



## Private Copying Forum (Web-meeting, 29 June 2021)

### Notes

#### Participants:

Paul Fischer	AUME
Christine Mergoupi	AUTODIA
David Kitzinger	ARTISJUS
Istvan Sponga	ARTISJUS
Lisa Freeman	CPCC
Verena Wintergerst	GEMA/ZPUE
Franziska HORL	GEMA/ZPUE
Janica Novacic Bosnjak	HDS
Kay Yamaguchi	JASRAC
Annemie Maes	SABAM/AUVIBEL
David El Sayegh	SACEM/SDRM – Chairman
Catherine Saxberg	SOCAN
Tomas Miks	SOZA
Carlos Casado	SGAE
Coleman Gota	SGAE
Hester Wijminga	STEMRA/Stichting de ThuisKopie
Burak Ozgen	GESAC
Laure Margerard	BIEM
Constance Herreman	CISAC

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The meeting was chaired by David El Sayegh (SACEM).

#### 1. Private Copying and Cloud

##### **N-PvR (Situation in France)<sup>1</sup>**

David El Sayegh (SACEM) presented an update of the situation with N-PvR in France.

Hester Wijminga (ThuisKopie) explained that, in the latest tariff decision in the Netherlands, the N-PvR is specifically excluded from the Private Copying exception. It was argued that a master copy is set out in the

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<sup>1</sup> All the presentations are available on the BIEM website (under ISSUES/Private Copying/Meetings of the Private Copying Forum)

cloud by the provider to which consumers have access only, but they do not make copies for themselves. In short, the N-PvR service is the only entity providing a copy.

According to Paul Fischer (AUME), Austria is in the same situation, since the Supreme Court has also refused the N-PvR functionality of cable operator (proprietary storage). The latter falls within the exclusive right domain and not the Private Copy exception.

David explained that from the French government's point of view, two different functionalities are proposed to consumers:

1/ the distribution of a broadcasting programme through subscription (i.e., Molotov or SFR), giving consumers the possibility to watch the programme (communication to the public).

2/ the same service enables consumers to make a copy on the cloud (the end-consumer uses the copy in the cloud through apps, as with a hard disc).

Thus the service has to obtain authorization for communication to the public (1) in addition to private copying (2). Moreover, if access to the programme any time (on-demand programme) is also provided, it does not fall under the PC exception but under the exclusive right.

This position is different from the V-Cast case (2016), which differentiates between the broadcaster and a third party providing the content on-demand.

When a hard disc is included in the set-up box, the PC levy can also be collected. However, in the near future, internal hard discs should progressively disappear, to be replaced by an opt-in functionality for a storage service on the cloud. The remuneration will only be triggered if the opt-in functionality is activated.

#### Tariffs for the cloud in the Netherlands

Hester Wijminga (ThuisKopie) provided an update on the pending proceeding on **cloud storage** filed by DELL and HP and a branch of the Industry of the Cloud.

She reminded all that a favourable verdict was rendered by the Court of The Hague in September 2020. The Court stated that the cloud copy falls within the scope of the private copy, because the copy is made as part of a chain of devices, similar to the Copydan verdict.

An appeal was filed, and an oral hearing held in May. The verdict expected the week of the current meeting has been postponed.

In the appeal, reference was made to the Austrian case. The court will await the ECJ decision on the Austrian case.

The September 2020 verdict also touched upon **tethered downloads**.

Tethered downloads were first included in the tariff for 2018–2020. Following the publication of the tariff for 2021, two new lawsuits were filed by Apple and two other big Dutch cellphone retailers.

Apple argued that no private copy has been made, as all downloads are done with the involvement of the commercial party. It is not a natural person making a copy for him/herself. Hester expects this case will also go to the ECJ.

David indicated that, *in France*, tethered downloads are not taken into consideration under the PC remuneration but included within the scope of the exclusive license agreed upon with the service. The rightsholders community does not have a common view. The AV producers and the labels are reluctant to include tethered downloads under the scope of PC remuneration.

According to him, *several questions are to be considered*:

- whether or not cloud copies could fall under the scope of PC remuneration? Apple's position is "there is a making available act so tethered downloads do not fall under PC remuneration".

- Tethered downloads can be considered as a copy from the technical and legal point but could go against the three-step test and impede normal exploitation of a work as an on-demand service.
- Recital 35 of the InfoSoc directive introduces further complexity with the following statement: "if the compensation is made for the contractual system, it could have consequences on the level of the levy."
- Copy falling under the PC exception should be exclusively compensated under a levy and not within the frame of the negotiated royalty. If already remunerated under a licensing agreement, should a deduction be made considering private copy? Or should a private copy levy be asked?

Paul indicated that in the *Austrian* case, the position of the different EU member states confirms that the cloud is a private copy exception. However, because of the Austrian legislation, the levy can only be charged on the device and not on the storage, so as to circumvent any double remuneration issue.

In *the Netherlands*, the position is based on the ECJ case laws recognizing the possibility of a double payment in the case of the Cloud. Rightsowners receive a levy for the device and an additional payment, which corresponds to additional own copies made over the other possible uses supplied by the cloud. ThuisKopie does not think it is deductible, contrary to N-PvR. In this case, the industry argued and provided technical evidence showing that there is only one copy made by the service.

In *Hungary*, ARTISJUS charges a licensing fee for tethered downloads as part of the subscription. The calculation of the licence takes into account streaming and tethered downloads.

According to David El Sayegh, it is not because a service offers private copy that the possibility of remuneration is dismissed. He suggested that the Padawan/Copydan and V-Cast cases could be helpful in this regard, as they state that ownership of all the technical tools is not necessary to claim for a private copy.

The problem is more on the remuneration side: how do you justify an additional remuneration as a levy for a PC exception, when you already collect an amount based on an exclusive licence where the tethered downloads are targeted.

According to Verena Wintergerst (ZPÜ), it is a very complex issue. The difference comes from the fact that the licensing agreement covers what is offered by the service [the making available], but the copy as such is a decision of the consumer. Tethered downloads that might be included in the licensing agreement are only an option made by the making available of. There is no question of double payment as it is a different issue.

Paul Fischer agreed with the German view. The statutory licence can be limited, with another licensing regime for tethered downloads. In Austria, AUME licenses reproduction on the server of Spotify and not the copy made by the consumer. As for the question of double payment, he outlined that a local storage provides for a different copy that justifies a specific remuneration. If the device is lost, the copy remains.

David El Sayegh proposed to refer also to the opinion of the Advocate General regarding downloads: he clearly states that, from a technical standpoint, one act, the 'downloading activity', triggers two rights: (1) the making available with on-demand access (communication to the public) on the one hand, and (2) the consumer has a copy of a protected content (reproduction right) on the other hand.

Concerning the possibility that the Dutch judge files the question of tethered downloads with the ECJ, Hester Wijminga indicated that the opponent requested the reference to the ECJ, but ThuisKopie and the Judge argued that it has already been settled in previous ECJ case law (VG Wort and Copydan cases).

However, the question is so controversial that it will probably be referred to the ECJ.

Regarding recital 35, Paul Fischer looked into it some time ago. He considered that it was introduced because the different licensing regimes of the various member states necessitated such wording. But he considers that it is no longer valid. David agreed that it is an old text but that we still need to be careful, as the ECJ sometimes refers to old texts.

In *Hungary*, David Kitzinger explained that ARTISJUS refrains from licensing the copies made by users and tries to include them in the PC remuneration. This was always rejected. When a service does not propose tethered downloads, it asks for a reduced levy. He agreed that “making a copy” is a private act on which the DSPs do not have any control.

Lately, some DSPs have started to show interest in private copy and try to define tethered downloads. Discussions are ongoing with ARTISJUS to try to include cloud services in the private copying domain. The authorities advised to compensate the harm caused by the cloud copy with the levy due on the devices used to access cloud copies.

#### Cloud-lockers - update of the Austrian proceeding (Introduction Paul Fischer – AUME)

The Oral Hearing with the ECJ is scheduled for 7 July 2021

According to Paul, *the main danger is linked to the opinion of the Commission*, which considers the copy on cloud as a “communication to the public”. Here the Commission follows the opinion of the V-Cast case, without taking into account that the service concerned is a pure cloud service.

AUME proposes to distinguish between both rights. AUME differentiates the reproduction rights on the server (exclusive with the service provider) from the reproduction made by the natural person in the end (private copy).

So far, Paul has received letters from several societies confirming that reproduction rights have never been considered as part of the making available right in their territories. AUME will file the letters before the hearing to support its position.

AUME is looking to get the levy for cloud copies to be paid by the service provider. The society has prepared its opinion based on Austrian law, in order not to harm the position of societies elsewhere.

*Concerning the other ECJ questions on:*

- The implementation of the levy: the question will be left open before the ECJ. It is to be decided at the discretion of each member state.
- Double compensation: same answer as mentioned above.
- A possible payment of the levy already made in Germany by the (German) service provider: This is not the case: AUME has checked with ZPÜ and in any case, the levy should be cleared in Austria.

David El Sayegh referred to the opinion of the Austrian and Dutch governments. Both are against the fact that the service provider should be levied. They argue that the private copy levy should be charged to the manufacturer/the importer.

In the Netherlands, Hester Wijminga reminded all that the levy for storage in the cloud and a personal locker is an extra charge on the device providing access to the cloud. Dutch law foresees that the levy should be charged on the device and not on the third-party storage. The government’s position is consistent with the law. In the end, the consumer is liable; the operational system imposes the levy on the device paid by manufacturers or importers. As such, the determination of the levy takes into account the private copies in cloud lockers.

In Austria, Paul Fischer underlined that historically, a device levy has never been implemented, only a storage levy. Services can easily state the number of subscribers in Austria and the storage capacity rented to them, which constitute criteria to determine a tariff. AUME has proposed to charge the storage built into the device and the storage capacity rented in the cloud.

Christina Mergoupi (AUTODIA): service providers should be liable to pay since they provide the service. But such a levy might be more difficult to enforce with international companies, which can question the whole system of PC. The system in *Greece* is the same as in the Netherlands: importers/manufacturers pay the levy.

In *Germany*, no decision has been made with regards to cloud lockers, pending the ECJ decision in the Austrian case. ZPÜ is currently in discussions with the Ministry on a reform of the PC system.

In *Belgium*, a new proposition has been received from the Minister regarding the tariff to apply as of 1/1/2022. Cloud copy is not mentioned in the list of devices/means covered. The authorities will keep an eye on the outcome of the Austrian case and may adapt their proposition accordingly.

In conclusion, depending on the decision of the ECJ, the working group may discuss further on possible actions.

A summary of the oral hearing is attached for the sake of completeness, noting that the opinion of the General Advocate is expected on 23 September.

## 2. Remuneration for Refurbished Phones and Tablets

In *France*, MPs attempted to secure an exoneration for refurbished devices. SACEM/Copie France referred to the 2013 Amazon ruling, point 63, explaining that a fair compensation is due because the storage capacity has been restored in full as well as the entire functionality of the device. A refurbished device is a new storage unit that triggered the remuneration.

Finally a specific PC levy for refurbished devices (smartphones and tablets) was adopted, and as a compromise, a deduction (40% for smartphones and 35% for tablets) was agreed upon. The decision was taken by the PC remuneration commission, which set the tariff.

Following a political battle in Parliament, the exoneration was blocked, with an exception made for entities working in social economies and fulfilling some restrictive criteria. In short, 90% of refurbished devices are covered by the levy.

An assessment of the level levy is scheduled in 2022.

HD and PCs remain excluded for Private Copy.

In the *Netherlands*, the same 30% deduction applies, but ThuisKopie faces problems in executing this. Also, a huge part of the PC collection comes from smartphones. This point was raised in the court case as being disproportionate compared to others, because not all copies are made on a smartphone. It is dangerous to limit collection to one device.

ThuisKopie now collects on refurbished professional PCs sold to consumers and students.

The percentage of collections from all refurbished devices represents less than 5% of market share but could potentially reach between 11% and 16%.

In France, studies also forecast an increase of the refurbished market to 10%.

In Spain, a tariff is applicable to smartphones and refurbished smartphones, but it remains very low.

## 3. Update of the Situation in Spain

The decision of the Supreme court on the Spanish government liability<sup>1</sup>

Carlos Casado (SGAE) reminded the meeting of the evolution of the PC system in Spain since 2011, when the government introduced a state budget funding system, up to 2015 when the government stopped paying for PC, and to 2017 when the previous system was re-introduced. The collective management societies sued the government for the lack of remuneration from 2015 to 2017.

In April 2021, the Spanish Supreme Court decided in favour of the collective management societies, considering that the public administration had failed to regulate remuneration for private copying after the European Court of Justice (ECJ) ruled against the Spanish remuneration system based on the state budget in June 2016.

The Spanish State was ordered to pay 57 million euros to the collective management societies concerned. The amount should be paid in 2021 or 2022.

The tariff applicable since the reinstalment of the system is provisional, and negotiations are in progress.

Proceeding initiated by AMETIC against Spanish one-stop-shop (VU – Ventinalla Unica Digital)<sup>1</sup>

The Spanish Supreme court addressed the ECJ concerning the Spanish one-stop-shop, VU. The Supreme Court seemed to question the fact that the collecting VU is only composed of rightsholders/CMOs with no industry representatives.

There are also some issues related to the collecting society’s legitimacy to request for information and issue exemption certificates.

The Supreme Court decision request is based on a complaint presented by AMETIC (Spanish association of digital technology industry), but mainly driven by Hewlett Packard, as in the Padawan case.

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David proposed to dig into the question of tethered downloads, a complex and critical issue. Robust arguments should be built in favour of tethered downloads falling under PC exemption and remuneration. It could be interesting to have a legal opinion, in particular with regards the articulation between exclusive licensing and the PC regime.

It is proposed to await the decision of the court of appeal in the Netherlands and the decision from the ECJ on the lockers.

The next meeting will be organized in Sept./Oct. to decide on the step forward.

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## Summary on the ECJ-Case C-433/20 Austro Mechana vs. Strato AG on July 7, 2021

Michel Walter, attorney of austro mechana, starts by arguing in favour of the private copying exception and levy on cloud services. He focusses on the Commission's opinion, which he thinks is completely wrong. He also speaks on the issue of double payment, which is not the case here.

Dr. Axel Anderl, as attorney of Strato AG, argues that the instant case is not a case of VCAST but of Art. 2 InfoSoc-Directive only. The first question of the ECJ shall therefore be limited to that right. He says that the provision in Art. 5 para. 2 (b) must be interpreted neutral to the technology employed and that therefore also powerful hard discs must be encompassed by the private copying levy.

He is, however, not of the opinion that any damages result from such actions, since the copies made on such cloud lockers are almost always from private material such as holidays photos or documents written by the user himself.

Therefore, the Austrian legislator had decided not to make such copies in cloud lockers subject to any levy. He thinks that the instant private copy levy also covers cloud copies due its scope. It is absolutely sufficient, in his opinion, that the importer shall pay the fair compensation, and there is thus no obligation of Member States to implement an additional levy on cloud services.

He bases his argumentation on the Austrian parliamentary material in connection with the last amendment of the copyright act, where storage media levy on hard discs, smartphone et alia were introduced. He also argues that due to fact that mobile phones now have storages larger than any stand-alone computer in former days, cloud lockers are already levied by such smartphone levy. Otherwise, there would be an over-compensation by services having to pay the levy in any and all Member States where they serve clients. In the decision VG Wort, the ECJ ruled that it is completely ok to have only one payee in a chain of devices. This would be the case here.

Next, the **Austrian Government** answers the questions of the ECJ. It splits the first question into two partial questions:

The first partial question of the ECJ is not accurate. The C2P right is not relevant here since the Commission's opinion is completely wrong. Therefore, the question of the ECJ is not accurate and does not have any relation to the instant case at hand. It is a case purely on Art. 2 InfoSoc-Directive and not of Art. 3. Both rights have to be distinguished in licensing and in dogmatic approach.

As to the second part enshrined in question 1 of the ECJ, one must differentiate the different kinds of cloud services and some of them are also active and not only passive. This is thus important, in order to separate the different services and to make the appropriate qualification.

As to question 2: The Austrian government is confident that the provisions of the InfoSoc-Directive have to be read neutrally to any technology. It reminds that the technology at hand is not at all new but has been in effect for several decades now. The only difference is that the economic conditions have changed – storages are now much cheaper and internet connections are much faster nowadays.

The motives of private end consumers is that they want to be safeguarded against the loss of any end device and that they can store their private photos, documents etc and have access to it by any kind of device. Those copies in the cloud on the one hand and in the end devices on the other are different copies, however. Technically, both are saved on a sort of hard disc. Only one of them is a service in the business world. Art. 2 in conjunction with Art. 5 InfoSoc-Directive covers those cases already. There is no focus on a specific storage media but rather on the action of reproduction.

As to question 3: The Austrian government is of the opinion that there shall be no mandatory levy for Member States. There is, admittedly, an obligation to deliver a certain result in this respect. On the

contrary, however, the Member States enjoy a large discretion in implementing Art 5 para. 2 (b). A fair compensation is however necessary, but the Austrian Legislator has decided to levy the physical storage media and not cloud locker services. Servers of such services are also physical storage media and the levy can be collected from them. There is the problem of the cross-border dimension and in such respect, Austria fully adheres to the opinion of the defendant.

As to the last question, it thinks that regardless of any levy on local storages, there is second copy on the servers of the cloud service, and this has to be levied separately.

The **French Government** argues that it is here the case of Art. 2 only. There is no C2P at all. The Commission overlooks that there are more sources for private copies than only C2P usages. For instant, a CD collection which is not at all made accessible publicly. It then refers to its nPVR legislation and that in those cases there is also a C2P involved.

Therefore, those nPVR have two functions. First, to make accessible the works to end consumers and second to store them for the end consumer. Thus, the services need the content of the rightholders before any reproduction by the end consumer take place.

This is not the case, however, in the instant case. This is a case which is different from the VCAST ruling. It is important to differentiate between the damage made by the C2P and the reproduction. Both are to be licensed distinctively.

The Tom Kabinet decision is not applicable here and does not support the Commission's opinion; instead, VCAST is supporting the opinion in favour of the private copying exception, since the ECJ distinguished between the two involved rights there. Tom Kabinet on the other hand does not help the Commission's opinion, since it is about the distribution right and the exhaustion principal.

As a first conclusion, the whole case is about the reproduction right and nothing else.

As to the question 2 on the neutrality of technology: Yes, of course, the fair compensation regime must be applied without taking regard of the technology involved. This question must be answered completely in the affirmative.

Also, Art. 17 of the DSM-Directive explicitly excludes cloud lockers from its scope. Member States must implement a fair compensation due to their obligation to deliver results. Recital 35 InfoSoc-Dir., however, foresee that in cases where there is only minimal harm, Member States may refrain from implementing such levy. They can actually choose between the different systems of having a levy or even having none. They have full discretion to decide that on their own.

As to question 4, the answer is "no". There is no double compensation because different copies are involved. Those copies on the end devices have several disadvantages vis-à-vis the cloud copies, first of all they are made on different physical carriers, secondly usually cloud lockers are used more often than the same end devices, so the usage differ and of course the end device can be destroyed without having any influence on the cloud lockers.

The **Dutch Government** refers to its own law that they are already levying certain devices. The whole case is not about Art. 3 and C2P rights, but only on Art. 2, reproduction rights. The Commission's opinion is absolutely wrong. The principle of technology neutrality is applicable here. The provision of the InfoSoc-Directive covers also cloud lockers.

On question 3, the Dutch Government is of the opinion that there is no levy necessary for services. The Members States should enjoy a wide discretion. This comes from the Copydan ruling, where the ECJ stated that services used or provided by third parties are within the scope of the private copying exception. Thus, the Dutch Government made use of that and levied tablets, computers and smart



phones, since those are the devices usually needed for making copies in the cloud. Therefore, manufactures and importers may be obliged to pay the levy, and this is what the Dutch do, actually. This is also based on the thinking that only where the damage is conflicted, a levy can compensate for it. The problem with servers abroad is thus resolved by having a levy on the end devices only.

Finally, Mr. Rintelen reports the **Commission's** opinion. First, he corrects a typo in the opinion of the Commission, which is not at all too relevant; next, he presents the opinion of the Commission, and says that the case is much about the domestic Austrian law which he thinks stands to reason. He also says that the InfoSoc-Directive speaks in favour of the plaintiff since exclusive rights come into play.

The first question of the ECJ is therefore very relevant, since the Commission thinks that it is all about a public performance here. End users makes use of public performances which are then uploaded to the cloud locker, for instance a TV show. The end consumer is participant in the whole act of communication to the public. Therefore, the consent of the rightholder is necessary. It is not a case of Art. 5 para. 2 (b) but of Art. 3 only. Art. 2 is therefore included in Art. 3 and all processes must be subject to the consent of the rightholders. This comes from the high, Union-wide level of protection for rightholders, according to the InfoSoc-Directive.

Question 2: Art. 5 para. 1 of the InfoSoc Directive is technology determined, whereas Art 5 para. 2 (b) must be interpreted along those lines in order not to be technologically hostile. The scope of exceptions must not be too wide, otherwise the high level of protection would be circumvented by such exceptions.

As to question 3, the Commission thinks that Art. 5 para. 2 (b) is not applicable here. Under the assumption that this should be the case, they think that Member States are not obliged to levy any and all media. No Member State, to the knowledge of the Commission, is currently levying cloud services.

Question 4: The Commission thinks that double payment is very probable, since the action of copying is the same for cloud lockers as it is for the end devices. In conclusion, Art. 3 shall be applicable and not Art. 2, if the conditions of Art. 3 are fulfilled, which must be looked at in every single case. Even if that would not be the case, there would be no obligation for a Member State for a levy.

Now follow the questions of the **ECJ**:

First of all, one of the judges asks the Commission how they can argue their opinion at all. Not in all cases a work is already published (C2P). How could they explain that.

Mme Samnadda, who is also present, explains that when a consumer is receiving a certain work and subsequently uploads the same, the whole chain of communication must be considered a public performance, and therefore the end consumer participates in an act of communication to the public. This begins with the broadcaster and ends with the cloud service. Also, when the cloud service makes accessible the work to the end consumer there is another making available right triggered. Since single individuals are the specified clients of servers, there is no doubt that the service is targets a certain, partial public, which suffices for the making available right. Cloud services are surely within the scope of Art. 3, thinks the Commission.

The judge asks France as to its position on double payment. It could be possible that an end consumer is transmitting a work to the server of the cloud service only but not store it on the end device – what would be the result? France answers that, in those cases, the levy would be on the server only and because there are two different copies it is also justified to levy end devices separately from the cloud lockers. If a server itself is levied, then this can be resolved by reimbursement for commercial uses.

The judge further asks the Commission how it could be, that the copy of a normal CD would be treated differently, depending on whether it would be made on a cloud or on a hard disc on the local computer? The Commission still defends its opinion that this results from the Murphy decision where copies on a decoder were also subject to Art. 5 para. 1 and that its subsequent download would not have been any copies. You could not do any “salami slicing” (quote of Samnadda).

Again, the judge refers to the example of a physical copy, for instance the copy of an entire book. This would certainly only trigger Art. 2, whereas the opinion of the Commission is that due to the upload to the cloud, this would also trigger the C2P. The Commission again says that it is a case of combination of Art. 2, 3 and 5 and not of Art. 5 para. 2 (b) only. It cannot see, however, where the public element was. The Commission is of the opinion that the access to works by the service suffices and that the premise of Art. 5 para. 2 (b) is the invocation of exclusive rights. The Commission thinks that the service must be licensed in its entirety.

Prof. Walter for the plaintiff is then asked what he thinks of the Commission’s opinion and especially whether Art. 3 should be applied to downloads. He says that the private copy exemption still remains intact due to the legal license given by the Member States. So, the two rights have to be separated here. Then he is asked what the “fair compensation” actually was. He tries to answer that but, naturally, no-one can answer this question in full.

Dr. Anderl for the defendant is against the Commission’s opinion as well and that there is no Art. 3 involved and that there is no C2P at all. A private copy is admissible in this case but the fair compensation has already been paid, since Austria has decided to levy physical storage media within its territory only. Otherwise, a service would have to pay for the same 100 TB in 27 Member States. This certainly would lead to an over-compensation of the rightholders.

One of the judges then asks whether it would make a difference if there is a physical copy and a cloud copy dependent on the distinct nature of different media. This is a question which is not quite comprehensible and I doubt that the judge himself has fully understood what the case is about.

Prof. Walter then comes to his conclusions and makes a strong speech for the application of Art. 5 para. 2 (b) on cloud services. Dr. Anderl also delivers his conclusions and again summarizes his opinion. The same goes for France, Netherlands, Austria and the Commission; there is no new aspect involved here.

The final opinion of the General Attorney will be delivered on 23<sup>rd</sup> September 2021.

Report: Paul Fischer, 12 July 2021