

A bill to amend the Spanish IP Law.

On February 14th, the Spanish Government approved a bill to amend the law of intellectual property (LPI).¹ Now, the bill has been introduced in the parliament where it is expected that it will be subject to some (minor or major) changes. It is a comprehensive reform bill on very different topics –despite only a few have captured the attention of the media and the public– and has received harsh criticism from various sectors and for very different reasons.

First, the reform bill **implements the last 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 consists of, as usual, a *verbatim* transposition of the Directive language.

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 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, Art.32.4 introduces a **new limitation for universities and public research centers** to use publications (a book chapter, an article, or an equivalent extension) in exchange for **remuneration** to the rightholders (this remuneration is subject to collective management –specially by CEDRO– and the amount must be agreed by the parties). This extension of the limitation for research and educational purposes brings Spanish law closer to other European laws and to the scope allowed under Art.5(3)a Directive 2001/29/EU; In addition, it may put an end to the dispute hold during the past years by CEDRO and the universities which expressly refused to obtain a license for the use of copyrighted materials in teaching and research.²

In addition, the bill collects the different provisions (acts and decrees) which currently regulate the **limitation of private copy (Art.31.2) and its compensation (Art.25)**, which is paid on the general budget of the State (once the levy system on the equipment and supports “appropriate” to make private copies was dismantled). The bill restricts the scope of private copy: it only includes copies made from copies of works “acquired by commercial purchase” or received by radio or tv broadcast –P2P downloads are clearly excluded, hence uncompensated– and it expressly excludes copies done for professional or business purposes)³, and, thus, indirectly justifies a reduction of the resulting compensation which is paid by the General State Budget. Order ECD/2128/2013 established the amount of 8.636.728 € as

¹ Available at: http://www.congreso.es/public_oficiales/L10/CONG/BOCG/A/BOCG-10-A-81-1.PDF#page=1

² 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.

³ Interestingly, in the last draft circulated copies done by means of circumventing TPM/DRM were also excluded from the scope of private copying; the final text of the bill –as approved– does not formally exclude them and some may infer from it that DRM/TPM may be circumvented to make private copies, under compensation.

compensation (to be distributed among all affected CMOs) for private copying in 2012; This amount is far from the annual amounts (over 100.000.000 € collected in previous years by CMOs as compensation for private copying).

A couple of last minute surprises (which did not even appear in any of the drafts circulated) are included under a new Art.32.2. First, it modifies the existing limit on press-clipping by **authorizing the aggregation of online content (mainly news) in exchange for an equitable payment** (also subject to collective management). This may affect both press-clipping services (custom-made provision of online news) but also online content aggregators (such as Google News) and might spare the eventual demands by news and newspaper producers against the providers of these services (such as has happened in Belgium and France). The current limitation in Spanish IP Law (art.32.1 *in fine*, as modified in 2006) allows news copyright owners to choose whether not to oppose digital press-clipping services (and obtain a remuneration, in exchange) or to oppose it (reserve it) and license it themselves; this system has been proven ineffective so far. Content providers were opposing press-clipping services but difficulties existed in the licensing process (in addition to the several questions raised as to who was entitled to receive payment: copyright owners or authors). The second surprise deals with search engines: **a brand new limitation -uncompensated – for search engines** to provide links to copyrighted content is also introduced in new Art.32.2.

Interestingly, the bill was published the day after the EU Court of Justice (judgment of 13 February 2014, case C-466/12 Svensson) resolved that no authorization is needed for linking to works freely (and lawfully) available online. In practice, they share a common denominator (accepting –if only for a “logical moment”- that linking is an act of making available online) and lead to the same result: the copyright owner cannot prevent legitimate links to his/her content freely available online. However, of course, the Svensson ruling –which precisely dealt with a press-clipping service- allows these links for free, while the Spanish bill would subject them (links to news) to remuneration. In any case, leaving aside the proposed bill, the Svensson ruling already casts some doubts as to the legitimacy of the current Art.32.1 which allows copyright owners to obtain remuneration from press-clipping services for links to their online contents.

One must concede that these are two bold measures attempting to find deal with a paramount problem which requires of a careful balance between the public interest behind these types of services (especially in the case of search engines) and the need to protect the investment made by content producers (imposing a fee which, so far, many press-clipping services and news aggregators refused to pay but, at the same time, preventing content providers to refuse permission to link to their freely available online contents). It remains to be seen if these two new limitations clear the European standards, especially the exhaustive list of limitations compiled Directive 2001/29/EU (which, by the way, has already been overtaken by the Directive on orphan works).

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, the intervention of 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 these obligations.

Needless to say, CMOs are very unhappy with the bill which they consider imposes an excessive intervention of the government in their activities. Moreover, one can question the opportunity for this reform at a time when the EU was working on the directive on collective management organizations; In general terms, the bill proposed does not contradict or depart from the principles and obligations currently envisioned in the Directive, but it remains to be seen whether implementation of the Directive will be attempted now.

Another interesting amendment is that of Art.159, in order to resolve a dilemma of **distribution of competences on IP between the central government and the Autonomic Communities** (regional governments, such as Catalunya). According to the bill, Communities with executive powers on IP matters may exercise the functions of inspection, monitoring, control and sanctions on 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, in respect of the CMOs currently existing in Spain.

And last, the issue that concentrates all the 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*"⁴: the bill clarifies the circumstances (the presumable offenses) that can be subject to the exam of this governmental Commission, 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 the intermediary service providers (i.e., hosting ISP) which "significantly" infringe IP (according to the level of damage or number of infringed works), the *Comisión Sinde* will also be able to examine claims against service providers which facilitate the location of infringing content (that is, by providing web links – also when the links have been provided by its users) and do an "active, non-neutral" task (that is, beyond acting as a mere technical intermediary). If the offender does not withdraw the content or cease the infringing activity, the *Comisión Sinde* may order 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 even the suspension of any financial services (electronic payment or advertising) used in connection with the infringing sites/pages. A repeated refusal by the infringing user or the service provider

⁴ 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.

(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*).

Furthermore, the fight against online “piracy” through massive file-sharing P2P programs, must also be solved in its origin (in fact, the *Comisión Sinde* process –despite showy- has had a very limited effect so far: only a dozen cases have been solved). Under current Spanish law, these offenses can be pursued neither in the civil courts because the owners cannot obtain personal data about the infringer to sue,⁵ nor through criminal proceedings since the unauthorized use (“sharing”) of copyrighted works through P2P systems is not 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).⁶ To overcome this, the bill also amends the **Code of Civil Procedure** so that -before starting a civil lawsuit for IP infringement- copyright holders can **obtain in some cases the personal data** of the user (allegedly) infringing or of the owner of a webpage that facilitates the infringement (i.e. by means of links to infringing P2P files); the provider of intermediary services will be required to provide this information, as well as anyone who supply 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”.⁷ A rather dangerous amendment since it would leave very little space to distinguish between the simplest offense and an IP crime and may lead to an excessive criminalization of society. Perhaps it would have been better to keep the “lucrative intent” and simply reverse or modulate the interpretation done by the Prosecutor General in 2006 (which basically read “lucrative intent” in the IP crime the strict sense of obtaining a “commercial benefit”).

And last, to cover any possible liabilities for online infringement, an amendment of Art.138 is proposed assigning liability for a copyright infringement to anyone who induces it or cooperates in 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**) which American Copyright law has used to assign secondary liability on P2P software providers (such as Grokster) for the copyright infringements committed by their users.

All these measures are strange, and perhaps excessive, but certainly demonstrate a clear intention to fight more effectively against the massive infringement of IP currently existing in Spain –which can only be explained as a disarming combination of lack of IP knowledge by society at large and poorly drafted laws.

⁵ 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 has recently 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 <http://www.poderjudicial.es/>

⁶ 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.

⁷ Available at http://www.congreso.es/public_oficiales/L10/CONG/BOCG/A/BOCG-10-A-66-1.PDF