OCTOBER 2012

LEGAL ASPECTS OF SOCIAL NETWORKING (WITH SPECIFIC REFERENCE TO COPYRIGHT LIABILITY)

Avv. Gianluca Pojaghi

Preface

We can read on Wikipedia that "the World Wide Web (or, "the Web"), is a system of interlinked hypertext documents accessed via the Internet. With a web browser, one can view web pages that may contain text, images, videos, and other multimedia, and navigate between them via hyperlinks.

Using concepts from his earlier hypertext systems like ENQUIRE, British engineer, computer scientist and at that time employee of CERN, Sir Tim Berners-Lee, now Director of the World Wide Web Consortium (W3C), wrote a proposal in March 1989 for what would eventually become the World Wide Web. At CERN, a European research organization near Geneva situated on Swiss and French soil, Berners-Lee and Belgian computer scientist Robert Cailliau proposed in 1990 to use hypertext "to link and access information of various kinds as a web of nodes in which the user can browse at will", and they publicly introduced the project in December of the same year.

Since the mid-1990s the Internet has had a tremendous impact on culture and commerce, including the rise of near instant communication by email, instant messaging, Voice over Internet Protocol (VoIP) "phone calls", two-way interactive video calls, and the World Wide Web with its discussion forums, blogs, social networking, and online shopping sites. Increasing amounts of data are transmitted at higher and higher speeds over fiber optic networks operating at 1-Gbit/s, 10-Gbit/s, or more. The Internet continues to grow, driven by ever greater amounts of online information and knowledge, commerce, entertainment and social networking.

During the late 1990s, it was estimated that traffic on the public Internet grew by 100 percent per year, while the mean annual growth in the number of Internet users was thought to be between 20% and 50%. This growth is often attributed to the lack of central administration, which allows organic growth of the network, as well as the non-proprietary open nature of the Internet protocols, which encourages vendor interoperability and prevents any one company from exerting too much control over the network. As of 31 March 2011, the estimated total number of Internet users was 2.095 billion (30.2% of world population). It is estimated that in 1993 the Internet carried only 1% of the information flowing through two-way telecommunication, by 2000 this figure had grown to 51%, and by 2007 more than 97% of all telecommunicated information was carried over the Internet."

Online music Piracy

According to the Digital Music Report 2012 published by the International Federation of the Phonographic Industry (IFPI):

- 28 per cent of internet users globally access unauthorised services on a monthly basis. Around half of these are using peer-to-peer (P2P) networks. The other half are using other non-P2P unauthorised channels which are a fast-growing problem;
- Illegal "free" has a negative impact on sales. Research by The NPD Group in the US in 2010 found that just 35 per cent of P2P users also pay for music downloads. P2P users spent US$42 per year on music on average, compared with US$76 among those that pay to download and US$126 among those that pay to subscribe to a music service;
- 60 per cent of e-book downloads in Germany are illegal, according to Börsenverein des Deutschen Buchhandels, the organisation representing German publishers and booksellers

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. The aim of the Convention was to help nationals of its member States to obtain international protection of their right to control, and receive payment for, the use of their creative works.

The Berne Convention, as described by the World Intellectual Property Organization (WIPO), "…rests on three basic principles and contains a series of provisions determining the minimum protection to be granted, as well as special provisions available to developing countries which want to make use of them".[2] The three basic principles are: (i) **national treatment**; (ii) **automatic protection**; and (iii) **independence of protection**. The first, and most important, principle is the principle of "national treatment", meaning that 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. Second, the principle of "automatic protection" refers to the fact that such protection must not be conditional upon compliance with any formality. Finally, the principle of "independence of protection" translates as protection independent of the existence of protection in the country of origin of the work.

The only condition being where a contracting State provides for a longer term than the minimum prescribed by the Convention and the work ceases to be protected in the country of origin, then protection may be denied once protection in the country of origin ceases. Within the meaning of the Convention, the term "work" is defined as, "every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression".[3]

As for the duration of the protection afforded under the Berne Convention, the general rule is that protection must be granted for **50 years *post mortem auctoris*** (after the author's death). There are, however, exceptions to this general rule. In the case of anonymous or pseudonymous works, the term of protection expires 50 years after the work has been lawfully made available to the public, except if the pseudonym leaves no doubt as to the author's identity or if the author discloses his identity during that period; in the latter case, the general rule applies. In the case of audiovisual (cinematographic)

[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] http://www.wipo.int/treaties/en/ip/berne/summary_berne.html
[3] Article 2(1) of the Convention.

works, the minimum term of protection is 50 years after the making available of the work to the public ("release") or - failing such an event - from the creation of the work. In the case of works of applied art and photographic works, the minimum term is **25 years from the creation** of such a work.

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; the **reproduction** of such a fixation if the original fixation was made without their consent or if the reproduction is made for purposes different from those for which they gave their consent.

As for the producers of phonograms, they enjoy the right to authorize or prohibit the direct or indirect **reproduction** of their phonograms.[4] 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 to the above-mentioned rights as regards private use, use of short excerpts in connection with the reporting of current events, ephemeral fixation by a broadcasting organization by means of its own facilities and for its own broadcasts, use solely for the purpose of teaching or scientific research and in any other cases - except for compulsory licenses that would be incompatible with the Berne Convention - where the national law provides exceptions to copyright in literary and artistic works. Furthermore, once a performer has consented to the incorporation of his performance in a visual or audiovisual fixation, the provisions on performers' rights have no further application.

The duration of the protection lasts for at least a **20 year period** computed from the end of the year in which: (a) the fixation was made, for phonograms and for performances incorporated therein; (b) the performance took place, for performances not incorporated in phonograms; (c) the broadcast took place, for broadcasts.[5]

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;

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

[5] However, national laws ever more frequently provide for a 50-year term of protection, at least for phonograms and for performances.

- 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) 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 the internet expansion, two decades ago, it became clear that the exploitation of copyright-protected material over the net was commonly perceived – and described – 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, for example, because of the different exhaustion regime between the two groups of rights; because sometimes the broadcasting right (in Italy, of the recordings, for example) is not exclusive but subject to a mere right to **equitable remuneration**; finally, because 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 intend to extend copyright and neighboring rights protection to digital works, introducing a protection of works of intellect higher than the minimum guaranteed by the Berne Convention by (i) extending the prerogatives granted to the authors and (ii) providing measures aimed at preventing circumvention of their right.

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 above mentioned 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 a statement separate from the main text of the Treaty (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".

Similarly, the separate statement to the WIPO Performances and Phonograms Treaty (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 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 finds full application therein.

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[6], extending to performers of audiovisual performances the same minimum level of protection (namely, regarding moral rights; economical 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) already set forth (for all other performers and producers of phonograms) by the WIPO Performances and Phonograms Treaty.

With regards to the reproduction rights, the separate statement to the WIPO Treaty on Audiovisual Performances (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 Term Directive

The first initiative to harmonize copyright within the European Union was Council Directive 93/98/EEC[7], made under the internal market provisions of the Treaty of Rome. In the European Union, there had been a concern about a lack of harmonization in copyright standards between member nations. The copyright term for works of natural authors ranged from life of the author plus 50 years in some countries, to life of the author plus 60 years in Spain, to life of the author plus 70 years in Germany and France (but only for musical and dramatico-musical works). Therefore, the principal goal was to ensure a single duration for the protection of copyright and related rights within Europe. The 50 year term of the Berne Convention was amended and extended to 70 years after the death of the author or, in case of co-authorship, of the last surviving co-author[8]. The roots of the

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

[7] Directive 93/98/EEC has been repealed and replaced by Directive 2006/116/EC, **later amended by Directive 2011/77/EU**.

[8] The original wording of the Directive left unsettled the issue of the so-called **"divisible" works** (i.e., those that, according to some legislation are made of contributions that can be easily identified, or separately exploited, or have been separately created, according to the definition. Typically, musical and dramatico-musical works with reference to lyrics – or libretto –

decision can be found in German (and French) Law(s) which afforded protection for 70 years after the death of the author, in contrast with Italian and other Laws which only afforded protection for 50 years after the death of the author.

The reasoning behind the decision can be found in the Recitals of the Directive. Recital 5 noted that "the minimum term of protection laid down by the Berne Convention, namely the life of the author and 50 years after his death, was intended to provide protection for the author and the first two generations of his descendants." The Recital noted that "the average lifespan in the Community has grown longer, to the point where this term is no longer sufficient to cover two generations." Recital 6 then acknowledged that "certain Member States have granted a term longer than 50 years after the death of the author in order to offset the effects of the world wars on the exploitation of authors' works." Recital 9 stressed that "a harmonization of the terms of protection of copyright and related rights cannot have the effect of reducing the protection currently enjoyed by right-holders in the Community; whereas in order to keep the effects of transitional measures to a minimum and to allow the internal market to operate in practice, the harmonization of the term of protection should take place on a long term basis". Therefore under Recital 11 it is established that in order to attain a high level of protection, which at the same time meets the requirements of the internal market, the term of protection for copyright should be harmonized at 70 years after the death of the author or 70 years after the work is lawfully made available to the public.[9]

The Information Society Directive

The 2001/29/EC Directive was the first instrument adopted by the European Union to regulate copyright and neighboring rights specifically in relation to the expansion of the internet. It has proved to be a long and laborious process beginning with the Green Paper on Copyright and Related Rights in the Information Society dated July 19, 1995. In December 1997 the European Union Council approved the "Draft of a Directive on the Harmonization of Certain Aspects of Copyright and Related Rights in the Information Society", put forward by the Commissioner for the Single Market Mario Monti with the objective of contributing to the development of the Information Society within the European Union by means of a new regulatory framework. A series of amendments to the text where discussed and voted by the European Parliament on February 14, 2001. This was then passed to the EU Council for examination and was finally approved on April 9, 2001.

With this directive, the European Commission attempted to harmonize author's 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 regards **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.

Article 3 of the Directive concerns **the right of communication to the public**, granting authors and other right-owners **the exclusive right to authorize or prohibit any communication to the public** of their work. This issue was already dealt with in the Copyright Treaty approved by WIPO, in article 8, and is also included in the Berne Convention, under article 11 bis.

---

and music). The issue was then settled with the 2011/77/EU Directive, according to which the term of protection from the death of the last surviving co-author of "divisible" works now – or rather, as of the transposition date of November 1, 2013 – applies to the whole work "whether or not" the authors "are designated as co-authors" … "provided that contributions were specifically created for the respective musical composition with words."

[9] For neighboring rights, 50 years after the first publication or communication to the public, whichever the earlier, to be **extended to 70 years** with the transposition of the same 2011/77/EU Directive.

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 economical 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.

The Directive moreover establishes (art. 6) that Member States must set up an adequate system of legal protection against mechanisms for the circumvention of technological measures and provide adequate legal protection against the manufacture, import, distribution, sale, rental and advertisement of products and services primarily designed to circumvent or to enable circumvention of technological measures.

Lastly, Article 7 of the Directive establishes that Member States must provide measures to guarantee the presence and permanence of rights-management information, i.e. information identifying the protected work or subject-matter, the author or any other related information regarding the terms and conditions of use of the work (DRM).

The Electronic Commerce Directive
A further contribution to the subject matter comes from the Directive n° 2000/31/EC, aiming at liberalizing on line services, including promotion and distribution of music on the Internet, 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 to this rule is introduced for copyright (Art. 3, third paragraph) for which therefore the principle of territoriality (*lex loci*, i.e. the law of the country where protection is sought) shall continue to apply. Within the European Union therefore, content providers must respect the copyright regulations in force in each Member State, in consideration of the fact that the contents of their site may be accessed throughout the European Union without territorial limitations.

The Directive also outlines the **liability of service providers** (Articles 12, 13, 14 and 15) basing this liability on the model set down in the United States 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[10].

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.

[10] "*Informations und Kommunikationsdienste Gesetz*"

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, act expeditiously to remove or disable access to the information. (Art. 14, paragraph 1).

Jurisprudence

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

In Italy, the very recent years have seen 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 of such litigations, against **YouTube** for the online dissemination of the TV broadcast "Il Grande Fratello" (The Big Brother), the **Court of Rome**, with decision of December 16, 2009, affirmed:

- that the **Italian Courts have jurisdiction** against foreign defendants[11] for copyright infringement when the infringement (the viewing over the internet of the infringing material[12]) 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 the users (i) if, when aware of the presence of suspicious works and materials (because of the several 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 the users do 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[13] when made in web-pages with commercial advertisements and an evident commercial purpose.

[11] YouTube LLC, YouTube Inc. and Google UK
[12] The television broadcast
[13] Otherwise permitting such free communication in the occasion of current events "for the purpose of exercising the right of free information and within the limits of such purpose"

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

Along the very same line of thoughts we can locate two **decisions of the Court of Milan, respectively, on January 20 and September 9, 2011**, both judging on very similar cases (the upload of a number of – broadcasts of – televisions series, shows and sitcoms on the social networks by, respectively, **Italia On Line** and **Yahoo**). On both cases, the Court affirmed:

- **the responsibility** (or rather, the lack of exemption of 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 an organization** 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 and an evident 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 offered by art. 14 of the Electronic Commerce Directive[14] (which, to use the words of its whereas 42, 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 would identify all other subjects (YouTube, Yahoo, Italia On Line) that organize the uploaded content with commercial purpose (typically, from advertisement), and to which derogations and limitations to the ordinary forms of civil responsibility should apply. The consequence (but the Italian Courts do not explicitly bring the reasoning to enunciate that) would 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).

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