A General Summary on Geo-Blocking in the EU*

Lilla Nóra Kiss**

Summary: Geo-blocking is the new phenomenon of the current digital era, which affects our everyday lives. Geo-blocking is a modern form of discrimination which is considered a geographically based restriction for consumers that may be a ban for free movements and therefore affect the single market of the European Union, too. The European Commission adopted the Digital Single Market (DSM) Strategy in 2015 by which a new path forward to innovation was taken down. The new EU Commission led by Ursula von der Leyen aims not only the continuation of the development of the DSM to improve our digital welfare, but introduced the concept of the promotion of European way of life which is strongly interlinked with the digital aspects, too. As the human perspectives of our lifestyles came up to a higher level of policymaking, digital readiness, skills, and geo-discrimination might also be part of current debates. The research intends to present the geo-blocking as a new issue for the society, politics and economy, then broadly summarizes its definitions and the latest solutions for the treatment of unjustified restrictions in the EU.

Keywords: geo-blocking – Digital Single Market – geo-discrimination – digitalization – digital readiness – innovative society

1. Introduction: the phenomena and its possible effects

The cross-border market activities in our innovative societies gave birth to a new phenomenon, which is called geo-blocking. The geo-blocking is generally related to digital economies, even if it also has an “offline version”. Geo-blocking is considered a geographically based restriction for consumers that may be a ban for free movements and therefore affect the single market of the European Union, too. The European Commission adopted the Digital Single Market (DSM) Strategy in 2015 by which a new path forward to innovation was taken down. The new EU Commission led by Ursula von der Leyen aims not only the continuation of the development of the DSM to improve our digital welfare, but introduced the concept of the promotion of European way of life which is strongly interlinked with the digital aspects, too. As the human perspectives of our lifestyles came up to a higher level of policymaking, digital readiness, skills, and geo-discrimination might also be part of current debates. The research intends to present the geo-blocking as a new issue for the society, politics and economy, then broadly summarizes its definitions and the latest solutions for the treatment of unjustified restrictions in the EU.

Keywords: geo-blocking – Digital Single Market – geo-discrimination – digitalization – digital readiness – innovative society

* Lilla Nóra Kiss PhD, research fellow at the Department of European and Private International Law, Faculty of Law, University of Miskolc, Hungary. Contact: joglilla@uni-miskolc.hu

** This research was supported by the project nr. EFOP-3.6.2-16-2017-00007, titled Aspects on the development of intelligent, sustainable and inclusive society: social, technological, innovation networks in employment and digital economy. The project has been supported by the European Union, co-financed by the European Social Fund and the budget of Hungary.
for free movements and therefore affect the single market of the European Union (hereinafter referred to as: EU).

Due to the cross-border nature of digital issues, geo-blocking does not stop at the borders of the European Union; it is a worldwide phenomenon that affects both consumers and companies. Geo-blocking might be considered as the new aspect of the “equal treatment family” (and non-discrimination requirements) as it may have a different kind of effects in our innovative societies and economies for our consumer rights. On the one hand, geo-blocking has an economic sense for both consumers and companies; on the other hand, it may be considered as the non-provision of equal treatment for consumers.

The research intends to present the geo-blocking as a new issue for the society and economy, then broadly summarizes its definitions and the latest solutions for the treatment of unjustified restrictions in the EU. It is evident that geo-blocking is not purely a European issue; however, the scope of this essay is limited to the regional aspects of the topic. I hypothesize that well-functioning EU solutions might have an extraterritorial effect on the treatment of the legal problem arising from geo-blocking that may breach equal treatment of consumers on the ground of their location. The extraterritoriality of EU law could be examined in relation to the single market issues as EU standards reach non-European market players, too. This is undoubtedly true for digital goods and services.

The EU has realized the problematic aspect of unjustified geo-blocking and its effects; therefore, it became a policy program point of Digital Single Market (hereinafter referred to as: DSM) strategy adopted in 2015. The unjustified geo-blocking is a discriminative situation between (EU) customers as it segments markets along national borders and increases profits to the detriment of foreign customers according to the European Commission (hereinafter referred to as: Commission).

The Commission decided to put an end to unjustified discrimination on the ground of the geographic location of consumers because these kinds of restrictions undermine the single market. It is especially true in relation to the functioning of the DSM, having particular regard to online shopping and cross-border sales. The Commission proposed the 2018/302/EU Regulation (hereinafter referred to as: The Geo-blocking Regulation)1 on geo-blocking, which entered into force on 22 March 2018 in all EU Member States (hereinafter referred to as: MSs) and applicable from 3 December 2018. Due to the nature of digital issues,

---

the geo-blocking is a relatively new phenomenon of the digital economies and societies. Since e-commerce and e-services are available, geo-blocking evolved.

The DSM strategy\(^2\) adopted in 2015 in the EU has several program points that intend to abolish the bans in the free flow of digital content and make everything possible that is available in the tangible single market. It could be considered as a prime objective; however, the abolishment of bans in the digital era might be harder than in the physical single market.

The economic effects of the geo-blocking were realized at the beginning of the implementation of the DSM. According to the impact assessment done by the Commission before the adoption of the Geo-blocking Regulation, the problem is that “customers, notably consumers but also small businesses, show an increasing interest in shopping cross-border. However, they increasingly experience traders operating in the other Member States refusing to sell to them or adapting their price as a consequence of the customer being from another Member State. In 2015, a Mystery Shopping Survey revealed that only slightly more than a third of attempted cross-border purchases were successful (37 %). There may be good reasons for not selling cross-border (e.g., differences in consumer laws, VAT, bottlenecks in cross-border delivery channels, etc.). Nevertheless, a significant number of restrictions may be unjustified.”\(^3\) This leads us to the economic aspects of geo-blocking, which entitles the EU to act as the phenomenon that affects the single market.

Secondly, the aspect of the topic for the equal treatment came hand-in-hand with the economic perspectives, due to the fact that economic advantage for the companies based on the location of the consumers creates a disadvantage on the side of the latter that could be justified or unjustified. Besides – to show the complexity of the topic – the location of the consumer is data that enjoys pro-tection. The geo-discrimination is based on specific data of a consumer, which might make the case more complicated from a legal point of view. The problem is with the unjustified geo-blocking. In the following, I sum up what is considered geo-blocking.

---


\(^3\) European Commission: Commission Staff Working Document Executive Summary Of The Impact Assessment, Accompanying the document proposal for a Regulation Of The European Parliament And Of The Council on addressing geo-blocking and other forms of discrimination based on place of residence or establishment or nationality within the Single Market {COM(2016) 289 final} {SWD(2016) 173 final}. 
2. What is geo-blocking?  

Under the term geo-blocking, we understand the different treatment of consumers due to their nationality, place of residence, or place of establishment. The problem affects consumers as well as businesses when they purchase goods and services for their own use. As it is already mentioned, it exists both in the online environment and in the physical world.

The definition of geo-blocking is not determined in the Geo-blocking Regulation. In my view, the reason behind that is maybe the fact that the concept of geo-blocking is comprehensive. Geo-blocking is a form of discrimination that is rather a result of different kinds of acts and/or omissions that lead to the discrimination of consumers on the ground of their location regardless of the fact of whether this happens in the online or offline world.

Geo-blocking is a phenomenon, a result of unfair trade conduct aiming profit-maximizing by which the trader/service provider discriminate consumers in an unjustified manner. According to Aikaterini Mavropoulou, geo-blocking is the technology that does not allow a user from a certain geographic location to access a website, to buy a product online, or to use an online service. For me, geo-blocking is much more than technology. Of course, it is a technological method for discrimination, which results in the breach of equal treatment of consumers on the base of their certain personal data, namely: their location.

We might already have experienced the geo-discrimination at least several times during our online presence. Geo-blocking refers to practices used mostly by online sellers that result in the denial of access to websites from other MSs. For example, when YouTube signs that “this content is not available in your country” or when the price of a good / service is different on another website of the company related to the location of the consumer, but we are not able to consider (unless we use incognito-window or a location-blocker, e.g., VPN) as the website automatically navigates to the Hungarian page of the company and does not let us browse on the foreign one. It also includes situations where access to a website is granted. Still, the customer from abroad is prevented from finalizing the purchase or e.g., being asked to pay with a debit or credit card issued in a certain country. This is a kind of “geo-discrimination”. This also may take

---

4 Terms and definitions collected from the presentation of PERESZTEGI-NAGY, I. held on 19 October 2019 at ELTE EU Business Law course, and on his official webpage of the EU Commission. Available at: https://ec.europa.eu/digital-single-market/en/faq/geo-blocking-faq (downloaded: 10 December 2019).

5 MAVROPOULOU, A. Geo-blocking of the audiovisual services in the EU: an indispensable measure or a barrier to a modern Europe? Tilburg Law School Master’s Thesis, Available at: http://arno.uvt.nl/show.cgi?fid=148183 (downloaded on 10 December 2019).
place when the consumers are buying goods and services offline, e.g., when a consumer is physically present at the trader’s location but is either prevented from accessing a product or service or being offered under different conditions. Several actions result in geo-discrimination. Thus a taxative and exhaustive list of them cannot be concluded.

3. **The problematic aspect of geo-discrimination and its possible legal and social solutions**

First, geo-discrimination is an economic problem that affects the objectives of the single market. The number of online shopping and e-commercial issues shows an increasing tendency. We can conclude that blocking the activities of consumers affects the EU’s economy and the single market. This, in the short-run, may be good the companies that are blocking the consumers, but in the long run, it may results in the loss of trust, reduction of e-shopping and the decrease of cross-border services and purchase of goods that finally leads to economic loss.

Secondly, geo-blocking affects the rights and financial interests of the consumers, too. As the profit is higher for the companies when they decide where the consumer buys the product as they limit the access to other MSs’ market for them, it influences the consumers’ habits and has a result also on their wallet. On the one hand, influencing might not serve the consumers’ interest. Of course, online mechanisms may serve the convenience of the consumers, but by using out this, it also has a financial aspect to them. E.g., by limiting their access to a certain seller’s foreign websites, the companies restrict the choices of the consumer, especially, they are manipulating the consumers’ free, uninfluenced

---

6 For example, according to the statistics, “68 % of internet users in the EU shopped online in 2017; almost 7 out of 10 internet users made online purchases in 2018; Traders often still refuse to sell or supply to customers from another MS without any objective reason or to offer equally advantageous prices compared with local customers. Only 37 % of websites allow customers from another MS to reach the final step up to a point just before pushing the order confirmation button. Overall, the share of e-shoppers in internet users is growing, with the highest proportions being found in the 16–24 and 25–54 age groups (73 % each). The proportion of e-shoppers varies considerably across the EU, ranging from 26 % of internet users in Romania to 87 % in the United Kingdom.” The economic aspect of e-commerce is evolving. The habits of e-shopping are spreading thanks to the time- and cost-effective nature of it. “Most purchases, by a third or more of e-shoppers, involved clothes and sports goods (64 %), travel and holiday accommodation (53 %), household goods (45 %), tickets for events (39 %) and books, magazines and newspapers (32 %). Fewer than one in five e-shoppers bought telecommunication services (20 %), computer hardware (17 %), medicines (14 %) and e-learning material (7 %). For more information, see the slides of Imola Peresztegi-Nagy.
choices which might not be justified under EU law. The lack of information or the dezinformation transforms the consumers’ decision.

On the other hand, the limitation of the consumers’ decision-making is based on their location, which is a personal data. According to the General Data Protection Regulation (EU) 2016/679 (GDPR)\(^7\) Article 4 (1), the concept of personal data includes the location of a person. Article 5 of the GDPR expresses that the personal data shall be processed in a lawful, fair and transparent manner which includes the declared permission of the owner of that data.\(^8\) This leads us to the liability of different searching engines that forwards our location data without asking a permit.\(^9\)

Thirdly, the Intellectual Property (hereinafter referred to as: IP) law is also applicable. In the digital era, it is easy to breach IP Laws, too, however, this falls outside of the scope of this paper.

It is obvious that geo-blocking is a coin with two sides: there is the economic interest of market players on the one hand and personal data, rights of consumers and EU level economic interests on the other. The two-folded issue has a kind of solution in practice from both sides. The conscious consumers use incognito pages of the browsers and/or different virtual private networks (VPNs). VPNs are location-blocking programs, by which a consumer can hide himself or mask his location. There are plenty of VPNs available on the market under different conditions, such as: NordVPN, UR Browser, HideMe, BullGuard, Surfshark, VPN+, etc. By these, the foreign webpage of a company becomes available, but when the consumer intends to order, the shipping is might not possible to the country of the consumer, or other problem occurs.

The European Union realized these problems and incorporated a solution into the DSM strategy. The legislative pack for DSM consists of several documents. The most important legal source for this issue is the Geo-blocking Regulation that aims to provide for more opportunities to consumers and businesses within the

---

\(^7\) Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation).


\(^9\) About the topic, see also: NYMAN-METCALF, K., PAPAGEORGIOU, I. F. The European Union Digital Single Market – Challenges and Impact for the EU Neighbourhood States, Baltic Journal of European Studies, Volume 8: Issue 2, pp. 7–23.
internal market. In particular, it addresses the problem of (potential) customers not being able to buy goods and services from traders located in a different Member State for reasons related to their nationality, place of residence or place of establishment, hence discriminating them when they try to access the best offers, prices or sales conditions compared to nationals or residents of the traders’ MS.

The Geo-blocking Regulation is only one element of the DSM strategy, which is a very complex policy. Besides the abovementioned regulation, other legal acts have some provisions related to the geo-blocking, too. These are mostly EU acts of consumer protection law. The following documents are strongly related to the issue geo-blocking:


The Geo-blocking Regulation purposes of contributing to the proper functioning of the internal market by preventing unjustified geo-blocking and other forms of discrimination based, directly or indirectly, on the customers’ nationality, place of residence or place of establishment, including by further clarifying certain situations where different treatment cannot be justified under Article 20(2) of Directive 2006/123/EC. This objective is declared in Art. 1 of the Regulation.

The Regulation negatively determines its scope, expresses what not belong under itself, such as the activities referred to in Article 2(2) of Directive

10 Thus, the Geo-blocking Regulation does not apply either to the following type of services: (a) non-economic services of general interest; (b) financial services, such as banking, credit, insurance and re-insurance, occupational or personal pensions, securities, investment funds, payment and investment advice, including the services listed in Annex I to Directive 2006/48/EC; (c) electronic communications services and networks, and associated facilities and services, with respect to matters covered by Directives 2002/19/EC, 2002/20/EC, 2002/21/EC, 2002/22/EC
2006/123/EC on Services. The Regulation does not apply to purely internal situations, where all the relevant elements of the transaction are confined within one single Member State. Thus, a cross-border element is necessary to apply the Regulation. The Regulation shall be without prejudice to the rules applicable to the field of taxation. Besides, the Regulation shall not affect the rules applicable in the field of copyright and neighboring rights, notably the rules provided for in Directive 2001/29/EC of the European Parliament and the Council. This exclusion of the territorial licensing of copyrighted audiovisual works from this strategy is interesting and raises the question of why does this field is excluded.11 May the intention of the MSs was missing to incorporate the copyrighted audiovisual works? If yes, why?12 By this exclusion, certain geo-discrimination may remain consequence-less. However, this could be justified from a purely economic point of view if we consider that different prices are applicable for audiovisual content in the MSs. There are economically more developed MSs where higher prices – based on e.g. the minimum wages – could be issued while there are less-developed EU economies where the application of the same circumstances would lead to discrimination and not the application of different prices.13

and 2002/58/EC; (d) services in the field of transport, including port services, falling within the scope of Title V of the Treaty; (e) services of temporary work agencies; (f) healthcare services whether or not they are provided via healthcare facilities, and regardless of the ways in which they are organised and financed at national level or whether they are public or private; (g) audiovisual services, including cinematographic services, whatever their mode of production, distribution and transmission, and radio broadcasting; (h) gambling activities which involve wagering a stake with pecuniary value in games of chance, including lotteries, gambling in casinos and betting transactions; (i) activities which are connected with the exercise of official authority as set out in Article 45 of the Treaty; (j) social services relating to social housing, childcare and support of families and persons permanently or temporarily in need which are provided by the State, by providers mandated by the State or by charities recognised as such by the State; (k) private security services; (l) services provided by notaries and bailiffs, who are appointed by an official act of government.


13 For example, Spotify applies to alter prices on the base of the origin country of the users. In Hungary, a premium account costs 4.99 EUR/month, a family pack is 7.99 EUR/month, while a student premium acc is only 2.49 EUR/month. In Romania, only one type of premium account is available, which costs 5 EUR/month. The same services in Germany or France and Luxembourg cost double (9.99 EUR / month for a person, 14.99 EUR/ month for a family and 4.99 EUR / month for a student). In Denmark, it is also possible to purchase duo-pack, for two persons, which is not available in all MSs. In Malta, the premium acc for a single person is 6.99 EUR/ month, while the family pack is 10.99 EUR/ month and there are no other options as the student
On the one hand, from the perspective of those countries where the incomes are higher, it could be seen as a discriminative measure for the advantage of those countries where the wages are lower. However, it would be unfair in my view to apply the same prices where the wages are much lower. Thus, the discrimination in this aspect might be justified. However, if the audiovisual services would be incorporated into the Geo-blocking Regulation, and the prices would become equal everywhere, I presume that the base of harmonizing the prices would not be taken to e.g. the Hungarian level. Thus, the harmonization or unification of this field was perhaps not the interest of the MSs, yet.

Regulation complemented with other acts related to consumer protection provides a relatively complex framework.

The Geo-blocking Regulation defines three specific situations of unjustified geo-blocking:
- The sale of goods without physical delivery.
- The sale of electronically supplied services.
- The sale of services provided in a specific physical location.

There might also be justified reasons for traders not to sell cross-border. Such as the need to register at a tax authority in the country of destination, higher shipping costs or costs arising from the application of foreign consumer law. While outside barriers create additional complications and extra costs for the trader, differences in the treatment of customers are based on objective criteria. The Geo-blocking Regulation applies to unjustified restrictions that affect the DSM.

In the following period, within two years after the entry into force of the Regulation, the Commission will carry out the first evaluation of their impact on the internal market, which also includes the evaluation assessment of the scope of the rules. This includes possible application of the new rules to certain electronically supplied services that offer copyright-protected content such as music, e-books, software and online games, as well as of services in sectors such as transport and audio-visual.

Besides the legislation, the EU institutions started to deal with the questions arising from geo-blocking and geo-discrimination. Especially, the Court of Justice of the European Union (CJEU) addressed some aspects of the topic in its recent case-law, however, mainly regarding IP law. In C-403/08, Football Association Premier League and Others case the CJEU expressed that “A system of licences for the broadcasting of football matches which grants broadcasters territorial exclusivity on a Member State basis and which prohibits television discount. In Estonia, the same prices are applicable as in Malta, but the difference is that student discount is available, the service costs 3.49 EUR/ month for students.
viewers from watching the broadcasts with a decoder card in the other Member States is contrary to EU law". This judgement is from 2011 that shows that before the DSM, geo-blocking was already an existing phenomenon and the CJEU examined the case without highlighting this. The Court examined the discriminatory effect of the system of licences in this case, and the requirement of equal treatment was breached on the ground of the territoriality. In the recent judgment in case C-28/18, Verein für Konsumenteninformation v Deutsche Bahn AG case, the Court decided that the option to pay by SEPA direct debit cannot be subject to a condition of residence in the national territory, because these kinds of clause which require residency in a certain state in order to use a kind of paying method is not respecting equal treatment of EU consumers. Thus such a contractual clause is contrary to EU law. In the points 35–36 of the judgement, the Court reflects the Geo-blocking Regulation, even if the case started earlier than the act entered into force.

Both the legislation and the jurisdiction pays attention to the phenomenon of geo-blocking, and from now on, further cases are expected, too.

4. Closing remarks

To sum up, in my view, it could be applauded from the perspective of the European legal development that the EU adopted the Geo-blocking Regulation within the framework of the DSM. By this, the EU is in an advanced situation regarding the legal readiness for the digital era compared to other actors, such as the USA, the Russian Federation or China, or other supranational organizations, such as the Eurasian Economic Union. In addition, the level of protection ensured in consumer rights and IP law is higher in the EU than in the abovementioned countries and organizations. In addition, the new EU Commission introduced the concept of promoting our European way of life, which is strongly interlinked to the digital readiness and skills among other areas. This raises attention to the importance of consumers and equal treatment of them regardless of their location.

There is still a lot to do in the next periods; however, different levels of economic readiness also should be respected in this framework. Until the economic advantages – such as the application of varying prices – ensured to the consumers

14 C-403/08, Football Association Premier League and Others case, ECLI:EU:C:2011:631.
15 C-28/18, Verein für Konsumenteninformation v Deutsche Bahn AG case, ECLI:EU:C:2019:673.
16 See: TRIMBLE, M. Geoblocking. Technical Standards And The Law, University of Nevada, Las Vegas – William S. Boyd School of Law; working paper. Available at: https://pdfs.semanticscholar.org/4aba/7b51ac63ae3de8775bda97cee6f4860fa8c.pdf (downloaded: 10 December 2019)
on the base of their location, e.g., on the field of audiovisual services are higher than the disadvantage of the unification of the area would cause, I think that unification is not necessary. The reason behind that is, in my view, is the difference between the social and financial circumstances of the consumers residing in different MSs and not their location. Their location is just a circumstance that proves the presumption that countries of lower-income rates may deserve lower prices for the same service than those countries where the salaries are much higher. Of course, the issue is complicated as it would be hard to link this issue with monetary aspects as the EU has no common Social Division, as the social questions belong to the competence of the MSs. Nevertheless, in this case, I assume that the reason for altering prices originates in the market demand that strongly interrelated with the salaries of the consumers in a certain state.

However, I find it a right solution that the Geo-blocking Regulation is intended to revise after two years of its entering into force, as economic development may change during the time.

I presume the fast development of the legal field of geo-blocking as the technology develops fast and the legal framework should follow it, or – it would be better – to keep the pace of with that. The CJEU might treat more and more cases related to geo-blocking; therefore, the case-law also has a great chance to evolve; by that, the legislation may also fasten up.

On the one hand, it is a paradox that the EU introduces legal development for the DSM strategy which functions as a generator of the single market as it intends to abolish all the obstacles from the way of the free movement – which sometimes created by those market actors whose marketing activities are intended to be facilitated by the EU – and on the other hand, at the same time, the EU intends to ensure the equal treatment of consumers regardless of their location – whose interest sometimes is not to be treated equally (e.g., in the audiovisual aspects). Besides, Intellectual Property rights should also be respected and protected on a high level, which again gives a new aspect to the topic, which should be fitted well into this framework.

The coin has – by now – more than two sides. All the interests should be harmonized on the base of economic development and social progress, besides respecting individual rights, too. The role of the CJEU might increase in the elaboration of the checks and balances of this field.

The role of third countries could also be an interesting question related to geo-blocking. How could the geo-discrimination be abolished and the consumers protected well, at the same time? Geo-blocking Regulation does not apply to third countries. Here, the new question could be the UK’s situation after the transitional period provided in the withdrawal agreement. However, this is only problematic from the perspective of UK consumers. For EU citizens, no
change is excepted as the UK traders have to fulfil the Regulation if they want to enter into the EU’s market. The Regulation applies to all traders operating within the EU, regardless of whether those traders are established in the EU or a third country.

Moreover, in case the Regulation (and the DSM strategy as a whole) is accepted as an adequate solution by foreign players who intends to enter into the EU’s single market, the extraterritorial effects of EU law may reach other dominant players, too.

List of references

C-28/18, Verein für Konsumenteninformation v Deutsche Bahn AG case, ECLI:EU:C:2019:673.

C-403/08, Football Association Premier League and Others case, ECLI:EU:C:2011:631.


European Commission: Commission Staff Working Document Executive Summary Of The Impact Assessment, Accompanying the document proposal for a Regulation Of The European Parliament And Of The Council on addressing geo-blocking and other forms of discrimination based on place of residence or establishment or nationality within the Single Market {COM(2016) 289 final} {SWD(2016) 173 final}.


MAVROPOULOU, A. Geo-blocking of the audiovisual services in the EU: an indispensable measure or a barrier to a modern Europe? Tilburg Law School Master’s Thesis. Available at: http://arno.uvt.nl/show.cgi?fid=148183 (downloaded on 10 December 2019).


PERESZTEGI-NAGY, I. Geo-blocking in the EU, presentation held on 19 October 2019 at ELTE EU Business Law course.


Spotify official webpage, see the prices for each country: https://www.spotify.com/hu/select-your-country/.
