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STOP PRESS

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Court success for the innovative pharmaceutical industry

Several innovative pharmaceutical companies resolved in the year 2005 to find a way of putting an end to the status quo in Spain whereby, as a result of the reservation made to the Convention on the European Patent (EPC), a good many European patents with chemical or pharmaceutical product and process claims, applied for and issued before the effective date for Spain of the TRIPS (ADPIC, in Spanish), could only be validated in Spain as process patents.

All that these companies wanted was quite simply that patent protection be accorded to product claims contained in the authentic text of the patent as granted by the EPO, but not included in the initial translation.

Matters had come to be as they were because Spain's reservation upon signing the Instrument of Accession to the Convention on the European Patent, whereby it was agreed that to the extent that European patents conferred protection on chemical or pharmaceutical products, they would not be effective in Spain, was valid until 7th October 1992.

Consequently, European patents having product claims were valid but were not effective whilst the reservation remained in place.

That state of affairs was however contributed to not only by the reservation made by Spain to the EPC but, based on that reservation, by the President of the EPO, who issued a release in May 1992 advising applicants for European

patents protecting chemical or pharmaceutical products to file for Spain a specific set of claims that would necessarily have to match the European patent but would exclude product claims inasmuch as, under the reservation, they were not effective in Spain. That recommendation was followed by a large number of pharmaceutical companies.

Therefore, many pharmaceutical patents were validated and translated, as required by our Laws, including process claims only.

The failure to translate the product claims meant that they could not be used against potential infringers and, in order to overcome that situation, which was then all the

more untenable following the entry into force of the TRIPS in Spain, several innovative laboratories, counselled by this firm, decided to file with the Spanish Patent and Trade Mark Office (SPTMO) revisions of the translation of European patents as granted by the EPO, which included the process claims, initially translated, and the product claims, which had not been translated.

That application was made in accordance with the provisions





The last months have been particularly busy in copyright affairs following two landmark events to which we must devote part of our newsletter, due to both their content and the media buzz and coverage they have attracted. On the one hand, publication of the so-called Sustainable Economy Act (Act 2/2011, 4th March), which affects a number of laws but has come to public notice because of part of its contents, in relation to the measures for fighting against piracy and illegal download websites (also known as the "Sinde Act") and, on the other hand, the ruling on the digital levy handed down by the E U Court of Justice, holding that indiscriminately applying the levy is incompatible with the Directive. This is a major blow to those who held that it is lawful no matter what.

We start off on cover page with a successful court case for the innovative pharmaceutical industry related to the special status of former patent laws and European pharmaceutical patents, which could only be validated in Spain as process patents.

We finally revisit the year 2010, a difficult year for our country's economy but in which we carried on working hard and were recognised internationally as the best industrial property firm in Spain by Managing Intellectual Property

of the EPC (article 70.4) and Royal Decree 2424/86 (article 12), implementing the aforementioned Convention in Spain.

In the year 2006 the SPTMO openly refused that possibility, contending, on the one hand, that the object of the revised translation was only to "correct" or "make good" any aspect of the translations already submitted and, on the other hand, that the intention in so doing was to defuse a reservation made by Spain excluding protection for product claims, with the aim of extending the monopoly granted by the patent beyond what had been validated at the time and became effective in Spain under the reservation.

The SPTMO's decision was appealed -through this firm- by several innovative companies in the Contentious-Administrative Division of the Superior Court of Justice of Madrid (TSJM) which, bar minor points, largely accepted the SPTMO's proposition and confirmed that decision.

A cassation appeal was lodged against the judgments of the TSJM in the Supreme Court, which has just entered three highly interesting and legally relevant judgments dated 4th November 2010 that will doubtless have major consequences in practice.

The Supreme Court has accepted our arguments and, drawing away from what the TSJM had contended, voids the SPTMO's decision of the year 2006 with respect to the patents affected by the appeals, mainly based upon the following grounds:

- (1) Revising the translation of European patents is a legally valid way of including claims contained in the European patent but not included in the original translation.
- (2) The aim in revising the translation is not limited to "correcting"

translation errors or inaccuracies but rather its scope extends beyond what the TSJM and the SPTMO had argued.

(3) If that were to be its only object, then the provisions of the EPC (article 70.4 b)) and Royal Decree 2424/86 (art. 12, paragraph 3) would be meaningless, whereas they are precisely intended to protect a bona fide user who shall have been using or made effective and serious preparations for using the subject-matter of the revised translation.

In other words, if these articles are included in order for any use by a previous bona fide user not to be considered an infringement of the revised translation that is because the revised translation, and so it must, adds what is not in the initial



translation but is in the text of the patent as granted by the EPO.

- (4) The possibility of applying for a revision of the translation is not howsoever limited in time.
- (5) It is specifically acknowledged that the entry into force of the TRIPS in Spain dispels any doubt there may have been as to the effects, if

any, of the reservation in regard to the patents affected thereby, because the express acknowledgement in the TRIPS of the possibility not of only allowing pharmaceutical product claims, but of doing so in events where that was not previously possible as a

result of national decisions (as in the case of reservations) must prevail over the EPC.

In pursuance of these judgments, the SPTMO will allow a revision of the initial partial translation and the translation to include product

claims, which will make it possible for such product claims to be used against their infringers, if any, who were not however infringers of process claims.

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INTELLECTUAL PROPERTY Authority

The 'Sinde Act' spurs debate

The "Sinde Act" came across many hurdles when it was submitted to parliament and the Socialist Parliamentary Group failed to secure the necessary support for the bill to be enacted. Leaving aside political bargaining, it would be better to believe that that was the only reason why the bill was not then enacted in parliament, and not that voting was influenced by cyber attacks that targeted the websites of parties and Congress alike.

Thereafter, and in the midst of extreme controversy and clashing opinions, the majority parties in the Houses, PSOE and PP, reached a consensus as to the wording in order for the Senate to give it the green light. The bill has now been finally enacted.

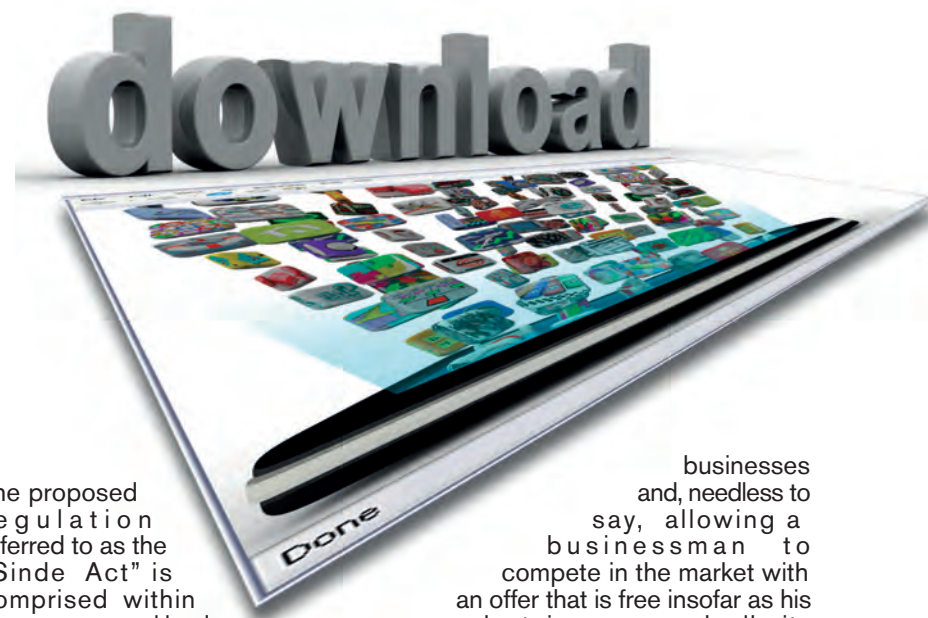
Even so, interests and stands on the subject of downloading content are at such odds that they would appear irreconcilable, although there should at least be an agreement as to the basics: that legislative change was necessary. Being lawyers, we are quite aware of how the law always lags behind society and how it has evolved, but also that rules and regulations are what actually sort out human and business relations. What would appear to be a disadvantage, i.e. for everybody to have an opinion on a subject, should be an advantage: there is huge social, street side and political debate.

All social change processes, and this is one such process, are said to have occurred thus; neither the Copyright Act nor any other law provide Judges with clear rules on the subject of file exchange and

downloading of website content protected by copyright. This is without any doubt the only reason that explains why there are so many diametrically contradictory court decisions in this field.

for the sector, without compromising it due to a lack of means.

There is no doubt that companies will not invest in unprofitable



The proposed regulation referred to as the "Sinde Act" is comprised within the so-called Sustainable Economy Act, the object of which is laid down in article one: "introducing the necessary structural statute law reforms in order to lay the foundations for sustainable economic development". Article two defines sustainable economy as being a growth pattern (...) that allows the needs of present generations to be satisfied without compromising the chances of future generations meeting their own needs.

What the industry and creators are demanding is precisely that, a future

businesses and, needless to say, allowing a businessman to compete in the market with an offer that is free insofar as his product is concerned, albeit profitable for whoever offers it without being the proprietor, infringes all the basic rules of competition. Moreover, the fact that the World Wide Web has brought about changes to the rules of the game, namely how and in what way we communicate and relate with each other in all (professional, commercial and even personal) scenarios is not questioned by anybody at this stage of the game; and even the industry is starting to admit that the legal alternatives as a business model have arrived belatedly and as a result of the pressure exerted by astronomical

losses.

It would seem that the time has come to make the necessary adjustments and, in my opinion, for the law to reflect the status quo. The problem lies in that nobody appears to have an effective, conciliatory and satisfactory reply as to how to go about doing so.

Focusing on the chosen legal instrument, it would seem that introducing a statutory amendment to the Information Society Services and Electronic Commerce Act 34/2002 (ISSECA) and the Copyright Act (Consolidation of the Copyright Act, CCA, Royal Decree 1/1996, 12th April) by means of a Final Provision in the Sustainable Economy Act is neither an appropriate nor a commendable way of tackling a matter of such significance, whatever the content thereof may be.

As for the content, the Provision creates and empowers a Copyright Committee - a national collegial body within the Culture Ministry-, such empowerment being twofold:

wording is, in my view, open to criticism because it would seem to suggest that all providers of information society services are copyright infringers.

The Provision then establishes that Section Two of the Copyright Committee will act in accordance with the principles of objectivity and proportionality, and may take action in order for provision of a service to be stopped or for removal of any content infringing copyright posted by a provider aiming directly or indirectly to make a profit, or where it has caused or is likely to cause financial damages.

The service provider shall be enjoined to voluntarily remove the content within 48 hours, if he is unable to produce evidence and/or argue that he is operating within the limits of copyright.

These powers vested in an administrative body restrict the established principle of free provision of services which prevails in the subject laws, which restriction can only be due to the observance

down that the taking of such actions shall require the prior authorisation of a judge where they can be in breach of article 20 of the Constitution. Now then, this requirement that a court authorisation be obtained shall be in place in all cases where the administrative measure is to be enforced due to the failure to comply with the request made in the notice. However, the Contentious-Administrative Courts will still have to authorise in a writ the enforcement of any such actions, and the Judge shall be bound, within not more than 4 days, and term cannot be extended, to hear the affected parties as concerns the writ of enforcement of the administrative measure - the Contentious-Administrative Jurisdiction Act is therefore amended, to include heretofore non-existent article 122 bis.

In my opinion, this means that the voices denouncing a lack of supervision by the courts are making only a partial reading of the law, although others with an extended reputation on the subject

right is beyond just doubtful, particularly if they make a profit in so doing on advertising viewed by thousands of users visiting the site, and do not share that profit with those who invest in and make the series, films... Indeed, the findings of a very interesting work by a research team at Madrid's Carlos III University entitled "Is the BitTorrent content altruistic or lucrative?" have just been released. In it, they have proved after analysing BitTorrent - the most popular P2P content exchange application - that a small fraction of users are responsible for more than 67% of the content; in addition, those users are sorted into two types: (1) those who "upload" or share fictitious or viral material - presumably they are rightholders, interested in users becoming frustrated and giving up on the same; (2) businesses with financial interests or motivations - generally incorporating those advertising links to their own or third party businesses.

the P2P philosophy completely distorted?

There can be no doubt that the system has shortcomings - and these scientists hold that it will be technically inefficient - but, albeit open to criticism, this legislative proposal is far less stringent than the law that has been enacted in France and the UK and is about to be enacted in the US. In the first case, our European partners have chosen regulation allowing users exchanging files containing copyrighted material to be disconnected. In the US, a law is about to be enacted whereby IP addresses posting file exchange sites will be closed down. The "Sinde Act" is now a reality pending implementation by way of regulations, but in the interim a number of questions have now been raised, namely will it succeed at least in acting as a deterrent, this being one of its stated objectives, and will it reduce or flare up controversy? I must confess that

The Regulations implementing the Act are now being discussed

damaging remarks and inconsistent arguments, which only lead to scarcely productive circular conversations.

Proposals and solutions are indeed what are missing.

To end on an optimistic note, a highly positive consequence is already that the parties - at any rate some of them; it is difficult for all of us to feel that those leading the different stands represent us - will sit down to hold official or unofficial talks. Another equally desirable and even more positive consequence would be if everybody were to accept that there is nothing better than using common sense, that as citizens we have to be aware of and (as web surfers, politicians, business people or merely onlookers...) stand by the consequences of our acts and, still dreaming, a little bit of broad-mindedness in general would do no harm either.

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Disturbing findings... And is not

I am rather tired of demagogy,



Firstly, with the mission promised in the previous reform (Act 23/2006, amending the CCA) of taking on mediation and arbitration duties- for example, between users and collecting societies, inter alia.

Secondly, literally for the purpose of "ensuring that copyright is safe and not infringed by providers of information society services". This

of fundamental principles of social coexistence and in the legally set events. The aim would however appear to be to provide a prompt and efficient response to purported offences which is not available today in the civil and/or criminal courts.

The wording discussed by Congress (on 21st December) laid

have criticised that authority should be provided to lie with the Contentious-Administrative Courts, being as it is that Commercial Judges are finally available with expertise on the subject.

Moreover, considering that those making grouped television films and series available to the public are exercising their freedom of speech

NEW TECHNOLOGIES Data Protection

The "purported" anonymity on the Internet



Whoever has gone through the unfortunate experience of having their home burgled will be all too familiar with that feeling of "invasion of privacy" because a stranger has walked through our home, rummaged around our things - many of them worthless, beyond their emotional value - and in short entered "our world", which isolates and protects us from the outside world.

We all generally endeavour to prevent others from getting to know certain details of our private life: we keep our loved ones' pictures, our tastes and hobbies for our nearest and dearest. We find it a

nuisance to find unsolicited commercial communications and advertising in our post box at home or receive usually untimely phone calls offering apartments, special telephone offers or other products. We go with our children to school or supervise them when they play and are distrustful of strangers in the park. However, we forget that on the Internet, we open up our home, happily provide our e-mail and many personal details and put our children and our life on display believing that we are protected by the lack of any physical contact with those "on the other side".

If we were to argue that there is no

anonymity on the Internet we would not no be far mistaken. It is true that being alone before a P.C., impersonal communications and the possibility of using false identities or pseudonyms make it hard to identify people, but very few people know that all users leave a trail behind them that may, in certain circumstances, lead to them.

It is precisely that purported anonymity that encourages some cynical people to defraud, swindle or harass, in particular children. In less serious but equally unlawful cases, many users or companies collect details on the World Wide Web in order to bombard others

with commercial communications, more often than not linked to the sale of counterfeit goods, medicines or for other purposes.

Recently, the social networking phenomenon has worsened the problem of privacy on the Internet. It actually used to be users who would not reveal their identity, making it much more difficult to reach them, but now those same users not only voluntarily display information of every description about their personal lives but, in certain circles -mainly among children and teenagers-, social network popularity is synonymous with social success and recognition. That popularity is obtained by building up contacts not only with friends and acquaintances but with third parties who find the profile appealing.

Social networks are a very useful, attractive and powerful social communication tool provided that one is aware of their limits and risks and they are used with a full awareness of what they entail.

A recent survey on Personal Data Privacy and Information Security on the Online Social Networks by the Spanish Data Protection Agency together with the National Communication Technologies Institute warns about the risks of attacks on the right to have one's reputation, privacy and personal portrayal protected potentially resulting from an improper use of information posted on the Internet. A non-inclusive list is provided of manifold situations in which users' privacy is at risk due to the compilation of personal data to be subsequently used for sundry purposes:

- Phishing and pharming: usual methods used by criminals to obtain banking details, PINs, etc.
- Social Spam: use of social networks as a means for sending unsolicited e-mails
- Index hijacking in search engines
- Uncontrolled accesses to profiles: the

possibility of any user accessing a person's profile

- Impersonation

- Hyper targeted advertising: this may have the biggest potential within social networks because it allows advertising to be sent to every user based on tastes but may from a legal standpoint imply unauthorised access to and use of user data.

Privacy is the price we pay for free Internet services

- Installation and use of cookies without the user being aware.

Although the recommendations of the Working Party of Article 29 (party of data protection experts set up under Data Protection Directive 95/46/CE of the European Parliament and of the Council) have always been aimed at limiting the default configuration of browsers to allow the use of cookies to collect user browsing information, their unauthorised use is frequent and allows very valuable Internet behavioural details to be obtained.

The Organic Personal Data Protection Act 15/1999 (OPDPA) and implementing regulations and the Information Society Services and Electronic Commerce Act 34/2003 provide statutory



mechanisms which are in principle sufficient to guarantee privacy and information security. The problem may be twofold: on the one hand, a breach of the laws by companies interested in collecting and using user data and on the other hand the "voluntary" behaviour of users who ignore the risks which they face up to when they post all the information about themselves for third parties to see.

Recommendations given to users who register on social networks or at any other forum, website or microsite where they are asked to provide personal data are as follows:

- That personal information provided is restricted as much as possible to avoid providing sensitive data (health, ideology, beliefs and religion) or financial details (account numbers, credit cards, user names or passwords). Likewise, providing information allowing physical location (schools, gyms, etc.) may be particularly dangerous in the case of minors. In this sense, use of pseudonyms or nicknames may be useful, avoiding being fully open in the provision of information to the extent that personal safety may be at stake.

- That user profiles be configured on the social networks with as many restrictions as are allowed by those same networks in order that their most personal information may only be accessible to friends or people who are given permission to view that information.

- That no content with third-party data or images be posted without their consent.

- That any unlawful conducts detected be reported. In this sense and depending on the offence at issue, the Data Protection Agency may take action to impose penalties. However, in more serious events, the law enforcement authorities of the State can actually pursue offenders.

Privacy is big business on the Internet. Contrary to belief, free Internet services (social networks, e-mails, blogs, etc.) are not free: the price to be paid is high: the uncontrolled and even

fraudulent use of personal data. Only a proper combination of regulatory compliance by Internet operators and awareness among

users from an early age may help the Internet to be safe for people's privacy.

TRADE MARKS Authority

Industrial property: the importance of registration in times of crisis

Industrial property law is comprised in the sector of the code of laws devoted to regulating exclusive rights in and to certain intangible assets.

Industrial property rights - or certificates of title - are usually sorted into three main groups:

- A) Inventions:** including Patents and Utility Models.
- B) Creations of shape:** embodied by Industrial Designs (either two-dimensional [drawings] or three-dimensional).
- C) Distinctive signs:** category encompassing Trade Marks and Trade Names.

Although the field of "industrial property law" includes heterogeneous forms with independent and perfectly distinguishable features (thus, for instance, we all intuitively usually admit that a patent right may exist after research by a given R&D&I centre to arrive at a given solution to a technical problem, and that each product is branded with a trade mark to identify and distinguish it from all other products competing in the same market) it is just as true that the different forms of "industrial property rights" have a number of features common to all of them. Broadly, those common features or general characteristics are the following:

- They are issued on intangible

items: they are part of a Company's intangible assets.

- They confer on their proprietor exclusive rights to exploit the object of property (a particular feature in Patents: the right conferred by a patent is negative as opposed to positive by nature).

- They are registered rights: such arise upon registration being granted by the competent Industrial Property Office (Exception: unregistered Community Designs).

- They are territorial rights: they are only effective in the territory in which registration was granted.

- They are rights clearly limited in time:

- Trade marks: 10 years (renewable indefinitely for 10-year periods thereafter).
- Design: 5 years (renewable for 5-year periods thereafter up to not more than 25 years).
- Utility Model: 10 years.
- Patents: 20 years.

The competitiveness of businesses requires protecting their intangibles

Knowledge of both the general and specific characteristics of each form of industrial property allows the researcher, the creator, the businessman and any legal operator to properly lay down a strategy for registering, maintaining and enforcing those exclusive rights granted by the State after being duly registered at the competent



Industrial Property Office. In this respect, and so it follows from the fact that the accrual of this type of rights is determined by the act of registration (which, in this particular field of Law is attributed a constitutive character), we must highlight that any business, communication or marketing

strategy directly or indirectly related to trade marks, patents or designs must needs include registration. If the creator, innovator or businessman fails to register, then no industrial property right shall accrue (with the exception of well-known unregistered trade marks and an unregistered Community designs, which are figures of law with specific features which, in certain cases, confer on their proprietor a number of privileges in

the form of pseudo-exclusive rights). In fact, "registration" - in the sense of the State granting exclusive rights - emerges as an essential requirement for the proprietor to be able to exercise - if necessary - the range of actions provided for in the laws governing patents, trade marks and industrial designs in the event of infringement of the relevant industrial property right. Actions against infringement of industrial

property rights are available on three fronts: civil, criminal and administrative proceedings (and, in particular, customs interventions on the border). In order to resort to any such remedies, i.e. bring the relevant actions, it is essential for there to be registration.

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COMUNICACION 
Revisiting...

2010

Last year 2010 was a year full of success and rewards for Herrero & Asociados. In the prevailing



adverse circumstances, H&A consolidated itself as a leading Industrial Property firm, as reflected by its numbers and the milestones achieved.

Our excellent work was formally acknowledged by Managing Intellectual Property, who gave us the Prosecution IP Firm of the Year 2010 award.

We are extremely proud to have received this award from a specialist industrial property magazine because it propels us to the top of our practice area. Moreover, we are deeply satisfied to know that this award was given based on feedback provided by our clients, and we are therefore encouraged to continue providing a professional,

customised service. As in 2006, when we were designated "Spanish Firm of the Year", this is yet another recognition of Herrero & Asociados' professionalism and comprehensive knowledge of the sector.

The year 2010 has given us many reasons to be proud internationally. We have become a benchmark firm in industrial property, and proof of that is our inclusion and ranking in the leading international directories.

Managing Intellectual Property has, in addition to giving us with an recognition award, defined us as being a firm whose quality in all practice areas is recognised by its peers, who rate Herrero as being 'word-class' and having one of the best technical teams in Spain.

For its part, Chambers, a reputable mainly legal directory, describes H&A as providing the entire spectrum of Industrial Property services, ranging from acting as patent and trade mark attorneys to enforcement through the legal department, recommending the firm



highly as being efficient, cost-effective and experienced.

Legal 500 recognises our leadership and notes that, being a leading IP firm, Herrero & Asociados is a very good, highly recommended specialist firm currently with 210 offices across Spanish territory and a strong



international presence with three offices.

In addition, European Legal Experts rates José Antonio Hernández and Patricia Koch as leaders on the subject and true experts singled out by the sector.

This feedback is but the result of hard work and the endeavour to do things well of each and every employee at Herrero. We are proud to be ranked among the best in our practice areas year on year and to be so recognised thanks to contributions and valuations by our clients, who our very best asset. We treasure and work to be worthy of such recognitions year upon year.

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INTELLECTUAL PROPERTY Case Law

The digital private copying levy

We saw it coming. In light of the opinion issued by Advocate General Verica Trstenjak last spring, the Court of Justice of the European Union (EUCJ) has entered a ruling regarding the controvertible subject of the lawfulness of the digital private copying levy, declaring that it conforms to EU Law but only where it applies to equipment and media making or hosting copies for private use.

The ruling, entered on 21st October 2010, adjudges as to certain aspects of the private copying levy - applicable to reproduction equipment and media - and, specifically, whether such levy conforms to European Directive 2001/29, in response to a reference for a preliminary ruling by the Provincial Appellate Court of Barcelona.

Pending a ruling by the EUCJ, the Appellate Court stayed appellate proceedings in the PADAWAN case between the Spanish collecting society Sociedad General de Autores (SGAE) and a company marketing electronic storage devices, inter alia CD-R, CD-RW, DVD-R and MP3 players. The SGAE claimed payment from PADAWAN of a private copying lump-sum compensation totalling EUR 16,759.25 for storage devices marketed by PADAWAN between September 2002 and September 2004 and obtained a favourable decision in the lower Commercial Court of Barcelona.

The EUCJ's decision is summed up as follows:

1) question referred: whether or not the concept of "fair compensation" referred to in the Directive entails harmonisation irrespective of the compensation system that each State may choose to put in place; **the EUCJ's answer:** the interpretation must be uniform in all the States where a private copying exception has been

introduced, irrespective of the system of compensation, collection and amount thereof; "fair compensation" therefore has to be a harmonised concept.

2) question referred: whether, regardless of the compensation system, that system must observe a "fair balance" between the affected parties, the copyright holders, and those liable to pay; and whether that balance must determine the fair compensation, i.e. mitigate the harm caused by the private copies; **the EUCJ's answer:** in order to calculate what a fair compensation will be regard shall be had to the harm caused to the authors by the private copies made - the implication is that the monetary amounts they would receive if their work were again to be purchased as an original are thereby made good-.

3) question referred: whether, where a levy is established, it must be linked to the presumed use of the equipment, devices and materials covered thereby; i.e., whether it should only apply to those designed for private copying; **the Court's answer:** based on the "fair balance" criterion, those liable to finance the levy shall be those who have digital reproduction equipment, devices and media, i.e. those who make available to or provide private users with a reproduction service, to the extent that they are able to pass the actual charge on to the private users.

4) question referred: whether, in this sense, the indiscriminate application of the aforesaid levy to undertakings and professionals who clearly purchase these devices and media for purposes other than private copying is compatible with

the concept of "fair compensation"; **the Court's answer:** Article 5.2.b) of Directive 2001/29 must be interpreted as meaning that a link is necessary between the application of the levy and the presumed use of the equipment, devices and media for the purpose of private copying. Consequently, the indiscriminate application of the levy is incompatible with Directive 2001/29; in particular, where it is applied to those that are not made available to private users and they are clearly designed for purposes other than private copying.

5) question referred: and, lastly, might the system adopted by the Spanish lawmaker therefore infringe Directive 2001/29; **the Court's answer:** it is for the national courts to determine whether or not a national provision is compatible with European Union Law.

In other words, it is now for the Appellate Court in Barcelona to determine, based on the judgment, whether the law in Spain infringes the Directive. It will presumably do so, for the compensation system in Spain is applied to all equipment, devices and media without regard to the use/purpose to which they will ultimately be put. For now, the Constitutional Court has already adjudged, ordering in a judgment



dated 29th November 2010 a re-hearing of a case dating back to 2005 - finding on appeal that the SGAE had a "legitimate interest" as the levy collecting society - and ruling that the judge should in his new decision bear in mind the applicable EU Law, in addition to the rules laid down in the internal laws. The reference is no doubt to the EUCJ's judgment. The European Justice has in addition also confirmed this ruling, because the same judgment was recently submitted, on 14th January 2011, following another request for a preliminary ruling made by a Court in Tenerife.

The judgment has it that the application was indiscriminate and abusive

PRIVATE COPYING LAWS IN SPAIN

In Spain, the CCA (Consolidation of the Copyright Act) approved by Royal Decree-Act 1/11992, 12th April, was amended by Act 23/2006 precisely to incorporate Directive 2001/29, passed with the real intent of harmonising copyright and associated rights in the information society. Under our laws, copies made to be privately used need not be authorised by the proprietors, provided that the works have been disseminated. However, they are not free, and lump sum compensation is established in the form of a levy that applies to all digital reproduction equipment, devices and media, thereby actually compensating such use. Those liable to pay that levy are manufacturers, importers or

by copyright laws is contrary to the European Directive; thus, the SGAE's right to claim compensation that would be due on all storage devices marketed by PADAWAN or only in respect of those presumed to have been used

for private copying would depend on the EUCJ's answer. The outcome of the ruling means that the digital levy applied to reproduction equipment designed to be privately used by private individuals is compatible with Directive 2001/29,

but the Court has ruled that it is unlawful to apply the levy indiscriminately to businesses and professionals who purchase digital reproduction devices and media for purposes other than private copying. It is now for the Provincial Appellate Court of Barcelona to determine whether the Spanish levy is indeed indiscriminately applied.

This is doubtless a controversial issue that is hard to apply in practice. The equipment and media used in the course of business and professional activities are not designed by definition for copies to be made to be privately used by individuals (although the copies are made by individuals, when they are made in a company or office, they shall be deemed to be directly or indirectly used for profit) and therefore, these copies should not be covered by the exception and their proprietors should not be provided with financial compensation by this method. On

protected works. However, it does limit the extent to which it applies, ruling that there is no justification for widespread application of the levy.

And albeit endorsing it, the Court also admits how hard it is to establish the purpose or use to which they will ultimately be put, confirming that those liable shall be those who market -manufacturers, distributors or importers- notwithstanding which they shall thereafter pass the levy on to consumers. Needless to say, the system is imperfect, because those liable to pay are not those who actually later bear the cost. Ever since it was approved in the year 1987, it has been an established market rule that the costs are passed on to those who at the end of the day purchase the machine or medium, whether they be private individuals or business people -that was done in an attempt to balance the blow that the introduction of the levy meant at the time for the profit and loss accounts of such companies-. However, even if it is not perfect, could there be another way of enforcing it? It is seemingly impossible.

In any event, questions have now surfaced that are important, perhaps not such much conceptually, but with major consequences from a practical standpoint, if the Appellate Court confirms that the levy is indiscriminately applied in Spain and, therefore, that it is incompatible with EU Law:

* whose duty then shall it be to

retrospectively applied: if it is, then how will amounts that would have been unduly settled be claimed if those liable to pay passed them on to final buyers, exactly to the same indiscriminate extent that they were applied? And, in any event, how could collecting societies make such refunds if they have in turn, hopefully complying with their duties and instructions, already settled the same with the proprietors; or they have allocated a given percentage of the same, as established by CCA article 155, for social purposes - welfare services to authors and other proprietors, copyright promotion...-?

* A change in the law might therefore be imperative: if we take it for granted that within a company no copies are made to be privately used, should the law perhaps lay down more effective licensing means for copies made for profit? Although that is not to be found in

the letter of the statutory texts, the fact is that, by providing compensation, the



Levy actually fills the gap resulting from the absence of licences to use voluntarily

entered into by users of protected works. Now that it would seem to be only right for the law to be reinterpreted in light of this decision, the low rate of voluntary compliance with copyright laws, argued by proprietors, will be fully exposed. Proprietors and societies acting on their behalf must no doubt make even greater communication and efficient management efforts.

The debate is under way and we shall be following developments very closely.

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COMUNICACION

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COMPENSATION

distributors, who are bound to settle those amounts to collecting societies who are in turn bound to distribute the same to the ultimate beneficiaries, i.e. rightholders.

The Appellate Court therefore sought to clarify whether indiscriminately applying the levy to all equipment and media suitable for reproducing works protected

the contrary, since they are not exempted from an authorisation, they shall require express permission that is generally granted through licences to use in exchange for whatever payment is established on a case-by-case basis.

The Court does not question the levy or its existence as a compensation and adjustment system to balance out the interests of proprietors and users of the

inform what the use or who the final user of an equipment, device or medium is to be? Only thus may it be determined who is subject to the levy and who is not based on whether the use is to be made in a professional and/or business setting.

* We have read in some forums that the decision should be