
OBERLANDESGERICHT MUNICH

Case No. 29 U 3282/00

7 0 3625/98 LG Munich 1

Judgment pronounced on 8th March 2001

Registrar:

Barbagiannis

Clerk of Court

IN THE NAME OF THE PEOPLE

JUDGMENT

In the case

Hit Bit Software GmbH, represented in law by its Managing Director, Peter Rombach,
Lötzener Strasse 10, 76139 Karlsruhe

- Claimant and Respondent -

Counsel: Poll & Ventroni, Barristers, Beethovenstrasse 12, 80336 Munich

against

AOL Bertelsmann Online GmbH & Co. KG¹, represented in law by its General Partner
who is represented in law by its Managing Director Andreas von Plottnitz, Stubenhuk 3,
20459, Hamburg

- Defendant and Appellant -

¹ Kommanditgesellschaft = limited partnership

The 29th Civil Division of the Oberlandesgericht Munich through the Presiding Judge Wörle and Judges Haußmann and Jackson on the basis of the hearing on 14th December 2000

finds:

- I. On Appeal of the Claimant paragraph 2 of the findings of the judgment of the Landgericht Munich 1² of 30.3.2000 - 7 0 3625/98 is quashed.
- II. The Appeal of the Defendant against the judgment of the Landgericht Munich 1 of 30.3.2000 is refused with the stipulation that paragraph 1 of the findings of the Landgericht's judgment shall be worded as follows:

The claim for damages by the Claimant on account of the downloading of copies (Downloads)³ of the MIDI files with the titles Get down (file name: GET_Down.MID), Samba de Janeiro (file name: Sambad~1.MID) and Freedom (file name: MACFREED.MID) from the server of AOL Online Inc., Dulles, Virginia, USA is justified on the merits.

- III. The Defendant bears the costs of the appeal proceedings.
- IV. The judgment is provisionally enforceable.
The Defendant can avoid enforcement by provision of security in the sum of DM 25,000; unless prior to enforcement the Claimant provides security in the same amount.
- V. The value of the grievance exceeds DM 60,000.

STATEMENT OF FACTS:

The matter which the parties are disputing is a claim for damages by the Claimant on account of the distribution of music recordings over the Internet.

² County Court

³ In English in original

1. The Claimant is one of the largest producers of MIDI files in Germany. The MIDI software is a program for storing works of music in digital form; MIDI files are digital recordings of instrumental synthesiser versions of, in the main popular, musical works. They can be produced at a simple level with the aid of a computer and a suitable program by inputting the notes with the mouse; if the musical quality is sufficient, they are recorded on several tracks in a complicated process through playing on a keyboard, with the resulting electrical signals being directly digitised and recorded. They can be reproduced over a computer with the aid of a sound card or over an appropriately equipped keyboard with amplifier and loudspeaker equipment. Users of this technique are semi-professional and professional musicians - primarily solo entertainers - who, with the aid of MIDI files, perform current light music "hits" at occasions such as dances which they are able to supplement by their own improvisation of, for instance, the vocals. The Claimant distributes the MIDI files produced by it on disk by direct sale (mail order) and over the Internet. According to the claimant's assertion, it obtains prices of between DM 18 and DM 35 per file.
2. The Claimant has asserted that it produced (probably around 1995/1997) MIDI files of current hits by well-known groups with the titles Get down, Samba de Janeiro and Freedom, and the file names GETDOWN.MID, samba~1.mid (*sic*) and 1067.mid. The witness Kist, a musician qualified to degree level, is said to have produced the instrumental version by "hearing out" the original recording, playing it over himself and making an arrangement suitable for a MIDI file in an expensive procedure using modern studio techniques. As far as the musical input of the witness is concerned, this was said to have involved an artistic and creative input. The Claimant later distributed the MIDI files at the price of DM 29.90 and up to 28.7.1998 sold nearly 2000 of them (for details see sheet 59). It acquired the requisite utilisation rights in respect of the pre-existing musical work through agreements with GEMA⁴ and the utilisation rights in the MIDI files through agreements with the witness Kist (Exhibit A 13).
3. The Defendant is a subsidiary owned in equal shares by AOL Online Inc., Dulles, Virginia, USA (hereafter AOL) and Bertelsmann Online AG, Gütersloh. AOL and its

⁴ Gesellschaft für musikalische Aufführungs- und mechanische Vervielfältigungsrechte = Performing Rights Society

subsidiaries are the largest providers of online services in the world. AOL operates as a Content Provider supplying its own content, as a provider of outside content on its servers (as a Service Provider with hosting function) and finally also as an Access Provider for material offered by third parties (Service Provider without hosting function).

Among the services offered by AOL are also so-called "forums". Forums are in essence storage areas which are structured according to subject matter, but which are otherwise not subject to editorial supervision, into which members (customers who pay fees) can upload content of their choice, generated or stored on their computer. From there other members of AOL can download this material into the memory of their computer, bring it up, store it on the hard disk of their computer and transfer it to floppy disk. At the time the action was commenced, AOL also offered a forum for MIDI files (Computer screen photograph: Exhibit A 4), which was subdivided according to music category (Computer screen photograph: Exhibit A 5). The stored MIDI files with their titles indicated were held within the individual categories (Computer screen photograph: Exhibit A 6).

If a member wants to upload a MIDI file on to AOL's server, first of all a compulsory window opens up (Computer screen photograph: Exhibit B 7), in which it is pointed out that "the entering of data...must be done under consideration of third party rights and statutory provisions". If the user takes up the opportunity offered to him to read the Terms and Conditions of Use, then he will notice in Para. 8 that he is obliged "prior to and while entering and using content ... (to comply with).... all possible third party rights (in particular copyright and to obtain the right to utilise such rights). In terms of Para. 12 of the Conditions AOL can terminate membership for good cause at any time with immediate effect". MIDI files uploaded by AOL members on to AOL's server are checked for viruses by "scouts" working for the Defendant by means of a suitable program and they are also checked with the aid of the Windows program for a copyright notice posted in the place provided for it within the MIDI format. If this check produces nothing untoward, the MIDI files are passed by the scouts and are then available to be downloaded.

4. In the case at first instance it was not disputed that the provider of the services and forums described above is the Defendant, who "offers its members the use of its central server, which is located at the premises of a parent company of the

Defendant in Dulles, for the independent uploading of members' own data" (Pleadings of 12.5.1998, p. 6 = sheet 37 of the Application). It was further undisputed that the seven scouts working for the Defendant were at that time responsible for around 850 MIDI files in the forum and that on average 20 - 30 new files were put on per week.

Among the MIDI files stored on AOL's server were also MIDI files with the titles Get down (file name: GET DOWN. MID., uploaded on 17.9.1997), Samba de Janeiro (file name: SAMBAD ~1. MID, uploaded on 15.7.1997) and Freedom (file name: MACFREED. MID, uploaded on 29.5.1997).

5. The Claimant alleged that among the MIDI files mentioned above stored on the AOL server, there were copies of the MIDI files mentioned under No. 2 produced by Claimant, which were uploaded by unknown AOL members. The Claimant stated that it had downloaded copies of the MIDI files from the AOL server on to the hard disk of its computer on 23.1.1998 and made a copy of the downloaded MIDI files on floppy disk. This floppy disk was submitted by the Claimant with its Pleadings of 22.10.1998 (Exhibit A 14). The Claimant further alleged that the witnesses von Loock and Elböck were present at the production of the copy submitted and vouched for the accuracy of procedure described by signature (Exhibit A 14). The Claimant also submitted copies of the afore-mentioned MIDI files produced by it with its Pleadings of 22.10.1998 (Exhibit A 15).

The Claimant contended that both the uploading and downloading of the MIDI files resulted in copies of these being produced. The utilisation rights in the rights resulting from the input of the witness Kist to which it, the Claimant, is entitled were thereby infringed. In relation to these acts of infringement, the Defendant was stated to be a joint perpetrator or infringer, as it had created the technical conditions necessary for the reproduction process. By creating storage areas not subject to editorial control and with anonymous access the Defendant was involved in nothing short of abetting in the uploading of copyright protected MIDI files. It is claimed that it was known to the Defendant that the utilisation of the entire content of the MIDI File forum on the AOL computer infringed the rights of third parties in the pre-existing musical works and/or the rights of the MIDI file producers, as it could not be counted on that AOL members had entered into relevant agreements for utilising the rights.

The Claimant originally sought judgment against the Defendant ordering it to delete the stored copies of its MIDI files and to pay a reasonable licence fee for facilitating the downloading of the MIDI files by third parties in the period up to 23.1.1998, and the determination that the Defendant was liable in damages with regard to the downloading of the MIDI files by third parties in the period after 23.1.1998. Immediately after the commencement of the action, the Defendant removed the disputed files from the area of the forum accessible to its users, following which the parties unanimously pronounced the case to be settled in this respect. With regard to the other two motions, the Claimant proceeded to an action for payment. It claimed a reasonable licence fee of DM20.80 for each of the -disputed- 4784 occurrences of downloading, with its claim therefore amounting to $(4784 \times 20.80 =)$ DM 99,507. A claim in this sum also arises from the provisions of Para. 1 of the UWG⁵ and from the point of view of unjust enrichment. The Claimant applied for

judgment against the Defendant ordering it to pay the Claimant the sum of DM 99,000 with interest at the rate of 5% while litigation was pending.

The Defendant applied for

the action to be dismissed.

The Defendant disputed that the three MIDI files at issue were produced by the Claimant or the witness Kist, that they had been sold at the prices claimed, that the rights in the underlying musical works had been acquired by the Claimant, that the utilisation rights in the MIDI files had been acquired by the Claimant from Kist and that the MIDI files stored on the AOL server which are the subject matter of the dispute corresponded to the MIDI files produced by Kist. The Defendant further disputed that the MIDI files submitted as Exhibit A 14 are a copy of the files stored at that time on the AOL server. The Defendant states that until the action was commenced it had no knowledge of the content of the files offered on the server. While checking the files with the aid of the program Windows, its "scouts" had not found any notice about there being a copyright in existence, as this was not possible (not in dispute). The opening of the text files within the files using a word processing

⁵ Gesetz gegen den unlauteren Wettbewerb = Unfair Competition Law

program which would have lead (not in dispute) to the discovery of the Claimant's notice in the files regarding copyright was not undertaken by the scouts. Such a check was far from obvious. A warning which the Claimant alleges was given on 30.9.1997, although, however, only regarding the title "Get down", is stated by the Defendant not to have been received. The Defendant contends that in its legal arguments the Claimant overlooks the fact that in terms of Para. 5 subpara. 2 of the TDG⁶ (Art. 1 para 5 of the Information and Communications Services Law - IuKDG) it, the Defendant, is only liable if it had positive knowledge of the content or of the illegality of the downloaded files. Thus, at best, the Claimant would have claims against the users of the forum, but not against the Defendant. In addition, there is no fault whatsoever on the part of the Defendant for what happened, as by putting on the notices about the inadmissibility of uploads which infringed the rights of third parties and by checking the uploaded files prior to release it had done all that it could do. Further technical restrictions were said not to be possible. The Defendant states that it thus had no knowledge of, for instance, rights on the part of the Claimant, nor was it in a state of negligent ignorance concerning such rights.

The Claimant challenges this. It alleged in particular that Para. 5 of the TDG applies only to content stored on servers, in relation to which the illegality of dissemination arises from the content itself; in cases of copyright infringement this provision has no application. It is contended that this follows from the wording of the provision and the reason for it coming into existence. The Defendant is said to have acted in other respects with eventual intent⁷, or, at least, with gross negligence, as opening text files with a word processing program in order to determine whether copyright notices are on files is the most obvious course of action. The warning of 30.9.1997 did reach the Defendant, and was followed by telephone negotiations. It is claimed that the Defendant is liable in any event from the point of view of there being sufficient causal contributory negligence in relation to the acts of infringement by its members and from the point of view of the infringement of the duty upon it to safeguard traffic.

After the taking of evidence had been undertaken - the obtaining of an expert opinion and the examination of witnesses - in its interlocutory judgment the Landgericht held as follows:

⁶ Teleservices Law

⁷ Dolus eventualis - a form of intent where the perpetrator seriously expects the result of his action

The statement of claim is justified on the merits in as far as the Claimant claims an infringement of rights protected in accordance with the Copyright Law through having the MIDI files which are the subject matter of the action stored on the server of the Defendant's parent company.

In as far as it likewise asserts this with regard to the facilitating of the uploading, the case is refused.

The Landgericht in essence gave the following reasons: the Claimant is entitled, either in its own right or by virtue of the right transferred to it by the witness Kist, to the utilisation rights in accordance with Paras. 15 - 17 of the Copyright Law flowing from the ancillary copyright of the record producer in accordance with Para. 85 subpara.1, and in addition, from the right acquired from the witness Kist, also the utilisation rights from the ancillary copyright of the performing artist in accordance with Para. 73 of the Copyright Law. It has been clearly established on the evidence that copies of the Claimant's disputed MIDI files were uploaded on to the AOL server and were stored there for downloading by AOL members. In terms of Para. 5 subpara. 2 of the TDG, the liability of the Defendant for this is affirmed: having copies of the MIDI files stored for further reproduction (downloading) is an infringement of the distribution and reproduction rights of the copyright holder. To this extent eventual intent is present in the case of works from the area of pop or light music, as in these cases the seventy-year term of copyright protection has without exception not yet expired. Then the Defendant must also bear liability for infringement of rights resulting from the storing of the files. "Knowledge" within the meaning of Para. 5 subpara. 2 of the TDG must indeed concern only the content and not the illegality of the storing of the content. Knowledge of the content and knowledge of the existence of an infringement of a right could, however, diverge from one another. The assumption that there is an infringement of a right here does, however, suggest itself very strongly, so that taking account of knowledge of content would actually place those entitled in a situation of having no rights. Responsibility must therefore be affirmed when the item of music and its name are well known. "Turning a blind eye" will not negate liability; there is rather, of necessity, the assumption that there is a duty to check. Knowledge of that kind on the part of the Defendant in the form of its constructive knowledge through its "scouts" is affirmed, as it was quite possible and perfectly reasonable for the scouts to acquire the knowledge; and it was quite possible to prevent files being stored at

reasonable expense. The situation is somewhat different for the process of downloading, as here an examination of the contents prior to uploading is not possible. For the details reference is otherwise made to the judgment (ZUM 2000, 418 = NJW 2000, 2214 with notes in NJW 2000, 2168 and GRUR 2000, 696⁸).

The Defendant's appeal is directed against this judgment. In its appeal, the Defendant contends in additions and amplifications to its statement of facts and law, while also, however, in part making far reaching alterations to it from the case at first instance, that MIDI files are not a sound recording within the meaning of Para. 85 subpara.1 and Para. 16 subpara. 2 of the Copyright Law, as they contain no audio data and no recorded sounds, but rather only commands for generating sounds in the form of data codes. In the production of the files, it is claimed that the witness Kist was not working as a performing artist within the meaning of Para. 73 of the Copyright Law and that the production of a MIDI file is not the recording of an artistic performance, but rather an activity of a technical nature like that of a sound mixer. It states that the Claimant has indeed probably not acquired the ancillary copyright originating from Kist through the agreements submitted (Exhibit A 13) and that the rights lie, if at all, with GEMA or GVL⁹. In any event it is claimed the Defendant is not the proper defendant of possible claims by the Claimant; the Provider of the forum which is involved in the dispute is AOL Online Inc. Although in the context of the German AOL service the Defendant does also appear itself as Content Provider, in relation to the forum which is involved in the dispute it is neither Provider of its own nor of other people's content, but rather it is purely an Access Provider. It merely makes a point of presence available for the service. Contractual relations with the user only arise between the user and AOL Online Inc. Also, the formation of the forum goes back exclusively to the parent company. The Defendant has once again contested at great length the claim that the disputed files which were stored on the AOL server involved copies of files produced by the Claimant. The Landgericht's evaluation of the evidence with regard to this question is inadequate. Liability on the part of the Defendant is said to be excluded by virtue of Para. 5 subpara. 3 of the TDG. Even if the applicability of Para. 5 subpara. 2 of the TDG assumed, the Defendant contends that liability is excluded in terms of this provision as neither it nor the scouts had knowledge of the disputed MIDI files or of the existence of a

⁸ German legal journals

copyright or ancillary copyright in them. It was also stated that the accusation of negligence cannot be made in this connection, as notices about an ancillary copyright on the part of the Claimant, if placed at all, were not posted in the “place” provided for this purpose in the MIDI file standard, but rather in a context which is unexpected for a music file, namely in a text file. Any knowledge there might have been on the part of the scouts could not in any event be counted upon by the Defendant.

The Defendant states that claims on the basis of enrichment are also excluded by virtue of Para. 5 of the TDG.

The Defendant applies for

the judgment of the Landgericht to be set aside and the case to be dismissed.

The Claimant applies for

the appeal to be refused.

It opposes all the points in the Defendant’s statement of facts and law in full. It contends that MIDI files are, analogous to a CD, sound recordings. It states that it itself was the producer of the disputed files; Kist was involved in their production by playing in the music over a keyboard, using everything within the creative scope available to him musically as an artistic performer within the meaning of Para. 73 of the Copyright Law. It, the Claimant, is neither a member of GEMA or of GVL; Kist has been a member of GVL only since 20.4.2000, backdated to 1.1.1999. The Defendant’s objections to its acquisition of a right are beside the point. The fact that the Defendant is the operator of the German AOL service, a self-contained German service, and in particular also of the MIDI forum at issue, cannot be in doubt. The conditions of use of and the ownership situation regarding the server of which use was made are of no significance in this regard. The Defendant developed the forum as such, in particular its user interface; the scouts which, it is not disputed, work for it, opened the uploaded MIDI files and sorted them according to style in to the categories provided for this purpose; there can be no reasonable doubt that the files stored on the AOL server correspond to the files generated by the Claimant. Para. 5

⁹ Gesellschaft zur Verwertung von Leistungsschutzrechten mbH = Performing Rights Society

of the TDG does not restrict liability for copyright infringement. Fault on the part of the Defendant arises from the fact that the forum at issue represents an invitation to infringe rights on a massive scale.

The Claimant has lodged a cross-appeal. It asserts that claims regarding the facilitating of the uploading of copies of MIDI files on to the AOL server were not the subject matter of the dispute. It applies for

the judgment of the Landgericht to be set aside in so far as the action on the grounds of facilitating the uploading of the MIDI files which are the subject matter of the dispute was dismissed.

The Defendant applies for

the cross-appeal to be refused.

It defends the challenged judgment. It states that in its pleadings the Claimant takes into account the fact that the Claimant's ancillary copyright was already infringed by the uploading of the files.

In other respects reference is made to the pleadings lodged by the parties and the documents submitted by them for amplification of the statement of facts.

REASONS FOR THE DECISION:

The Claimant's appeal is proved to be well-founded, and that of the Defendant to be without sufficient cause.

I.

The admissible cross-appeal by the Claimant is proved to be well-founded. In pronouncing in its judgment that the case should be dismissed, the Landgericht in this respect went beyond the subject matter of the legal dispute initiated by the action. It ruled on a cause of action not asserted by the Claimant and refused the Claimant on this point. This amounts to a breach of Para. 308 subpara. 1 of the ZPO¹⁰ (Thomas/Putzo, Code of Civil Procedure 22nd Edition, Para. 308, marginal note 2).

The subject matter of a legal dispute shall be determined by the applications presented by the parties to the action and the facts underlying these. The Claimant originally applied firstly for the Defendant to be ordered to delete the stored copies of its MIDI files; in this respect the parties declared that the dispute was settled. Thus there was nothing further to be decided in relation to this claim, a fact that the Landgericht too did not overlook. Otherwise the Claimant had originally applied for the Defendant to be ordered to pay a reasonable licence fee for facilitating the downloading of the MIDI files by third parties in the period up to 23.1.1998 and for a determination that the Defendant was liable to pay damages with regard to the downloading of the MIDI files by third parties in the period after 23.1.1998. These motions therefore expressly concerned only claims for facilitating downloading and/or for the actual downloading of the MIDI file copies. After the Claimant had, in a permitted manner altered these claims and went over to an action for performance, these claims were also, however, no longer to be decided in the judgment of the Landgericht. The Landgericht has clearly also gone on this assumption. At the time the judgment was issued by the Landgericht the subject matter of the case was still only the claim for payment by the Claimant. The Claimant had estimated this in such a way that for each of the 4784 downloads at issue it reckoned on what it considered to be a reasonable licence fee of DM 20.80 and on this basis calculated its claim at DM 99,507.00. From this sum it reached the part sum of DM 99,000.00 as the subject matter of its claim for payment. A claim for damages "in view of facilitating the uploading" of copies of the Claimant's MIDI files was thereupon not the subject matter of the dispute. Thus, in terms of

Para. 318 subpara. 1 of the ZPO, the judgment of the Landgericht is in this respect to be set aside without substitution.

II

The admissible appeal by the Defendant does not succeed. The claim for payment asserted by the Claimant results on the merits as a claim for compensation based on Para. 97 subpara. 1 sect. 1, Para. 75 subpara. 2, Para. 85 subpara. 1 of the Copyright Law. The following points apply:

1. The Defendant is liable in accordance with Para. 97 subpara. 1 of the Copyright Law, in view of there being adequate causality, for culpably causing the infringement of the Claimant's ancillary copyright or of an ancillary copyright acquired by the Claimant from the witness Kist without a restriction on this liability in accordance with Para. 5 subpara. 2 of the TDG.

The question as to whether Para. 5 of the TDG finds application in cases of infringement of copyright or ancillary copyright has not yet been judicially determined as far as can be seen. In textbooks the point is controversial. It is to be answered in the negative.

- a) Interpreting the text of the law for help in finding an answer to the question regarding the applicability of Para. 5 of the TDG to cases of infringement of copyright or ancillary copyright produces no conclusive answer. The application of Para. 5 subpara. 1 of the TDG in such cases causes no difficulties, as this provision is only clarification of the principle also dominant in copyright of responsibility for one's own conduct. Also, the application of Para. 5 subpara. 3 of the TDG in such cases causes no difficulties as the delimiting criterion here is the straightforward arranging of access to the content - however that is to be defined.

Difficulties arise with the interpretation of Para. 5 subpara. 2 of the TDG. An interpretation of the term "content" disregarding the remaining content of this provision could suggest that the term be understood in conformity with Para. 2 subpara. 1 of the TDG as meaning all "combinable data such as characters, pictures or sounds". Para. 5 subpara. 2 of the TDG, however, restricts liability

¹⁰ Code of Civil Procedure

for outside content but in accordance with whether the service provider knew about the outside content. This suggests, it is to be assumed, that with “content” only such data is intended in relation to which the content itself is the basis of evaluation of the legality or illegality of its being stored and in relation to which knowledge of it therefore - even possibly with great difficulty - facilitates the evaluation of the legality or illegality of the storage for the Service Provider. Such an interpretation would have as a result that Para. 5 of the TDG would apply to all criminal and civil provisions which regulate the permissibility of disseminating content (in the area of protection of industrial property, thus, for instance, also content inadmissible under competition law), but not, on the other hand, to content infringing copyright or ancillary copyright, as in determining legality in such cases it is not the content and having knowledge of it that is the decisive consideration but rather it is the legal classification of the content and having knowledge of that that is the decisive consideration. It would scarcely be comprehensible that a Service Provider should be “responsible” for the dissemination of copyright infringing content when he knew the content but did not know of the existence of a copyright in it, but that he should not be “responsible” when he did not know the content but did know of the existence of a copyright in the file merely from its description. An indication that Para. 5 of the TDG was only intended to regulate responsibility for such data as that where the legality of its dissemination results from the content itself also follows from the fact that Para. 5 subpara. 4 of the TDG speaks of “illegal content” and treats it as equivalent to “content”. As a result the wording of Para. 5 of the TDG speaks more against than for its applicability in cases of copyright or ancillary copyright.

On the other hand it has been contended that the area of application of the TDG (and the Media Services Treaty) must coincide to a large degree with the provisions on liability, as it is difficult to see why a provider should be subject to the provisions of the Teleservices Law but not able to enjoy the benefit of the provisions relating to liability contained in Para. 5 of the TDG (Spindler, NJW 1997, 3193/3195 li. Sp¹¹). This argument does not appear to be compelling: it is hard to see why the validity of Para. 5 of the TDG should not be limited to

¹¹ No reference found to this abbreviation

the “illegal content” in the previously discussed sense and liability for inadmissible storing of content, not on account of the content itself, but rather on account of its legal classification, should yield to the rule in the Copyright Law because of the other fundamental principle of the illegality of the dissemination of such content (thus also Waldenburger, MMR 1998, 124/127, with the remark that a narrow interpretation of Para. 5 of the TDG as a provision favouring liability is required).

In this connection the following aspect must also be taken into consideration: Para. 2 of the TDG lays down the area of validity of the Teleservices Law also having regard to the doubtful delimitation on the legislative power of the Federal Government and of the Länder and delimits it from the area of application of the Radio Treaty¹² and the Media Services Treaty. Para. 5 of the Media Services Treaty contains a provision regulating the area of validity specified in Para. 2 which, as regards content, to a considerable extent parallels Para. 5 of the TDG. As it is the Federal Government which, in accordance with Para. 73 No. 9 of the Basic Law¹³ has exclusive legislative power for copyright, there is general agreement that in copyright and ancillary copyright cases, Para. 5 of the Media Services Treaty is not applicable (Wild in Schricker, Copyright, 2nd Edition, Para. 97, marginal note 40a et seq.). Wild approves (ibid.) the analogous application of Para. 5 subpara. 2 of the TDG to media services. It appears at least just as obvious, however, to assume the inapplicability of Para. 5 of the TDG to copyright.

- b) Legislative history also supports the assumption that Para. 5 of the TDG has no application to copyright. It appears proper here for a better understanding of the matter to describe the evidence in detail and to cite from it.
- aa) The Information and Communication Services Law took up recommendations from the Technology Advisory Council¹⁴ set up by the Federal Government; the Council assessed “that potential investors and service providers require uniform, appropriate and only absolutely essential framework conditions” and recommended that “regulations dealing with data protection, the protection of

¹² Rundfunkstaatsvertrag

¹³ Grundgesetz

¹⁴ Technologierat

intellectual property, the protection of young people and consumers, as well as criminal law and data security provisions should be geared specifically to new technological developments” (Official Statement of Reasons for the Government Draft of the LuKDG, Government circular 13, 7385, p. 16 re. Sp.¹⁵). The draft of the Statement of Reasons to the report stage draft of the LuKDG dated 28.6.1996 expressly indicates that from these recommendations the proposal relating to the conformity of provisions for the protection of intellectual property (with the exceptions laid down in the LuKDG) should be put back to a later date (Schaefer/Rasch/Braun, ZUM 1998, 451/453). The authors point out (ibid. Fn. 10¹⁶) that it was obviously intended to await the outcome of the forthcoming WIPO conference. The official Statement of Reasons to the LuKDG (ibid. p. 39 li. Sp.) also stresses that “...in Germany, as in most other industrialised countries, opinions concerning the extent of the requisite conformity of national copyright legislation are still in the process of being formed”, that the WIPO conference mentioned above is scheduled and that merely effecting a European harmonisation of legal protection for database providers has been ruled out. Consultations with representatives of copyright and ancillary copyright owners and their associations did not take place. These statements and how they correlate suggest it can be assumed that it was not intended in the LuKDG modifications to make amendments to provisions dealing with copyright beyond the area of the Teleservices Data Protection Law.

bb) In the Statement of Reasons as to the basis for Para. 5 of the TDG it states:

In relation to paragraph 1:

“Paragraph 1 of the provision makes clear the basic principle from the general legal system that the service provider bears sole responsibility for content of its own offered by it. The concept of responsibility means having to be answerable for one’s own negligence. Anyone who intentionally or negligently makes his own content available in such a way that cognisance can be taken of it through teleservices bears the responsibility for this content. The producer and provider of material

¹⁵ No reference to this abbreviation found

¹⁶ No reference to this abbreviation found

offered illegally...are accordingly always liable for this within the scope of the applicable civil and criminal law.”

In relation to paragraph 2:

For content provided by others “the Service Provider itself bears joint liability if the individual, specific content is known to him... . The regulation serves as clarification that the Service Provider who takes illegal content from third parties into its range of services is in the position of a surety for preventing its transmission to third parties. This obligation shall only apply, however, when the service provider knowingly has another person's illegal content available for retrieval. This delimitation on intentional action corresponds to the current legal position in the law relating to general criminal and administrative offences: (this requires) intent for all delicts of utterance and other criminal offences in the area of teleservices perpetrated by means of particular content, meaning absolute or eventual knowledge of the objective fulfilment of the substantive part of the applicable legal norm.

Also with regard to civil liability in tort the restriction of responsibility to intentional action takes into account the fact that it is increasingly impossible (for the Service Provider) to take cognisance of all the third party content in its own service area and to check its legality. As a result, the fact that knowledge of content is required for responsibility within the meaning of subpara. 2 means that service providers are given the necessary legal security. ...

If the preconditions for liability for illegal third party content are in place, the legal consequences are determined by the applicable law; ...

In relation to paragraph 4:

Whilst paragraphs 1 to 3 deal with the responsibility of the service provider under criminal and civil law for its own negligence, paragraph 4 makes it clear that the Service Providers' objective (i.e. no liability presumed) obligation to refrain from infringements of legal interests is to remain unaffected by this for its all services. ... The express reference to the secrecy of telecommunications in accordance with Para. 85 of the

Telecommunications Law¹⁷ ... is to stress in particular that service providers ... are prevented by the secrecy of telecommunications from reading individually retrieved content or content otherwise not transmitted publicly themselves..”

Viewed as a whole, a clear picture emerges from these statements and the conclusions already reached above of the legislator’s intentions and of the content of Para. 5 of the TDG. The legislator assumes that “conformity of national copyright legislation and international copyright conventions is necessary”, but that - with the exception of the area of databases - “opinions about the extent of the requisite conformity of national copyright legislation ... are still in the process of being formed” (Official Govt. Publication 13, 7385, p. 39, li. Sp.). Thus it was not intended with the lUKDG regulations to make modifications to provisions dealing with copyright beyond the provisions affecting copyright in the Teleservices Data Protection Law. Against the background of the public discussion, which impacted upon the legislative procedure, about pornography and content glorifying violence on the Internet, and of the “CompuServe case”, the legislator had a provision in mind which should regulate the “responsibility” of the service provider for storing such data, in which the illegality of the dissemination of the content arises from this itself or more precisely from the admissibility of the provisions of public, criminal and civil law regulating the dissemination of content. The legislator saw as the starting point for the intended regulation a “horizontal” regulation, in terms of which knowledge of the stored content would be made subject to the central delimiting criterion. This was based on the notion derived from the criminal law concept of intent that (absolute or eventual) knowledge of the content of stored data also represented a suitable criterion in civil law for the delimitation of the Service Provider’s liability. The official Statement of Reasons thus repeatedly (alone in the reasoning for Para. 5 subparas. 1 and 2, seven times) takes “illegal content” and the impossibility of taking cognisance of all outside content into account. The remarks in the official Statement of Reasons on Para. 5 subpara. 4 also confirm this understanding.

As a result it is to be stressed that the validity of Para. 5 - in particular subpara. 2 - of the TDG is restricted to “illegal content” in the sense discussed above (also Waldenburger, *ibid.* and Schaefer/Rasch/Braun, *ibid.*; as regards other opinions the majority view in the literature essentially follows Spindler (NJW 1997, 3193); thus Schricker, *Copyright*, 2nd Edition, Para. 97 marginal note 40 a - g; Fromm/Nordemann, *Copyright*, 9th Edition, Para.

¹⁷Telekommunikationsgesetz

97, marginal note 18a; Pichler, MMR 1998, 79/81; Spindler, MMR 1998, 639/640; Sieber, Responsibility on the Internet, marginal note 273; Kröger/Gimmy, Handbook of Internet Law, p. 185, in each case m.w.N (*no ref. found*). However, without exception insufficient account is taken of the wording of the provision and how it came into being). The precise scope of the - imprecise - concept of “illegal content” does not require any clarification here. In cases of infringement of copyright or ancillary copyright the provision does not apply in any event. In the meantime there is a discussion draft out of a fifth law to amend the Copyright Law that is aimed at achieving the conformity of German copyright law to the requirements of new technology, taking into consideration international and European standards (Leopold/Demisch, ZUM 2000, 379/387; available under “Reports”/“Archive 1998” on the homepage of the Federal Justice Department = www.bmj.bund.de). According to the statement of reasons for the discussion draft it is stated to be “on the one hand about guaranteeing the legal protection of the holder of rights in the digital sphere, and on the other hand ... also to give users and exploiters of rights an adequate legal framework which permits the most efficient operation of the new technology and promotes the development of the information society (ibid. p. 2).

2. The claim for damages asserted by the Claimant follows from Para. 97 subpara. 1, Para. 85 subpara. 1 p. 1; 2, Para. 75 subpara. 2, Para. 78 of the Copyright Law.
 - a) The instrumental versions of the items Get down, Samba de Janeiro and Freedom, submitted on disk as Exhibit A 15 which, it is not disputed, were produced by the Claimant, are sound recordings within the meaning of Para. 85 subpara. 1; Para. 16 subpara. 2 of the Copyright Law. In terms of this provision sound recordings are transfers of works on to devices for the repeatable reproduction of sequences of sounds, no matter whether this involves the recording of a reproduction of the work on to a sound recording or the transfer of the work from one sound recording to another. It cannot be in doubt that the foregoing works - Get down, Samba de Janeiro and Freedom - involved items of music within the meaning of Para. 2 subpara. 1 No. 2 and the Defendant also casts no doubt on this point; to this extent there are in any event musical works to which the “small coinage of copyright” is attributable. MIDI files, particularly when they are stored on disk, are copies of the works mentioned on devices for the repeatable reproduction on sequences of sounds. The fact that data stored on MIDI files can be played unaltered as often as one likes and repeatedly reproduced, is not disputed; the fact that by means of suitable data processing devices this data can also be altered is of no importance for

the judgment. The Defendant's view that Midi files are not sound recordings within the meaning of Para. 16 subpara. 2 of the Copyright Law (Statement of Grounds for Appeal, p. 38/39; pleadings of 11.12.2000, p. 20/21) is incomprehensible to the Court. It is unclear what the Defendant understands by "audio data" or "recorded sounds" (Statement of Grounds for Appeal, p. 39 at top). The Defendant appears to overlook the fact that also as regards conventional records, cassettes or CDs, there is a widely held misapprehension influenced by the statutory terminology in Para. 16 subpara. 2 of the Copyright Law ("records", "recording", "reproduction of sequences of sounds"): they do not "capture" or "reproduce" sounds, but rather only contain mechanical or electromagnetic analogue commands, or digitised commands for the generation of sounds by the play-back equipment. A person listening to a record does not hear the artist's "captured" playing, but rather only the sound from a loudspeaker produced in the carrying out of the "commands", which is more or less similar to the artist's playing. The comparison drawn by the expert Kiefer (Expert Opinion, p. 14) of a perforated paper roll for a Pianola clearly shows the relationship in this respect with the sound recording. The recording technique is of no importance for the existence of a sound recording (Loewenheim in Schricker, Copyright, 2nd Edition, Para. 17, marginal note 26 and in particular 27). The fact that MIDI files can be played as often as one likes is the basis of their undisputed commercial exploitability; the fact that they sound different on different playback equipment applies equally to records, tapes and CDs. This view is confirmed in the statements by the expert Kiefer in his Opinion (pages 14/15).

In accordance with Para. 85 subpara. 1 s. 2 of the Copyright Law, the producer of the sound recordings is the Claimant. This is because the witness Kist produced the sound recordings, as is yet to be discussed, in the Claimant's work premises and in particular by using the Claimant's studio facilities.

- b) The sound recordings produced by the Claimant contain recordings of the performance by the witness Kist as a performing artist within the meaning of Arts. 73 and 75 subpara. 1 of the Copyright Law. From the evidence it cannot be in doubt that the witness Kist as a performing artist within the meaning of Para. 73 of the Copyright Law performed the works Get down, Samba de Janeiro and Freedom - whether with music or without music after listening to the original work is of no importance for the decision - on a keyboard as

individual tunes and in combination and in the process made a direct digital recording. As emerges persuasively from the Opinion of the expert Kiefer (p. 15 to 17), MIDI files of the undisputed high quality present here can only result from the performance of the work in question by a trained musician. The evidence of the witness Kist that - on the basis of a completed course of study to be a music teacher - he recorded the MIDI files which are the subject matter of the dispute himself using the Claimant's modern studio facilities, leaves no room for doubt that the witness did "perform" the works within the meaning of Para. 73 of the Copyright Law as a basis for the recording.

- c) In terms of Para. 75 subpara. 2 of the Copyright Law, as regards the sound recordings made by him, the witness Kist has the exclusive right to reproduce and distribute these sound recordings. In terms of Para. 78 s. 1 of the Copyright Law, this right was transferable. The transfer was effected by means of the identical agreements submitted by the Claimant dated 15.9.1995, 20.7.1996 and 20.6.1997 (Exhibit A 13). The Court cannot share the Defendant's misgivings regarding the effect of the agreements. Which recording is intended in each case emerges beyond any doubt from the title and from the disk handed over and assigned at the time of conclusion of the agreement. The fact that the agreement does not make precise use of the terminology of the Copyright Law and speaks of the transfer of rights of reproduction is no obstacle to its construction. According to the agreements the Claimant should "in particular (be) entitled to reproduce the MIDI files in all presently known formats, to put them into databases and/or online systems (e.g. Internet) and to distribute the MIDI file physically or otherwise (e.g. over the Internet) against payment or free of charge". This right is expressly described in the agreements as "exclusive". The objections presented by the Defendant against the terms of the agreements are clearly unfounded. By means of the agreements the Claimant acquired from the witness Kist his exclusive right of reproduction in the sound recordings.
- d) Contrary to the view of the Defendant, it cannot be assumed that the rights under discussion would lie with GEMA or GVL under Para. 85 subpara. 1 s. 1, Para. 75 subpara. 2 of the Copyright Law. It is not in dispute that the Claimant is not a member of GEMA or GVL (which is reasonable, seeing that it utilised the rights in its MIDI files itself through the sale of copies). It is not undisputed

that Kist likewise is not a GEMA member. The fact that he has been a member of GVL with effect from 1.1.1999 is irrelevant as far as determination of the legal dispute is concerned, as the retroactive effect of the agreement on the transfer of exclusive utilisation rights in the disputed MIDI files to the Claimant alters nothing (this applies by virtue of Para. 33 of the Copyright Law even for simple utilisation rights).

3. The hearing in court and the evidence show clearly that what is involved is the data stored on the AOL server and reproduced copies of the Claimant's disputed MIDI files from this downloaded data by the members of AOL. The Court in this respect follows the consideration of evidence by the Landgericht and makes reference to it. The evidence of the witnesses who were examined taken together with the opinion of the expert witness leaves no doubt as to the correctness of the outcome of evidence produced by the Landgericht. The fact that on the occasion of the examination of the witnesses van (*sic*) Loock and Eiböck on 1.2.2000 regarding events from 1 1/2 to 2 years ago they had no exact recollection with regard to the time at which individual events occurred is a common occurrence and cannot form the basis for doubts as to the credibility of the witnesses at the centre of their evidence; on the contrary, uncertainties and vagueness as to dates admitted to by the witnesses supports their credibility. Accordingly the result is that there can be no doubt that the Claimant downloaded the recordings which are the subject matter of the dispute on 23.1.1998 from the AOL server, stored them on its computer and that on 19.10.1998 it produced a copy on disk from these recordings which it submitted to the Landgericht with its pleadings on 22.10.1998. There can also be no doubt from the persuasive statements of the expert witness Kiefer, which were clearly worked on with great care by someone with great knowledge of his subject, at least as regards the musical content stored on the file which was put on to the disk submitted as Exhibit A 14, in view of the submission by the witness Kist and of the actual content of the sound recording, that this corresponds entirely with the relevant content of the Claimant's sound recording. The Court cannot share the misgivings of the Defendant, which were put forward for the first time at the rehearing (second hearing), regarding individual points in the expert opinion and the neutrality of the expert witness. It can thus see no cause for the court to make an order - not applied for by the Defendant - for the expert witness to be heard.

4. Both the (once-off) uploading and downloading procedures resulted in copies of the Claimant's MIDI files through which the Claimant's rights discussed were illegally infringed, Para. 97 subpara. 1 of the Copyright Law. Those responsible for the infringement are in the first place the AOL members who undertook the copying. Responsible alongside them is also the Defendant, for those liable for copyright infringement and for infringement of related protective rights include anyone who committed the infringement of a legal right or took part in it; this applies as long as there is a sufficient causal link between the conduct and the infringement of a legal right, whereby one of several causes is enough, if it is not unlikely according to common sense that it was this cause in particular that lead to such an outcome (Schricker, *ibid.* Para. 97, marginal note 35).

The liability of the Defendant is accordingly well-founded. There is no need for clarification of the question as to whether the Defendant was itself the provider of the forum as Host Provider, the differences between "Content Provider", "Host Provider" and "Access Provider" having been presented in detailed discussions (Statement of defence p. 4/5); nor whether, as it submitted at the rehearing (second hearing), it had as its priority the task of developing marketing strategies suited to the German market, in order to be able to market the American style AOL online service to a German target audience and in this connection dealt with the translation of the texts constituting the forum which is the subject of the dispute and made a point of presence available for the purposes of the forum. The Court assumes that the foregoing is accurate. Even within this restricted sphere of activity the Defendant had adequate cause for the infringements of the Claimant's rights which then occurred: the typical consequence of opening up a forum which is designated as being a forum for MIDI files is that AOL members put MIDI files into the forum and download them from there. The occurrences of copying which, it is not disputed, were carried out over the point of presence provided by the Defendant, were thus jointly caused by the Defendant.

The Defendant was also at fault for these occurrences of copying. The Claimant accurately pointed out and it is essentially not denied that the setting up of a forum for MIDI files was nothing short of an invitation to infringement of copyright and ancillary copyright on a grand scale. MIDI files are - it is essentially not disputed and is confirmed in detail by the expert witness Kiefer (Opinion, page 24)- produced at a good level of quality by enterprises operating on a commercial basis and are

exploited commercially by being sold to professional and semi-professional musicians. The repertoire consists in the main of current "hits". In these circumstances it was to be expected from the outset that in all likelihood, under the protection of anonymity afforded by the Internet, AOL members would go on to putting MIDI file versions protected by ancillary copyright of copyright protected works in the forum and from there download them, without acquiring the requisite rights thereto from the holders of the rights or performing rights societies. The Claimant pointed out quite rightly that the computer screen photograph submitted by it (Exhibit A 6) with its exclusive current titles is impressive confirmation of this suspected assumption. The Defendant's conduct thus amounted in general and with regard to the titles which are the subject matter of the dispute to gross negligence, if not even eventual intent.

The numerous notices to AOL members built in to the program to the effect that only non-copyright protected material could be uploaded cannot exculpate the Defendant. In view of the anonymity of the Internet these notices were not suitable to limit substantially the well-founded risk of infringement of rights by AOL members through the setting up of the forum, particularly since, as the refusal of the Defendant to notify the Claimant of the names of the "uploaders" shows, the Members could rely on their anonymity being preserved by the Defendant. It must rather have been reckoned on from the outset that a large portion of the members would at any rate not hesitate to disregard these notices.

The Defendant can also not exonerate itself by reference to the activities of its "scouts". The fact that it employed the scouts and had the uploaded files checked for copyright notices confirms first and foremost that the Defendant too had recognised the risk of copyright infringement and that it had also seen that its notices discussed previously about the inadmissibility of uploading copyright protected content could not prevent the infringement of rights. The check carried out on the files for the presence of copyright notices was not an appropriate way of establishing whether copyright and ancillary copyright existed or not with adequate certainty as such notices can be manipulated.

The claim for damages asserted by the Claimant thus subsists on the merits. The amount thereof requires clarification; the case did not come to the court of appeal in

this respect. It was merely to throw light on the tenor of the Landgericht's judgment, in order to exclude doubt as to the limits of its legal force (*res judicata*).

The order as to costs results from Para. 91 subpara. 1; Para. 97 subpara. 1 of the ZPO. The decision on the provisional order of enforcement follows from Para. 708 No. 10; Para. 711 S. 1 of the ZPO.

(signed)

Wörle

Presiding Judge

(signed)

Haußmann

Judges

at the Oberlandesgericht¹⁸

(signed)

Jackson

¹⁸ County Court of Appeal