New Anti-Piracy Rules in Italy: An Analysis of the Law of May 21, 2004 no. 128 ("Law on P2P")

By Avv. Alessandro del Ninno, Information & Communication Technology Department, Studio Legale Tonucci, Rome; e-mail: adelninno@tonucci.it

On May 18, 2004 the Italian Parliament converted into law the decree of March 22, 2004 no. 72 (published in the *Official Journal* of March 23, 2004 no. 69), entitled "Measures aimed at combating the abusive telematic diffusion of audio-visual materials and interventions for supporting the cinema and showbiz activities". The conversion law (L. of May 21, 2004 no. 128) has been published in the Italian *Official Journal* of May 22, 2004 no. 119.

First of all a preliminary explanation about the Italian legislative technique must be given. The Italian Government may not, without delegation from the upper and lower houses of Parliament, issue decrees which have the force of ordinary law. In extraordinary cases of necessity and urgency however, the Government is permitted to adopt provisional measures which are legally binding. It must then present the measures to the houses on the same day for conversion into law. The houses may be summoned especially and must assemble within five days. The decrees (the related rules of which are in any case applicable since the date of their publication in the Italian *Official Journal* and until the conversion laws enter into force) lose effect from their inception if they are not converted into law within sixty days from their publication (the houses can however regulate by law, legal issues arising out of decrees which are not converted).

Background

Since its publication in the *Official Journal*, the law decree of March 22. 2004 no. 72 has been the subject of a controversial debate in the Italian Parliament and has been subject to significant modifications.

Although the law decree has been referred to from the beginning as the "P2P decree" or the "decree on file-sharing" (as well as the "Urbani decree" after the Italian Minister for Cultural Activities who introduced it), the decree also provided some long-awaited rules governing cinema and showbiz activities. However, this part of the law decree has received less attention and analysis has focused on the rules related to file-sharing activities and the impact for Internet users.

The Original Version of Law Decree 72/2004

The law decree of March 22, 2004 no. 72 was in line with the rules contained in the recently enacted E.U. Directive on IP Enforcement and – in brief – provided:

- administrative sanctions to be applied to anyone who diffused (by means of telematic tools or file-sharing techniques) copyrighted movies or similar works;
- criminal sanctions to be applied to anyone who diffused copyrighted movies to the public using file-sharing techniques, or promoted related activities;
- the obligation for ISPs to inform public authorities where they are aware of illicit file-sharing activities taking place.

Controversies Surrounding the Law Decree 72/2004 and the New Law 128/2004

From its entry into force in March 2004, the new law decree has caused strong debate. On one hand, the Italian ISP Association and consumer protection groups have criticised the decree, both with regard to the strict obligations introduced for ISPs and for the severe sanctions provided for downloading copyrighted audio-visual works through peer-to-peer systems for personal use. For opposite reasons, the Italian Federation for the Music Industry (FIMI) contested the applicability of the new discipline to the cinema sector alone, considering music files downloaded from P2P systems online to be outside the law's protection. The same considerations had been made by the Italian Association of Publishers with regard to literary works available online.

Minister Urbani maintained that the decree was in line with the E.U. Directive for IP Enforcement (despite the fact that the final and definitive version of the E.U. Directive adopted on March 10, 2004 expressly excludes sanctions provided for illicit file-sharing for private use ("domestic purposes")) and that future interventions should also have taken into account the sharing of music files.

As a result of the law's hostile reception, modifications were made whilst it underwent the parliamentary approval process required by Italian law. Despite the adoption of the final text of the law decree by the Parliament on May 18, 2004, the debates and controversy surrounding the new law 128/2004 continue. Both the Italian Government and the various associations agree that future modifications of the new anti-piracy rules will be necessary (Minister Urbani, addressing the Italian Senate before the final vote, said that the government was aware of the need for future amendments, but it was also necessary to convert the decree into law in order to meet the necessary deadline. Italian law provides for a period of 60 days from publication of a text in the *Official Journal* in which time a law must be implemented or risk losing effect.).

Analysis of the New Anti-Piracy Rules

Article 1 of the law decree as converted into law by the act 128/2004 provides measures aimed at combating the abusive telematic diffusion of the "intellectual works". A first, important difference in respect of the previous rules is that it seems that the new discipline shall apply to all the "intellectual works", as defined by the Italian Copyright Law, (see article 1 of the Italian Copyright Law, which provides that "intellectual works having a creative character … whatever their mode or form of expression, shall be protected according to this Law". Article 1 also provides that electronic data banks be deemed as an intellectual creation of the author for the organisation of the materials contained therein and computer programs shall further be protected by the Copyright Law. For a detailed legislative list of "intellectual works", see the definition in article 2 of the Copyright Law.).

Even if the title of the law seems to limit the new anti-piracy rules to the "audio-visual materials" and while the law decree, before its conversion into law, provided the prohibitions only

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with regard to the file-sharing related to "copyrighted cinema or similar works", the new rules contained in article 1 make clear that the anti-piracy measures shall have to be applied to any "intellectual work" downloaded from the Internet.

Further, article 1 of the law decree as converted into law by the act 128/2004 now also provides that the online publication of an intellectual work, or of a part of it, must be accompanied by a "proper notice" related to the previous fulfilment of any obligation provided by the copyright laws and by the laws on the connected rights. Further, this notification – to be published online at a point where it is clearly visible – must also list the sanctions provided by the laws for the specific copyright infringements. A future ministerial decree shall specify both the technical modalities related to this notice and the parties obliged to publish it. However, until the decree is adopted the notice must accompany any intellectual work which is published online.

Finally, article 1 of the law decree as converted into law by the act 128/2004 also confirms the applicability of articles 71-sexies, 71-septies and 174-*ter* of the Italian Copyright Law with regard to the downloading of files. These articles, introduced by the Italian legislative decree of April 9, 2003 no. 68 implement the E.U. Directive 2001/29/EC on copyright protection in the Information Society. They contain the following provisions:

a. It is permitted to privately reproduce audio and visual materials on any equipment/support, carried out by a physical person for exclusive personal use, as long as there is no economic or commercial purpose, either indirect or direct and in compliance with the technological protection measures set up by the right's holders to protect his or her Intellectual Property rights (IPR) (see paragraph 5 about the new regulation of technological protection measures and the electronic copyright-management information about the IPR);

b. Private reproduction for personal use cannot be effected by third parties. It is strictly prohibited to provide services aimed at the private reproduction if it is performed for economic, direct or indirect commercial gain.

c. Private reproduction rules mentioned above shall not apply to protected works or materials made available to the public in a way that anyone can have access to the place at any given moment, when IPR holders protect their work by means of technological protection measures or when the access is permitted on the basis of contractual clauses.

d. With the exception of what is provided under letter (c) above, rights holders are obliged to permit that, notwithstanding the application of the technological protection measures, the physical person who had acquired the legitimate possession of the copies of the protected work or materials, or who had legitimate access, may make a private copy for personal use.

Authors and audio producers, as well as original producers of audio and visual works, and their assignees, have the right to compensation for the private reproduction of audio and video works. This compensation is comprised of a share of the price to the re-seller or of a fixed amount for audio and video recording and recording on computer systems. For audio and video recording equipment, such as analogue, digital, fixed or transferable memory, compensation amounts to a sum commensurate with the capacity of registration of the equipment.

The compensation shall be determined by a Decree of the Ministry for Cultural Affairs. In the meantime, the rates are fixed as follow:

- analogical audio supports/equipment: €0,23 for every hour of recording;
- dedicated audio digital supports/equipment, such as mini-discs, audio CD-roms and CD-RW audio: €0,29 per hour of recording. Compensation shall be increased proportionally for equipment of a longer duration;
- non-dedicated digital supports/equipments capable of recording phonograms, such as data CD-R and CD-RW data: €0,23 Euro per 650 megabytes.
- Digital audio dedicated memories, fixed or transferable, such as flash memories and cartridges for MP3 readers and similar type equipment: €0,36 per 64 mega-byte (N.B., the law decree as converted into law by the act 128/2004 has amended this letter providing a fee or *€0,36 for each gigabyte*).
- video analogical supports/equipments: €0,29 for each hour of recording;
- dedicated digital video supports/equipments, such as DVHS, DVD-R video and DVD-RW video: €0,29 per hour, equivalent to €0,87 for supports/equipments with a storing capacity of 180 minutes. Compensation shall be increased proportionally for equipment of a longer duration;
- digital supports/equipments capable of audio and video recording, such as DVD Ram, DVD-R and DVD-RW: €0,87 for 4,7 gigabyte. Compensation shall be increased proportionally for equipment of a longer duration;
- analogical or digital audio and video for exclusively recording aims devices: 3 percent of the price applied to the reseller.
- *h-bis) devices exclusively employed for masterisation of DVD and CD supports and software aimed to the masterisation: 3 percent of the related list prices applied to the reseller* (this letter was added during parliamentary scrutiny of the law decree and the consequent modifications. The new fees have been harshly criticised).

These fees are payable by parties who manufacture or import (for profit) any of the equipment or services mentioned above into Italian territory. Every three months, the parties must also provide the Italian Society for Authors and Publishers (SIAE) with a declaration, stating the sales effected and payments due. In the event of failure to pay the compensation owed, the distributor of the recording supports or equipment shall be jointly and severally responsible for the due payments along with the manufacturer or the importers

The SIAE is then responsible for distributing the payments, at their total cost, of fifty percent to the authors and their assignees and fifty percent to the producers of phonograms. Distribution of payments is also carried out through the SIAE's representative associations.

Producers of audio recordings must pay fifty percent of their compensation to interested performers or artists.

Compensations for video recording apparatus and equipments must be paid SIAE which shall provide for the division of the total costs, giving one third to the authors (also through their

largely representative associations), one third to the original producers of the audio visual works, and one third to the producers of videograms.

Finally, the new law on P2P also recalls the applicability of article 174-*ter* of the Copyright Law, which provides that whoever uses a rights protected work without authorisation will be punished by an administrative penalty of €154,94 (provided that the fact cannot be considered as a criminal offence by the Italian Copyright Law) and with additional penalties for confiscating materials and the publication of the offence in a daily paper with nationwide distribution.

In the event of a second offence or of a number of violations of acquired or rented copies, the administrative penalty is raised to €1032,92 and the offence is punished by the confiscation of instruments and materials with notification of the offence in the wider press and industry-related periodicals.

If the offence relates to an entrepreneurial activity, it is punishable with the revocation of the right to advertise the offender's commercial activity via broadcast mediums. (Another Italian law has recently introduced harsher punishments for the breach of copyright in the field of the conditional access services. The law of February 7, 2003 No. 22, now provides criminal and administrative sanctions for all parties which (for commercial purposes) manufacture, distribute, sell, or advertise equipment or software designed to access a conditional access service without authorisation. The law also extends to those who use or simply hold such illicit equipment or software for private purposes (*i.e.*, pirate decoders for use via cable TV).

The second paragraph of article 1 of the law decree as converted into law by the act 128/2004 provides a new rule which will undoubtedly create serious interpretative problems for the Italian Courts and shall also determine serious risks for anyone downloading rights protected files without authorisation.. This new rule modifies one of the pre-requirements for the application of the criminal sanctions provided by article 171-*ter* of the Italian Copyright Law. According to article-171-*ter* any person who for non personal use and "for purpose of gain", unlawfully duplicates, reproduces or diffuses to the public, rights protected material without the approval of the SIAE, is subject to imprisonment and/or a penalty fine. (Accredited SIAE's distributors demonstrate their authorisation by reproduction of the SIAE's seal or "mark" on their products.)

The new law modifies the wording "for purpose of gain" replacing it with the wording "for profit". It may seem an insignificant change but the potential consequences are important. In fact, the actual version of article 171-*ter* of the Italian Copyright Law (any person who for non-personal use and "for profit" carries out the illicit activities listed in the article may be punished by imprisonment and/or a penalty fine) could now apply to all those activities which do not determine a direct gain, but an indirect one (*e.g.*, the individual makes a profit by simply saving money by avoiding payment of the copyright levy).

A further rule introduced by the law on P2P criminalises another activity. It is now provided that any person who:

> "communicates to the public, for … profit, a copyrighted intellectual work, or a part of it, by introducing it in a system of telematic networks, by means of whatever connection, by so doing infringes article 16 of the copyright Law".

(Article 16 provides the exclusive right to communicate to the public a work by wire or wireless means, using one of the means of long-distance dissemination, such as telegraphs, telephone, radio and TV broadcasting means and other similar devices and includes communication to the public via satellite, the retransmission by cable, as well as communication with the public codified with specific access restrictions; it also includes making the work available to the public in a way that everyone may have access from a singular chosen place and at a singular chosen moment.)

This new provision covers expressly the hypothesis of downloading by a file-sharing or peer-to-peer system ("by means of whatever connection"). The serious risk for private and domestic downloaders is represented by the following. The rule contained in the second paragraph of article 171-*ter* of the Italian Copyright Law does not refer to a "non-personal use" as a necessary objective pre-requirement for the application of the criminal sanction: it is sufficient simply to communicate to the public, for the purpose of obtaining a profit, a copyrighted intellectual work, or a part of it, by introducing it in a system of telematic networks and by means of whatever connection to commit the crime. It is also clear a private downloader who for personal use shares or downloads by WinMX or Kazaa, copyrighted "intellectual works" could infringe the exclusive author's "right to communicate to the public" as per article 16 above and so could be prosecuted with criminal sanctions.

The Role of Public Authorities and Internet Service Providers

The rules on the role of Italian ISPs in combating the abusive telematic diffusion of rights protected works provided by the law decree (as converted into law by the act 128/2004) have been harshly criticised by the ISPs themselves.

With regard to Public Authorities, the new law provides that the Ministry for Internal Affairs shall gather notices of interest aimed at preventing or prosecuting the violations of the Italian Copyright Law. This means that everyone shall be able to communicate to the competent authority "notices of interest" relating to any person who "communicates to the public, for a profit, a copyrighted intellectual work, or a part of it, by introducing it in a system of telematic networks. This rule is potentially hazardous because while the ISPs are only obliged to communicate information to the police authorities after enacting a specific judicial order, the general public will be able to inform the Department for Public Security about file-sharing activities carried out for profit and even for personal use.

With regard to the ISPs, the final version of the law now provides the following.

First of all, following a judicial order (which is a necessary pre-requirement) the ISP (as determined by the E-Commerce Directive 2000/31/EC) shall have to communicate to the police authorities, any information that they hold which can be used to identify those who manage websites where illicit activities are carried out and the perpetrators of the crimes themselves.

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Secondly, following a judicial order (which is again a necessary pre-requirement) and with regard to hypothesis of infringement of the rules provided by the new law on P2P, the information society service providers (excluding those who provide services for the connection to the web) shall have to adopt measures aimed at preventing access to the websites containing illicit material and at removing the illicit content itself. Such obligation shall not apply in the cases provided by article 14, 15, 16 and 17 of the legislative decree of April 9, 2003 no. 70 implementing the E-Commerce Directive:

Article 14 (Mere Conduit)

1. Where an information society service is provided that consists of the transmission in a communication network of information provided by a recipient of the service, or the provision of access to a communication network, the service provider is not liable for the information transmitted, on condition that the provider:

(a) does not initiate the transmission;

(b) does not select the receiver of the transmission; and

(c) does not select or modify the information contained in the transmission.

2. The acts of transmission and of provision of access referred to in paragraph 1 include the automatic, intermediate and transient storage of the information transmitted in so far as this takes place for the sole purpose of carrying out the transmission in the communication network, and provided that the information is not stored for any period longer than is reasonably necessary for the transmission.

3. A court or an administrative authority can require the service provider to terminate or prevent an infringement.

Article 15 (Caching)

1. Where an information society service is provided that consists of the transmission in a communication network of information provided by a recipient of the service, the service provider is not liable for the automatic, intermediate and temporary storage of that information, performed for the sole purpose of making more efficient the information's onward transmission to other recipients of the service upon their request, on condition that:

(a) the provider does not modify the information;

(b) the provider complies with conditions on access to the information;

(c) the provider complies with rules regarding the updating of the information, specified in a manner widely recognised and used by Industry;

(d) the provider does not interfere with the lawful use of technology, widely recognised and used by Industry, to obtain data on the use of the information; and

(e) the provider acts expeditiously to remove or to disable access to the information it has stored upon obtaining actual knowledge of the fact that the information at the initial source of the transmission has been removed from the network, or access to it has been disabled, or that a court or an administrative authority has ordered such removal or disablement.

2. A court or an administrative authority can require the service provider to terminate or prevent an infringement.

Article 16 (Hosting)

1. Where an information society service is provided that consists of the storage of information provided by a recipient of the service, the service provider is not liable for the information stored at the request of a recipient of the service, on condition that:

(a) the provider does not have actual knowledge of illegal activity or information and, as regards claims for damages, is not aware of facts or circumstances from which the illegal activity or information is apparent; or

(b) the provider, upon obtaining such knowledge or awareness, acts expeditiously to remove or to disable access to the information.

2. Paragraph 1 shall not apply when the recipient of the service is acting under the authority or the control of the provider.

3. A court or an administrative authority may require the service provider to terminate or prevent an infringement.

Article 17 (No General Obligation to Monitor)

1. Providers, when providing the services covered by Articles 14, 15 and 16, shall not be subject to a general obligation to monitor the information which they transmit or store, nor to a general obligation to actively seek facts or circumstances indicating illegal activity.

2. Apart from what is provided by articles 14, 15 and 16, information society service providers shall have to promptly inform the competent authority of alleged illegal activities undertaken or information provided by recipients of their service, or to communicate to the competent authorities, at their request, information enabling the identification of recipients of their service with whom they have storage agreements.

3. The information service provider shall be liable according to the civil law, for the content of the services if: following the request of the relevant authority, they failed to act promptly to prevent direct access to such contents; or, being aware of the fact that the content of the service to which they provide access is illicit or harmful for third parties, failed to promptly inform the competent authority.

The content of articles 14-17 of the legislative decree 70/2003 illustrates the difficulty for ISPs in interpreting and co-ordinating the obligation introduced by the new law on P2P to adopt the necessary measures to prevent access to the content of illicit websites and to remove such content. Further, if the ISP permits the online publication by third parties of copyrighted work without a "proper notice" related to the previous fulfilment of any obligation provided by the copyright laws and by the laws on the connected rights, the ISP shall be subject to a fine of up to €10.000,00. This can be doubled in particularly serious cases.

Conclusion

It must be pointed out that the new law on P2P has several negative points and that it is not a useful law. The difficulty of

properly regulating the new technologies may not be specific to Italy (for example, a recent modification of the German Telecommunications Act due to enter into force on July 2004, contains similar rules to the provisions of the Italian Law on P2P, including a comparable obligation for ISPs). But it seems that Italian legislators, when adopting laws in the field of ICT, do not posses a clear view of the dynamics related to the markets and to the common habits of private users. Another example could be made with regard to another recent law (no. 106/2004, published in the Italian *Official Journal* of April 27, 2004), according to which any person who maintains a website containing information available to the public (*e.g.*, blogs, mailing list, *etc.*) must send the content of the website (including updates) to the State Public Library in Rome and Florence, and failure to comply with these new rules is punishable by a fine of up to €1.500,00.

In any case, the future modifications to the law on P2Pas promised by the Italian Government are now much anticipated.

On May 24, 2004 the Italian Government confirmed that future modification of the law decree as converted into law by the act 128/2004 (the amendments to which are to be drafted during the first week of June) shall regard the following:

- the wording "for purpose of gain" shall be reintroduced and the actual wording "for profit" shall be deleted;
- the new 3 percent levy on CDs and DVDs shall be deleted;
- the obligation about a digital "proper notice" accompanying the online publication of copyrighted works and related to the previous fulfilment of the Copyright obligations shall be deleted (the actual related provision of the law decree as converted into law by the act 128/2004 is unique in Europe);
- the sanctions shall be reduced or removed (provided that those contained in the Italian Copyright Law continue to be in force).

Case Report

UNITED KINGDOM

Bad Faith and the Generic Trap

Yell Limited v. Weborcus Software Systems Pvt Ltd

In WIPO Case No D2004-0008 *Yell Limited v. Weborcus Software Systems Pvt Ltd* the panel pointed out that an offer to sell a domain name to the registered trademark holder is not *prima facie* evidence of bad faith. An Indian company in the business of "appointment bureau and data specialists for financial mortgage and insurance and service industry at large", registered the domain name ukonlineyellowpages.com. Yell, an established U.K. telephone directory services company and proprietor of the "Yellow Pages" trademark, claimed that the Indian company had registered the name in bad faith. The respondent offered to transfer the name for £8,000.

The panel determined that Yell owned the rights to the Yellow Pages trademark in the United Kingdom, and the fact that the respondent added the words "uk" and "online" did not make a difference. However, the panel found that there was insufficient evidence to prove that the respondent registered the name in bad faith. Outside the United Kingdom the mark "Yellow Pages" was effectively generic being commonly used in a descriptive sense. Alongside the fact that the respondent had made bona fide preparations to use the domain name prior to the first complaint, the panel found that there was no evidence of bad faith.

By Colleen Donovan, a Partner in the Commercial & IP Department of Hammonds; e-mail colleen.donovan@hammonds.com

News

UNITED STATES

100-Year Domain Name Service

Forgetting to renew a valuable domain name is neglectful to say the least and Microsoft has now failed to renew on two separate occasions. Back in 1999, the software giant forgot to renew its passport.com domain name leaving thousands of Hotmail accounts inaccessible. One kind holder of a Hotmail account paid Network Solutions the $35 to renew the domain and handed it over to Microsoft.

However, this chastening experience didn't prevent Microsoft forgetting to renew its hotmail.co.uk domain name last year. That domain expired on October 23, 2004 and was immediately purchased by an unnamed individual who has since arranged for it to be transferred back. And Microsoft is not the only hi-tech company to be caught out when it comes to domain names. Around the same time, Vivendi Universal forgot to renew its MP3.com domain and was thankful to musician Steve Cox who renewed it for them.

Such oversights can happen for a variety of reasons. Forgetting to update the contact address on the WHOIS record to which renewal notices are sent, for example, or ignoring renewal notices, or worse, "pending deactivation" notices altogether. This is why Network Solutions, the world's largest retail registrar of domain names is offering a new 100-Year Domain Service. For $1,000, Network Solutions will undertake to ensure that a domain name remains registered as a generic top level domain, like .com, .org and .info, for the next 100 years. Currently internet addresses in those popular domains can be registered for a maximum of 10 years at a time under ICANN rules.

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