

THE HIGH COURT

COMMERICAL

2008 10743 P

BETWEEN

PHONOGRAPHIC PERFORMANCE (IRELAND) LIMITED

PLAINTIFF

AND

IRELAND AND THE ATTORNEY GENERAL

DEFENDANTS

INTERIM DECISION of Ms. Justice Finlay Geoghegan delivered on the 23rd day of March, 2010

1. This interim decision is given, pursuant to Article 267 of the Treaty on the Functioning of the European Union, to seek a preliminary ruling from the Court of Justice of the European Union on questions of interpretation of Articles 8 and 10 of Council Directive 92/100/EC of 19th November, 1992 on rental right and lending right and on certain rights related to copyright in the field of intellectual property, as codified by Directive 2006/115/EC of the European Parliament and the Council of 12th December, 2006, (together referred to as "the Directives") which I consider necessary to enable me give judgment on the issue in the proceedings upon which I have reserved judgment.

Parties and nature of proceedings

2. The plaintiff is an Irish company and a licensing body within the meaning of the Copyright and Related Rights Acts 2000 - 2007 ("the Act of 2000"), which holds a certificate from the Controller of Patents, Designs and Trademarks, certifying its entitlement to act on behalf of its members in licensing their rights. Those members consist of phonogram producers which hold rights in respect of sound recordings and have, through exclusive licenses and assignments, conferred upon the plaintiff the exclusive right, in Ireland, to licence the playing to the public of those sound recordings.

3. In the proceedings, the plaintiff seeks, first, a declaration that Ireland, in adopting (and maintaining in force) s. 97 of the Act of 2000, has acted in breach of Article 10 of the Treaty establishing the European Community (now Article 4 of the Treaty on European Union) and seeks damages for breach of Article 10 TEC.

4. It is agreed between the parties that in relation to the declaration sought, the issue for determination by this Court is whether or not s. 97(1) of the Act of 2000 is contrary to Ireland's obligations, pursuant to the Directives and, in particular, Article 8(2) thereof.

5. On 13th October, 2009, by order of the High Court (Kelly J.) it was directed that the issue as to whether Ireland is in breach of its obligations pursuant to European law by the enactment of s. 97(1) of the Act of 2000 should be determined in advance of the plaintiff's consequential claim for damages. The parties then agreed that the issue be determined by the Court on agreed facts. The agreed statement of facts and issue is appended to this decision. At the hearing, the plaintiff indicated that it was not pursuing a claim in relation to an alleged breach of Article 3(2) of Directive 2001/29/EC of the European Parliament and of the Council of 22nd May, 2001, and hence, the first issue for determination set out in that document no longer requires determination by this Court. The relevant facts set out at paras. 7 and 8 of the agreed statement of facts are:

"7. From the time of entry into force of section 97(1) of the Act of 2000, sound recordings have been caused to be heard in guest bedrooms in hotels and guesthouses in the State via apparatus provided by persons responsible for the operation of the hotels and guesthouses in question as part of the service they provide. Some of such sound recordings are included amongst the Plaintiff's recordings, though no admission is made by the defendants as to the identity of, or as to the number of, hotels and guesthouses involved, or to the extent of the plaintiff's repertoire involved.

8. The Plaintiff's recordings may be heard in guest bedrooms by a variety of methods, including by way of sound systems playing physical or digital sound recordings or via radio and/or television sets. However, no admission is made by the State as to the extent to which any or all of these methods are in fact used in the State. It is accepted that transmissions which are interactive or on-demand do not form the subject matter of these proceedings."

The Copyright and Related Acts 2000-2007

6. The scheme of the Act of 2000, in relation to sound recordings is that s. 17(2)(b) provides that copyright subsists in accordance with the Act in sound recordings. Sections 21(a) and 23(1) together provide that the producer of a sound recording is the author and, as such, the first owner of a copyright in a sound recording. Section 37(1)(b) grants to an owner of copyright (including the producer of a sound recording) the exclusive right "to make available to the public the work" and deems such an act to be one restricted by copyright. A phonogram producer, as an author, in accordance with these provisions, has a wider right in Irish law than granted by the relevant Directives. The parties are in agreement that such Irish position is not relevant to these proceedings as the plaintiff's claim is exclusively based upon the obligations it

contents are imposed on Ireland by the Directives in relation to rights of phonogram producers.

7. Section 37(2) provides that copyright in a work is infringed by a person who, without the licence of the copyright owner, undertakes or authorises another to undertake any of the acts restricted by copyright. However, s. 38 of the Act of 2000, makes provision for licences of right to play sound recordings in public and to include them in a broadcast or a cable programme service. A person may do so as of right where he agrees to make fair payments in respect of such playing or inclusion in a broadcast or in cable programme service, and complies with the requirements s. 38 of the Act of 2000. These requirements include the giving of certain notices. The section also includes provision for the determination of fair payment (more often referred to as equitable remuneration) in the event of a dispute.

8. Section 97 of the Act provides:

"(1) Subject to subsection (2), it is not an infringement of the copyright in a sound recording, broadcast or cable programme to cause a sound recording, broadcast or cable programme to be heard or viewed where it is heard or viewed -

(a) in part of the premises where sleeping accommodation is provided for the residents or inmates, and

(b) as part of the amenities provided exclusively or mainly for residents or inmates."

(2) Subsection (1) does not apply in respect of any part of premises to which subsection (1) applies where there is a discrete charge made for admission to the part of the premises where a sound recording, broadcast or cable programme is to be heard or viewed."

9. Section 246 of the Act contains a similar provision in relation to performers' rights. There is no similar provision in relation to an author's right (in the EU sense) in relation to literary, artistic, dramatic or musical works.

10. The plaintiff has drawn attention to the unclear wording of s. 97(2). There is a lack of clarity. Nevertheless, insofar as it is relevant to any issue in the proceedings, I am satisfied it can be construed as excluding from the possible exemption in s. 97(1) the playing of a sound recording, broadcast or cable programme in a part of a premises to which there is a discrete entry charge where the entire premises also include a part providing sleeping accommodation. In relation to hotels and guesthouses, which are the subject matter of the proceedings, it excludes from the benefit of s. 97(1) an area such as a nightclub or concert area in respect of which a discrete charge for entry is made.

11. It is not in dispute that s. 97(1) applies to hotels and guesthouses. The plaintiff, in submission, draws attention to the requirement that the sound recording is provided as part of the amenity of residents and thus forms part of what hotels and guesthouses may decide to offer guests (residents) as part of its services.

12. The effect of s. 97(1), for the plaintiff, is that it does not have a right to receive equitable or fair remuneration for the playing of sound recordings in the circumstances set out therein which include the agreed facts herein. This loss forms the basis of the claim for damages against Ireland, if a declaration is made that Ireland is in breach of Article 8(2) of the Directives in enacting (and maintaining) s. 97 of the Act of 2000.

13. The defendants draw attention to the fact that s. 97 also applies potentially to other types of facilities and institutions which may provide television and radio sets in sleeping accommodation for residents and inmates such as hospitals, nursing homes, residential care facilities and prisons. This appears correct.

Findings

14. On the agreed facts and the application thereto of Irish law, I make the following findings prior to seeking a preliminary ruling:

(a) These proceedings only concern sound recordings or phonograms heard in guest bedrooms in hotels and guesthouses in Ireland and not in any other part of such hotels and guesthouses.

(b) The proceedings do not concern the use by hotel guests of transmissions which are interactive or on-demand.

(c) If a hotel or guesthouse in Ireland provides TV or radio sets in its bedrooms and, by cable or other technology, distributes to those TV and radio sets a signal received centrally, then such hotel or guesthouse is not required by reason of s. 97(1) of the Act of 2000 to make any payment of equitable remuneration to phonogram producers for sound recordings included in TV or radio broadcasts which may be heard by guests in its bedrooms.

(d) If a hotel or guesthouse places in its bedrooms other apparatus and makes available sound recordings in physical or digital form which may be played by guests thereon, such hotel and guesthouse is, likewise, not obliged to pay equitable remuneration to phonogram producers by reason of s. 97(1) of the Act of 2000.

(e) Whilst the claim in these proceedings only relates to use of sound recordings made by hotels and guesthouses, if a like use were made by hospitals, nursing homes, residential care facilities, prisons and other institutions then similarly, by reason of s. 97(1) of the Act of 2000, no equitable remuneration is payable to phonogram producers.

(f) The sound recordings at issue in the proceedings are phonograms published for commercial purposes within the meaning of Article 8(2) of the Directives and will be referred to as "phonograms" in the remainder of this decision.

European Union law issues and the need for Preliminary Ruling

15. The EU law issue in dispute is whether Articles 8(2) and 10 of the Directives oblige Ireland to give phonogram producers a right to receive a payment of equitable remuneration from a hotel in the factual circumstances set out in the findings at paragraph 14(c) and (d) above. Article 8(2) provides:

"Broadcasting and communication to the public

2. Member States shall provide a right in order to ensure that a single equitable remuneration is paid by the user, if a phonogram published for commercial purposes, or a reproduction of such phonogram, is used for broadcasting by wireless means or for any communication to the public, and to ensure that this remuneration is shared between the relevant performers and phonogram producers. Member States may, in the absence of agreement between the performers and phonogram producers, lay down the conditions as to the sharing of this remuneration between them."

16. Article 10 insofar as relevant, provides:

"Limitations to rights

1. Member States may provide for limitations to the rights referred to in this Chapter in respect of:

(a) private use

. . .

2. Irrespective of paragraph 1, any Member State may provide for the same kinds of limitations with regard to the protection of performers, producers of phonograms, broadcasting organisations and of producers of the first fixations of films, as it provides for in connection with the protection of copyright in literary and artistic works. However, compulsory licences may be provided for only to the extent to which they are compatible with the Rome Convention.

3. The limitations referred to in paragraphs 1 and 2 shall be applied only in certain special cases which do not conflict with a normal exploitation of the subject matter and do not unreasonably prejudice the legitimate interests of the rightholder."

17. The primary issue which this Court must decide is whether a hotel or guesthouse which provides TV or radio sets in guest bedrooms, and distributes to those TV and radio sets a signal received centrally, is a "user" making a "communication to the public" of phonograms which may be played on TV or radio broadcasts for the purposes of Article 8(2) of the Directives. There are subsidiary issues relating to the provision of other apparatus and sound recordings in physical or digital form and the exemption of private use relied on, in the alternative, by the defendants, pursuant to Article 10(1)(a) of the Directives.

18. On the primary issue, in summary, the plaintiff contends, in reliance upon the judgment of the Court of Justice in *SGAE v. Rafael Hoteles SA* (Case C-306/05) [2006] ECR I-11519, that the distribution by a hotel operator of a signal by means of television sets installed in hotel bedrooms to guests staying in the rooms is a communication to the public by the hotel operator as user within the meaning of Article 8(2) of the Directive. The judgment in *Rafael Hoteles* concerned what constitutes a "communication to the public" within the meaning of Article 3(1) of Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society ("Copyright Directive"). In *Rafael Hoteles*, the Court ruled that:

"1. While the mere provision of physical facilities does not as such amount to communication within the meaning of Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of copyright and related rights in the information society, the distribution of a signal by means of television sets by a hotel to customers staying in its rooms, whatever technique is used to transmit the signal, constitutes communication to the public within the meaning of Article 3(1) of that directive.

2. The private nature of hotel rooms does not preclude the communication of a work by means of television sets from constituting communication to the public within the meaning of Article 3(1) of Directive 2001/29."

19. The plaintiff submits that the concept and phrase "communication to the public" in Article 8(2) of the Directives must, in accordance with the decision of the Court of Justice in *Stichting ter Exploitatie van Naburige Rechten (SENA) v. Nederlandse Omroep Stichting (NOS)* (Case C-245/00) [2003] ECR I-1251 at paragraph 23, be given an autonomous and uniform interpretation throughout the European Union. It submits that this principle means that the phrase must be given the same meaning in Article 8(2) of the Directives as that given by the Court of Justice in *Rafael Hoteles* to the same phrase for the purposes of Article 3(1) of the Copyright Directive. Whilst it recognises the difference in the nature of the protection given by the Copyright Directive to authors from that given by the Directives to phonogram producers, it relies, *inter alia*, upon the assimilation of the level of protection for those respective rights in many of the recitals to the relevant Directives to submit that phrase should have the same meaning in both provisions.

20. In *SENA* at para. 23, the Court of Justice stated:

*"As the United Kingdom points out, the Court has already held that the need for uniform application of Community law and the principle of equality require that the terms of a provision of Community law which makes no express reference to the law of the Member States for the purpose of determining its meaning and scope must normally be given an autonomous and uniform interpretation throughout the Community; that interpretation must take into account the context of the provision and the purpose of the legislation in question (see, for example, Case 327/82 *Erko* [1984] ECR 107, paragraph 11; and Case C-287/98 *Linster* [2000] ECR I-6917, paragraph 43, and Case C-357/98 *Yiadom* [2000] ECR I-9265, paragraph 26."*

21. The defendants do not dispute that the phrase "communication to the public" in Article 8(2) of the Directives should be given an autonomous and uniform interpretation through the Union. However, in reliance upon the above principle that interpretation of a provision of Union law must take into account "the context of the provision and the purpose of the legislation in question", the defendants submit that this Court cannot simply apply the meaning given by the Court of Justice in *Rafael Hoteles* to the concept and phrase "communication to the public" in Article 3(1) of the Copyright Directive to the same phrase in Article 8(2) of the Directives, but rather that the phrase and the word "user" in Article 8(2) must be interpreted in the context of the rights sought to be protected and the obligations placed on Member States in Article 8(2) of the Directives.

22. The defendants submit that there are significant differences between the contexts of Article 3(1) of the Copyright Directive and Article 8(2) of the Directives and the purposes of the Copyright Directive and the Directives. They have made very detailed submissions which it is not proposed to repeat. They rely, inter alia, upon the differences in the rights sought to be protected and in the origins of the two provisions. They submit that the right protected in Article 3(1) of the Copyright Directive is the exclusive right of authors to authorise or prohibit any communication to the public of their works, by wire or wireless means, including the "making available to the public" of their works. Further, that the origin of such rights is Article 11 bis (1) of the Berne Convention, as extended by Article 8 of the World Intellectual Property Organisation Copyright Treaty (1996). They submit that, by contrast, the right protected by Article 8(2) of the Directives is the economic right of, inter alia, phonogram producers to receive equitable remuneration; and that the origin of that right is Article 12 of the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations, signed at Rome on 26th October, 1961. It is submitted that, by contrast with Article 3(1) of the Copyright Treaty, Article 8(2) does not include a right to equitable remuneration on the "making available to the public" of a phonogram. The defendants submit that the Court of Justice, in *Rafael Hoteles*, when interpreting the phrase "communication to the public" for the purposes of Article 3(1) of the Copyright Directive relied (at paras. 43 and 44 of the judgment) on the fact that the "making available to the public" right is included in Article 3(1).

23. I have concluded, on the detailed submissions made by the defendants in support of the above contentions, that, in interpreting each of Article 3(1) of the Copyright Directive and Article 8(2) of the Directives in a manner consistent with the relevant international law provision from which it originates (as required by the judgment of the Court of Justice in *Rafael Hoteles* at para. 35), there are significant differences between each in the rights being protected. Further, it appears to me, that having regard to those differences, the context in which the phrase "communication to the public" is used in each, and the purpose of the respective provision, this Court should not now simply apply to the concept and phrase "communication to the public" in Article 8(2) of the Directives the meaning given by the Court of Justice in *Rafael Hoteles* to the same phrase in Article 3(1) of the Copyright Directive. Rather, it appears to me, in accordance with the principles set out by the Court of Justice in *SENA* (and applied in *Rafael Hoteles*), that an autonomous and uniform meaning of a "user" and "communication to the public" for the purposes of Article 8(2) of the Directives must be determined, having regard to the context in which those terms are used in Article 8(2) and the purpose of the Directives. Further, as this requires the interpretation of Article 8(2) of the Directives for the purpose of giving to it an autonomous and uniform meaning throughout the Union, that such interpretation should be made by the Court of Justice on a preliminary ruling, rather than by this Court.

24. The defendants have made further submissions upon which they rely to distinguish the circumstances in which Member States must provide a right to a phonogram producer to receive equitable remuneration in accordance with Article 8(2) of the Directives, from those in which an author must be entitled to authorise or prohibit a communication to the public, pursuant to Article 3(1) of the Copyright Directive. They submit, first that the obligation to provide a right to receive "a single equitable remuneration" [emphasis added] in Article 8(2) does not include the right to receive equitable remuneration from hotel operators in addition to the broadcaster, in the factual circumstances set out at paragraph 14(c) above.

25. The defendants also make an alternative submission that even if Article 8(2) obliges Ireland to provide a right to the phonogram producers to receive equitable remuneration from hotel operators on the agreed facts, that Ireland is permitted by Article 10 to exempt a hotel operator from the obligation to pay, by reason of the private use involved. They draw attention to the fact that in its decision in *Rafael Hoteles* the Court of Justice, at para. 38 of its judgment, took into account, not only customers in hotel rooms, but also customers who are present in any other area of the hotel and able to make use of a television set installed there. On the agreed facts in the proceedings before this Court, in relation to s. 97(1) of the Act of 2000, the Court is only concerned with the use by hotel guests of television sets installed in bedrooms and not in any other part of the hotel.

26. For the reasons set out, in summary, above, it appears to me necessary to seek the preliminary ruling of the Court of Justice on the following questions prior to giving judgment:

(i) Is a hotel operator which provides in guest bedrooms televisions and/or radios to which it distributes a broadcast signal a "user" making a "communication to the public" of a phonogram which may be played in a broadcast for the purposes of Article 8(2) of Codified Directive 2006/115/EC of the European Parliament and the Council of 12th December, 2006?

(ii) If the answer to paragraph (i) is in the affirmative, does Article 8(2) of Directive 2006/115/EC oblige Member States to provide a right to payment of equitable remuneration from the hotel operator in addition to equitable remuneration from the broadcaster for the playing of the phonogram?

(iii) If the answer to paragraph (i) is in the affirmative, does Article 10 of Directive 2006/115/EC permit Member States to exempt hotel operators from the obligation to pay "a single equitable remuneration" on the grounds of "private use" within the meaning of Article 10(1)(a)?

(iv) Is a hotel operator which provides in a guest bedroom apparatus (other than a television or radio) and phonograms in physical or digital form which may be played on or heard from such apparatus a "user" making a "communication to the public" of the phonograms within the meaning of Article 8(2) of Directive 2006/115/EC?

(v) If the answer to paragraph (iv) is in the affirmative, does Article 10 of Directive 2006/115/EC permit Member States to exempt hotel operators from the obligation to pay "a single equitable remuneration" on the grounds of "private use" within the meaning of Article 10(1)(a) of Directive 2006/115/EC?

