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The future of Collective Licensing in Italy

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Introduction

As in other Countries of droit d'auteur (as opposite to copyright) tradition, Italy always favored the protection of exclusive rights and implemented a system of large scale collective management of rights trough Società Italiana degli Autori ed Editori (SIAE), on a voluntary basis and not based on legal licensing schemes, such as in the US. Surely, the development of new technologies brought the exponential increase of forms of global exploitation on line, often outside the law, and together with it the analysis of what could be the best way to ensure the respect of copyright, the payment of exploitation fees and the fight against piracy. As the collective management system is not generalized, the discussion is open, in Italy as well, on what could be the future pathways of development, specifically with regards to music exploitation over the internet.

The applicable law

Italy applies the principle of territoriality of copyright, meaning that Italian law applies to the protection in this Country (as foreign law applies to the protection abroad), as a consequence of the general principle according to which the protection of immaterial goods is ruled by the law of the place where the goods are located (locus rei sitae), or the place where the protection is sought. According to art. 185

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of our copyright law[1], Italian rules of law apply to Italian works and to foreign works, however disseminated in Italy, the authors of which are domiciled in Italy, while art. 189 of the same law extends the provision to motion pictures, phonographic recordings, performing artists, photographs and construction projects realized in Italy (or that can be classified as national).

The principle of territoriality has expressly been confirmed with the reform of the Italian system of international private law[2], art. 54 of which establishes the application of the law of the Country of utilization to the content of protection (and therefore both exploitation rights and moral rights) as well as to the limitations thereto and the title thereof, all with the limit of the public law exception should foreign rules contrast with the fundamental principles of the Italian (copyright) system. Art. 57 of the same law indicates the law applicable to the transfer of patrimonial rights, as the one chosen by the parties or, in the absence of choice, the one determined by the connection criteria dictated by the Rome Convention, to which art. 57 refers, such as the law of the Country of residence of the author or right-owner. Finally, the law of the Country where the damage has occurred - or, upon request of the damaged party, the law of the (potentially different) Country where the damaging event has occurred - shall apply to tort responsibility according to art. 62 of the law.

A further rule is given by art. 16-bis of the Italian copyright law with regards to the communication to the public via satellite, whereby the principle of territoriality has been adapted by considering the functional connection between the transmission and the reception of the satellite signal. Hence, the provision that television broadcasts receivable in several EU Member States are subject to the (sole) national law of the originating State. Should instead the broadcast originate from a broadcasting station located in Italy or upon charge of an Italian broadcasting organization, but up-linked from a non EU State the legislation of which fails to ensure a level of protection equivalent to that of the Italian law, the Italian law shall apply.

[1] n. 633 of April 22, 1941

However, the applicability of the Italian law, in Italy, to foreign works does not entirely exclude the application of foreign legislations, such as the one(s) of the Country to which the author belongs or, more frequently, of the Country where the work was made public (published or performed) for the first time. The international copyright rules are based on two basic pillars that are rarely derogated: the reciprocity of protection[3] and (as in the Berne convention) the exclusion of protection in a given Country of a work that has fallen into public domain in its (different) Country of origin for expiry of the protection term foreseen therein. Under both respects, in order to assess whether a work is protected in Italy its juridical status in the Country of origin must be preliminarily verified.

Specifically with reference to databases, art. 102-bis of the Italian copyright law expressly grants protection in Italy to all citizens or residents of the European Union, or business established therein, while art. 146 of the same law, in the subject-matter of resale right, explicitly includes authors and right-owners not belonging to the European Union, when the legislations of their Countries grant the same (resale) right to Italian citizens and right-owners.

We can therefore conclude that exploitations in Italy are subject to the generality of Italian rules of law, except satellite broadcasting that is normally subject to the law of the (potentially different) Country of up-link, that apply to both Italian and foreign right-owners.

The case Law

Italian Courts have addressed issues relating to online exploitations under (at least) two aspects: the protection of privacy and the responsibility of Internet Service Providers.

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[2] n. 218 of May 31, 1995

[3] Intended as "generic" (as opposite to "specific") reciprocity, whereby protection in Italy to foreign right-owner is granted, even in the absence of specific international conventions, when Italians enjoy in the considered foreign Country the same protection granted by such Country to its own citizens, regardless of the material extent of the protection in each of the two Countries.

With regards to privacy, the first and certainly most publicized (and criticized) decision came from the first instance **Court** (Tribunale) **of Rome of July 14, 2007** (Techland, Peppermint Vs Telecom Italia, Wind), examining the case of (data collection relating to) unauthorized on line sharing (through the internet accesses made available, respectively, by Telecom Italia and Wind) of an electronic game and musical recordings, still made through peer to peer programs. During the litigations, the Privacy Protection Authority intervened into the processes, objecting the claim by arguing that the data object of the petitions according to art. 156-bis of the Italian copyright law (that grants the party that suffered the copyright violation the right to obtain from the Judge the order that the opposite party supply elements to identify the individuals implicated in the infringement) could not be treated, as gathered in violation of the provisions of law concerning privacy protection.

The Court substantially endorsed the exception raised by the Authority, noting that the mentioned art. 156-bis meets the limit dictated by the regulation ruling the protection and confidentiality of personal data as resulting from the internal, primary and constitutional[4] legislative frame, as well as from community law, according to the contents of the Directives for the protection of privacy in the electronic communications and for the enforcement of intellectual property rights, the latter holding safe the former. From which the prohibition to use and process data for purpose of justice, if not for crimes of particular gravity, derives.

From a different viewpoint, the Court held the mentioned art. 156-bis contrary to the regulation for the protection and confidentiality of personal data according to art. 121 and following of the Italian Privacy Code[5], in the sense that in the sector of electronic communications, such as (according to the Court) the one under discussion, the listening, storing and other forms of surveillance of the communications

[4] Italian Constitutional Court Decision n. 372/2006
[5] Legislative Decree n. 196/2003

and of the relevant traffic data for purpose of private interest must be held illegal in the absence of the consent of the user.

The decision was followed by a pronunciation of the Italian **Personal Data Protection Authority of February 28, 2008**, that at the end of the investigation on the "Peppermint" case reaffirmed its earlier opinion and confirmed the prohibition to the service providers "to make (further) use of personal data illegally gathered" within the factual circumstances object of the proceedings examined by the Court of Rome, interpreting the mentioned Court of Justice decision in the sense that "community legislation allows member States to limit to criminal, public security and State security investigations – therefore excluding civil litigations - the obligation to store and disclose data on electronic network connections and the traffic generated during communications made in the course of a service rendered in the information society".

Along the same line, a further decision of the same **Court of Rome of March 17, 2008**, rejecting a further request for an order to the service provider to disclose data relating to network communications based on the argument that the balance between intellectual property rights and confidentiality had been implemented by the Italian legislator by "holding that the prevalence of the formers on the latter be justified solely if combined with the infringement of collectivity interests protected by criminal law".

At the same time, the issue was addressed by the decision of **European Court of Justice of January 29, 2008** (Promusicae), between the latter, an association of producers and publishers of audio and audiovisual recordings, and the Spanish ISP Telefonica, by reference of the Commercial Court of Madrid to which the first had asked the Judge to order the latter to reveal the identity of users of a software for the exchange of musical recordings (peer to peer). The case was referred to the European Court on whether the community rules allow member States to limit to criminal, public security and State security investigations, therefore excluding civil litigations, the obligation to disclose data on

electronic network communications. In other words, if the community legislation require the member States to institute the obligation to communicate personal data in the context of a civil proceeding.

With ample and detailed motivation, the incidental Judge declared that some recent Directives in the subject matter of intellectual property (2000/31/EC, 2001/29/EC and 2004/48/EC) and the Directive 2002/58/EC concerning the processing of personal data and the protection of privacy in the electronic communications sector, do not require the member States to lay down such obligation; and that, however, member States must guarantee a fair balance between the various fundamental rights protected by the Community legislation.

With no doubt, the decision of the European Court marked an important step in the evolution of the subject matter. It is also important to stress that the Court expressed itself both in the sense (recalled already) that the latest directives in the field of intellectual property do not require the member States to institute any obligation to communicate personal data in the context of a civil proceeding, and in the sense that member States must guarantee a fair balance between the various fundamental rights protected by the Community legislation. See for instance where the Court observes that "Directive 2002/58 does not preclude the possibility for the member States of laying down an obligation to disclose personal data in the context of civil proceedings" (par. 54); that both rights, intellectually property and privacy, are included in the list of fundamental rights of the Union (paragraphs 61 and 62); and that members States are called to interpret the directives in a manner consistent with the fundamental rights of the Union and the general principles of Community law such as the principle of proportionality (par. 68).

With regards to the responsibility of Internet Service Providers, great echo was given to the Italian battlefield of the war against thepiratebay.org.. First, the decision of the Criminal **Court** (Tribunale) **of Bergamo of August 1, 2008**, which issued an order of seizure of the website and - which was the most

important aspect as the piracy site is outside of the Italian jurisdiction - to Italian internet service providers to inhibit to their users access to the site, aliases and domain names, present and future, redirecting to the same as well as to any static IP address relating thereto. The measure has also been taken according the dispositions of the (Italian regulation of implementation of the) Directive 2000/31/EC on the electronic commerce (mere conduit).

Second, the decision of the same **Court of Bergamo of September 25, 2008**, revoking its earlier measure based on the argument that seizure was not applicable to the case at hand for the impossibility to "apprehend" the good that should be the object thereof (the site is not in Italy). On the other hand, the Court confirmed the subsistence of both the fumus delicti (presumption of illegitimacy) and the periculum in mora (danger in the delay), as thepiratebay.org had registered an "exorbitant" number of hits in Italy for the "acquisition in internet of materials protected by copyright".

The case is currently pending before the Italian Supreme Court (Corte di Cassazione) and a further decision should be therefore delivered on the dispute, hopefully soon[6].

The collective Management

The need to ensure capillary collection and distribution of copyright fees prompted the institution, in Italy as well, of collective management organizations.

SIAE – Società Italiana degli Autori ed Editori

The main entity of intermediation, collection and distribution of copyright fees, SIAE was declared "public entity with associative basis"[7], based on the argument that equitable collection and distribution of copyright revenues, together with the performance of other functions, respond to public interest.

[6] After printing this article, the Italian Supreme Court (Corte di Cassazione) actually published its decision n. 49437 of September 29/December 23, 2009, with which the second decision of the Court of Bergamo was annulled.
[7] by law n. 2 of January 9, 2008

Art. 180 of the Italian copyright law states that the intermediary activity, however performed, under direct or indirect form of intervention, mediation, mandate, representation and assignment of exercise of the rights of public performance, radiodiffusion (including the communication to the public by satellite), mechanical and cinematographic reproduction of protected works, is reserved to SIAE. The intermediation of SIAE is therefore necessary, but not exclusive, as nothing prohibits authors and publishers to exercise directly their rights (even if direct exercise is, in practical terms, extremely difficult sometimes).

SIAE operates on the basis of a mandate (the registration and deposit of the work) with the sole exception of cable re-transmission, for which the implementation of the 93/83/EEC Directive has introduced a new art. 180-bis into the law, conferring to SIAE the compulsory collective management (and therefore not only necessary intermediation) of both author's rights and neighboring rights. The mandate may not contain, according to art. 11 of the SIAE Regulation, the exercise of the right of reproduction and communication to the public on information networks, mobile telephony and analogous systems of exploitation of the works, both interactive and not, that the right-owner can retain and directly exercise.

IMAIE – Istituto Mutualistico Artisti Interpreti Esecutori

Imaie was established as legal entity in 1992[8] for the collective exercise, under the surveillance of the Government, of the collection and distribution of (neighboring) rights of performing artists. As a result of the ratification of the Rome Convention in 1974, art. 73 of the Italian Copyright Law was amended in order (i) to grant the producer of phonograms the right to collect a remuneration for the utilization for purposes of gain of the phonograms through cinematography, radio and television diffusion, there included the communication to the public via satellite, in public dancing parties, in public premises and

[8] by art. 4 of law n. 93 of February 5, 1992 (Private Copying Law)

on the occasion of any further public utilization of the said phonograms, and (ii) oblige it to share the revenue with the artists who interpreted or performed the interpretation or the performance recorded or reproduced on the phonograms.

IMAIE further collects (from SIAE) the artists' shares of private copying revenues and[9] the equitable remuneration pertaining to lead role artists (actors) from the broadcasting and communication to the public, including cable and satellite, of motion picture works.

Upon initiative of the Minister for Cultural Goods and Activities and based on the information subsequently gathered by the (Rome) Prefect, among which a claim by a number of Imaie's employees of irregularities in the running of its activities and the lack of distribution to the artists of revenues collected for the period 1976/1999, and from 1998 onwards for audiovisual works, Imaie was declared dissolved on May 28, 2009, and is now in liquidation.

SCF – Consorzio Fonografici

SCF is the main intermediary entity operating in the private sector[10], and exercises neighboring rights in the interest of the large majority of Italian phonographic producers, as deriving from the mentioned art. 73 of the copyright law[11], and collects private copying revenues[12], while new technologies rights and mainly managed by the represented labels.

Some market Data

[9] art. 84 of the Italian copyright law
[10] Further to AIDRO, for reprography rights, and UNIVIDEO, for audiovisual recordings.
[11] utilization for purposes of gain of the phonograms through cinematography, radio and television diffusion, there included the communication to the public via satellite, in public dancing parties, in public premises and on the occasion of any further public utilization of the said phonograms.
[12] art. 71-*septies* of the law

Piracy in the field of new technologies is quite significant. According to a recent survey[13] a consistent portion (31%) of Italians does not buy music (the EU average is 25%, 18% in Germany). 34% buys CDs in shops or department stores (45% is the EU average) while only 2,3% buys music online (11% is the EU average, 16% in the UK). Small figures as well in the e-commerce in general, as 44% of Italians does not make purchase online (9% is the EU average) while only 2,2% buys books from Amazon and other similar sites.

On the contrary, peer to peer covers 23% (against the EU average of 14%) even if still inferior to the share of streaming of musical videos from YouTube (34% in Italy, against the EU average of 30,7%). Italians lead in terms of attendance to social networks dedicated to artists, especially on Facebook (27,7% against the EU average of 14,5%), while the audio streaming (essentially, due to limited offer) is quite contained (6,8% against the EU average of 12,8%).

Physical sales for 2008 in Italy (where Italian repertoire amount to 56%) have dropped 21%, while online sales have grown 4%. On the other hand, online sales in the same period worldwide have grown 25%.

Overall, the digital music market should start growing again by the year 2011, and is expected to start compensating (but only to a maximum of two thirds) the losses of physical sales in the year 2014. In such context, the forecast of development in Italy, inferior to the rest of the world, appears problematic for the music business.

The Italian Way

Internet has created on the part of the users an expectation of free exploitation that will be difficult to dismantle. It is said that in order to educationally address the tendencies of youngsters to illegal music

[13] Forrester 2009

download, the age span of 9 to 13 should be addressed, considering anybody older than that as already compromised. The phenomenon is strong and persistent and an inversion of tendency will not be easy, also because the sociological context and the unusual alliances between consumers and telecommunication companies against intellectual property, supported by political and academic instances, has created an hostile context that will be difficult to contrast.

The protection of intellectual property within (or maybe, from) new technologies strongly relies on technological measures of protection, as long as they last, while other measures of compensatory imposition, such as the levy on devices intended for private copying, did not have a generalized implementation around Europe and do not seem to be particularly successful.

The only feasible alternative therefore seems to be the collective management, and the Italian experience seems relevant under this respect, as it moved from the full control of the right-owners of their rights and prerogatives with regards to both authors' rights (SIAE) and neighboring rights (SCF).

For the time being, such approach seems to be the only one capable of combining the need to preserve such full control with the interests of the users to access music at fair (for both parties) economical conditions.