Key points of the amendment to the Spanish Intellectual Property Act effected by Act 21/2014

Ángel García Vidal
Professor of Commercial and Company Law, Universidad de Santiago de Compostela
Academic Counsel, Gómez-Acebo & Pombo

The present paper provides an overview of the main changes introduced by Act 21/2014.

1. Foreword

The Official Journal of Spain [abbrev.: BOE] of 5 November has published Act 21/2014 of 4 November amending both the Intellectual Property (Consolidation) Act [hereinafter, IPA] and the Civil Procedure Act.

Such amendment, whilst incorporating into Spanish law a number of regulatory requirements imposed by European directives, has also introduced other changes that have stirred - and will continue to stir - a great deal of debate and controversy within the industry. Perhaps that is why the fourth final provision of Act 21/2014 stipulates that the Government, within one year from entry into force of the statute, shall conduct the necessary preliminary work, in collaboration with all sectors and stakeholders, to prepare a comprehensive amendment to the Intellectual Property Act that is fully adjusted to the needs of and opportunities afforded by the knowledge society.

Below follows a summary of the main changes introduced by this amendment statute, which comes into force on 1 January 2015 (except for the regulation of some specific aspects which, as the case may be, is brought forward or delayed).

2. Private copying and compensation

2.1. One of the exceptions to copyright protection is found in private copying, regulated in art. 31 IPA. So far, this article allowed any natural person to reproduce, in any medium and for his private use, previously-published and legally-accessed work where such copy was not used collectively or for profit. Now, however, Act 21/2014 changes the wording of the aforementioned exception, clarifying certain points. Thus, the new text expressly provides that it only operates where the reproduction is performed "without any third party assistance", that private use excludes professional or business use, that it may not have any direct or indirect commercial purpose, and that the copy, in addition to not being given any collective or for-profit use, cannot be the subject of distribution at a price.

Similarly, it now reiterates that the reproduction must be carried out over published work that has been legally accessed from a lawful provenance. And for these purposes, work shall be deemed to have been legally accessed from a lawful provenance only in the following

cases: (a) where the reproduction is performed, directly or indirectly, from a storage device containing a reproduction of the work with the permission of the copyright owner that has been marketed and ultimately purchased in commerce; and (b) where a single reproduction is performed of work accessed through legitimate public communication - broadcasting the image, sound or both - and said reproduction has not been obtained by way of unauthorised recording in a public space or commercial venue. A remarkable restriction is thus applied to private copying, requiring either the purchase of the storage device (excluding, for example, copies of rented work) or that it involve work broadcasted over the radio or television.

Otherwise, private copying of electronic databases and computer programmes is still excluded. And the new regulation will not apply either to "the reproduction of work made available to the public in accordance with article 20(2)(i), so anyone can access it from the place and time he or she chooses, having authorised, pursuant to what was agreed by contract, and, where applicable, by payment of price, the reproduction of the work" (this seems to fit the copy of work licensed under Creative Commons).

2.2. To the extent that private copying means a loss of revenue for copyright owners, the legal system introduces what is referred to as "fair compensation for private copying" (colloquially known as the "canon"). This compensation was initially regulated under art. 25 IPA, but was eliminated by the tenth additional provision of the Royal Decree-Act (Order in Council) 20/2011 of 30 December on urgent budgetary, tax and financial measures for the correction of the public deficit, which gave rise to the procedure for payment – out of the Spanish Government Budget - to recipients of the fair compensation for private copying.

Now, again, the compensation regulation is reintroduced in the IPA, providing that it will be borne by the Spanish Government Budget and that the payment will be made through collecting societies, as set out by regulation.

It also states that the beneficiaries of this compensation will comprise the authors of works made public in the form of books or publications that for these purposes are treated the same by regulation, as well as sound recordings (phonograms), video recordings (videograms) or other audio, visual or audiovisual media, together with, in the appropriate cases and playback methods, publishers, producers of sound and video recordings and performers whose performances have been fixed in such sound and video recordings. And in the case of authors and performers, this right cannot be waived.

A provision is also introduced according to which, for the purpose of determining the amount of fair compensation, the reproduction carried out by computers, digital devices and media playback acquired by legal persons that have not been made available - in fact or in law - to private users and which clearly reserved for uses other than private copying shall not be regarded as reproductions for private use. The decision of the European Court of Justice (ECJ) in its well-known judgment of 21 October 2010 in case C-467/08, *Padawan, S.L. v Sociedad General de Autores y Editores de España (SGAE)* is thus incorporated into the IPA.

3. The right to aggregate and compensation (the so-called "Google tax" or "AEDE royalty")

Another controversial issue of the new law is the regulation of the activity consisting of the reproduction of excerpts of news publications on websites aggregating different content. A new art. 32(2) IPA is introduced which recognises such right, providing that "permission shall not be required where electronic content aggregation service providers make available to the public the content of insignificant excerpts of content, reported in periodicals or regularly updated websites and having an information, public opinion creation or entertainment purpose."

However, this exception does not operate in relation to images, photographic works and simple photographs, and, in any case, will generate a right to receive fair compensation for the publisher or, where appropriate, other copyright holders. And to the extent that in most cases journalists have assigned their rights to the publisher, this compensation is colloquially known as the "AEDE royalty" (AEDE being the abbreviated name of the Spanish Association of Publishers).

The regulation raises some doubts, including if it applies only to traditional media with a web or otherwise extends to individual blogs, social networks, etc. When it refers to the provenance of the excerpts, the law refers to periodicals or websites. But when referring to the persons taking the excerpts, the legislator refers to "electronic content aggregation service providers" which seems to extend not only to websites. In fact, this provision has caused a furious reaction on social networks.

However, this regulation does not operate where the information society service provider merely provides links to the contents of publications, such as occurs with search engines. Therefore, "Google tax" does not seem very appropriate as a colloquial name for the compensation (unless it refers to Google News).

Indeed, according to the new wording of art. 32(2) IPA, where service providers facilitate tools to search isolated words included in the aforementioned content, such provision shall not be subject to permission or fair compensation provided that (i) the same occurs without a business purpose, (ii) it is strictly limited to what is necessary to provide search results in response to previous user queries, and (iii) such provision includes a link to the provenance page of the content.

Moreover, it is important to note that the new regulation refers only to aggregators of information, but not to those who merely provide links. Indeed, the ECJ, in its well-known *Svensson* judgment of 13 February 2014, stated that the provision on a website of clickable links to works freely available on another website does not constitute an 'act of communication to the public' within the meaning of Directive 2001/29/EC. Similarly, the very recent judgment of the ECJ of 21 October 2014, not yet published in English, in case C-348/13, *BestWater*, states that the inclusion in a website, through the art of framing, of work available on another website, does not constitute public communication to the extent that the work is not being conveyed to a new audience or in a manner different to that of the originating communication.

For this reason it has been said that the amendment to the LPI is already outdated, information aggregators needing only to include a link to external content to not be subject to the new regulation and not have to pay fair compensation, with the added advantage of not incurring storage costs.

4. The exception of illustration for teaching or scientific research purposes

4.1. Act 21/2014 also amends the regulation of illustrations for teaching contained in art. 32 IPA. In fact, the regulation currently in force gave rise to some interpretive doubts that are now tackled. Thus, the exception that was applicable to teachers of formal (non-executive) education now refers to teachers of "formal education delivered in centres integrated in the Spanish education system and university and public research body staff in their roles as scientific researchers". These teachers "need no permission from the author or publisher to perform acts of reproduction, distribution and public communication of excerpts of works and isolated works of a plastic or photo-figurative nature." And it is now clear that "an excerpt of a work means an extract or quantitatively unimportant portion of the whole of the same."

But the application of the exception requires that the following conditions are met: a) it must not serve a commercial purpose; b) it must involve work already made public; c) where possible, the name of the author and provenance must be included, and d) such acts should be done only for illustration in both face-to-face education and distance education, or for scientific research purposes and to the extent justified by the non-commercial purpose (thus expressly extending the exception to online distance learning, since to date the law referred to the illustration in 'classroom' teaching, which

had been interpreted as a reference to the physical classroom).

Similarly, the provision that this exception does not apply to works that have the status of textbook, university manual or similar publication is maintained, although now it defines what should be understood as such, providing that "any publication, printed or printable, published in order to be used as resource or material for teachers or students of formal education to facilitate the teaching and learning process shall be regarded as a textbook, university manual or similar publication."

Another change that is brought about by the amendment is the introduction of two exceptional cases where the exception will operate in relation to these works: 1) acts of reproduction for public communication - including the very act of communication - that do not involve making publicly available or allowing recipients access to the work or excerpt; in these cases a location should be expressly provided where the students can legally access the protected work, and 2) acts of distribution of copies exclusively among research staff members for each specific research project and to the extent necessary for such project.

4.2. Along with the above exception relating to excerpts, a new exception regarding the reproduction and distribution of works in university teaching and research is now introduced (art. 32(2) IPA), primarily to allow the reproduction of works in university virtual campuses. Now, acts of partial reproduction, distribution and public communication of works or publications, printed or printable, shall not need the permission of the author or publisher when the following conditions are simultaneously met: a) the acts are conducted solely as illustration for teaching or scientific research purposes; b) the acts are confined to a chapter of a book, a magazine article or an equivalent extension of a similar publication, or extension equivalent to ten per cent of the work, regardless of whether copying is carried out through one or more acts of reproduction; c) the acts are performed in universities or public research centres by their staff and using their own resources and instruments.

Moreover, at least one of the following conditions must apply: 1) the distribution of the partial copies is exclusively between students and faculty or researchers of the centre where the reproduction is undertaken, or 2) that only students and faculty or researchers of the centre where partial reproduction of the work is undertaken can access it through acts of public communication authorised in this sub-article, making it available through the internal and closed networks that can only be accessed by those beneficiaries or as part of a distance education program offered by such educational establishment.

Unlike the previous exception which solely related to the use of excerpts of works, this one allows for compensation, the law providing that, in the absence of a specific prior agreement, the authors and publishers of works "shall have an inalienable right to receive from user centres fair remuneration, which will be processed by collection societies." Needless to say, this will have a significant impact on the budget of the impoverished Spanish public universities, which most likely will be passed on to tuition fees.

4.3. In any case, the exception of illustration for education, in whatever form, shall not apply to musical scores, single-use works or compilations or groupings of excerpts of works or of isolated works of a plastic or photo-figurative nature.

5. The Spanish Intellectual Property Arbitration and Mediation Service and the procedure to restore legality

Another important point of the amendment relates to the Intellectual Property Arbitration and Mediation Service [abbrev.: CPI], giving a boost to the procedure established by the so-called *Sinde law*.

The new art. 158*ter* IPA provides that the procedure to restore legality applies not only to information society service providers that

infringe intellectual property rights, but also to providers that facilitate "the description or location of works and services that, *prima facie*, are offered without permission, carrying out for this purpose an active and non-neutral activity that is not limited to mere technical intermediary activities." And it is clarified that this includes "those who offer sorted and classified listings of links to works and renditions referred to above, regardless of whether these links are initially provided by recipients of the service."

The above goes beyond current regulation and case law (*vide* the recent judgment of the *Audiencia Nacional* of 22 July 2014 – the *Quedelibros* case – according to which "proceedings cannot be formally directed against intermediaries, notwithstanding that certain conduct may be required from them to ensure the effectiveness of the measures finally adopted, as considered above. Of course, in the alternative to the measure restoring legality imposed on the person responsible for the information society service").

Equally important is the provision for the possibility of agreeing on service interruption or removal of infringing content. This requires that the information society service provider be ordered to proceed, within a period not exceeding forty-eight hours, with the voluntary removal of content held infringing or, otherwise, make representations and propose evidence regarding the permission to use or the applicability of the exception to copyright protection. And it is significant that the following is provided: "The interruption of the service or the voluntary removal of unauthorised works and renditions shall be regarded as implicit recognition of copyright infringement and shall bring the proceedings to a close."

Otherwise, in the absence of voluntary removal and to ensure the effectiveness of the judgment given, the Second Chamber of the CPI may order, subject to judicial approval, the necessary collaboration of providers of intermediation, electronic payment and advertising services to suspend the services being provided to the infringing provider. It also provides for the cancellation of the domain name if it is a '.es'.

Finally, the amendment statute provides that a provider's failure to comply with the order to withdraw content held infringing in a final and conclusive decision shall constitute, as of the second failure, a very serious administrative infringement punishable with a fine of between 150,001 and 600,000 euros. Additionally, the sanctioning decision may be published, at the expense of the sanctioned person, in the BOE, in two national newspapers or on the homepage of the provider's website, and the activities of the service provider found to be in infringement may be interrupted for a maximum period of one year.

6. Incorporation of EU law: orphan works and duration of protection

Act 21/2014 also incorporates EU directives. Thus, implementing Directive 2012/28/EU, the new art. 37*bis* IPA regulates orphan works (i.e., those whose right holders are unknown or, if known, have not been located despite conducting a diligent search). Of this regulation, it is worth noting that orphan works may be used provided they have been published first or, failing publication, were broadcast for the first time in a Member State of the European Union. Such use may be made after conducting a diligent search, in that State, of the orphan work's copyright holders. In addition, at any time, a work's copyright holders may apply to the competent body for a determination as to the end of the work's status as an orphan work and their entitlement to fair compensation for the use hitherto made of the same.

Also pursuant to EU law (Directive 2011/77/EU amending Directive 2006/116/EC on the term of protection of copyright and certain related rights), the new art. 110*bis* IPA sets out provisions related to the assignment of rights to the sound recording producer (such as the right to terminate the assignment contract if, after a period of fifty years since the sound recording was lawfully published or, in the absence of such publication, fifty years since it was lawfully communicated to the public, enough copies to reasonably meet the

estimated needs of the public in accordance with the nature and purpose of the sound recording have not been made available to the public or, if made available, such was not in the manner provided in art. 20(2)*i*).

Equally important is the modification of the duration of the rights of sound recording producers (art. 119), which will expire fifty years after such recording was made. However, if the sound recording has been lawfully published within this period, the rights shall expire seventy years after the date of the first lawful publication. If during that period no lawful publication is made, but the sound recording has been lawfully communicated to the public, the rights shall expire seventy years after the date of the first lawful communication to the public.

7. The regulation of collecting societies

Act 21/2014 also introduces a series of control measures and a penalty regime in the event of non-compliance by the collecting societies as a way to curb the scandals that have recently affected these bodies. Equally relevant is the granting (art. 158*bis* IPA) to the First Chamber of the CPI of the power to set fees for the use of compulsory collective management rights and voluntary collective management rights that, in respect of the same category of right holders, concur with a right to remuneration for the same work or rendition.