profits or the payment of damages, which may be pre-established.’

B – Spanish law

7. Article 140 of the recast text concerning the Law on Intellectual Property (Texto Refundido de la Ley de Propiedad Intelectual), as amended by Law 19/2006 of 5 June 2006 extending the means of protection of intellectual and industrial property rights and establishing procedural rules to facilitate the application of various EU regulations (Ley 19/2006, de 5 de junio de 2006, por la que se amplían los medios de tutela de los derechos de propiedad intelectual e industrial y se establecen normas procesales para facilitar la aplicación de diversos reglamentos comunitarios) (BOE No 134 of 6 June 2006, p. 21230) (‘the TRLPI’), provides:

‘1. The damages owed to the injured rightholder shall include not only the value of the loss that he has suffered, but also that of the loss of earnings incurred as a result of the infringement of his right. The amount of damages may include, where appropriate, the investigation costs incurred in order to obtain reasonable evidence of the commission of the infringement at issue.

2. The damages for prejudice shall be set, at the option of the injured party, in accordance with one of the following criteria:

(a) The negative economic consequences, including lost profits suffered by the injured party and profits unfairly obtained by the infringing party through the unlawful use. Where there is moral prejudice, this shall be compensated even if no economic prejudice has been proven. In quantifying this, it is appropriate to consider the circumstances of the infringement, the severity of the injury suffered and the degree of unlawful dissemination of the work.

(b) The amount which the injured party would have received as payment, if the infringer had requested authorisation to use the intellectual property right in question.’

III – The facts of the dispute in the main proceedings

8. Mr Liffers is the director, scriptwriter and producer of the audiovisual work *Dos patrias, Cuba y la noche* (‘Two Homelands: Cuba and the Night’). This work, which has won several awards at various film festivals, relates six personal and intimate stories concerning various inhabitants of Havana (Cuba).

9. Producciones Mandarina SL (‘Mandarina’) produced an audiovisual documentary on child prostitution in Cuba, which portrays criminal activities recorded using a hidden camera. Certain passages of the work *Dos patrias, Cuba y la noche* were included in that documentary, despite the fact that Mr Liffers’ authorisation had not been sought. The documentary was broadcast by the Spanish television channel

Telecinco, which is owned by Mediaset España Comunicación SA ('Mediaset'), and obtained an audience share of 13.4%.

10. Mr Liffers brought an action before the Juzgado de lo Mercantil de Madrid (Commercial Court, Madrid) against Mandarin and Mediaset, in which he asked that court, *inter alia*, to order those parties to cease all infringement of his intellectual property rights, and also to order them to pay him EUR 6 740, by reason of the infringement of his rights of exploitation, together with an additional sum of EUR 10 000 as compensation for the moral prejudice which he claimed to have suffered.

11. For the purpose of calculating the amount of the damages sought in respect of the infringement of his rights of exploitation of the work, Mr Liffers chose to use the criterion of a '*hypothetical licence*' or '*hypothetical royalties*', that is to say, the amount of royalties or fees that would have been payable to him if Mandarin and Mediaset had sought his authorisation to use the intellectual property right in question. To that end, he applied the rates established by the Organisation for the Management of the Rights of Audiovisual Producers (Entidad de Gestión de Derechos de los Productores Audiovisuales). The compensation for moral prejudice was calculated as a lump sum.

12. Mr Liffers' action was partly successful before the Juzgado de lo Mercantil de Madrid (Commercial Court, Madrid), which ordered Mandarin and Mediaset, *inter alia*, to pay him EUR 3 370 in respect of the damage caused by that infringement together with EUR 10 000 in respect of moral prejudice.

13. In the appeal brought before it against the decision delivered at first instance, the Audiencia Provincial de Madrid (Provincial Court, Madrid) reduced the damages payable on the basis of a hypothetical licence to EUR 962.33 and set aside, in its entirety, the order requiring Mandarin and Mediaset to pay compensation for the moral prejudice suffered by Mr Liffers. Mr Liffers, it found, had sought compensation calculated on the basis of a hypothetical licence, as provided for by Article 140(2)(b) of the TRLPI. However, according to the Audiencia Provincial de Madrid (Provincial Court, Madrid), this basis of compensation is an alternative to that provided for by Article 140(2)(a), with only the latter permitting compensation for moral prejudice. It was not possible, in its view, to combine the two bases.

14. In the appeal which Mr Liffers has brought against the judgment of the Audiencia Provincial de Madrid (Provincial Court, Madrid), he disputes the withdrawal of compensation for moral prejudice and asserts that such compensation is payable regardless of the choice made between the bases of compensation provided for by Article 140(2)(a) and (b) of the TRLPI.

15. The court before which that appeal has been brought, the Tribunal Supremo (Supreme Court), has expressed doubts as to the proper interpretation of Article 140(2)(b) of the TRLPI, which is intended to transpose heading (b) of the second subparagraph of Article 13(1) of Directive 2004/48 into Spanish law.

IV – The request for a preliminary ruling and the proceedings before the Court

16. By decision of 12 January 2015, received at the Court on 27 February 2015, the Tribunal Supremo (Supreme Court) accordingly decided to stay the proceedings and to refer the following question to the Court for a preliminary ruling:

'May Article 13(1) of Directive 2004/48 be interpreted as meaning that the party injured by an intellectual property infringement who claims damages for pecuniary loss based on the amount of royalties or fees that would be due if the infringer had requested authorisation to use the intellectual property right in question cannot also claim damages for the moral prejudice suffered?'

17. Written observations have been submitted by Mr Liffers, Mandarin, Mediaset, the Spanish, German, French and Polish Governments and the European Commission. At the conclusion of the written part of the procedure, the Court considered that it had sufficient information to give a ruling without a hearing, in accordance with Article 76(2) of the Rules of Procedure of the Court.

V – Assessment

18. By the question which it has referred, the Tribunal Supremo (Supreme Court) essentially asks whether Article 13(1) of Directive 2004/48 must be interpreted as permitting a party injured by an intellectual property infringement, who claims damages for pecuniary loss calculated on the basis of the amount of royalties or fees that would be due if the infringer had requested authorisation to use the intellectual property right in question, also to claim compensation for the moral prejudice that that party has suffered.

19. In accordance with settled case-law of the Court, in interpreting a provision of EU law it is necessary to consider not only its wording, but also the context in which it occurs and the objectives pursued by the rules of which it is part. (3)

20. In the present case, the wording of Article 13(1) of Directive 2004/48, its structure and a purposive interpretation all lead me to the view that this provision should be interpreted as permitting any person injured by an intellectual property infringement to claim compensation for moral prejudice that has been caused, regardless of the method chosen for compensation for the pecuniary loss.

A – The wording of the second subparagraph of Article 13(1) of Directive 2004/48

21. Under the alternative method proposed in heading (b) of the second subparagraph of Article 13(1) of Directive 2004/48, damages are to be '*set ... as a lump sum on the basis of elements such as at least the amount of royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question*'. (4)

22. Without drawing any definite conclusion from this as to whether moral prejudice can be compensated under heading (b) of the second subparagraph of Article 13(1) of Directive 2004/48, it must be observed that the wording of that provision expressly permits

factors to be taken into account other than solely the '*royalties or fees*' which would normally be due. It is clear from the words '*at least*', used in the English version of the text, that this factor represents a minimum. The same is apparent from the other linguistic versions. (5)

23. The words '*as an alternative*' used to introduce heading (b) of the second subparagraph of Article 13(1) of Directive 2004/48 do not affect this reading.

24. In fact, an analysis of the scheme of Article 13(1) of Directive 2004/48 confirms that, while headings (a) and (b) of the second subparagraph of Article 13(1) are formulated as alternative options, this is so in the sense that they are two ways of achieving the same result.

B – Analysis of the scheme of Article 13(1) of Directive 2004/48

25. This approach requires the paragraphs which make up an article or, a fortiori, the subparagraphs of a paragraph of an article, to be considered as a whole, the provisions of which cannot be considered in isolation. (6) While the second subparagraph of Article 13(1) of Directive 2004/48 informs the judicial authorities of the Member States as to how they are to set the damages payable in the event of an infringement of an intellectual property right, the first subparagraph of Article 13(1) expressly states, in the majority of the language versions, that those judicial authorities are to '*order the infringer who knowingly, or with reasonable grounds to know, engaged in an infringing activity, to pay the rightholder damages appropriate to the actual prejudice suffered by him/her as a result of the infringement*'. (7)

26. An analysis of the scheme of Article 13(1) of Directive 2004/48 thus shows that the second subparagraph lays down the methods which may be used to achieve the result laid down in the first subparagraph. This result is indeed compensation for the '*actual prejudice suffered ... as a result of the infringement*'. (8)

27. Accordingly, a contextual reading of Article 13(1) of Directive 2004/48 also indicates that moral prejudice may be taken into account in compensating loss which is consequent on the infringement of an intellectual property right. In certain circumstances, '*the amount of royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question*' reflects only partly the prejudice actually suffered by the rightholder, and not the prejudice which he/she has actually suffered.

28. There being no question here of ordering an infringer of an intellectual property right to pay punitive damages, (9) it seems to me difficult to dispute the contention that moral prejudice — such as damage to reputation — can in itself be a component of the prejudice actually suffered by the rightholder, provided that it is proven. (10)

29. The alternative provided for in heading (b) of the second subparagraph of Article 13(1) of Directive 2004/48 thus arranges the criteria for assessing the

prejudice suffered and is not intended to alter the scope of compensation for that prejudice.

C – Purposive interpretation of Article 13(1) of Directive 2004/48

30. Finally, I note that a contrary interpretation, under which moral prejudice is excluded from the prejudice actually suffered, would also run counter to the objectives pursued by Directive 2004/48.

31. Recital 10 of Directive 2004/48 sheds light on the aims pursued by the European Union legislature. According to that recital, the directive's objective is '*to approximate [the] legislative systems [of the Member States] so as to ensure a high, equivalent and homogeneous level of protection in the Internal Market*'. (11)

32. Pursuant to that objective, Article 3(2) of Directive 2004/48 expressly provides that remedies '*shall also be effective, proportionate and dissuasive and shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse*'. (11)

33. In those circumstances, it would be inconsistent to exclude compensation for moral prejudice from the damages awarded to a holder of an intellectual property right who chooses to seek compensation for pecuniary loss under the lump-sum method provided for in heading (b) of the second subparagraph of Article 13(1) of Directive 2004/48.

34. Such an exclusion would have the consequence of cancelling out entirely any dissuasive effect of the order made against the infringer, as the latter would be required only to reimburse to the rightholder the sum which he would have been obliged to pay the rightholder if he had respected that right, and that sum may be less than the actual prejudice. Such compensation would not, therefore, be in accordance with the European Union legislature's wish to ensure a high level of protection for intellectual property.

35. With such a limitation, the effectiveness of the protection might itself be cast into doubt. This effectiveness, however, is one of the objectives pursued by Directive 2004/48 and must be ensured by the Member States. (12) As the Commission rightly emphasises in its written observations, if moral prejudice is excluded, the consequences for the infringer would be the same whether he reproduces a work without authorisation or whether he acts in accordance with the law by seeking a licence. (13)

VI – Conclusion

36. Having regard to the wording of Article 13(1) of Directive 2004/48, to its structure and to the objectives which it pursues, I propose that the Court should answer the question referred by the Tribunal Supremo (Supreme Court) along the following lines:

Article 13(1) of Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights must be interpreted as permitting a party injured by an intellectual property infringement who claims compensation for pecuniary loss based on the amount of royalties or fees that would be due if the infringer

had requested authorisation to use the intellectual property right in question also to claim compensation for the moral prejudice that he has suffered.

1 – Original language: French.

2 – OJ 2004 L 157, p. 45.

3 – See, inter alia, judgments in *Yaesu Europe* (C-433/08, EU:C:2009:750, paragraph 24); *Brain Products* (C-219/11, EU:C:2012:742, paragraph 13); *Koushkaki* (C-84/12, EU:C:2013:862, paragraph 34); and *Lanigan* (C-237/15 PPU, EU:C:2015:474, paragraph 35).

4 – Emphasis added.

5 – See, inter alia, in, respectively, the Spanish, Czech, German, Greek, French, Italian, Dutch, Portuguese and Slovak versions, the terms ‘cuando menos’, ‘alespoň’, ‘mindestens’, ‘τουλάχιστον’, ‘au moins’, ‘per lo meno’, ‘als ten minste’, ‘no mínimo’ and ‘prinajmenšom’.

6 – See, to this effect, judgment in *Sodiaal International* (C-383/14, EU:C:2015:541, paragraph 25).

7 – Emphasis added. The word ‘actual’ does not appear in the Danish, Estonian, Latvian or Dutch versions of the text of Article 13(1) of Directive 2004/48. However, according to the settled case-law of the Court, the wording used in one language version of a provision of EU law cannot serve as the sole basis for the interpretation of that provision, or be made to override the other language versions in that regard. Provisions of EU law must be interpreted and applied uniformly in the light of the versions existing in all EU languages. Where there is divergence between the various language versions of an EU legislative text, the provision in question must be interpreted by reference to the purpose and general scheme of the rules of which it forms part (see, to that effect, judgment in *Léger*, C-528/13, EU:C:2015:288, paragraph 35 and the case-law cited). In the present case, in addition to the fact that the term ‘actual’ is present in almost all of the language versions, the wording of that provision taken in its entirety (see Title A above) and the purposive interpretation (see Title C below) also lead to acceptance of the interpretation that the prejudice which must be the subject of compensation is indeed the actual prejudice suffered.

8 – Heading (b) of the second subparagraph of Article 13(1) of Directive 2004/48.

9 – There appears to be some doctrinal controversy as to whether it is possible to award punitive damages. According to J.-C. Galloux, this notion was abandoned in the final version of Directive 2004/48. However, according to the same author, while the term used by the directive indicates only that the prejudice actually suffered is to be taken as a measure in calculating damages, the calculation need ‘not necessarily be limited to that’ (Galloux, J.-C., ‘La directive relative au respect des droits de propriété intellectuelle’, *Revue trimestrielle de droit communautaire*, 2004, p. 698). To the same effect, see Benhamou, Y., ‘Compensation of damage for infringements of intellectual property rights in France, under Directive 2004/48/EC and its

transposition law — new notions?’, *International Review of Intellectual Property and Competition Law*, 2009, 40(2), p. 125, particularly pp. 140 and 143. By contrast, M. Buydens is highly critical of this approach on the basis of the principle of full compensation, that is, the principle that the whole of the damage is to be compensated, but nothing but the damage (Buydens, M., ‘La réparation des atteintes aux droits de propriété intellectuelle’, in *Actualités en droits intellectuels*, UB3, Bruylant, 2015, pp. 407 to 434, particularly pp. 408 and 417). According to that author, the use of the adjective ‘actual’ in Article 13(1) of Directive 2004/48 suggests that this principle is enshrined in the directive (op. cit., p. 411).

10 – See, to this effect, Buydens, M., ‘La réparation des atteintes aux droits de propriété intellectuelle’, in *Actualités en droits intellectuels*, UB3, Bruylant, 2015, pp. 407 to 434, particularly pp. 416 and 429; Borghetti, J.-S., ‘Punitive Damages in France’, in H. Koziol and V. Wilcox (Eds), *Punitive Damages: Common Law and Civil Law Perspectives*, Tort and Insurance Law, vol. 25, 2009, pp. 55 to 73, particularly No 26), and Gautier, P.-Y., ‘Fonction normative de la responsabilité: le contrefacteur peut être condamné à verser au créancier une indemnité contractuelle par équivalent’, *Recueil Dalloz*, 2008, p. 727, particularly No 5.

11 – Emphasis added.

12 – See, to this effect, judgment in *L’Oréal and Others* (C-324/09, EU:C:2011:474, paragraph 131).

13 – Paragraph 29 of the Commission’s observations.