Legal Background of Social Networking

(With Specific Reference to Copyright Liability)

Gianluca POJAGHI

Legal Background of copyright protection

The Berne and Rome Conventions

Pre-dating the advent of the Internet, the Berne Convention for the Protection of Literary and Artistic Works of 1886[1] first brought copyright into the international arena.

Based on the three basic principles of national treatment (works originating in one of the contracting States must be given the same protection in each of the other contracting States as the latter grants to the works of its own nationals), automatic protection (protection must not be conditional upon compliance with any formality) and independence of protection (protection independent of the existence of protection in the country of origin of the work), the Berne Convention ensures that every work is generally granted protection for 50 years post *mortem auctoris* (after the author's death).

The Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations of 1961 secures protection in: (i) performances of performers; (ii) phonograms of producers of phonograms; and (iii) broadcasts of broadcasting organizations.

Under the Rome Convention, performers are protected against certain acts they have not consented to. Such acts include the broadcasting and the communication to the public of their live performance; the fixation of their live performance and the reproduction of such a fixation.

As for the producers of phonograms, they enjoy the right to authorize or prohibit the direct or indirect reproduction of their phonograms.[2] When a phonogram published for commercial purposes gives rise to secondary uses (such as broadcasting or communication to the public), a single equitable remuneration must be paid by the user to the performers, or to the producers of phonograms, or to both; contracting States are free, however, not to apply this rule or to limit its application.

Finally, broadcasting organizations enjoy the right to authorize or prohibit certain acts, namely: the re-broadcasting of their broadcasts; the fixation of their broadcasts; the reproduction of such fixations; the communication to the public of their television broadcasts if such communication is made in places accessible to the public against payment of an entrance fee.

The Rome Convention allows exceptions in national laws, such as the reproduction for private use and the ephemeral fixation by a broadcasting organization by means of its own facilities and for its own broadcasts.

Reproduction or Communication to the public (or both)?

Under copyright regulation(s), exploitation rights can be summarized as follows:

on one side, by way of material exploitation:
- the right to reproduce the work;
- the right to authorize the distribution of the reproduced copies of works;
- the right to authorize rental of (the reproduced) copies of certain categories of works (such as musical works in sound recordings, audiovisual works and computer programs);
- the right to import (the reproduced) copies of the work;

on the other side, by way of immaterial exploitation:
- the right of public performance (live performance, play or performance by means of recordings) of the work;
- the right of broadcasting (transmission for public reception at a distance) and communication to the public (when a signal can be received only by persons who possess the equipment necessary to decode it) of the work;

One major difference between the two families of right lies in the exhaustion, or first sale, doctrine. Exhaustion means the consumption of rights in intellectual property subject matter as a consequence of the legitimate transfer of the title in the tangible article that incorporates or bears the intellectual property asset in question. In other words, and for example, once the right of (reproduction and) distribution has been legally exercised by the right-owner, the owner of the copy so acquired may give it away or even resell it without the right-owner's further permission. On the contrary, once a work has been publicly performed (with the right-owner's permission), all further performances of the work remain subject to the relevant right-owner's permission.

In the early days of Internet expansion, it became clear that the exploitation of copyright-protected material over the net was commonly perceived as a (new) form of public performance/broadcasting/ communication to the public but was, as a matter of fact and from a technical point of view, happening by way of reproduction, whether destined to remain in the computer of the user (download) or not (streaming). Clearly, the configuration of online use as reproduction, public performance or both was not without consequence, owing to the different exhaustion regimes applicable to each group of rights; in Italy, for example, the broadcasting right is not exclusive but subject to a mere right to equitable remuneration. In addition, the exercise of two different rights obliges the user to ask permission for both.

The legislative solution

The WIPO Treaties on Copyright and Performances and Phonograms

Adopted in Geneva in 1996, the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty intended to extend copyright and neighbouring rights protection to digital works, introducing a protection for works

of intellect higher than the minimum guaranteed by the Berne Convention.

Art.8 of the WIPO Copyright Treaty is of great importance and states that "Authors of literary and artistic works shall enjoy the exclusive right of authorizing any communication to the public of their works, by wire or wireless means, including the making available to the public of their works in such a way that members of the public may access these works from a place and at a time individually chosen by them".

While its formulation partially differs, art.14 of the WIPO Performances and Phonograms Treaty appears entirely similar to the above provision and states that "Producers of phonograms shall enjoy the exclusive right of authorizing the making available to the public of their phonograms, by wire or wireless means, in such a way that members of the public may access them from a place and at a time individually chosen by them".

The right of communication to the public set down in the WIPO Copyright Treaty has a precedent in art.11-bis of the Berne Convention which states that "Authors of literary and artistic works shall enjoy the exclusive right of authorizing: (i) the broadcasting of their works or the communication thereof to the public by any other means of wireless diffusion of signs, sounds or images; (ii) any communication to the public by wire or by re-broadcasting of the work, when this communication is made by an organization other than the original one…".

According to an agreed statement concerning the Copyright Treaty adopted by the Diplomatic Conference on December 20, 1996 (concerning Article 1(4)), "The reproduction right, as set out in Article 9 of the Berne Convention, and the exceptions permitted thereunder, fully apply in the digital environment, in particular to the use of works in digital form", recognising that both communication and reproduction are activities carried out via the Internet.

Similarly, the agreed statement concerning the WIPO Performances and Phonograms Treaty adopted by the Diplomatic Conference on December 20, 1996 (concerning Article 7, 11 and 16) affirms that "The reproduction right, as set out in Articles 7 and 11, and the exceptions permitted thereunder through Article 16, fully apply in the digital environment, in particular to the use of performances and phonograms in digital form".

The diffusion of works or recordings via the Internet is therefore defined as the exercise of the right of communication to the public, granted exclusively to authors and phonogram producers, while clearly stating that the digital environment does not prejudice the exercise of the right of reproduction, which also applies to acts done via the Internet.

The WIPO Treaty on Audiovisual Performances

Ending a remarkable 12 years long negotiation, the adoption of the WIPO Audiovisual Performances Treaty came in Beijing in 2012[3], extending to performers of audiovisual performances the same minimum level of protection (namely, moral rights; economic rights of broadcasting, communication to the public and fixation of their unfixed performances; reproduction, distribution, rental, making available, broadcasting and communication to the public of their fixed performances) which had already been set forth, for all other performers and producers of phonograms, by the WIPO Performances and Phonograms Treaty.

With regard to the reproduction rights, the separate statement to the WIPO Treaty on Audiovisual Performances (adopted by the Diplomatic Conference on the Protection of Audiovisual Performances in Beijing, on June 24, 2012) (concerning Article 7) affirms that, "The reproduction right, as set out in Articles 7, and the exceptions permitted thereunder through Article 13, fully apply in the digital environment, in particular to the use of performances in digital form".

The Information Society Directive

The 2001/29/EC Directive aims at harmonizing the authors' rights to control: (i) use of their works with respect to reproductions; (ii) communication to the public by electronic means; and (iii) distribution of hard copies.

With regard to the right of reproduction, the Directive states under article 2, that Member States shall grant to the right-owners, "the exclusive right to authorize or prohibit direct or indirect, temporary or permanent reproduction by any means and in any form, in whole or in part" of their works. This new definition of reproduction was designed to cover all relevant activities performed on the Internet.

The strict solution adopted by the Directive, which has recognized, in principle, the full and exclusive right of the authors, has nevertheless been mitigated by the recognition of a number of exceptions to their economic rights. The first paragraph of art. 5 is of particular importance and states that "Temporary acts of reproduction referred to in Article 2, which are transient or incidental, which are an integral and essential part of a technological process whose sole purpose is to enable:

a) a transmission in a network between third parties by an intermediary or
b) a lawful use of a work or of other subject-matter to be made, and which have no independent economic significance, shall be exempted from the reproduction right provided for in Article 2".

The exception in question concerns all temporary reproductions required by web transmission and all acts of temporary or incidental reproduction which form an integral part of the technological process of transmission.

Article 3 of the Directive concerns the right of communication to the public, granting authors and other right-owners, with no exceptions for temporary forms of reproduction, the exclusive right to authorize or prohibit any communication to the public of their work, mirroring the provisions of Article 8 of the WIPO Copyright Treaty and Article 11bis of the Berne Convention.

The Electronic Commerce Directive

Directive n° 2000/31/EC, aims at liberalizing on line services (including music distribution) on the basis of the principle of the country of origin: when a service is set up in a Member State, it may be used throughout the European Union and the legislation of the country of origin, where the content provider has its offices, shall apply to that service (Art. 3). An exception is introduced for copyright (Art. 3, third paragraph) for which the principle of territoriality (*lex loci*, or the law of the country where protection is sought) shall continue to apply. Within the EU, therefore, content providers must respect the copyright regulations in force in each Member State, as their sites may be accessed throughout the EU without territorial limitations.

The Directive also outlines the liability of service providers (Articles 12, 13, 14 and 15), following the model set down in the US Digital Millennium Copyright Act and, at European national level, the footsteps of Art. 5 of the German law of July 22, 1997 on the information and communication services[4] for specific forms of exercise of both

rights of reproduction and communication to the public.

In particular the service provider is not liable for information transmitted when it acts as a "mere conduit" (Art. 12, paragraph 1) and therefore:

a) it does not originate the transmission;
b) it does not select the receiver of the transmission; and
c) it does not select or modify the information contained in the transmission.

With regard to so-called "caching" (the temporary storage of data along the network) the rules exclude the liability of the service provider for automatic, intermediate and temporary storage of information performed for the sole purpose of making more efficient the onward transmission of the information to other recipients of the service upon their request, on condition that:

a) the provider does not modify the information;
b) the provider complies with conditions on access to the information;
c) the provider complies with the rules regarding the updating of the information;
d) the provider does not interfere with the lawful use of technology, widely recognized and used by industry, to obtain data on the use of the information; and
e) the provider acts expeditiously to remove or to disable access to the information it has stored upon obtaining actual knowledge of the fact that the information at the initial source of the transmission has been removed from the network, or access to it has been disabled, or that a Court or an administrative authority has ordered such removal or disablement (Art. 13, paragraph 1).

With regard to the service of data storage at the request of the receiver ("Hosting", Art. 14), liability on the part of service providers is excluded only when they have no actual knowledge of illegal activity or information and, as regards claims for damages, are not aware of the facts or circumstances from which the illegal activity or information is apparent; lastly, upon obtaining such knowledge or awareness, they act expeditiously to remove or disable access to the information. (Art. 14, paragraph 1).

Jurisprudence

The issue of the responsibility of service providers in the information society, in connection with the use (or abuse) that users sometimes make of contents protected by copyright, has been debated for quite some time and the jurisprudence is abundant.

In Italy, in recent years there have been a few decisions against the main content aggregators (YouTube, Yahoo) which have all been taken to Court under the Electronic Commerce Regulation.

In the first piece of litigation, against YouTube for the online dissemination of the TV series "Il Grande Fratello" (Big Brother), the Court of Rome, in its decision of December 16, 2009, affirmed:

- that the Italian Courts have jurisdiction against foreign defendants[5] for copyright infringement when the infringement (the viewing over the Internet of the infringing material[6]) takes place in Italy;
- that the Service Provider that provides additional services (to the caching or hosting of the material uploaded by the user) is responsible for the infringements committed by users (i) if, once aware of the presence of suspicious works and materials (because of notices received), it does not proceed with their verification and removal or (ii) if it implements measures of control of such works and materials in order to allow users to perform a systematic search or to program their viewing;
- the communication to the public of a (series of) television broadcast(s) (belonging to somebody else) does not constitute free use under art. 65 of the Italian copyright law[7] when made via web-pages with commercial advertisements and an evident commercial purpose.

The decision was appealed to the same Court, which confirmed it in its entirety on February 11, 2010.

Along similar lines are two decisions of the Court of Milan on 20 January and 9 September 2011, respectively, both based on very similar facts (the upload of a number of – broadcasts of – televisions series, shows and sitcoms on social networks by, respectively, Italia On Line and Yahoo). In both cases, the Court affirmed:

- the responsibility (or rather, the lack of exemption from responsibility) under the Electronic Commerce Regulation, of the Service Provider that, in addition to the mere caching or hosting of the material uploaded by the user, provides organisation to such content (so that it can generate advertisement revenues);
- that the communication to the public of a (series of) television broadcast(s) (belonging to somebody else) does not constitute free use under art. 65 of the Italian copyright law when made in web-pages with commercial advertisements having an evidently commercial purpose.

It is interesting to notice that, in doing so, the Italian Courts have developed the notions of "active" and "passive" hosting provider, limiting to the latter the application of the responsibility (exemption) regime created by art. 14 of the Electronic Commerce Directive[8] (which, to use the words of its 42nd recital, should cover "only cases where the activity of the information society service provider is limited to the technical process of operating and giving access to a communication network").

On the contrary, the "active" service provider covers all other providers (e.g. YouTube, Yahoo, Italia On Line) that organise the uploaded content for commercial purposes (typically, advertisement). The consequence (but the Italian Courts do not explicitly enunciate that reasoning) seems to be that the "active" service provider remains responsible for copyright infringement even if it complies with art. 14 of the Electronic Commerce Directive (i.e. upon obtaining knowledge of the infringement, it acts expeditiously to remove or disable access to the infringing material).

Avv. Gianluca POJAGHI
UIA Co-Director of website
Partner of Studio Legale Pojaghi
Milan, Italy

[1] The Berne Convention, concluded in 1886, was revised at Paris in 1896 and at Berlin in 1908, completed at Berne in 1914, revised at Rome in 1928, at Brussels in 1948, at Stockholm in 1967 and at Paris in 1971, and was amended in 1979.

[2] Phonograms are defined in the Rome Convention as meaning any exclusively aural fixation of sounds of a performance or of other sounds.

[3] Not in force yet, pending the required ratification by at least 30 eligible parties thereto.

[4] *"Informations und Kommunikationsdienste Gesetz".*

[5] YouTube LLC, YouTube Inc. and Google UK.

[6] The television broadcast.

[7] Otherwise permitting such free communication in relation to current events "for the purpose of exercising the right of free information and within the limits of such purpose".

[8] Art. 16 of the Italian Legislative Decree n. 70 of April 9, 2003.