

Compensation for private copying in respect of storage media: A.G. Opinion on SGAE v. Panawan S.L., aff. C-467/08

On September the 8th 2008, the Audiencia Provincial de Barcelona referred a preliminary ruling under Article 234 EC. The Audiencia Provincial de Barcelona submitted a series of questions to the Court concerning the interpretation of Article 5(2)(b) of Directive 2001/29 of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society. The referring court wanted to know whether the rightholders of any copyright are entitled to fair compensation in the event of the reproduction of a work or other subject-matter for private use. These questions arose in the context of proceedings in which a Spanish intellectual property rights management society (the Sociedad General de Autores y Editores de España, SGAE), is bringing a claim against the company Padawan S. L., for payment of flat-rate compensation for private copying in respect of storage media, marketed by it during a precisely defined period. At first instance, the claim was upheld. The defendant appealed against that judgment.

In its order for reference, the referring court expresses uncertainty with regard to the correct interpretation of the concept of 'fair compensation' in Article 5(2)(b) of Directive 2001/29. It has doubts as to whether the provision which is applicable in the Kingdom of Spain, pursuant to which the private copying levy is charged indiscriminately on digital reproduction equipment, devices and media, can be regarded as compatible with the directive. It is of the opinion that the reply to its questions will affect the resolution of the main proceedings, because it will determine whether the claimant in the main proceedings is entitled to claim fair compensation for private copying in respect of all the CD-Rs, CD-RWs, DVD-Rs and MP3 players marketed by the defendant, or only in respect of those digital reproduction devices and media which it may be presumed have been used for private copying. The referring court has accordingly stayed the proceedings and referred the following questions to the Court for a preliminary ruling:

(1) Does the concept of 'fair compensation' in Article 5(2)(b) of Directive 2001/29 entail harmonisation, irrespective of the Member States' right to choose the system of collection which they deem appropriate for the purposes of giving effect to the right to fair compensation of intellectual property rightholders affected by the adoption of the private copying exception or limitation?

(2) Regardless of the system used by each Member State to calculate fair compensation, must that system ensure a fair balance between the persons affected, the intellectual property rightholders affected by the private copying exception, to whom the compensation is owed, on the one hand, and the persons directly or indirectly liable to pay the compensation, on the other, and is that balance determined by the reason for the fair compensation, which is to mitigate the harm arising from the private copying exception?

(3) Where a Member State opts for a system of charging or levying in respect of digital reproduction equipment, devices and media, in accordance with the aim pursued by Article 5(2)(b) of Directive 2001/29 and the context of that provision, must that charge (the fair compensation for private copying) necessarily be linked to the presumed use of those equipment and media for making reproductions covered by the private copying exception, with the result that the application of the charge would be justified where it may be presumed that the digital reproduction equipment, devices and media are to be used for private copying, but not otherwise?

(4) If a Member State adopts a private copying 'levy' system, is the indiscriminate application of that 'levy' to undertakings and professional persons who clearly purchase digital reproduction devices and media for purposes other than private copying compatible with the concept of 'fair compensation'?

(5) Might the system adopted by the Spanish State of applying the private copying levy indiscriminately to all digital reproduction equipment, devices and media infringe Directive 2001/29, in so far as there is insufficient correlation between the fair compensation and the limitation of the private copying right justifying it, because to a large extent it is applied to different situations in which the limitation of rights justifying the compensation does not exist?

Article 2 of the Directive states as follows:

'Article 2

Reproduction right

Member States shall provide for the exclusive right to authorise or prohibit direct or indirect, temporary or permanent reproduction by any means and in any form, in whole or in part:

- (a) for authors, of their works;
 - (b) for performers, of fixations of their performances;
 - (c) for phonogram producers, of their phonograms;
 - (d) for the producers of the first fixations of films, in respect of the original and copies of their films;
 - (e) for broadcasting organisations, of fixations of their broadcasts, whether those broadcasts are transmitted by wire or over the air, including by cable or satellite.'
- Article 5(2)(b) of the Directive provides as follows:

'Article 5

Exceptions and limitations

(2) Member States may provide for exceptions or limitations to the reproduction right provided for in Article 2 in the following cases:

- (b) in respect of reproductions on any medium made by a natural person for private use and for ends that are neither directly nor indirectly commercial, on condition that the rightholders receive fair compensation which takes account of the application or non-application of technological measures referred to in Article 6 to the work or subject-matter concerned.'

Article 2 of Directive 2001/29 was implemented under Spanish law by Article 17 of the (Texto Refundido de la Ley de Propiedad Intelectual, TRLPI) which was approved by the Real Decreto Legislativo (1/1996 of 12 April 1996), and by the following articles which extend that reproduction right to other holders of intellectual property rights. Art. 2 provides that '[t]he author has exclusive rights of exploitation of his works regardless of their form and, in particular, reproduction rights ...which cannot be exercised without his permission except in circumstances laid down in this Law',

Article 18 TRLPI specifies that reproduction means: 'the fixation of the work on a medium which enables communication of the work and copying of the whole or part of the work'.

In accordance with Article 5(2)(b) of Directive 2001/29, Article 31(1)(2) TRLPI provides that works which have already been circulated may be reproduced without the author's permission for 'private use by the copier without prejudice to Articles 25 and 99(a) of this Law, provided that usage of the copy is not collective or for profit'.

The version of Article 25 TRLPI which preceded Amending Law No 23/2006 of 7 July 2006 lays down highly detailed rules governing the compensation to which the holders of intellectual property rights are entitled in respect of reproductions made exclusively for private use, 'by means of non typographical devices or technical instruments, of works circulated in the form of books or publications deemed by regulation to be equivalent, and phonograms, videograms and other sound, visual or audiovisual media'. That compensation, which must be fair and paid only once, consists of a levy applicable not only to equipment and devices for reproducing books but also to equipment and devices for reproducing phonograms and videograms, and to media for sound, visual and audiovisual reproduction (Article 25(5) TRLPI). The levy must be imposed on manufacturers and importers of the aforementioned equipment and media and on 'wholesalers and retailers as subsequent purchasers of the products concerned' (Article 25(4)(a) CTLIP), and it is to be paid to intellectual property rights management societies (Article 25(7) TRLPI). Amending Law No 23/2006 amended Article 25 TRLPI so as to extend the application of that levy specifically to digital reproduction equipment, devices and media. The amount of compensation must be approved jointly by the Ministry of Culture and the Ministry of Industry, Tourism and Trade in accordance with the following procedure: first of all, rights management societies and the industry associations, representing in the main persons liable for payment, are granted a period of four months to determine which equipment, devices and media attract fair compensation for private copying, together with the amount payable in each case; second, three months after notification of the agreement, or after expiry of the four-month period if no agreement has been reached, the Ministry of Culture and the Ministry of Industry, Tourism and Trade must approve the list of equipment, devices and media which attract the levy and the amount thereof (Article 25(6) of the CTLIP). In that

connection, the Law lays down a number of criteria to be taken into account: (a) the harm actually caused to the holders of the intellectual property rights as a result of the reproductions classified as private copying; (b) the degree to which the equipment, devices and media are used for the purpose of such private copying; (c) the storage capacity of the equipment, devices and media used for private copying; (d) the quality of the reproductions; (e) the availability, level of application and effectiveness of the technological measures; (f) how long the reproductions can be preserved and (g) the amount of compensation applicable to the equipment, devices and media concerned should be economically proportionate to the final retail price of those products (Article 25(6) of the CTLIP).

In order to implement the abovementioned provisions, the Orden Ministerial (Ministerial Decree) No 1743/2008 of 18 June 2008 laid down which digital reproduction equipment, devices and media must attract payment of the private copying compensation, and the amount of compensation payable in respect of each product by every person liable.

In its Opinion of May, 11th, A.G.Trstenjak proposes that the Court should answer the questions referred by the Audiencia Provincial de Barcelona as follows:

1. The concept of 'fair compensation' in Article 5(2)(b) of Directive 2001/29 on the harmonisation of certain aspects of copyright and related rights in the information society is an autonomous Community law concept which must be interpreted uniformly in all the Member States and transposed by each Member State; it is however for each Member State to determine, for its own territory, the most appropriate criteria for assuring, within the limits imposed by Community law and by the directive in particular, compliance with that Community concept.
2. The concept of 'fair compensation' must be understood as a payment to the rightholder which, taking into account all the circumstances of the permitted private copying, constitutes an appropriate reward for the use of his protected work or other subject-matter. Regardless of the system used by each Member State to calculate fair compensation, the Member States are obliged to ensure a fair balance between the persons affected - the intellectual property rightholders affected by the private copying exception, to whom the compensation is owed, on the one hand, and the persons directly or indirectly liable to pay the compensation, on the other.

3. Where a Member State opts for a levy system in respect of compensation for private copies on digital reproduction equipment, devices and media, that levy must, in accordance with the aim pursued by Article 5(2)(b) of Directive 2001/29 and the context of that provision, necessarily be linked to the presumed use of those equipment and media for making reproductions covered by the private copying exception, meaning that the application of the charge is justified only where it may be presumed that the digital reproduction equipment, devices and media are to be used for private copying.

4. The indiscriminate application of a levy, on the basis of a private copying rule, to undertakings and professional persons who clearly acquire digital reproduction devices and media for purposes other than private copying, is not compatible with the concept of 'fair compensation' within the meaning of Article 5(2)(b) of Directive 2001/29.

5. A national system which indiscriminately provides for a levy for compensation for private copying on all equipment, devices and media, infringes Article 5(2)(b) of Directive 2001/29, in so far as there is insufficient correlation between the fair compensation and the limitation of the private copying right justifying it, because it cannot be assumed that those equipment, devices and media will be used for private copying.