SIAE DALLA PARTE DI CHI CREA

DIVISIONE AFFARI LEGALI
UFFICIO PROCEDURE ESECUTIVE, DIRITTO D'AUTORE
E COPIA PRIVATA
Avv. Alessandra Amendola

2. Judgments of the Court of Justice of the European Union
2.1. Private copying - Court of Justice - C-110/15 Judgment of 22/09/2016

In its judgment of 22 September 2016, the Court of Justice ruled on Case C-110/15 arising from the presentation of a petition for a preliminary ruling concerning the interpretation of article 5(2)(b), of Directive 2001/29/EC dated 22 May 2001, on the harmonisation of certain aspects of copyright and related rights in the information society, and, in compliance with the conclusion of the Advocate General, declared that certain aspects of the "Bondi decree" (Ministerial decree of 30 December 2009) on private copying, in particular, those regarding ex-ante exemptions for fair compensation, exclusive bargaining by SIAE and ex-post reimbursements, are "contrary" to European Union law.

The petition for a preliminary ruling was presented as part of several disputes between companies which produce and sell, inter alia, personal computers, recorders, recording media, mobile telephones and cameras, and the Ministry for Cultural Heritage and Tourism (MIBAC), SIAE, Istituto per la Tutela dei Diritti degli Artisti Interpreti Esecutori (IMAIE), in liquidation, Associazione Nazionale Industrie Cinematografiche Audiovisive e Multimediali (ANICA) and Associazione Produttori Televisivi (APT), concerning the 'fair compensation' to be paid through SIAE to the authors of intellectual works for private reproduction of those works for personal use. The applicants (Nokia Italia, Hewlett-Packard Italiana, Telecom Italia, Samsung Italia, Dell, Fastweb, Sony Mobile Communication and Wind TeleComunicazioni), producers and resellers of personal computers, compact discs, recording devices, mobile telephones and video cameras, lodged an appeal before the Lazio Regional Administrative Court seeking annulment of the decree of 30 December 2009 and of the related technical annex, considering them contrary to European legislation.

The aforementioned decree (Bondi decree), adopted in application of article 71-septies, paragraph 2, of the Copyright Law, on 30 December 2009 by MIBAC, defines the compensation due for private copying of phonograms and videograms. It consists of a single article stating that the technical annex, which is an integral part of the decree, establishes the amount of compensation in respect of the private reproduction of phonograms and videograms by virtue of article 71-septies of the Copyright Law.
The Lazio Regional Administrative Court (TAR) dismissed the applicants' actions. Subsequently, they appealed the decision before the Council of State. Entertaining doubts as to the correct interpretation of article 5(2)(b), of Directive 2001/29, the judge

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decided to stay the proceedings and refer the following questions to the Court of Justice of the European Union for a preliminary ruling:
"1) Does EU law, and in particular recital 31 and Article 5(2)(b) of Directive 2001/29, preclude national legislation (specifically Article 71 sexies of the Copyright Law, read in conjunction with Article 4 of the technical annex) that, when media and devices are acquired for purposes clearly unrelated to private copying (that is to say, for professional use only), leaves the determination of the criteria for an ex ante exemption from the levy for private copying to the conclusion of agreements, or "free bargaining", governed by private law, in particular the "application protocols" referred to in Article 4, without any general provisions or guarantees of equal treatment between the SIAE and persons obliged to pay compensation, or their trade associations?
2) Does EU law, and in particular recital 31 and Article 5(2)(b) of Directive 2001/29, preclude national legislation (specifically Article 71 sexies of the Italian Copyright Law, read in conjunction with the decree of 30 December 2009 and the instructions on reimbursement given by the SIAE) that provides that, when media and devices are acquired for purposes clearly unrelated to private copying (that is to say, for professional use only), reimbursement may be requested only by the final user and not by the manufacturer of the media and devices?'

The Court of Justice found in favour of the applicants, stating that *"EU law, in particular, Article 5(2)(b) of Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, must be interpreted as precluding national legislation, such as that at issue in the main proceedings, that, on the one hand, subjects exemption from payment of the private copying levy for producers and importers of devices and media intended for use clearly unrelated to private copying to the conclusion of agreements between an entity which has a legal monopoly on the representation of the interests of authors of works, and those liable to pay compensation, or their trade associations, and, on the other hand, provides that the reimbursement of such a levy, where it has been unduly paid, may be requested only by the final user of those devices and media."*
The Court considers three aspects of Italian national law to be contrary to Directive 2001/29/EC:
1) Incompatible with European Union law is that the fair compensation system is applied to audio-visual professionals who should be automatically exempt, which does not exist in the current Italian system.
2) It appears even more contradictory that "in particular, regarding the principle of equal treatment" the choice to apply exemptions is the "fruit of substantially private

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negotiation by the SIAE, governed exclusivey by the SIAE itself and with no specific legislation governing the procedure and indicating the criteria to be followed ". Consequently, this type of procedure "could lead to unequal treatment ".
3) Ex-post reimbursements "could constitute, in the abstract, an alternative to the ex ante exemption and could generally be used in favour only of end users ", but "this limitation is not possible in a system that does not foresee an ex ante exemption for i producers, importers or distributors who provide their own devices to subjects for purposes that are for purposes clearly unrelated to private copying".
In the substance, we note that the judgment of the EU Court does not dispute either the legitimacy of the private copying overall, or the Bondi decree of 30 December 2009 and the correctness of SIAE's conduct, limiting itself to consider one article, article 4 of the technical annex of said decree to be incompatible with EU legislation because it does not consider cases of ex ante exemption.
For this reason, SIAE stated that it was "ready to immediately adapt its activity to any provisions that the Ministry should wish to adopt ", and "to the decisions that the Council of State should wish to adopt based on the principles established by the Court of Justice".
In particular, the Court stated that the fair compensation system at issue in the main proceedings provides that the private copying levy consist in part of the price paid by the final user to the retailer in respect of the devices and media in question: this amount is established based on their recording capacity and the levy is due by any person who manufactures or import such devices and media into Italian territory for profit-making purposes (§ 39).
On this point, the Court also observed that the law contains no generally applicable provision exempting producers and importers from payment of the private copying levy who show that the devices and media were acquired by persons other than natural person, for purposes clearly unrelated to private copying (§ 40).

Recalling EU case-law, and specifically the Copydan Bandkopy judgment of 5 March 2015 and the Padawan judgment of 21 October 2010, the Court observed that the levy must not be applied to the provision of such equipment under the aforementioned circumstances since a system for financing fair compensation is compatible with the requirements of "fair balance" only if the digital reproduction devices and media concerned are liable to be used for private copying (§ 41- 42).
It is true that, as emphasised by the Italian Government, Article 4 of the technical annex provides that the SIAE is to 'promote' protocols inter alia 'for the purpose of providing objective and subjective exemptions, as, for example, in the event of the professional use of devices and media or in respect of certain devices for video

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games', which must be adopted in agreement with the persons obliged to pay the compensation for private copying, or their trade associations (§ 43).
However, the Court noted that the exceptions provided for in Article 5 of Directive 2001/29 must be applied in a manner consistent with the principle of equal treatment. Therefore, Member States cannot lay down detailed fair compensation rules that would discriminate, without any justification, between the different categories of economic operators marketing comparable goods covered by the private copying exception or between the different categories of users of protected subject matter (§ 33 of the judgment of 5 March 2015, Copydan Båndkopi, C 463/12) (§ 44 – 45).

The Court considers that the legislation in question in the main proceedings does not guarantee, in every case, equal treatment between producers and importers subject to the private copying levy who may find themselves in similar situations, since:
1) The legislation simply imposes an obligation to use best endeavours on the SIAE, since it is required only to "promote" the conclusion of agreement protocols with persons required to pay the private copying levy. It follows that producers and importers in comparable situations may be treated differently, depending on whether or not they have concluded an agreement protocol with the SIAE (§ 46).
2) Article 4 of the technical annex does not lay down objective and transparent criteria to be satisfied by persons required to pay fair compensation or by their trade associations for the purposes of concluding such agreement protocols, since it refers merely, by way of example, to the exemption 'in the event of the professional use of devices or media or in respect of certain devices for video games', while the exemptions applied in practice may, moreover, in accordance with the actual wording of that article, be objective or subjective in nature (§47).
The Court goes on to note that since the conclusion of those protocols is left to free bargaining between, on the one hand, the SIAE and, on the other, persons required to pay fair compensation, or their trade associations, the view must be taken, even if such protocols are concluded with all persons entitled to claim an exemption from payment of the private copying levy, that there is no guarantee that producers and importers in comparable situations will be treated equally, the terms of such agreements being the result of negotiation governed by private law (§ 49).
For these reasons, the Court considers that Italian legislation is not capable of ensuring that the requirement referred to in paragraph 44 of the present judgment is satisfied effectively and in accordance, in particular, with the principle of legal certainty (§ 50).
Moving on to the second preliminary question, the Court also censured the reimbursement procedure, which was drawn up by the SIAE and is included in the latter's 'instructions' available on the internet, provides that reimbursement may be

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requested only by a final user who is not a natural person. The reimbursement may not, however, be requested by a producer or importer of the media and devices (§51).

Then, mentioning paragraphs 58 and 59 of the Advocate General's opinion, and §55 of the judgment of 5 March 2015, Copydan Båndkopi, the Court stated that such a system is compatible with EU law only if the persons responsible for payment are exempt, in accordance with EU law, from payment of that levy if they establish that they have supplied the devices and media in question to persons other than natural persons for purposes clearly unrelated to private copying.
This condition is not met in this case, as shown by the considerations already mentioned in § 39 and 49 of this judgment.
in § 54 the Court continues its examination, observing that, according to unanimous case law, a fair compensation system must, therefore, contain mechanisms, in particular for reimbursement, which are designed to correct any situation where 'overcompensation' occurs to the detriment of particular categories of users, which would not be compatible with the requirement set out in that recital (cf. judgment of 12 November 2015, HP Belgium, § 85 and 86).
Since in this case, the fair compensation system in question in the main proceedings does not provide for sufficient guarantees in respect of the exemption from payment of the levy of producers and importers—who show that the devices and media were acquired for purposes clearly unrelated to private copying—that system should, in any event provide for a right to reimbursement of the levy that is effective and does not make it excessively difficult to obtain repayment of the levy paid.
However, the right to reimbursement provided for by the system of fair compensation at issue in the main proceedings cannot be regarded as effective, since it is common ground that it is not open to natural persons, even where they acquire devices and media for purposes clearly unrelated to private copying (§ 55).
In the light of the above, article 5(2)(b) of Directive 2001/29 must be interpreted as precluding national legislation, such as that at issue in the main proceedings, that, on the one hand, subjects exemption from payment of the private copying levy for producers and importers of devices and media intended for use clearly unrelated to private copying to the conclusion of agreements between an entity which has a legal monopoly on the representation of the interests of authors of works, and those liable to pay compensation, or their trade associations, and, on the other hand, provides that the reimbursement of such a levy, where it has been unduly paid, may be requested only by the final user of those devices and media (§ 56).
In conclusion, The Second Chamber of the ECJ declared that European Union law, in particular, article 5(2)(b) of Directive 2001/29/EC of the European Parliament and of the Council, of 22 May 2001 on the harmonisation of certain aspects of copyright

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and related rights in the information society, must be interpreted as precluding national legislation, such as that at issue in the main proceedings, that, on the one hand, subjects exemption from payment of the private copying levy for producers and importers of devices and media intended for use clearly unrelated to private copying to the conclusion of agreements between an entity which has a legal monopoly on the representation of the interests of authors of works, and those liable to pay compensation, or their trade associations, and, on the other hand, provides that the reimbursement of such a levy, where it has been unduly paid, may be requested only by the final user of those devices and media.

Following the decision of the Court of Justice of 22 September 2016 in case C - 110/15, Nokia Italia v. others, on the subject of exemptions from the compensation for private copy for professional purposes, the Council of State, with the decision of 25 October 2017, annulled the art. 4 of the technical annex to the Ministerial Decree of 30 December 2009, confirming the legitimacy of the same decree (already affirmed with partial decision n. 823 of 2015) and rejecting the claims for damages made by the applicants.

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