Kluwer Copyright Blog

A bill to amend the Spanish IP Law

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"A clear intention to solve some of the most disturbing problems in Spanish IP."

On February 14th, the Spanish Government approved a bill to amend the law of intellectual property (TRLPI). The bill is currently in its parliamentary proceedings. It is a "patchwork" reform bill dealing with very different topics, some more necessary than others, and including some unexpected –last minute- additions and a curiosity.

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Implementing two directives

The reform bill implements two EU Directives: Directive 2011/77/EU, of 27 September 2011, which extends the term of protection of phonograms (from 50 to 70 years since the publication of the phonogram) and Directive 2012/28/EU, of 25 October 2012, that allows libraries, museums and public archives to digitize and upload orphan works in their collections. Both implementations consist of, as usual, a *verbatim* transposition of the Directive language.

Perhaps it is only worth mentioning the very unspecific reference to a "competent authority" to which the rightholders of a work or phonogram that is considered to be an orphan can request to put an end to the orphan work status; Apparently, this turns what seems to be a rather automatic procedure in the Directive (art.5) into an administrative or judicial procedure (depending on who is

that “competent authority”).

Education and research activities

Beyond these two mandatory reforms, the bill deals with a couple of issues which were not properly solved by the last IP Law reform Act in 2006 (when the Directive 2001/29/EU was implemented). On the one hand, the proposed new Art.32.3 improves the wording of the statutory authorization (limitation) to use fragments of published works for purposes of education in “regulated” education and extends this limit also to online uses and to research purposes; this limitation is uncompensated.

On the other hand, Art.32.4 introduces a new limitation (statutory license) for universities and public research centers to use publications (a book chapter, an article, or an equivalent extension) in exchange for a remuneration paid to the rightholders (this remuneration is subject to collective management –specially by CEDRO- and the amount must be agreed upon by the parties).

This statutory limitation is meant to put an end to the dispute of the past years between CEDRO and the universities, which expressly refused to obtain a license for the use of copyrighted materials in teaching and research activities (1). The statutory license is an important step to enlarge the very narrow limitations set for research and educational purposes. However, it is still insufficient (since it only covers printed works) and is far from the scope allowed under Art.5(3)a Directive 2001/29/EU and many other EU countries.

Private copying

In addition, the bill gathers the different provisions (acts and decrees) which currently regulate the limitation of private copies (Art.31.2) and its compensation (Art.25). Once the levy system on the equipment, devices and supports “appropriate” to make private copies was dismantled at the end of 2011, the compensation for private copies is paid on the general budget of the Central government. The bill substantially reduces the scope of exempted private copying by restricting it to copying done from copies of works “acquired by commercial purchase” or received by radio or tv broadcast and expressly excluding copies made for professional or business purposes(2).

This drastic reduction of the scope exempted as private copying is an understandable, but utterly unfair, attempt to justify the shrinking compensation paid to authors and copyright owners, on behalf of the State Budget. For 2013, the whole amount of compensation (to be distributed among all affected CMOs) was set by the government in €8.636.728; an improvement compared to the €5.000.000 set for 2012. Of course, the compensation collected by CMOs based on the levy system raised over €100.000.000.

The Google tax

A last minute surprise (which did not appear in any of the drafts circulated) is the introduction of what is called the “Google tax” under Art.32.2. On the one hand, it introduces an ancillary right for press-publishers for the online aggregation of news. The proposal authorizes the aggregation of online content (mainly news) in exchange for an equitable compensation, which is unwaivable and subject to collective management. This may affect online news aggregators (such as Google News)

but also –due to the broad language of the proposal- many other aggregators, bloggers, and websites which, in principle, were not targeted by it. On the other hand, search engines are authorized to link to the same contents (as above) this time, uncompensated.

Interestingly, the bill was published the day after the EU Court of Justice ruled in *Svensson* (13 February 2014, case C-466/12) that linking to works freely available online is not an act of making available online / communication to the public. In practice, they share a common denominator: links to freely available content online cannot be prohibited or authorized by the copyright owner; But the result is completely the opposite since the *Svensson* ruling pre-empts any compensation (to the extent that linking is not an act of exploitation).

One must concede that these are bold (or desperate) measures trying to compensate the loss in revenue for press-publishers. However, blaming aggregators and search engines for these losses is the easy way out (little evidence has been produced and, on the contrary, last year events in Germany proves that aggregators may not be as bad for press-publishers as they claim). From an academic perspective, it is painful to see how copyright law is being distorted to protect interests completely legitimate but which have nothing to do with copyright. A recent report by the National Commission for Markets and Competition (CNMC) pointed out the anticompetitive effects the "Google tax" may have in the market.

It remains to be seen if, despite being portrayed as an "adaptation" of the quotation limitation, this proposal clears other European standards such as the exhaustive list of limitations compiled in Directive 2001/29/EU (which, by the way, was already disregarded by the Directive on orphan works), as well as the principles of proportionality and interpretation in conformity with international norms -including the mandatory quotation limitation in art.10(1) Berne Convention and the fundamental freedom to information in art.11 EU Charter and art.10 ECHR.

Press-clippings

Current Spanish IP Law (art.32.1 in fine, as modified in 2006) allows press copyright owners to be compensated for digital press-clipping services or to oppose it (reserve it) and license it themselves. Content providers have been reserving the licensing of press-clipping services but difficulties in the licensing process and questions left unsolved (such as: who is entitled to receive the compensation or the licensed remuneration: copyright owners or journalists?) have rendered the system ineffective so far.

The bill does not affect this provision (which remains unaltered and in force), but the *Svensson* ruling already casts some doubts as to its legitimacy since, after all, commercial press-clipping services were precisely the facts examined in the *Svensson* case (although in *Svensson* the defendant was "only" linking, while art.32(1) in fine deals with digital "reproduction" of press-articles).

Collective management organizations

Beyond the field of limitations, the bill also reviews in depth the regime of transparency and control of collective management organizations, subjecting them to a higher scrutiny (by the government) and stricter management rules. Among the major developments:

- an obligation to negotiate fees with users (under current law, CMO could set fees unilaterally) and, if no agreement is reached, they will be set by the Commission of Intellectual Property (First Section);
- an obligation to act jointly ("ventanilla única") when there are several CMOs that manage different rights holders for the same acts;
- and the establishment of penalties (fines) for breach of the transparency and control obligations.

Needless to say, CMOs complain about an excessive intervention of the government in their private activities. Moreover, one can question the opportunity for this reform at a time when the EU was about to approve the Directive on collective management organizations. In fact, the bill proposed does not contradict or depart from the principles and obligations currently envisioned in the final Directive, but it remains to be seen whether full implementation of the Directive will be attempted at this moment.

Distribution of competences

Another interesting amendment is that of Art.159, in order to resolve the dilemma of distribution of competences on IP between the central government and the Autonomic Communities (regional governments, such as Catalonia). According to the bill, Autonomic Communities with executive powers on IP matters may exercise the functions of inspection, monitoring, control and sanctioning of the CMOs which develop their ordinary business "primarily" in that territory. But "primarily" means that more than 60% of the revenue comes from this region and over 50% of their members reside in this region/territory. In practice, the bill shields any executive powers to be reserved for the Spanish government (Ministry of Culture) at least, with respect of the CMOs currently existing in Spain.

Online piracy

And last but not least, the issue that has attracted most media attention: the crusade against the so-called "piracy" online. On the one hand, the proposed bill reinforces the path of the Second Section of the Commission of IP created in 2001 (by Act 2/2011 on Sustainable Economy) also known as "*Comisión – Ley Sinde*". (3) The bill clarifies the circumstances (the presumable offenses) that can be subject to the administrative procedure; it expands the measures that can be taken to "restore lawfulness" and establishes penalties for service providers who refuse to comply with these measures.

Let's look at them in more detail. In addition to internet service providers that "significantly " infringe IP rights (significant according to the level of damage or number of infringed works), the *Comisión Sinde* will also be competent to examine claims against service providers that facilitate the location of infringing content (that is, websites providing listed links to infringing (P2P) files, also when the links have been provided by its users), an "active, non-neutral" task (that is, acting beyond a mere technical intermediary).

If the operator does not withdraw the content or ceases its infringing activity, the *Comisión Sinde* may order the hosting ISP to remove or block access to infringing content as well as the suspension of Internet access service, the cancellation of the domain name (.es) and the suspension of any financial services (electronic payment or advertising) that are offered on the infringing sites. A

repeated refusal by the infringing user or the service provider (intermediary, payment or advertising) to collaborate may be sanctioned with fines that can be substantial (up to 300,000 pages – for infringing users and up to € 600,000 for intermediaries which do not carry one the measures set by the Comisión Sinde).

The fight against online "piracy" through massive file-sharing P2P programs must also be solved in its origin (in fact, the *Comisión Sinde* has had a very limited effect so far: only a dozen cases have been solved).

Under current Spanish law, these offenses cannot be pursued: neither in the civil courts, because the owners cannot obtain personal data about the infringer to sue (4), nor through criminal proceedings, since the unauthorized use ("sharing") of copyrighted works through P2P systems is not considered a crime under Spanish law (according to the Prosecutor General, P2P activities do not meet the requirement of "lucrative intent" set for IP crimes in Art.270 Criminal Code). (5)

To overcome this, the proposed bill amends the Code of Civil Procedure so that -before starting a civil lawsuit for IP infringement- copyright holders can obtain in some special cases personal data of the (purported) infringer or of the owner of a webpage that facilitates the infringement (i.e. by means of links to infringing P2P files). Collaboration (to provide this data) may be sought from the provider of intermediary services as well as from those who provide means of payment or advertising to the (allegedly) infringing pages.

Meanwhile, Art.270 Criminal Code is also being revised by replacing the requirement of "lucrative intent" with "a direct or indirect economic benefit". This may be a rather dangerous amendment that would leave very little space between an IP infringement and a crime and may lead to an excessive criminalization of society. Perhaps it would have been easier to simply modify the 2006 Prosecutor General's view which read "lucrative intent" in the strict sense of obtaining a "commercial benefit".

Liability for copyright infringement

And last, to cover any possible liabilities for online infringement, an amendment of Art.138 is proposed to assign liability for copyright infringement to anyone who "induces or cooperates" with it -knowing that there is an infringement- and anyone who has an economic interest and can control the infringement; precisely, the classical criteria (Contributory infringement and Vicarious Liability) used in U.S. Copyright law to assign secondary liability on P2P software providers (such as Grokster) for the copyright infringements committed by their users.

If necessary, there must be other means (less foreign) to assign liability to an internet service provider who is not directly infringing copyright but whose conduct is not neutral or merely technical, automatic and passive (i.e., a website that provides lists of links to infringing P2P files), such as under the general doctrine of liability (art.1902 Civil Code: *"Any one who by act or by omission causes a damage to another, intervening fault or negligence, is obliged to repair the damage"*).

Progress of the proceedings

An IP reform that probably has been hurried (the government explains that a subsequent, more

thorough, reform will follow) but that certainly shows a clear intention to solve some of the most disturbing problems in Spanish IP ("Google tax" extravaganza, aside): compensation for private copying, teaching uses in online environments, online P2P infringement and collective management societies; all of them can only be explained as a disarming combination of lack of IP knowledge by society and poor copyright laws.

The government hoped for a fast parliamentary proceeding and its approval before summer break, but recent political events as well as stronger public reaction than expected have been pushing it back. Although realistically, no approval should be expected before the end of the year, the government is still pushing to get proceedings expedited along July so that the bill can be approved in the fall already. Stay tuned.

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A PDF-version of the article can be downloaded here.

(1) CEDRO has obtained two major victories against universities for the unauthorized (and non-exempted) use of copyrighted material for teaching purposes on the university intranet sites: Juzgado Mercantil n.8 Barcelona, ruling of 02-09-2013 and Juzgado Mercantil n.2 Barcelona, ruling of 02-05-2013; both rulings are currently under appeal. A third case, against Universidad Carlos III, was recently settled by the parties involved.

(2) Infringing P2P copies are not (were never) exempted, of course. The last draft expressly excluded copies done by means of circumventing TPM/DRM but the final bill did not. But of course, this should not be read so as to infer that DRM/TPM may be circumvented to make private copies, under compensation.

(3) Under current law (Art.158.4), the Comisión Sinde may adopt measures / injunctions to cease (put an end to the infringing service or to withdraw/block infringing contents) any infringing activities done by a service provider which acts (directly or indirectly) with a lucrative intent and causes (or is likely to cause) pecuniary damages. This language casted some doubt as to whether webs that provided links to infringing P2P contents were acting with a lucrative intent and could, thus, be subject to the Sinde proceeding. The proposed new wording attempts to overcome this doubt. "Sinde" was the name of the Spanish Minister of Culture responsible for that amendment.

(4) Under Spanish law, ISP are obliged to provide personal data of their clients only within criminal proceedings (not in civil ones). However, indirectly, by means of the injunctions and precautionary measures that a copyright owner can seek and obtain also against an ISP (as regulated in Art.138 LPI), PROMUSICAE obtained a ruling (Sent.470/2013 of 18/12/2013) by the Provincial Audience of Barcelona to force an ISP to terminate the online access service of an unknown infringer (Nito75) who had over 5.000 files in his computer and made them available to the public through a P2P system; SAPB14227/2013, available at CENDOJ database.

(5) A Circular by the Prosecutor General of 2006 stated that the "lucrative intent" in IP crimes –Art.270 Criminal Code- must be interpreted strictly as an "commercial profit." Thus, copyright

owners could not use the criminal courts to fight P2P infringements _ lacking the intent to obtain a "commercial profit" (saving some money is not "commercial profit") neither P2P file sharing nor any activities facilitating it qualify as an IP crime.

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