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MUSIC ON THE INTERNET

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The phenomenon of the diffusion of music on the Internet gives rise to certain problems regarding copyright protection in the network environment.

A) Italian Legislation

1) In Italy, copyright is ruled by Law No. 633 of April 22, 1941 (hereinafter "Copyright Law"), the text of which has been amended from time to time and adjusted to the new realities of rights exploitation ruled therein.

So far, the above mentioned law does not contemplate the phenomenon of the diffusion of music on the internet and the kind of right characterizing such use. However, the possibility exists in our legal system of identifying some general rules involved in this phenomenon.

Prior to entering into details, it is worth noting that most of the musical works are disseminated in two ways:

- through broadcasting organizations which transmit musical works by *webcasting* (transmission of sounds through Internet), sometimes of live events or simultaneously with other forms of transmission (*simulcasting*);

- through the reproduction of musical works by downloading the relevant files from the net, mostly in "mp3" format, through web sites offering this service, or systems (such as Napster) enabling the exchange of musical files between persons connected with the net.

The perception of these phenomena that Internet users have is not so different from that of users of other means such as radio or television. However, there is a big difference in the mechanism allowing the listening of music on line: in fact, while the transmission on line, by webcasting and simulcasting or by file downloading, is made by fixing the file in the computer memory and therefore through the reproduction (within the meaning of duplication and copying) of the (recording of the) musical work which remains (for different periods of time and manners) in the user's computer memory, the transmission over the air, by satellite or by cable is made through wave or impulse transmission in respect of which the mechanical means which transmit the radio or television signal make no fixation or copying process.

2) This material and substantial difference is particularly important as far as one of the main systems of music transmission on line is concerned: i.e. the dissemination of audio recording.

The phenomenon under examination has an effect on two important kinds of rights: on the one hand, we have the rights of the authors of the musical works utilized, recognized and protected by articles 12, 13, 15 and 17 of Copyright Law, and, on the other hand, the neighboring rights of phonogram producers and artists, interpreters and performers which are protected by articles 72, 73 and 80 of Copyright Law.

2.1) As far as the author's rights are concerned, article 12 of Copyright Law provides that an author shall have "… *the exclusive right of economic exploitation of his work in any form or manner, whether original or derivative …".*

Article 13 of Copyright Law points out that the rights contemplated by article 12 of the same Law include the exclusive right of reproduction, concerning *" the multiplication of copies of a work by any means, such as copying …, printing … and any other process of reproduction."*

Article 15 of Copyright Law provides that an author has the exclusive right of public performance or recitation, for payment or not, of a musical work.

Article 17 of Copyright Law provides that the author has the exclusive right of distribution of the work, concerning the right to market, place in circulation or however make available to the public his work, by whatever means and for whatever purpose.

If the technical aspect of the phenomenon (transmission of musical works on the network) is taken into consideration, according to the (strict) principle that the transmission implies reproduction of the musical work, then the phenomenon would constitute the exercise of the right of reproduction laid down in article 13 of Copyright Law.

If instead the perceptive aspect of the phenomenon is taken into consideration, according to the principle that the transmission of music on line is the mere performance of a work, then the phenomenon would constitute the exercise of the right of public performance laid down in article 15 of Copyright Law.

But the fact that the right under examination may pertain to one rather than another family of rights belonging to the author gives no rise to consequences for him, because in both cases all of such rights are exclusive and therefore their use is subject to the author's prior authorization.

2.2) But this last consideration does not apply to the phenomenon from the point of view of the phonographic producer, in whose respect the attribution of the right under examination to one or to the other family of rights (of reproduction and of public performance) involves important consequences.

In fact, article 72 of Copyright Law provides that "*the producer of a phonograph record or of any similar device for reproducing sounds and voices, shall have the* ***exclusive right*** *… to reproduce, by whatever duplication process, said phonograph record or device produced by him and to distribute it."*

Substantially, article 72 of Copyright Law attributes to the phonographic producer the exclusive right to duplicate, distribute, rent or lend the phonogram (or similar sound and voice reproducing device) he has produced, in other words the "primary" uses of phonograms (or similar devices).

On the contrary, article 73 of Copyright Law provides that *"the producer of phonograph record or any similar device for reproducing sounds and voices, together with the artists who executed the performance recorded or reproduced on those devices, …**shall be entitled to remuneration** in exchange for the utilization, with gainful intent of the record or other device for broadcasting by radio or television, including communication to the public by satellite … and on the occasion of any other public utilization of the devices. …".*

This second rule gives to the producer of phonograms the right to an equitable remuneration for the utilization of phonograms (or similar devices) for broadcasting by radio or television, in cinematography, public dances, public places and for any other public utilization of the devices (the so-called "secondary" utilizations of phonograph records); a right that the producer exercises also for the benefit of artists, interpreters or performers who have executed or performed the work recorded or reproduced in the phonogram which is the object of the exploitation under examination.

There are, therefore, two categories of rights: on the one hand, those contemplated by article 72 of Copyright Law which are absolute and opposable *erga omnes* and, on the other hand, the rights laid down in article 73 of Copyright Law, whereby the author of the work has only the right to receive a remuneration in exchange for any utilization for which, however, his consent is not required.

The weakening of this second class of rights is obvious: the owner of the original record may not object to any of the so-called "secondary" utilizations of the phonogram, unless such exploitation is effected under conditions that "seriously" (as set out in article 74 of Copyright Law) prejudice his industrial interests.

2.3) It is therefore within the ambit of the neighboring rights and, in particular, in the sphere of applicability of articles 72 and 73 of Copyright Law that the major contrast arose about the attribution of the right to transmit music on the Internet to one or to the other of the said families of rights (reproduction or public performance) with all consequences deriving from such choice.

As mentioned above, someone believes that, owing to the specific way to listen music on line, such phenomenon represents the exercise of the right of reproduction of the musical work or of its

recording (sometimes in digital form), that, as such, belongs to the rightholder of the work and therefore to the producer of the phonograph record.

On the other hand, someone else, pointing out the perceptive aspect of the phenomenon under examination, believes that it represents the exercise of the right of public performance of the musical work or of its recording, that, as such, should be included among the rights laid down in article 73 of Copyright Law.

The right comprised in this latter regulation is a particular right: a right for a “remuneration" which means a right to a credit that the producer of the phonogram has - and with him the artist or performer - vis-à-vis whomever makes a secondary use of the phonogram, as in radio or television broadcasting. Such right, then, implies the non-exclusive exercise by the rightholder (in contrast with the right of reproduction) and, consequently, does not entitle the rightholder to prevent other persons, whether authorized or not, from using the recording; in this latter case, the rightholder may only obtain a compensation if the use is made through public performances.

2.4) As regards artists, interpreters and performers, who are owners of a neighboring right, it is worth noting that article 80 of Copyright Law provides that *"artists who act as interpreters or performers shall have the exclusive right, regardless of any remuneration to which they may be entitled for their live performances: a) to authorize the recording of their performances; b) to authorize the direct or indirect reproduction of recordings of their performances; c) to authorize the broadcasting over the air and the communication to the public, in any form or manner, including by satellite, of their live performances …"* while the public performance of works (lawfully) recorded gives to the artist the right to share with the producer of the phonograph record the remuneration received by the latter pursuant to article 73 of Copyright Law.

B) EU Legislation

3) For sure, much wider than the national legislation is the "supra-national" legislation of the European Union and of the international conventions and treaties entered into between the States: however, the legal scenario of the phenomenon under examination, as resulting from the various rules contributed at a supra-national level, still needs adjustment.

3.1) The first contribution was given by the EU Proposal on the harmonization of certain aspects of copyright and related rights in the information society, the text of which was approved by the European Parliament on February 10, 1999, and is presently under examination by the Council of Ministers of the European Union.

In line with the initiatives already taken at the international level (by the adoption of the two WIPO Conventions signed in Geneva on December 20, 1996) and by the United States (by the issue on October 28, 1998, of the Digital Copyright Millennium Act), also the European Union is going to amend the law for the protection of copyright and neighboring rights in the world of the new technologies.

In short, according to the Directive proposal, the Member States shall recognize the exclusive right of copyright holders 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 work (article 2), the exclusive right to authorize or prohibit any communications to the public, by wire or wireless means, of originals and copies of their works (article 3), as well as the exclusive right to authorize any form of distribution to the public, by sale or otherwise, of the original of their works or of copies thereof (article 4).

The Directive proposal provides also for some limited exceptions to the said exclusive rights which are similar, as far as Italy is concerned, to the so-called "free uses" contemplated by the Italian copyright law (articles 65 and foll. of Law 633/1941).

In particular, article 5.1 of the proposal provides that "***temporary acts of reproduction*** *referred to in article 2, such as transient and incidental acts of reproduction which are an integral and essential part of a technological process, including those which facilitate effective functioning of transmission systems, the sole purpose of which is to enable use to be made of a work or other subject matter, and which have no independent economic significance, shall be exempted from the right set out in article 2"* (right of reproduction).

It is worth noting that the above exception is mandatory for the member States while the Directive proposal provides for their power to set further limitations to the (sole) exclusive right of reproduction

if the reproduction is made on paper or any similar medium and on audio, visual or audio-visual digital recording media, provided that the rightsholders receive a *fair compensation* (article 5.2).

Furthermore, the Directive proposal provides for other optional exceptions available to the member States, regarding the exclusive rights of reproduction and communication to the public (but not the right of distribution - article 5.3), as well as a precise mechanism of mandatory license (and therefore not voluntary) or of legal presumption in favor of radio and television broadcasting organizations for direct and indirect use of archive productions for transmissions on demand, against payment of a fair compensation in favor of authors, interpreters, performers and other rightsholders (article 5.4.bis).

Finally, the Directive proposal provides for the setting up by the member States of an appropriate system of legal protection against circumvention mechanisms of technological measures (use of access codes, cryptographic process and similar) for the protection of the rightsholders' works, devices or databases, against unauthorized reproduction, communication to the public and distribution.

In conclusion, the Directive proposal sets forth an important legal principle in that it configures the use of musical works in Internet as the summation of both rights, i.e. the reproduction right and the right of communication to the public, providing, however, that the reproduction on line is not subject to the consent of the rightholder when such reproduction is accessory to the exercise of the right of diffusion (communication to the public) of the work.

3.2) A second contribution to the identification of the discipline applicable to the phenomenon under examination is supplied by Directive No. 2000/31/EC on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (Directive on electronic commerce) which was adopted by the European Parliament and by the Council of the European Union on June 8, 2000, and published in the Official Journal of the European Community (L 178) on July 17, 2000.

Firstly, the Directive provides for the liberalization of on line services, including the promotion and distribution of music on line. These services are liberalized on the basis of the principle of the Country of origin: when a service is provided for in a member State, it can be enjoyed within the whole territory

of the European Union and shall be subject to the laws of the Country where the content provider is established (article 3).

An exception to this rule is introduced by article 3, paragraph 3), whereby the principle of territoriality (*lex loci*), or of the law of the country where the protection is invoked, shall continue to apply.

Within the European Union the content provider shall therefore comply with the copyright laws in force in each member State, given the fact that the content of one's own web site is accessible in the whole Union without territorial limitations.

Another important element of the Directive is represented by the terms of the responsibility of the service provider (articles 12, 13, 14, and 15). Such terms are quite similar to that of the American Digital Copyright Millennium Act and exclude from direct liability the activities consisting in a mere passive conduit of the service provider.

In particular, according to the Directive, the service provider is not liable for the information transmitted, provided that he does not initiate the transmission or select the receiver of the transmission and does not select or modify the information transmitted, and therefore makes just a transport service ("mere conduit" pursuant to article 12, paragraph 1).

Transmission and access activities include automatic, intermediary and transient storage of the information transmitted, provided that it is made for the sole purpose of carrying out the transmission and that its duration does not exceed the time reasonably requested for the purpose thereof (article 12, paragraph 2).

As far as the so-called "caching" is concerned (temporary storage of data on line in the network for an easier access) according to the applicable regulations the service provider is not liable for the automatic, intermediate and temporary storage of information performed for the sole purpose of making more efficient the information's onward transmission to other recipients of the service upon their request, on condition that: he does not modify the information; he complies with the conditions on access to the information; he complies with the rules regarding the updating of the information, as recognized and specified in a manner widely used by industry; he does not interfere with the lawful use of technology

widely recognized and used by industry to obtain data on the use of information and provided also that he promptly acts to remove or to disable access to the information upon having actual knowledge of the fact that the information at the initial source of the transmission has been removed from the network or access has been disabled or that a court or an administrative authority has ordered removal or disablement (article 13, paragraph 2).

With respect to data storage services at the request of the recipient ("hosting") provided for by article 14) - relevant, for example, in case of illegal material such as unauthorized mp3 files - the service provider is not liable for stored information provided that he does note have actual knowledge of the fact that the activity or the information is illegal and, as regards claims for damages brought against him, he is not aware of facts or circumstances from which the illegal activity or information is apparent; and further provided that, upon having knowledge or awareness of the facts, he acts without delay to remove or disable access to the information (article 14, paragraph 1).

Finally, it is worth noting that according to the Directive, the member States must act so as to make court actions available under national law concerning information society services and to obtain the adoption of emergency measures, including interim measures, designed to terminate any alleged infringement and to prevent further impairment of the interests involved (article 18).

c) Extra-european conventional Legislation

4) The supra-national legal system regarding the phenomenon under examination contemplates an additional contribution provided by the two WIPO Treaties signed in Geneva on December 20, 1996, concerning copyright and performances and phonograms, respectively.

Article 8 of the copyright Treaty states that authors of literary and artistic works shall enjoy the exclusive right to authorize 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*".

Similarly, article 14 of the Treaty on phonographic rights provides 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*".

These rules give a new aspect to the phenomenon and provide for the reintroduction of the relevant right into the family of the public performance (making available to the public) and, at the same time, qualifies it as an exclusive right.

Such configuration causes no problems to the author as the use of his work, apart from SIAE's intermediation, is always subject to the author's consent.

By contrast, this configuration is relevant for the phonographic producer, who owns a neighboring right and whose position is certainly strengthened by the terms and conditions of the Treaty which, although providing for the use of music in Internet as a right of public performance (ruled in Italy by article 73 of Copyright Law and contemplated as a right to compensation), nevertheless provides for the producer's exclusive right, thus giving to him the power to exercise his right *erga omnes*.

It is worth noting that the stronger rightsholders' position deriving from the rules set out in the two Treaties is also confirmed by the fact that the contracting parties, in separate statements referring, in particular, to the provisions of article 1 of the copyright Treaty and to the provisions of articles 7, 11, and 16 of the performances and phonograms Treaty, have specified that the right of reproduction fully applies in the digital environment.

Finally, it should be mentioned that the approval by Italy of the above mentioned Treaties is still under way and that presently there is a proposal of the European Council for their approval by the European Community.

D) Final comments on the implementation of supra-national Legislation into the Italian legal system

The regulations as above described give rise to some problems as to their coordination within the Italian legal system, as they provide for two different definitions of the same phenomenon that are likely to cause interpretative doubts.

The phenomenon of works and recordings disseminated through Internet is defined in the WIPO Treaties as the exercise of the right of communication to the public, recognized on an exclusive basis to authors and producers of phonograms, it being specified that the digital environment does not affect the exercise of the right of reproduction, fully applicable therein.

Instead, according to the definition of the Directive proposal on the harmonization of certain aspects of copyright and related rights in the information society, the dissemination of works and recordings on line is both the exercise of the right of communication to the public and of the right of reproduction, it being however specified that, of them, only the former (communication to the public) is recognized as an exclusive right of authors and phonogram producers, while the latter (right of reproduction), though recognized as existent, has been considered as an exception *ex lege* and may therefore be exercised without the rightholder's consent.

It follows that when both regulations will be implemented in Italy, the problem will arise as to whether the rule contained in the separate statements of the WIPO Treaties, providing for the exclusive right of reproduction on line, shall prevail or if the definition provided by the Directive proposal, following which the reproduction right would be interpreted as a non-exclusive right, shall be preferred.

E) The position of SIAE

6) Article 180 of the Italian Copyright Law provides that *"the right to act as an intermediary ... for the exercise of the rights of performance, recitation, broadcasting, including communication to the public by satellite, and mechanical and cinematographic reproduction of protected works, shall belong exclusively"* (the so-called "necessary intermediation") to the Italian collecting society (Società Italiana degli Autori ed Editori - S.I.A.E.).

Even if the reservation to S.I.A.E. of the intermediation right for the rights under discussion could be argued, S.I.A.E. has dealt with the phenomenon of the exploitation of music on line and has introduced an "experimental license" for the exploitation of musical works on the net.

By this license, S.I.A.E. authorizes the contracting party: to reproduce protected musical works in the Internet Service Provider (ISP) database; to communicate them to the public through the network environment and to make them available to the public, also on an individual basis; to use the musical

works reproduced in the ISP's database and to make them available to the public, also on an individual basis - free of charge or for payment - by downloading the relevant files.

At the same time, the contracting parties shall display in their web site titles, authors, publishers, interpreters and performers of each musical work used by them and shall also provide details regarding their license and the date of signature.

The contracting party shall also pay a consideration proportional to the file loading, depending on whether the work is fully or partially reproduced, and on whether its on line transmission is made free of charge or for payment (approx. 150 Euro per month).

6.1) As mentioned above, we wonder whether the exercise by S.I.A.E. of the rights of exploitation through on line performance and mechanical reproduction is to be interpreted as a "necessary intermediation" hypothesis provided for by article 180 of Copyright Law.

On the one hand, it must be noted the such rule contemplates both rights (of reproduction and of public performance) and therefore it could be withheld as covering all forms of use, including those through digital networks.

On the other hand, it was correctly affirmed that the prevailing interpretation withholds that the right of reproduction reserved to S.I.A.E. is the right exercised on and not through a mechanical instrument, and this is proved by the fact that all graphic reproductions made by photocopying are excluded.

Also the right of synchronization is deemed to be excluded from the above definition.

Moreover, the introduction of the communications by satellite has induced the Italian law-makers to amend the above mentioned article 180 of Copyright Law and to expressly introduce, among the rights exercised by S.I.A.E., such new form of communication to the public.

6.2) From all the above it could derive that, as long as the communication by Internet is not expressly included among those (way of communication) belonging *ex lege* to S.I.A.E., the right should belong to the rightsholders who are, therefore, entitled to exercise it directly (*ubi lex voluit dixit, ubi noluit tacuit*).

It seems, then, that this second (stricter) interpretation should be privileged, even if the experimental license's practice has been in use for a while and even if, in the meantime, S.I.A.E. has amended its By-

laws (presently providing, under article 1, point a) thereof, for the granting of the right to exercise "... *intermediary activities … for the exploitation of the right of representation, performance, recitation, broadcasting, including the communication made through any technical means of production or reproduction of the protected works …*"), with the consequence that the right of broadcasting through the network environment, although not belonging *ex lege* to S.I.A.E., would nevertheless be exercised by S.I.A.E. in virtue of a mandate received from the publishers.

F) Impact of the phenomenon of music on the Internet and anti-piracy activity in Italy

7) Also in Italy the illegal use of music on the Internet (in particular, for musical works of Italian authors) is a phenomenon which worries the operators of the phonographic industry.

In order to fight the phenomenon of the illegal reproduction of records and other devices, as well as the illegal use of musical works in Internet, it exists in Italy the F.P.M. - Federazione contro la Pirateria Musicale - which is strongly engaged in finding and notifying illegal web sites with mp3 works or other web sites for the purpose of connecting and disseminating in an easy manner musical works illegally reproduced.

The Federation, with a view to fighting the phenomenon, uses the so-called "notice and shut down" procedure, which means that as soon as a pirate web site is identified, a notice is sent to the service provider demanding the prompt discontinuance of the illegal practice and the shut down of the web site in question.

Usually the service provider, also in the light of the recent EU regulation on liability mentioned in the electronic commerce Directive, shuts down the illegal web site right after receipt of the written notice.

By the use of the "notice and shut down" procedure, in 1999 FPM obtained the shut down of more than 500 illegal web sites.

Presently, most of the web sites offering music on line ask the rightsholders for an authorization and to this end they sign the “experimental license” agreements with S.I.A.E., but this fact - if on the one hand cancels the unlawful act vis-à-vis the author and the publisher of the musical work, on the other hand does not solve the problem regarding the rights of the phonographic producer, which remains open.