

Technology and Developments in Copyright Law: Amendments to the Intellectual Property Code of the Philippines

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I. INTRODUCTION.....	1001
II. TECHNOLOGY AND COPYRIGHT INFRINGEMENT IN THE PHILIPPINES.....	1004
III. PHILIPPINE RESPONSE.....	1006
A. Senate Bill	
B. House Bill	
C. Republic Act No.10372	
IV. DISCUSSION OF THE AMENDMENTS.....	1008
A. Expansion of Copyright Infringement	
B. Communication to the Public	
C. Reproduction	
D. Fair Use Modification	
E. Remedies for Infringement	
F. Extension of Protection to Existing Subject Matter	
G. Author's Right to Make Works Available to the Public	
H. Other Provisions	
V. ANALYSIS.....	1050
A. Compliance with International Obligations	
B. Potential Effect on Free Competition	
C. Other Concerns Regarding the Proposed Amendments	
VI. CONCLUSION.....	1063

I. INTRODUCTION

The Philippine Constitution declares that “[t]he State shall protect and secure the exclusive rights of scientists, inventors, artists, and other gifted citizens to their intellectual property and creations, particularly when beneficial to the people, for such period as may be provided by law.”¹ The

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bulk of Philippine intellectual property (IP) law is contained in Republic Act No. 8293,² otherwise known as the Intellectual Property Code of the Philippines (IPC). The importance of the protection of intellectual property rights (IPRs) cannot be understated, and as such the Declaration of State Policy of the IPC states that “[t]he State recognizes that an effective intellectual and industrial property system is vital to the development of domestic and creative activity, facilitates transfer of technology, attracts foreign investments, and ensures market access for [Philippine] products.”³ Further, it also recognized that IP has a social function that promotes national development, progress, and the common good.⁴

The advent of the Internet and its ever-increasing availability to more and more people around the world “is generating many benefits, from increased economic activity and new online business models to greater access to and exchange of information. However, it has also made the Internet an extremely efficient vehicle for disseminating copyright-infringing products, replacing legitimate markets for rights holders.”⁵ This is not the only medium of transfer of infringing materials. Mobile phones, tablets, flash drives, and other devices such as gaming consoles are “pre-loaded with illegal content before they are sold.”⁶ Technology is being used in new and creative ways, contributing to the proliferation of pirated music, films,

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1. PHIL. CONST. art. XIV, § 13.
2. An Act Prescribing the Intellectual Property Code and Establishing the Intellectual Property Office, Providing for its Powers and Functions, and for Other Purposes [INTELLECTUAL PROPERTY CODE], Republic Act No. 8293, as Amended (1997).
3. *Id.* § 2.
4. *Id.*
5. Ronald Kirk, 2012 Special 301 Report (An Annual Review of the State of Intellectual Property Rights Protection and Enforcement in Trading Partners Around the World Conducted by the Office of the United States Trade Representative) 16, available at http://www.ustr.gov/sites/default/files/2012%20Special%20301%20Report_o.pdf (last accessed Feb. 28, 2013).
6. *Id.*

applications (apps), books, and other copyrighted material.⁷ Indeed, “[t]he World Wide Web continues to enable copyright infringement on a scale unfathomable in the 1980s and 1990s.”⁸

In the “Special 301” report, “an annual review of the state of [IPR] protection and enforcement ... around the world” by the Office of the United States Trade Representative (USTR),⁹ the Philippines remained on the “Watch List.”¹⁰ This is a step below the “Priority Watch List,” and placement on either list “indicates that particular problems exist in that country with respect to IPR protection, enforcement, or market access for persons relying on [intellectual property].”¹¹ The countries placed on the “Priority Watch List” become the subject of “increased bilateral attention concerning the problem areas.”¹² A country may be sanctioned by the USTR for failure to “satisfactorily implement” a bilateral IP agreement with the United States (U.S.).¹³

The “Special 301” report itself has been criticized for lacking “reliable and objective analysis[,]”¹⁴ and for being “driven entirely by U.S. industry.”¹⁵ Further, it has been opined that the report is short-sighted and being used to pressure poorer countries into spending “even more money enforcing [U.S. IPRs] rather than on education, health care[,] or infrastructure, the sorts of expenditures that might improve [a] country’s overall economy and ultimately lead to reduced rates of infringement.”¹⁶

Despite the criticism of the “Special 301” report, the importance of IPRs cannot be denied and that IP piracy affects more than just U.S. industries. Bearing this in mind, it is then alarming that the incidence of copyright infringement and piracy is rising. Recently, the Philippines was found to have ranked 10th in the world in terms of music downloads

7. *Id.*

8. Michael L. Rustad, *Copyrights in Cyberspace: A Roundup of Recent Cases*, 22 J. HIGH TECH. L. 106, 106 (2011).

9. Kirk, *supra* note 5, at 4.

10. *Id.* at 6.

11. *Id.* at 52.

12. *Id.*

13. *Id.*

14. Michael Geist, *Stop Being Poor: U.S. Piracy Watch List Hits a New Low with 2012 Report*, available at <http://www.michaelgeist.ca/content/view/6456/125/> (last accessed Feb. 28, 2013).

15. *Id.*

16. *Id.*

through BitTorrent,¹⁷ “a popular peer-to-peer file sharing protocol used for distribution of files over the Internet, including music and film content.”¹⁸ Software piracy in the Philippines appears to be growing unchecked, with seven out of 10 software programs being unlicensed according to a 2011 study,¹⁹ where the aggregate commercial value of software was estimated to be \$338 million or ₱14.6 billion.²⁰ It has been claimed that, at present, the term “software” is not covered under the IPC,²¹ but computer programs are clearly enumerated among the “Original Works” covered by the Code.²²

It is apt to look at the IPC and the amendments to it, in order to ascertain the readiness of the Philippines to protect IPRs moving forward. This Article will examine the potential impact and effect of amendments to the IPC to the IPRs.

II. TECHNOLOGY AND COPYRIGHT INFRINGEMENT IN THE PHILIPPINES

Senator Manuel B. Villar, Jr., in his sponsorship speech, highlighted the importance of IP, stating that “copyright-based industries or CBIs significantly affect our nation’s economy.”²³ In early 2000, it was estimated that CBIs made up nearly five per cent of the country’s gross domestic product.²⁴ Further, and more importantly, “data and experience show that activities and enterprises related to copyright are our competitive advantage over our trading partners.”²⁵

Knowing the importance of CBIs to the national economy is well and good, however, it must also be recognized what a detriment copyright infringement is, especially in the field of international trade. According to the International Intellectual Property Alliance, a private sector coalition of

17. Patrick Villaviciencio, Philippines has 10th highest BitTorrent downloads in the world — report, *available at* <http://www.interaksyon.com/infotech/philippines-has-10th-highest-bittorrent-downloads-in-the-world-report> (last accessed Feb. 28, 2013).

18. *Id.*

19. Irma Isip, *7 out of 10 software unlicensed*, MALAYA, May 16, 2012, *available at* <http://www.malaya.com.ph/index.php/business/business-news/3543-7-of-10-software-unlicensed> (last accessed Feb. 28, 2013).

20. Lovelyn Quintos, *Software piracy in PH rising*, MANILA TIMES, Aug. 12, 2013, *available at* <http://www.manilatimes.net/index.php/business/top-business-news/29137-software-piracy-in-ph-rising> (last accessed Feb. 28, 2013).

21. *Id.*

22. INTELLECTUAL PROPERTY CODE, § 172 (n).

23. S. JOURNAL Sess. No. 40, at 761, 15th Cong., 2d Reg. Sess. (Dec. 7, 2011).

24. *Id.*

25. *Id.*

trade associations in CBIs in the U.S.,²⁶ “[c]opyright piracy remains a significant barrier to legitimate trade in copyright materials in the Philippines, causing losses to all the industries.”²⁷ Among the numerous forms of piracy enumerated in Villar’s sponsorship speech are P2P (peer-to-peer) sharing,²⁸ software end-user piracy in businesses,²⁹ illegal camcording of movies,³⁰ book and journal piracy,³¹ retail shop and mall piracy,³² and pirate optical disc production.³³

While some action has been taken by the legislature to address some of these concerns, such as the Anti-Camcording Act of 2010,³⁴ the Optical Media Act,³⁵ and the penalization of copyright infringement through, among other means, the Internet in the E-Commerce Act of 2000,³⁶ much remains to be done.

In sum, Senator Villar identified several key areas that were to be addressed by the amendment. Among which are the establishment of a Bureau of Copyright,³⁷ the expansion of what constitutes copyright infringement,³⁸ and compliance with the World Intellectual Property Organization (WIPO) Internet Treaties.³⁹ The first is for the purpose of

26. *Id.*

27. *Id.*

28. *Id.*

29. S. JOURNAL Sess. No. 40, at 761.

30. *Id.*

31. *Id.*

32. *Id.*

33. *Id.*

34. An Act to Prohibit and Penalize the Unauthorized Use, Possession and/or Control of Audiovisual Recording Devices for the Unauthorized Recording of Cinematographic Films and Other Audiovisual Works and/or Their Soundtracks in an Exhibition Facility, Providing Penalties Therefor and for Other Purposes [Anti-Camcording Act of 2010], Republic Act No. 10088 (2010).

35. An Act Regulating Optical Media, Reorganizing for This Purpose the Videogram Regulatory Board, Providing Penalties Therefor, and for Other Purposes [Optical Media Act of 2003], Republic Act No. 9239 (2003).

36. An Act Providing for the Recognition and Use of Electronic Commercial and Non-Commercial Transactions and Documents, Penalties for Unlawful Use Thereof, and for Other Purposes [Electronic Commerce Act of 2000], Republic Act No. 8792 (2000).

37. S. JOURNAL Sess. No. 40, at 761.

38. *Id.* at 762.

39. *Id.*

creating an entity to perform functions such as policy-making, rule-making, and adjudication,⁴⁰ because at present the Copyright Division of the National Library has a purely ministerial function as depository of copyrighted works.⁴¹ The second refers to the refinement of the definition of copyright infringement to include “contributory infringement, circumvention of technological measures[,] and rights management information as aggravating circumstances, and the option to collect statutory damages instead of actual damages[,]”⁴² the aim of which would be to “strengthen the rights of artists, authors[,] and owners of copyrighted material, [and] also greatly help in the prosecution of violations of the Copyright Law.”⁴³ Finally, the Philippines, as a signatory to the Copyright Treaty⁴⁴ and the Performances and Phonograms Treaty⁴⁵ of the WIPO has international obligations to meet, and as such, legislation is needed to comply with these obligations, “such as the protection of technological measures and rights management information to provide protection for copyrighted works disseminated through the Internet.”⁴⁶

III. PHILIPPINE RESPONSE

A. Senate Bill

Senator Villar emphasized the importance of immediate action, stating that it is time “to respond to the onslaught of criminal activity happening under our noses, at the expense of our brilliant and creative human resources. We owe it to our artists, composers, writers, designers, programmers, scientists, animators[,] and Filipino professionals to protect their body of work against copyright infringement.”⁴⁷

It is to this end that Senate Bill No. 2842,⁴⁸ a consolidation of several bills⁴⁹ filed in the Senate, was approved by a vote of 17-0 on its third reading last 5 November 2012.⁵⁰

40. *Id.* at 761.

41. *Id.* at 762.

42. *Id.*

43. S. JOURNAL Sess. No. 40, at 762.

44. WIPO Copyright Treaty, *adopted* Dec. 20, 1996, 36 ILM 65 (1997).

45. WIPO Performances and Phonograms Treaty, *adopted* Dec. 20, 1996, 36 ILM 76 (1997) [hereinafter WPPT].

46. S. JOURNAL Sess. No. 40, at 762.

47. *Id.*

48. An Act Amending Certain Provisions of Republic Act No. 8293, Otherwise Known as “The Intellectual Property Act of the Philippines,” and for Other Purposes, S.B. No. 2842, 15th Cong., 1st Reg. Sess. (2011).

B. House Bill

The House Bill⁵¹ was originally introduced as House Bill No. 3417 during the 14th Congress,⁵² in order to address changes brought about by “[i]nformation and communications technologies [that] have broken new ground with the onset of a new channel for the dissemination of intellectual creation at high speed: the [I]nternet.”⁵³ It was recognized that this new technology “vastly expanded [mankind’s] knowledge and broke barriers amongst countries and individuals in the delivery of information,”⁵⁴ but with this came “a new and awesome breed of pirates who utilize the same new technology in stealing IP and infringing [IPRs] in cyberspace.”⁵⁵

The software industry in the Philippines alone reportedly lost \$27.1 million or ₱1.4 billion, which translates into ₱170 million in lost tax revenue for the government.⁵⁶ Why exactly has piracy been on the rise in the country? It was theorized that because of “the growing vigilance of many Asian countries over software piracy in their own domains[,]”⁵⁷ the Philippines “offers a less hostile environment to intellectual thievery.”⁵⁸ In other words, the IPC is no longer up-to-date in order to address the “awesome advances made in the area of intellectual rights-infringement in electronic commerce.”⁵⁹

Thus, the Bill was set to “retool the prevailing law by sharpening its focus, enlarging its protective coverage and reinforcing its potency to provide meaningful relief to victims of intellectual thievery and to strengthen current legal mandates to meet challenges posted by new digital technologies[.]”⁶⁰ The House Bill was approved on its third reading on 23

49. Senate Bill Nos. 2842, 301, 707, 962, 1818, 2431, 2487, 2553, and 2628. Committees on Trade and Commerce, Constitutional Amendments, Revision of Codes and Laws, Justice and Human Rights, Finance, and Science and Technology, S. Rep. No. 38, 15th Cong., 1st Reg. Sess. (2011).

50. S. JOURNAL Sess. No. 28, at 641-42, 15th Cong., 3d Reg. Sess. (Nov. 5, 2012).

51. H.B. No. 3841, 15th Cong., 1st Reg. Sess. (2010).

52. H.B. No. 3417, 14th Cong., 1st Reg. Sess. (2008).

53. H.B. No. 47, at 1 (Explanatory Note), 15th Cong., 1st Reg. Sess. (2011).

54. *Id.*

55. *Id.*

56. *Id.*

57. *Id.* at 2.

58. *Id.*

59. H.B. No. 47, at 2.

60. *Id.*

May 2011 by a vote of 233-0 and transmitted to the Senate on 31 May 2011.⁶¹

C. Republic Act No.10372

These two bills were consolidated and were signed into law as Republic Act No. 103732 by President Benigno S. Aquino III on 28 February 2013.⁶² The Implementing Rules and Regulations for the amendments shall be promulgated within 180 days from the effectivity of the Act by the Intellectual Property Office in consultation with the National Book Development Board, the National Library, the Supreme Court Library, as well as other relevant agencies.⁶³

IV. DISCUSSION OF THE AMENDMENTS

The Senate and House, in drafting these bills, examined not only areas of Philippine copyright law that need improvement but also considered the international obligations of the Philippines while also factoring in the technology of today. Salient portions of the amendments to the IPC will be scrutinized in light of current developments as well as analyzing their potential impact on the state of IP.

A. Expansion of Copyright Infringement

Among the amendments to the IPC is an expansion of what constitutes Copyright Infringement. In order to understand how infringement has been “expanded,” the current definition of infringement must be analyzed.

It bears stressing that “piracy,” among other things, of copyrighted works and other legally protected works through the use of telecommunications networks including, but not limited to the Internet, is already punished under the E-Commerce Act.⁶⁴ The penalty is a fine of at least ₱100,000.00 up to a maximum commensurate to the damage incurred and mandatory imprisonment of six months to three years.⁶⁵

Thus, it is not entirely true that Philippine law cannot punish infringement on the Internet or that the amendments to the IPC will apply only to technology such as the Internet. Further, while the IPC already punishes “aiding or abetting” of infringement,⁶⁶ these were never truly

61. H. Journal No. 72, at 27, 15th Cong., 1st Reg. Sess. May 23, 2011.

62. An Act Amending Certain Provisions of Republic Act No. 8293, Otherwise Known as the “Intellectual Property Code of the Philippines,” and for Other Purposes, Republic Act No. 103272 (2013).

63. *Id.* § 29.

64. See Electronic Commerce Act of 2000, § 33.

65. Electronic Commerce Act of 2000, § 33 (b).

66. INTELLECTUAL PROPERTY CODE, § 217.1.

defined, or tackled, or to the best of the Authors' knowledge, been used. The expansion of copyright infringement will give more teeth to the IPC, broadening the scope of who may be held liable for infringement and how tightening the net around those who previously would slip through the cracks by not directly infringing.

1. Copyright Infringement before the amendments

According to *NBI-Microsoft Corporation v. Hwang*,⁶⁷

the gravamen of copyright infringement is not merely the unauthorized 'manufacturing' of intellectual works but rather the unauthorized performance of any of the acts covered by Section [177 of the IPC]. Hence any person who performs any of the acts under Section [177] without obtaining the copyright owner's prior consent renders himself civilly and criminally liable for copyright infringement.⁶⁸

Thus, when an entity steps upon the enumerated rights of a copyright holder or any of the rights granted by the IPC for that matter, infringement is committed.

Further, in *Columbia Pictures Inc. v. Court of Appeals*,⁶⁹ it was stated that

[i]nfringement of a copyright is a trespass on a private domain owned and occupied by the owner of the copyright, and, therefore, protected by law, and infringement of copyright, or piracy, which is a synonymous term in this connection, consists in the doing by any person, without the consent of the owner of the copyright, of anything the sole right to do which is conferred by statute on the owner of the copyright.⁷⁰

It is to be noted that "[c]opyright, in the strict sense of the term, is purely a statutory right. It is a new or independent right granted by the statute, and not simply a pre-existing right regulated by the statute."⁷¹ Being a purely statutory right, "a copyright may be obtained only for a work falling within the statutory enumeration or description."⁷² The IPC contains a non-exhaustive list of what works may be the subject of copyright protection⁷³

67. *NBI-Microsoft Corporation v. Hwang*, 460 SCRA 428 (2005).

68. *Id.* at 443-44.

69. *Columbia Pictures, Inc. v. Court of Appeals*, 261 SCRA 144 (1996).

70. *Id.* at 183-84.

71. *Joaquin, Jr. v. Drilon*, 302 SCRA 225, 238 (1999) (citing 18 C.J.S. *Copyright and Literary Property* § 161).

72. *Joaquin, Jr.*, 302 SCRA at 238 (citing 18 C.J.S. *Copyright and Literary Property* § 165).

73. Section 172.1 of the Code provides:

Literary and artistic works, hereinafter referred to as 'works,' are original intellectual creations in the literary and artistic domain

and the rights associated with copyright are only those conferred by the statute.⁷⁴

The Copyright or Economic Rights which a holder has the *exclusive* right to carry out, authorize, or prevent are:

- 177.1. Reproduction of the work or substantial portion of the work;
- 177.2. Dramatization, translation, adaptation, abridgment, arrangement, or other transformation of the work;
- 177.3. The first public distribution of the original and each copy of the work by sale or other forms of transfer of ownership;

protected from the moment of their creation and shall include in particular:

- (a) Books, pamphlets, articles and other writings;
- (b) Periodicals and newspapers;
- (c) Lectures, sermons, addresses, dissertations prepared for oral delivery, whether or not reduced in writing or other material form;
- (d) Letters;
- (e) Dramatic or dramatico-musical compositions; choreographic works or entertainment in dumb shows;
- (f) Musical compositions, with or without words;
- (g) Works of drawing, painting, architecture, sculpture, engraving, lithography or other works of art;
- (h) Original ornamental designs or models for articles of manufacture, whether or not registrable as an industrial design, and other works of applied art;
- (i) Illustrations, maps, plans, sketches, charts and three-dimensional works relative to geography, topography, architecture[,] or science;
- (j) Drawings or plastic works of a scientific or technical character;
- (k) Photographic works including works produced by a process analogous to photography; lantern slides;
- (l) Audiovisual works and cinematographic works and works produced by a process analogous to cinematography or any process for making audio-visual recordings;
- (m) Pictorial illustrations and advertisements;
- (n) Computer programs; and
- (o) Other literary, scholarly, scientific[,] and artistic works.

INTELLECTUAL PROPERTY CODE, § 172.1.

74. *Joaquin, Jr.*, 302 SCRA at 238.

177.4. Rental of the original or a copy of an audiovisual or cinematographic work, a work embodied in a sound recording, a computer program, a compilation of data and other materials or a musical work in graphic form, irrespective of the ownership of the original or the copy which is the subject of the rental;

177.5. Public display of the original or a copy of the work;

177.6. Public performance of the work; and

177.7. Other communication to the public of the work.⁷⁵

Thus, it is only when an entity violates any of the exclusive rights of a copyright holder would infringement occur. Infringement would exist, for example, in an unauthorized reproduction of a work, unauthorized translation of a work, or unauthorized rental of a work. Of course, if such an act were to fall under Section 184.1,⁷⁶ it would not constitute infringement.⁷⁷

75. INTELLECTUAL PROPERTY CODE, § 177.

76. *Id.* § 184.1.

77. Section 184.1 of the Code provides that the following shall not constitute copyright infringement:

Notwithstanding the provisions of Chapter V, the following acts shall not constitute infringement of copyright:

- (a) The recitation or performance of a work, once it has been lawfully made accessible to the public, if done privately and free of charge or if made strictly for a charitable or religious institution or society;
- (b) The making of quotations from a published work if they are compatible with fair use and only to the extent justified for the purpose, including quotations from newspaper articles and periodicals in the form of press summaries: Provided, That the source and the name of the author, if appearing on the work, are mentioned;
- (c) The reproduction or communication to the public by mass media of articles on current political, social, economic, scientific or religious topic, lectures, addresses and other works of the same nature, which are delivered in public if such use is for information purposes and has not been expressly reserved: Provided, That the source is clearly indicated;
- (d) The reproduction and communication to the public of literary, scientific or artistic works as part of reports of current events by means of photography, cinematography or broadcasting to the extent necessary for the purpose;
- (e) The inclusion of a work in a publication, broadcast, or other communication to the public, sound recording or film, if such inclusion is made by way of illustration for teaching purposes and

Infringement is committed by “[a]ny person infringing a right protected under this law[.]”⁷⁸ such as the Copyright or Economic rights under Section 177. It is clear that prior to the amendments only an actual infringement (i.e., copying), which causes injury to the rights holder,⁷⁹ was punishable. With the passage of the amendments this is no longer the case.

2. Copyright Infringement after the amendments

Section 216 of the IPC has been amended to read:

is compatible with fair use: Provided, That the source and of the name of the author, if appearing in the work, are mentioned;

- (f) The recording made in schools, universities, or educational institutions of a work included in a broadcast for the use of such schools, universities or educational institutions: Provided, That such recording must be deleted within a reasonable period after they were first broadcast: Provided, further, That such recording may not be made from audiovisual works which are part of the general cinema repertoire of feature films except for brief excerpts of the work;
- (g) The making of ephemeral recordings by a broadcasting organization by means of its own facilities and for use in its own broadcast;
- (h) The use made of a work by or under the direction or control of the Government, by the National Library or by educational, scientific or professional institutions where such use is in the public interest and is compatible with fair use;
- (i) The public performance or the communication to the public of a work, in a place where no admission fee is charged in respect of such public performance or communication, by a club or institution for charitable or educational purpose only, whose aim is not profit making, subject to such other limitations as may be provided in the Regulations;
- (j) Public display of the original or a copy of the work not made by means of a film, slide, television image or otherwise on screen or by means of any other device or process: Provided, That either the work has been published, or, that the original or the copy displayed has been sold, given away or otherwise transferred to another person by the author or his successor in title; and
- (k) Any use made of a work for the purpose of any judicial proceedings or for the giving of professional advice by a legal practitioner.

Id.

78. *Id.* § 216.1.

79. *Habana v. Robles*, 310 SCRA 511, 527 (1999).

Sec. 216. Infringement. — A person infringes a right protected under this act when one:

- (a) Directly commits an infringement;
- (b) Benefits from the infringing activity of another person who commits an infringement if the person benefiting has been given notice of the infringing activity and has the right and ability to control the activities of the other person; or
- (c) With knowledge of the infringing activity, induces, causes, or materially contributes to the infringing conduct of another.⁸⁰

Section 216.1 identifies remedies for infringement under the Code. The rest of Chapter XVII of the Code does not provide a definition or specific list of what acts would constitute infringement. However, it does state that “[a]ny person infringing a right protected under this law shall be liable [for infringement].”⁸¹

Direct infringement is the result of a person infringing upon any of the rights secured by the IPC, that much is clear. It has never defined what constituted “aiding or abetting” infringement as stated in Section 217 of the Code.⁸² These words suggest that there was at least some intent to punish indirect infringement. The use of the words “aiding or abetting” lends credence to the inclusion of indirect infringement with precise definitions in the amendments. The IPC even recognizes contributory patent infringement and the liability of a contributory infringer.⁸³ With the amendments, it is now without question that indirect infringement will now trigger the imposition of penalties.

The amendments cover a person who “[b]enefits from the infringing activity of another person who commits an infringement if the person benefiting has been given notice of the infringing activity and has the right and ability to control the activities of the other person”⁸⁴ and a person who

80. INTELLECTUAL PROPERTY CODE, § 216.

81. *Id.* § 216.1.

82. *Id.* § 217.1.

83. Section 76.6 of the INTELLECTUAL PROPERTY CODE provides:

Anyone who actively induces the infringement of a patent or provides the infringer with a component of a patented product or of a product produced because of a patented process knowing it to be especially adopted for infringing the patented invention and not suitable for substantial non-infringing use shall be liable as a contributory infringer and shall be jointly and severally liable with the infringer.

Id. § 76.6.

84. *Id.* § 216 (b).

“[w]ith knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another.”⁸⁵

As opposed to direct infringement, these acts constitute indirect infringement, which consists of “vicarious infringement” and “contributory infringement.” Paragraph (b) appears to be the Philippine version of “vicarious infringement” and Paragraph (c) appears to be the Philippine version of “contributory infringement.”

While the Senate or House deliberations on the matter do not discuss what exactly Paragraphs (b) and (c) of Section 216 mean,⁸⁶ nevertheless an attempt will be made to discern the meaning and import of these amendments through the use of U.S. jurisprudence on the matter, which the Philippine Supreme Court has on occasion leaned on for support in the field of IP and owing to the fact that these forms of infringement have evolved primarily from U.S. jurisprudence.

a. Vicarious Infringement

The U.S. Supreme Court once declared that “vicarious infringement’s roots lie in the agency principles of *respondeat superior*.”⁸⁷ It is established by a showing of “the right and ability to supervise the infringing activity and [also has] a direct financial interest in such activities.”⁸⁸ This vicarious liability can be enforced even in the absence of an employer-employee relationship,⁸⁹ if one has the right and ability to supervise the infringing activity⁹⁰ and the direct financial interest.⁹¹ This also requires that there be an actual direct infringement committed. In a case, the U.S. Supreme Court held that

85. *Id.* § 216 (c).

86. The Senate Committee Report No. 38 by the Committee on Trade and Commerce in conjunction with the Committees on Constitutional Amendments, Revision of Codes and Laws; Justice and the Human Rights; Finance; and Science and Technology contains no mention of deliberations of the Bill. Committees on Trade and Commerce, Constitutional Amendments, Revision of Codes and Laws, Justice and Human Rights, Finance, and Science and Technology, S. Rep. No. 38, 15th Cong., 1st Reg. Sess. (2011).

87. *Perfect 10, Inc. v. Visa International Service Association*, 494 F.3d 788, 802 (9th Cir. 2007) (U.S.).

88. *Id.*

89. *Gershwin Publishing Corporation v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971) (U.S.).

90. *Id.*

91. *Id.*

“[s]econdary liability for copyright infringement does not exist in the absence of direct infringement by a third party.”⁹²

In an early case, it was ruled that a defendant department store was liable for the sale of pirated records manufactured and sold by its retailing concessionaire because under the terms of a concession contract between the parties, the department store had the “ultimate right of supervision” over the conduct of the concessionaire *and* the amount of rent it received was a percentage of the concessionaire’s gross sales.⁹³ To rely solely on an “ultimate right of supervision” seems troublesome and will be discussed later on. The first question would then be, “What is the right and ability to supervise?” There are two prevailing views on the matter, one is that actual control is required and another, where only legal control is needed.⁹⁴ Between the two, actual control is the narrower view.⁹⁵

i. Right and Ability to Supervise

a. Actual Control

According to one author, “[a]ctual control requires more than the potential right to cease all activities undifferentiated from the infringement, the right to terminate other activities, or the effective ability to terminate only after infringement is evident.”⁹⁶ The Actual Control Test will not penalize a defendant who “could not take meaningful steps to prevent infringement.”⁹⁷

For example, a real estate broker who was the link between an infringing developer and an infringing purchaser was held not to be vicariously liable despite knowledge of their intent to infringe upon a design.⁹⁸ Here, while the “broker was perhaps in a better position than the copyright holder to deter infringement ... a position of potential prevention was insufficient without evidence of control over the infringers.”⁹⁹ Indeed, a

92. *A & M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1013 (9th Cir. 2001) (U.S.).

93. *Gershwin*, 443 F.2d at 1162 (citing *Shapiro, Bernstein & Co. v. H.L. Green Company*, 316 F.2d 304, 304 (2d Cir. 1963) (U.S.)).

94. Charles S. Wright, *Actual Versus Legal Control: Reading Vicarious Liability for Copyright Infringement into the Digital Millennium Copyright Act of 1998*, 75 WASH. L. REV. 1005, 1012 (2000).

95. *Id.* at 1013.

96. *Id.* (citing *Fonovisa Inc., v. Cherry Auction, Inc.*, 847 F.Supp. 1492, 1497 (E. D. Cal. 1994) (U.S.), *rev'd*, *Fonovisa Inc., v. Cherry Auction, Inc.*, 76 F.3d 259, 264 (9th Cir. 1996) (U.S.)).

97. Wright, *supra* note 94, at 1013.

98. *Id.* at 1013-14.

99. *Id.* at 1014 (citing *Shapiro*, 316 F.2d at 292).

go-between could hardly be expected to control the actions of the contracting parties.

Further, vicarious liability attaches when there is evidence to show “some continuing connection ... in regard to the infringing activity.”¹⁰⁰ This is because “to attach liability to every parent corporation for the infringing acts of its subsidiaries, solely because of the parent-subsidary relationship”¹⁰¹ would greatly expand the reach of the statute.¹⁰² Every parent corporation would benefit from a subsidiary, and indeed would have the opportunity to “guide the affairs” of the subsidiary.¹⁰³ This, however, does not necessarily make the parent automatically vicariously liable. In *Peter Pan Fabrics, Inc. v. Acadia Company, Inc.*,¹⁰⁴ the court examined evidence of connections between the two companies to determine whether they were closely intertwined.¹⁰⁵ It did not solely rely on the fact of the parent company owning 70% of the stock of the subsidiary. This is the “continuing connection in regard to the infringing activity” requirement. There must be a showing of involvement in the infringement beyond mere majority ownership by the parent company. That is, the parent corporation must be “actually involved with the decisions, processes, or personnel directly responsible for the infringing activity.”¹⁰⁶

The *Banff* court identified a standard found in *Sigma Photo News, Inc. v. High Society Magazine, Inc.*,¹⁰⁷ which states that “[a]ll persons and corporations who participate in, exercise control over, or benefit from the infringement are jointly and severally liable as copyright infringers.”¹⁰⁸ Thus, to be held liable, *actual* exercise of control would be required, not mere *potential* exercise of control. That is, if the board of directors of a parent company actually directed a subsidiary to perform an infringing act, this would constitute vicarious infringement.

100. Wright, *supra* note 94, at 1014 (citing *Banff Ltd., v. Limited, Inc.*, 869 F.Supp. 1103, 1110 (S.D.N.Y. 1994) (U.S.)).

101. *Banff*, 869 F.Supp. at 1107.

102. *Id.*

103. *Id.*

104. *Peter Pan Fabrics, Inc. v. Acadia Company, Inc.*, 173 F.Supp. 292 (S.D.N.Y. 1959) (U.S.) *aff'd*, *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 274 F.2d 487 (2d Cir. 1960) (U.S.).

105. *Banff*, 869 F.Supp. at 1108.

106. *Id.* at 1109.

107. *Sigma Photo News, Inc. v. High Society Magazine, Inc. et al.*, 778 F.2d 89 (2d Cir. 1985) (U.S.).

108. *Id.* at 92.

To rely solely on an “ultimate right of supervision” would open the door to holding liable persons who are far, far removed from the actual infringement so long as they *could have had* some say. While this could be a potential “stick” to discourage infringement, it might result in a limitation of activity on free competition for fear of being held liable by the far ranging effects of holding an “ultimate right of supervision.”

b. Legal Control

In the Legal Control Test, “[a]ny evidence of legal control, via contract, agency, or even control unrelated to the infringement, opens the door to a finding of vicarious liability.”¹⁰⁹ As opposed to the Actual Control Test, the Legal Control Test holds liable any person “in a position to police infringement.”¹¹⁰ This is the “ultimate right of supervision,” which may reach however far up the line from an infringement, provided the ultimate right of supervision lies with them.

There is potential for buck-passing and for holding liable persons uninvolved in the actual decision-making process leading to the infringement. While this may ultimately further the goals of copyright law,¹¹¹ it may serve as a deterrent not only to infringement but also to other desirable commercial activity for the sole reason of fear of being held liable for vicarious infringement. A balance must be struck between serving the interests of copyright holders and the interests of the ultimate beneficiary — society. It seems then that the more acceptable test would be the Actual Control Test.

ii. Direct Financial Interest

The next question would then be, “What is direct financial interest?” This has been answered in a somewhat circular manner as “an obvious and direct financial interest,” which was deemed to be satisfied by 10–12% share of the sales.¹¹²

The current trend is to impose vicarious liability even in the face of a “lesser showing of financial benefit.”¹¹³ More importantly, the requirement

109. Wright, *supra* note 94, at 1016 (citing Timothy L. Skelton, *Internet Copyright Infringement and Service Providers: The Case for a Negotiated Rulemaking Alternative*, 35 SAN DIEGO L. REV. 219, 262–63 (1998)).

110. Wright, *supra* note 94, at 1016.

111. *Id.* (citing *Gershwin*, 443 F.2d at 1162 & *Polygram International Publishing, Inc. v. Nevada/TIG, Inc.*, 855 F.Supp. 1314, 1320 (D. Mass. 1994) (U.S.)).

112. *Shapiro*, 316 F.2d at 308.

113. Kathryn Dailey Holt, *Grokster and Beyond: Secondary Liability for Copyright Infringement During Live Musical Performances*, 19 J. INTEL. PROP. L. 173, 182

that the benefit be direct, appears to be on the way out, with the U.S. House of Representatives Judiciary Committee finding that the benefit could also be indirect.¹¹⁴ An example of indirect financial benefit is when the sale of infringing works attracts customers to events or locations as in *Fonovisa Inc. v. Cherry Auction, Inc.*¹¹⁵ Indirect benefits may consist of “admission fees, concession stand sales[,] and parking fees.”¹¹⁶

iii. Summary

Thus,

[w]hen the right and ability to supervise coalesce with an obvious and direct financial interest in the exploitation of copyrighted materials — even in the absence of actual knowledge that the copyright monopoly is being impaired — the purposes of copyright may be best effectuated by the imposition of liability upon the beneficiary of that exploitation.¹¹⁷

Again, the two elements of vicarious infringement in the U.S. are the right and ability to supervise and a direct or indirect financial interest.

In the U.S., intent is not an element of vicarious infringement. The Eastern District of Tennessee rejected a contention by a defendant that it could not be held liable for infringement because there was no intention that any infringement occur.¹¹⁸ It pronounced that a “lack of intention does not affect the fact of liability. The result, and not the intention, determines the question of infringement.”¹¹⁹ So too it would appear in this amendment.

It must also be noted that the Philippines has a vicarious infringement statute for internet service providers via the E-Commerce Act. It is worded similarly to the Digital Millennium Copyright Act’s Safe Harbor Provision.¹²⁰

The E-Commerce Act states that a service provider is generally not liable civilly or criminally through an electronic data message or electronic document when acting as a service provider, provided it meets three conditions.¹²¹ First, the service provider must not have

(2011) (citing 6 WILLIAM F. PATRY, PATRY ON COPYRIGHT § 21:68 (2010), available at Westlaw PATRYCOPY). [hereinafter PATRY].

114. Holt, *supra* note 113, at 182.

115. *Id.* (citing *Fonovisa*, 76 F.3d at 259).

116. Holt, *supra* note 113, at 182 (citing *Fonovisa*, 76 F.3d at 263).

117. *Shapiro*, 316 F.2d at 307.

118. See *M. Witmark & Sons v. Calloway*, 22 F.2d 412, 414 (1927) (U.S.).

119. *Id.*

120. 17 U.S.C.A. § 512 (West, Westlaw through P.L. 112-207).

121. Electronic Commerce Act of 2000, § 30.

actual knowledge, or is not aware of the facts or circumstances from which it is apparent, that the making, publication, dissemination, or distribution of [an electronic data message or electronic document] is unlawful or infringes any rights subsisting in or in relation to [the electronic data message or electronic document.]¹²²

Second, “the service provider does not knowingly receive a financial benefit directly attributable to the unlawful or infringing activity.”¹²³ Finally, “that the service provider does not directly commit any infringement or other unlawful act and does not induce or cause another person or party to commit any infringement or other unlawful act and/or does not benefit financially from the infringing activity or unlawful act of another person or party.”¹²⁴ This Provision would make an Internet service provider liable for infringement if it does not meet any of the three conditions.

It remains to be seen how similarly or differently from U.S. jurisprudence vicarious infringement will be applied by the Philippine courts. It may be gleaned from breaking down the provision that virtually the same elements are present. First, there must be benefit derived from another’s infringing activity, without distinguishing between direct or indirect benefit. Second, that the “person benefitting” (the vicarious infringer) has notice *and* the right and ability to control the activities of the other person. The effect of the requirement of “notice,” in addition to “the right and ability to control the activities of the other person,” is not clear yet. Would this notice amount to constructive or actual knowledge? Which Control Test would the Court apply?

If it were constructive notice of the infringement — that is, if that the person or entity should have known that infringement had taken place — it would seem that the Legal Control Test would be applied. It would be consistent, considering that under the Legal Control Test, a person or entity best in position to police the infringement may be held liable. Thus, a person or entity who should have known about the infringement and is in the best position to police the infringement could be held liable for vicarious infringement.

If actual notice would be used — that is, that a person or entity has actual knowledge that an infringement has taken place — it seems more apt that the Actual Control Test be used. This would be consistent with the idea that the person or entity have “some continuing connection in regard to the infringing activity,” and not just have the “ultimate right of supervision.” This would mean being involved in the “decisions, processes, or personnel directly involved in the infringement.”

122. *Id.* § 30 (b) (i).

123. *Id.* § 30 (b) (ii).

124. *Id.* § 30 (b) (iii).

b. Contributory Infringement

The court in *Fonovisa* had occasion to say that “[c]ontributory infringement originates in [U.S.] tort law and stems from the notion that one who directly contributes to another’s infringement should be held accountable.”¹²⁵ Stated otherwise, “the common law doctrine that one who knowingly participates in or furthers a tortious act is jointly and severally liable with the prime tortfeasor, is applicable [in] copyright law.”¹²⁶ Therefore, “one who, with knowledge of the infringing activity, induces, causes[,] or materially contributes to the infringing conduct of another, may be held liable as a ‘contributory’ infringer.”¹²⁷ In addition, contributory infringement may be applied when vicarious infringement does not lie, such as when a “defendant lacks either the ability to supervise the infringing conduct or a direct financial interest in the infringing activity.”¹²⁸ As with vicarious infringement, “[t]here can be no contributory infringement by a defendant without direct infringement by another.”¹²⁹

It has been opined by the Philippine Group of the *Association Internationale pour la Protection de la Propriete Intellectuelle*, a non-governmental organization which aims to promote the protection of IP around the world, that the phrase “aiding or abetting” punishes contributory infringement.¹³⁰ However, it was also mentioned that it is not clear whether “supplying the means” to commit an infringement will be punishable without the commission of direct infringement.¹³¹ It was further opined that “[b]eing general in nature, Section 217 of the [IPC] may be construed to include inducement or the provision of other assistance than the offering or supply of means for committing a direct infringement.”¹³²

This is no longer the case. The amendments punish a person who “[w]ith knowledge of the infringing activity, induces, causes, or materially

125. *Fonovisa*, 76 F.3d at 264.

126. *Id.*

127. *Gershwin*, 443 F.2d at 1162.

128. Carte P. Goodwin, *Live in Concert and Beyond: A New Standard of Contributory Infringement*, 13 EMORY INT’L L. REV. 345, 376 (1999).

129. *Religious Technology Center v. Netcom On Line Communication Services, Inc.*, 907 F.Supp. 1361, 1371 (N.D. Cal. 1995) (U.S.).

130. See Philippine Group of the Association Internationale pour la Protection de la Propriete Intellectuelle (AIPPI), Report Q204 (An Unpublished Report on the Liability for Contributory Infringement of IPRs) 1, available at <https://www.aippi.org/download/committees/204/GR204philippines.pdf> (last accessed Feb. 28, 2013).

131. *Id.* at 2.

132. *Id.*

contributes to the infringing conduct of another.”¹³³ One cannot “materially contribute” to an infringement if no direct infringement is committed. Thus, merely supplying the means, without a direct infringement, will not result in liability for contributory infringement.

While previously the IPC did not provide any definition of how contributory infringement may take place,¹³⁴ Paragraph (c) now defines contributory infringement. In the U.S., there is contributory infringement when a defendant has knowledge of the infringing activity of another and the defendant “induces, causes, or materially contributes to the infringing conduct.”¹³⁵ This is the exact phraseology of Paragraph (c).

The elements of contributory infringement in the U.S. are that the defendant must have knowledge of the direct infringement and must have materially contributed to the infringement.

i. Knowledge of the Direct Infringement

What constitutes knowledge of the infringement? The knowledge may be actual or constructive.¹³⁶ It has even been described as “that the secondary infringer ‘[knew] or [had] reason to know’ of direct infringement.”¹³⁷

a. Actual Knowledge

It has been opined that “[a]ctual knowledge is found when a defendant’s conduct or statements demonstrate knowledge of specific instances of direct infringement.”¹³⁸ In *A & M Records, Inc. v. Napster, Inc.*, Napster facilitated the transmission or sharing of files between its users, which has come to be known as peer-to-peer file sharing.¹³⁹ This service was available through the Internet and free of charge. Napster’s users were alleged to have been “engaged in the wholesale reproduction and distribution of copyrighted

133. INTELLECTUAL PROPERTY CODE, § 216 (c) .

134. Philippine Group AIPPI, *supra* note 128, at 1.

135. Intellectual Reserve Inc. v. Utah Lighthouse Ministry, Inc., 75 F.Supp.2d 1290, 1293 (1999) (U.S.).

136. Holt, *supra* note 113, at 184 (citing PATRY, *supra* note 118, at § 21:47).

137. *A & M Records*, 239 F.3d at 1020 (citing Cable/Home Communication Corp. v. Network Productions, Inc., 902 F.2d 829, 845-46 (11th Cir. 1990) (U.S.) & *Religious Technology Center*, 907 F.Supp at 1373-74).

138. Allison L. Pavero, *Louis Vuitton Malletier v. Akanoc Solutions Incorporated: Why ISPs Should Be Held Liable for Knowingly Hosting Websites that Sell Counterfeit Products*, 8 RUTGERS J. L. & PUB. POL’Y 821, 827 (2011) (citing *A & M Records*, 239 F.3d at 1020).

139. *A & M Records*, 239 F.3d at 1011-12.

works, all constituting direct infringement.”¹⁴⁰ It was established that and “pretty much acknowledged ... by Napster that [there was] infringement.”¹⁴¹ As a result, an attempt was made to hold Napster liable for contributory infringement. Napster was adjudged to have had both actual and constructive knowledge of the direct infringement — actual knowledge, because Napster’s co-founder had written a document acknowledging that its users were exchanging pirated music, thus emphasizing that it was important that Napster remain ignorant of their real names.¹⁴² Further, the Recording Industry Association of America had already informed Napster of more than 12,000 infringing files, some of which remained available even after Napster was became aware of their existence.¹⁴³

b. Constructive Knowledge

Based on *A & M Records*, it has been said that “[c]onstructive knowledge is found if evidence demonstrates a defendant should have known about the direct infringement.”¹⁴⁴ In *Sony Corporation of America, et al. v. Universal City Studios, Inc.*,¹⁴⁵ Universal sued Sony for copyright infringement on the basis of Sony’s home video tape recorder being used by customers to record protected works of Universal Studios. In that case, the U.S. Supreme Court stated that for contributory copyright infringement to be found Sony must have sold the home video tape recorder with “constructive knowledge [of the fact] that their customers [may] use [that] equipment to make unauthorized copies of copyrighted material.”¹⁴⁶ Sony was eventually not held liable because the recorder had “substantial noninfringing uses.”¹⁴⁷

This has since evolved. It has been extended to “liability for willful blindness,”¹⁴⁸ another form of constructive knowledge. Willful blindness is when an entity attempts to insulate itself from liability by preventing itself from gaining knowledge of any infringing activity. Moreover, even an entity that would “otherwise be a contributory infringer does not obtain immunity

140. *Id.* at 1013.

141. *Id.* at 1014.

142. *Id.* at 1020.

143. *Id.*

144. Pavero, *supra* note 138, at 827 (citing *A & M Records*, 239 F.3d at 1020).

145. *Sony Corporation of America, et al. v. Universal City Studios, Inc.*, 104 S. Ct. 774 (1984) (U.S.).

146. *Id.* at 777.

147. *Id.*

148. Holt, *supra* note 113, at 184.

by using encryption to shield itself from actual knowledge of the unlawful purposes for which the service is being used.”¹⁴⁹

ii. What is Material Contribution

The next question is “What is a material contribution?” This deals with the “role played by a defendant in the infringing activity.”¹⁵⁰ The involvement of the contributory infringer must not be merely a “quantitative contribution to the primary infringement [but] participation in the infringement must be substantial.”¹⁵¹

A U.S. court stated that when an advertising agency which bought “non-infringing advertisements for the sale of infringing records,”¹⁵² a radio station that broadcast the advertisements, and the packaging agent which shipped the infringing records, could be held liable as contributory infringers if they could be shown to have “knowledge, or reason to know, of the infringing nature of the records.”¹⁵³ Therefore, the act of broadcasting an advertisement is a material contribution and so too is the act of shipping infringing records, if coupled with knowledge or reason to know of the infringing nature.

In the said case, Columbia Artists Management Inc., (CAMI) was being sued for copyright infringement by American Society of Composers, Authors, and Publishers (ASCAP). The issue arose when artists managed by CAMI performed a song, publicly and for profit, at a concert sponsored by the Port Washington Community Concert Association, without the permission of Gershwin Publishing, the owner of the song’s rights.¹⁵⁴ CAMI knew that the artists included copyrighted composition as part of the concert and it created the audience for the artists.¹⁵⁵ CAMI’s compensation consisted of “reimbursement of its expenses plus a percentage for profit,” which is a “differential” of as much as 25% of its gross fee for services rendered and a management fee of 15% of whatever fee the artist charged, after deducting the differential.¹⁵⁶ This was enough for the court to declare that CAMI’s participation was “pervasive” and it “amply supported” a finding that it

149. In Re: Aimster Copyright Litigation, 334 F.3d 643, 650-51 (7th Cir. 2003) (U.S.).

150. Holt, *supra* note 113, at 185 (citing PATRY, *supra* note 113, at § 21:48).

151. Holt, *supra* note 113, at 185.

152. *Gershwin*, 443 F.2d at 1162.

153. *Id.*

154. *Id.* at 1160.

155. *Id.* at 1163.

156. *Id.* at 1161.

“caused this copyright infringement.”¹⁵⁷ It was evident that “CAMI was in a position to police the infringing conduct of its artists, and that it derived substantial financial benefit from the actions of the primary infringers.”¹⁵⁸ It blatantly ignored the fact that no license was secured for the performance and is “therefore, responsible, and vicariously liable as [a] result of, the infringement by those primary infringers.”¹⁵⁹ Creating an audience for the infringing artists was considered a material contribution to the infringement.

A material contribution can be achieved either through “inducement”¹⁶⁰ or through “providing the means of the infringement.”¹⁶¹ In the Philippine context, it would appear to be much the same.

a. Inducement

Inducement is also known as active causation;¹⁶² and as the name suggests, merely being passive or “mere knowledge, even knowledge based on willful blindness, is not sufficient to show contributory infringement.”¹⁶³ Inducement requires “active rather than passive involvement.”¹⁶⁴ This can be in the form of “personal conduct that constitutes part of or furthers the actual infringing acts of another.”¹⁶⁵ The U.S. Supreme Court has held that there is inducement where a defendant “infringes contributorily by intentionally inducing or encouraging direct infringement [.]”¹⁶⁶

b. Enabling

An entity that “contributes machinery or goods which provide the actual infringer with the means to infringe”¹⁶⁷ may be held liable as a contributory infringer. This has come to be known as the “site and facilities standard.”¹⁶⁸

157. *Id.* at 1163.

158. *Gershwin*, 443 F.2d at 1163.

159. *Id.*

160. Holt, *supra* note 113, at 186.

161. *Id.*

162. *Id.*

163. *Id.*

164. *Id.*

165. Goodwin, *supra* note 128, at 375 (citing 3 MELVILLE B. NIMMER, ET AL., NIMMER ON COPYRIGHT § 12.04 [A] [2], at 12-72 (1998)).

166. *Metro Goldwyn Mayer Studios, Inc. v. Grokster, Ltd., et al.*, 125 S.Ct. 2764, 2767 (2005) (U.S.).

167. Goodwin, *supra* note 128, at 375 (citing NIMMER, ET AL., *supra* note 165, 12.04 [A] [2], at 12-72).

168. Holt, *supra* note 113, at 186 (citing PATRY, *supra* note 113, at § 21:48).

One example would be *Columbia Pictures Industries, Inc. v. Aveco, Inc.*¹⁶⁹ Here, Columbia distributed copies of their motion pictures on video tapes. Aveco owned an establishment which rented out these video tapes for viewing in a room within its premises or in the home of a customer. It was sued for infringement for violating the exclusive right of Columbia to authorize public performances of the motion pictures. By providing “facilities for the purpose of viewing such tapes and [making] available its rooms and equipment to customers who bring cassettes with them[.]”¹⁷⁰ Aveco was found to be liable for contributory copyright infringement.

Similarly, a mall renting space to vendors of knock-off goods or pirated DVDs, for example, can be considered as providing the site and facilities or providing the means to infringe, provided of course that the contributory infringer be shown to have knowledge of the direct infringement.

An interesting question is whether websites such as *sulit.com.ph*, *ebay.ph*, and *multiply.com*, which provide the “site and facilities” for unscrupulous persons to sell counterfeit goods, may be liable for contributory infringement. The answer, it seems, would be that such a provider would not necessarily be a contributory infringer. These sites would have to be shown to have knowledge of the infringement, whether constructive or actual as discussed above. These websites may also be found liable under the E-Commerce Act, should they fall outside of the protection of the Safe Harbor Clause.

Under Section 5, Paragraph (j) of the Electronic Commerce Act of 2000, a “Service Provider” is a provider of:

- (i) On-line services or network access, or the operator of facilities therefor, including entities offering the transmission, routing, or providing of connections for online communications, digital or otherwise, between or among points specified by a user, of electronic documents of the user’s choosing; or
- (ii) The necessary technical means by which electronic documents of an originator may be stored and made accessible to a designated or undesignated third party.¹⁷¹

Read in connection with Section 30, Paragraph (b), a Service Provider, such as the websites mentioned above, will generally not be subject to civil and criminal liability arising out of the publication, dissemination, or

169. *Columbia Pictures Industries, Inc. v. Aveco, Inc.*, 800 F.2d 59 (3d Cir. 1986) (U.S.).

170. *Id.* at 62.

171. Electronic Commerce Act of 2000, § 5 (j).

distribution (among other things) of infringing material, subject to three conditions.¹⁷²

First, the service provider must not have actual knowledge, or is not aware of the facts or circumstances from which it is apparent, that the making, publication, dissemination, or distribution of such material is infringing.¹⁷³ Second, the service provider must not knowingly receive a financial benefit directly attributable to the infringing activity.¹⁷⁴ Lastly, the service provider must not directly commit any infringement or induce or cause another person or party to commit any infringement and/or does not benefit financially from the infringing activity.¹⁷⁵ As discussed earlier, failing one of these conditions would render the service provider liable under the E-Commerce Act.

B. Communication to the Public

“Communication to the Public” as found in the IPC has been redefined, with both bills making additions to the definition. Section 171.3 of the IPC states that this means

any communication to the public, including broadcasting, rebroadcasting, retransmitting by cable, broadcasting[,] and retransmitting by satellite, and the making of a work available to the public by wire or wireless means in such a way that members of the public may access these works from a place and time individually chosen by them.¹⁷⁶

The amendments not only account for current technology, such as the “streaming” of copyrighted works through the Internet, but may also cover future technology with the addition of the phrase “any communication to the public.” The use of the word “including” ensures that “broadcasting, rebroadcasting, retransmitting by cable, broadcasting and retransmitting by satellite” are not the only means which will be considered as communication to the public. This is similar to how the IPC defines what original works are, which can be the subject of copyright protection.

The use of the words “and includes” confirms that when a work is made available to the public, whether it be through wire or wireless means, or any of the other means available, it would constitute communication to the public.

As a final point on this amendment, the addition of the phrase “rebroadcasting, retransmitting by cable, broadcasting and retransmitting by

172. *Id.* § 30 (b).

173. *Id.* § 30 (b) (i).

174. *Id.* § 30 (b) (ii).

175. *Id.* § 30 (b) (iii).

176. INTELLECTUAL PROPERTY CODE, § 171.3.

satellite” to “communication to the public” appears to reverse the ruling in *ABS-CBN Broadcasting Corporation v. Philippine Multi-Media System, Inc.*¹⁷⁷ There, the Court stated that retransmission did not constitute rebroadcasting in violation of IPRs protected under the IPC.

In this case, ABS-CBN is a corporation licensed under the laws of the Philippines to engage in television and radio broadcasting. Philippine Multi-Media System, Inc. (PMSI) is the operator of the Dream Broadcasting System which delivers digital direct-to-home television via satellite to its subscribers in the Philippines. PMSI has a legislative franchise and has authority from the National Telecommunications Commission (NTC) to “install, operate and maintain a nationwide [direct-to-home] satellite service.”¹⁷⁸ As part of this service, it includes in its line-up of channels ABS-CBN Channels 2 and 23, NBN Channel 4, ABC Channel 5, GMA Channel 7, RPN Channel 9, and IBC Channel 13,¹⁷⁹ in addition to other channels.

ABS-CBN filed a complaint with the Intellectual Property Office (IPO) alleging that PMSI had committed unauthorized rebroadcasting of Channels 2 and 23, thus infringing on its broadcasting rights and copyright.¹⁸⁰ PMSI, on the other hand, claims that its “rebroadcasting” of Channels 2 and 23¹⁸¹ is mandated by NTC Memorandum Circular No. 04-08-88¹⁸² through the “must-carry” rule. The “must-carry” rule provides that “[a] cable TV system operating in a community which is within the Grade A or Grade B contours of an authorized TV broadcast station or stations must carry the TV signals of these stations.”¹⁸³

During this time, Dream Broadcasting System stopped carrying IBC-13 “to the detriment of the public.”¹⁸⁴ In a letter addressed to PMSI, the NTC stated that the Memorandum Circular, and indeed the must-carry rule, “was issued to give consumers and the public a wider access to more sources of news, information, entertainment[,] and other programs/content[.]”¹⁸⁵

The Court ruled that PMSI had not violated ABS-CBN’s broadcaster’s rights nor was it guilty of infringement: “PMSI merely carries [ABS-CBN’s]

177. *ABS-CBN Broadcasting Corporation v. Philippine Multi-Media System, Inc.*, 576 SCRA 262 (2009).

178. *Id.* at 268.

179. *Id.*

180. *Id.* at 269.

181. *Id.*

182. National Telecommunications Commission, Memorandum Circular No. 4-08-88 [MC-04-08-88], § 6.2.1, (Apr. 4, 1988).

183. *Id.*

184. *ABS-CBN Broadcasting Corporation*, 576 SCRA at 270.

185. *Id.* at 270-71.

signals which the viewers receive in its unaltered form. PMSI does not produce, select, or determine the programs to be shown in Channels 2 and 23. Likewise it does not pass itself off as the origin or author of such programs.”¹⁸⁶ PMSI was merely retransmitting pursuant to Memorandum Circular 04-08-88.

With the proposed amendment to the law, it seems that retransmission will now constitute rebroadcasting and therefore prohibiting Direct to Home TV and cable TV companies from carrying the signals of TV stations such as Channels 2 and 23. After the amendments, retransmission would constitute an infringement. This is a matter which must be clarified expeditiously. It has been noted that Direct to Home TV and cable TV “can carry broadcast signals to the remote areas, thus enriching the lives of the residents thereof through the dissemination of social, economic, educational information[,] and cultural programs.”¹⁸⁷ Direct to Home TV also “covers very much wider areas in terms of carriage of broadcast signals, including areas not reachable by cable television services, thereby providing a better medium of dissemination of information to the public.”¹⁸⁸

In all likelihood, due to these changes, Direct to Home TV and cable companies will stop carrying the signals of Broadcast TV stations for fear of being charged with infringement. This would be to the detriment of the Filipino people because “more sources of news, information, education, sports event[s,] and entertainment programs other than those provided for by mass media and afforded television programs [will help the Filipino people] to attain a well[-]informed, well-versed[,] and culturally refined citizenry and enhance their socio-economic growth.”¹⁸⁹

The Court added that

[i]ndeed, [IP] protection is ... a means towards the end of making society benefit from the creation of its men and women of talent and genius. This is the essence of [IP] laws, and ... explains why the author or the creator enjoys no more rights than are consistent with public welfare.¹⁹⁰

Such a situation where this amendment restricts the ability of entities to “carry broadcast signals to the remote areas and to [possibly] enrich the lives of the residents thereof through the dissemination of social, economic, educational information and cultural programs[,]”¹⁹¹ would be detrimental to the good of the general public. The Court stopped short of chastising ABS-

186. *Id.* at 277.

187. *Id.* at 269.

188. *Id.* at 269-70.

189. *Id.* at 263.

190. *ABS-CBN Broadcasting Corporation*, 576 SCRA at 281.

191. *Id.* at 287.

CBN, but stated that “as a national broadcasting organization, one of ABS-CBN’s responsibilities is to scatter its signals to the widest area of coverage as possible. That it should limit its signal for the sole purpose of gaining profit for its regional stations undermines public interest and deprives viewers of access to information.”¹⁹²

There is a fine balance to be struck between protecting the interests of copyright holders and the public interest in access to information in light of the amendment. It is with this in mind that the Authors believe that this change to the IPC does not serve the greater interests of the Filipino people.

C. Reproduction

“Reproduction,” as found in Section 171.9 of the IPC, means “the making of one (1) or more copies, temporary or permanent, in whole or in part, of a work or a sound recording in any manner or form without prejudice to the provisions of Section 185 of this Act.”¹⁹³ Section 185 is the provision on Fair Use of a Copyrighted Work.

The changes to the Code specifically make mention of copies which are just temporary and copies which may be full or partial. This would seem to open a lot of doors in terms of infringement. For example, if a person were to make a recording of a song through his or her mobile phone during a concert for use as his or her ring tone, would this count as reproduction, and therefore infringement, on the exclusive right of the copyright holder to carry out or authorize or prevent the reproduction of the work? Would it not also be a violation of a performer’s rights under Section 203?¹⁹⁴ A copy

192. *Id.* at 285.

193. INTELLECTUAL PROPERTY CODE, § 171.9.

194. A performer has the following rights under Section 203 of the IPC:

- (1) As regards their performances, the right of authorizing:
 - (a) The broadcasting and other communication to the public of their performance; and
 - (b) The fixation of their unfixed performance.
- (2) The right of authorizing the direct or indirect reproduction of their performances fixed in sound recordings, in any manner or form;
- (3) Subject to the provisions of Section 206, the right of authorizing the first public distribution of the original and copies of their performance fixed in the sound recording through sale or rental or other forms of transfer of ownership;
- (4) The right of authorizing the commercial rental to the public of the original and copies of their performances fixed in sound recordings, even after distribution of them by, or pursuant to the authorization by the performer; and

was made, the copy could be either permanent or temporary, and it could be the whole song or just a part. While Section 177 states that reproduction of the work should be a substantial portion of the work,¹⁹⁵ the amendment may be interpreted to affect the substantiality requirement in this Section. Now only a part needs to be copied in order for reproduction to exist. However, the amendment should be interpreted in such a manner that the substantiality requirement still remains. That is, that although only a portion of a song is copied, that portion copied should be a substantial portion of a song, as opposed to the copying of a few generic notes or commonplace lyrics. However, it should also be noted that this amendment does not prevent raising of a Fair Use defense.

D. Fair Use Modification

The Fair Use Provision in the IPC is Section 185.I. It provides:

The fair use of a copyrighted work for criticism, comment, news reporting, teaching including [a] limited number of copies for classroom use, scholarship, research, and similar purposes is not an infringement of copyright. Decompilation, which is understood here to be the reproduction of the code and translation of the forms of the computer program to achieve the inter-operability of an independently created computer program with other programs may also constitute fair use. In determining whether the use made of a work in any particular case is fair use, the factors to be considered shall include:

- (a) The purpose and character of the use, including whether such use is of a commercial nature or for non-profit educational purposes;
- (b) The nature of the copyrighted work;
- (c) The amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (d) The effect of use upon the potential market for or value of the copyrighted work.¹⁹⁶

The changes consisted of modifying the allowable number of copies for classroom use from “multiple” (prior to the amendment) to a “limited number” of copies¹⁹⁷ and the requirement that decompilation, to be fair use,

-
- (5) The right of authorizing the making available to the public of their performances fixed in sound recordings, by wire or wireless means, in such a way that members of the public may access them from a place and time individually chosen by them.

Id. § 203.

195. *Id.* § 177.I.

196. *Id.* § 185.I.

197. *Id.*

be analyzed under the four fair use factors found in Section 185.1.¹⁹⁸ Further, the amendments also add to the “Limitations on Copyright” found in Section 184. The amendment states that when the reproduction or distribution of published articles or materials, is reproduced or distributed in a specialized format for the exclusive use of the blind, visually and reading-impaired persons, it will not constitute copyright infringement.¹⁹⁹ The copies and distribution should also be made on a non-profit basis and indicate the identity of the copyright owner and the date of the original production.²⁰⁰

There is currently no Philippine jurisprudence applying the fair use doctrine, thus, it is again apt to examine U.S. jurisprudence on the matter.

1. Limited Number of Copies

“Limited number of copies” is in relation to copies of works for “classroom use, scholarship, research, and similar purposes[.]”²⁰¹ What constitutes limited number of copies, or indeed “multiple” copies from the previous definition in the IPC, has never been tackled nor elaborated upon in any case, law, or implementing rules and regulations. The case of *The Williams & Wilkins Co. v. U.S.*²⁰² held that large-scale photocopying of entire journal articles for use of government researchers and private commercial organizations was fair use because of a lack of showing that the copyright owners sustained substantial harm from the copying.²⁰³ The decision was easier because of “the plaintiff’s failure to make a detailed study of the actual effect of photocopying on its business, and by its failure to refute [the] defendant’s figures.”²⁰⁴ A more difficult scenario is envisioned when both parties introduce their own experts and both sides are able to demonstrate harm in the event of an adverse ruling.²⁰⁵

This has since been decided differently in *Basic Books, Inc. v. Kinko’s Graphics Corporation*²⁰⁶ and in *Princeton University Press v. Michigan Document*

198. See INTELLECTUAL PROPERTY CODE, § 185.1.

199. INTELLECTUAL PROPERTY CODE, § 184 (l).

200. *Id.*

201. INTELLECTUAL PROPERTY CODE, § 185.1.

202. *The Williams & Wilkins Company v. U.S.*, 487 F.2d 1345 (1973) (U.S.).

203. *Id.* at 1358.

204. Marc R. K. Bungeroth, *Copyright — Photocopying as Fair Use — Williams & Wilkins Co. v. United States*, 16 B.C. L. REV. 141, 149 (1974).

205. *Id.*

206. *Basic Books Inc. v. Kinko’s Graphics Corporation*, 758 F.Supp. 1522 (S.D.N.Y. 1991) (U.S.).

*Services, Inc.*²⁰⁷ *Basic Books* and *Princeton* both deal with coursepacks. Coursepacks are akin to a law professor giving a syllabus containing a set of readings consisting of cases, journal articles, and book chapters to a photocopying center which would then compile all of these materials for sale to students.

In *Princeton*, Michigan Document Services (MDS) was a commercial copyshop which reproduced substantial segments of copyrighted works of scholarship into coursepacks and sold these to students for use in fulfilling reading assignments by professors at the University of Michigan.²⁰⁸ MDS is not the only copyshop in the Ann Arbor area, where the University is located, that engages in the practice.²⁰⁹ What set MDS apart however, is the refusal of MDS to obtain permission from the copyright owners of the articles.²¹⁰ Smith, the owner of MDS, “has been something of a crusader against the system under which his competitors have been paying agreed royalties or ‘permission fees’ as they are known in the trade.”²¹¹ After *Basic Books* was decided, holding that it was a violation to make and sell coursepacks without permission from the copyright holders, Smith consulted a lawyer.²¹² He was told that while it was risky not to obtain permission, the *Basic Books* decision had flaws.²¹³ He conducted his own study of the fair use doctrine and concluded that *Basic Books* was wrong.²¹⁴ He refused to ask permission and this refusal to ask permission enabled him to create coursepacks with the promise that there would be no delays in the production of coursepacks owing to asking permission from publishers.²¹⁵ It must be emphasized that what was contested was the “duplication of copyrighted materials for sale by a for-profit corporation that has *decided to maximize its profits — and give itself a competitive edge over other copyshops — by declining to pay the royalties requested by the holders of the copyrights.*”²¹⁶

207. *Princeton University Press v. Michigan Document Services, Inc.*, 99 F.3d 1381, 1381 (6th Cir. 1996) (U.S.).

208. *Id.* at 1383.

209. *Id.*

210. *Id.* at 1384.

211. *Id.*

212. *Id.*

213. *Princeton*, 99 F.3d at 1384.

214. *Id.*

215. *See Princeton*, 99 F.3d at 1384.

216. *Princeton*, 99 F.3d at 1386 (emphasis supplied).

Unsurprisingly, Smith was sued for copyright infringement by several publishers.²¹⁷ Smith attempted to raise fair use as a defense, but this was ultimately rejected²¹⁸ through an analysis using the four factors of fair use.

The case, however, does not answer whether the production of coursepacks is allowable if conducted by a school or a non-profit copyshop. The U.S. court mentions a set of guidelines that it used to help interpret fair use in light of educational copying. This set of guidelines set a 1000-word safe harbor threshold. MDS had been creating copies of works that were at least 8000 words long, far exceeding the threshold of “The Classroom Guidelines.”²¹⁹

Interestingly, the Classroom Guidelines “purport to state the minimum and not the maximum standards of educational fair use,”²²⁰ a general idea of the type of educational copying the U.S. Congress contemplated.²²¹

The Classroom Guidelines were discussions leading up to the enactment of the 1976 Copyright Act and were published as part of the U.S. House of Representatives Report.²²² The purpose is “to help educators interpret fair use provisions relating to classroom copying for educational use.”²²³ It must be noted that the guidelines “are not part of the copyright legislation nor are they legally binding.”²²⁴ These, however, do not cover academic coursepacks.²²⁵

In the Classroom Guidelines, multiple copies for classroom use is defined as not to exceed more than one copy per pupil in a course.²²⁶ The copying will not be infringement provided the copying meets the tests of Brevity,²²⁷

217. *Id.* at 1384.

218. *See Princeton*, 99 F.3d at 1385.

219. *Princeton*, 99 F.3d at 1389.

220. *Id.* at 1390.

221. *Id.*

222. Copyright Clearance Center, Using Content: Photocopies, available at http://www.copyright.com/Services/copyrightoncampus/content/index_class.html (last accessed Feb. 28, 2013).

223. *Id.*

224. *Id.*

225. *Id.*

226. *Id.*

227. The Brevity Test is as follows:

- (1) Poetry: (a) A complete poem if less than 250 words and if printed on not more than two pages[;] or (b) an excerpt of not more than 250 words from a longer poem.

Spontaneity,²²⁸ and the Cumulative Effects Test²²⁹ and provided that each copy includes a notice of copyright.²³⁰

Princeton also stated that there should be “no more than nine instances of multiple copying [to] take place during a term, and only a limited number of

- (2) Prose: (a) Either a complete article, story[,] or essay of less than 2,500 words[;] or (b) an excerpt from any prose work provided the excerpt is not more than 1,000 words or 10% of the work, whichever is less, and a minimum of 500 words. (*Each of the numerical limits stated in ‘i’ and ‘ii’ above may be expanded to permit the completion of an unfinished line of a poem or an unfinished prose paragraph.*)
- (3) Illustration: One chart, graph, diagram, drawing, cartoon[,] or picture per book or per periodical issue.
- (4) ‘Special’ works: Certain works in poetry, prose[,] or ‘poetic prose’ which often combine language with illustrations and are intended for children and/or a more general audience fall short of 2,500 words in length. Such ‘special works’ may not be reproduced in their entirety. However, an excerpt comprising not more than two of the published pages and not more than 10% of the words found in the text may be reproduced.

Id.

228. The Spontaneity Test is:

- (1) The copying is at the instance and inspiration of the individual teacher[;] and
- (2) The inspiration and decision to use the work and the moment of its use for maximum teaching effectiveness are so close in time that it would be unreasonable to expect a timely reply to a request for permission.

Copyright Clearance Center, *supra* note 225.

229. The Cumulative Effects Test is:

- (1) The copying of the material is for only one course in the school in which the copies are made.
- (2) Not more than one short poem, article, story, essay[,] or two excerpts may be copied from the same author, nor more than three from the same collective work or periodical volume during one class term.
- (3) There shall not be more than nine instances of such multiple copying for one course during one class term. (*The limitations stated in ‘i’ and ‘iii’ above shall not apply to current news periodicals, newspapers[,] and current news sections of other periodicals.*)

Id.

230. *Id.*

copies are made from the works of any one author or from any one collective work.”²³¹

In the U.S., multiple copies means “not to exceed one copy per pupil.” This emphasizes the purpose of the fair use exception, where the law leans in favor of enriching education and the limitation of the rights granted under copyright law in order to advance the public interest.

It is submitted that the shift from “multiple copies” to “limited number of copies” in the Philippine context is a limitation of the fair use exception, weighing against the rights of students to copy for educational purposes. The amendment favors the rights of textbook authors and expands their rights.

This change will limit access to educational materials that are expensive, in addition to the fact that many students already face several financial barriers when it comes to education. The Court, in *ABS-CBN*, had already recognized that in the balancing of interests, the public’s right of access of information through television is more important than ABS-CBN’s perceived loss of profits. Surely, education, including basic education, is more important than TV viewers’ right to information in the said case. In weighing the competing interests of authors and their right to protect their IP *vis-à-vis* the right of students to copy for educational purposes, the balance of interests should favor the students. While it is not hard to imagine why the legislature has pushed for these amendments, there may be unintended and adverse effects upon education, scholarship, and research. This in turn might hinder the social function that the IPC was meant to promote as part of the State’s policy.²³²

2. Decompilation

In order to understand the concept, decompilation as a process will first be explained. Decompilation is a form of reverse engineering.²³³ Reverse engineering “is the process of taking a product or device apart and reducing it to its constituent parts or concepts to see how it works.”²³⁴ It is legal, so long as patent and copyright rights are not violated.²³⁵ A computer program

231. *Princeton*, 99 F.3d at 1390.

232. The Code, in its Declaration of Policy, states that “the use of intellectual property bears a social function. To this end, the State shall promote the diffusion of knowledge and information for the promotion of national development and progress and the common good.” INTELLECTUAL PROPERTY CODE, § 2.

233. STEPHEN FISHMAN, *LEGAL GUIDE TO WEB & SOFTWARE DEVELOPMENT* 118 (5th ed. 2007).

234. *Id.*

235. *Id.*

or software is reverse engineered through reading source code,²³⁶ because source code is human-readable while object code is machine-readable. Software is normally distributed through object code to prevent copying.²³⁷

By translating object code into human readable language, competitors of a software company can reverse engineer the object code.²³⁸ This is what is known as decompilation or disassembly.²³⁹ The information obtained from this process can be used in a variety of ways such as to create a competitive program or to create a program that is complimentary to the original program.²⁴⁰

Under Philippine law, decompilation is the “reproduction of the code and translation of the forms of the computer program to achieve the interoperability of an independently created computer program with other programs[.]”²⁴¹ Under the IPC, this may constitute fair use under the criteria established by Section 185.²⁴²

An illustrative case of what fair use decompilation is can be seen in *Sega Enterprises Ltd. v. Accolade Inc.*²⁴³ Sega is a Japanese corporation that develops and markets video entertainment systems, including the “Genesis” console and video game cartridges.²⁴⁴ Sega licenses its copyrighted computer code to a number of independent developers of computer game software. These licensees develop and sell Genesis-compatible video games in competition with Sega. On the other hand, Accolade is an independent developer, manufacturer, and marketer of video games, including Genesis-compatible video games.²⁴⁵ Accolade attempted to enter into a license agreement with Sega but abandoned the effort when the agreement required that Sega be the exclusive manufacturer of all the games produced by Accolade.²⁴⁶

Sega, concerned about software and hardware piracy, began exploring methods of protecting its rights.²⁴⁷ It developed a Trademark Security

236. *Id.*

237. *Id.*

238. *Id.*

239. FISHMAN, *supra* note 236, at 118.

240. *Id.*

241. INTELLECTUAL PROPERTY CODE, § 185.1.

242. *Id.*

243. *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F.2d 1510 (9th Cir. 1993) (U.S.).

244. *Id.* at 1514.

245. *Id.*

246. *Id.*

247. *Id.* at 1515.

System (TMSS) for use with the Genesis.²⁴⁸ Accolade, prior to the development of the TMSS, had reverse engineered Sega's video game programs to discover requirements for compatibility with the Genesis. It transformed machine-readable object codes found in Sega's games into human-readable source codes through decompilation.²⁴⁹ The end result was a "development manual" detailing the Genesis compatibility requirements. Accolade created its own games for the Genesis.

When Sega released the Sega Genesis III with the TMSS, a game would not run if the TMSS initialization code was not present.²⁵⁰ Accolade became aware of this fact and worked to reverse engineer the games again in order to discover the new compatibility requirements.²⁵¹ When Accolade discovered the TMSS initialization code, it added the initialization code to its development manual to be included in every Genesis compatible game it produced.²⁵²

Sega sued for copyright infringement on the basis of the TMSS initialization code. In context, the code was 20 to 25 bytes of data in an Accolade game whose size was 500,000 to 1,500,000 bytes.²⁵³ Accolade raised as a defense that the disassembly of the object code in order to gain an understanding of the ideas and functional concepts embodied in the code was fair use under the Copyright Act.²⁵⁴ The Court agreed, stating that the "disassembly of copyrighted object code, is as a matter of law, a fair use of the copyrighted work if such disassembly provides the only means of access to those elements of the code that are not protected by copyright and the copier has legitimate reason for seeking such access."²⁵⁵ The only way to get to the unprotected functional elements in the software was decompilation, thus meeting one of the requirements. Further, Accolade had a legitimate purpose, which was to understand how to make Genesis-compatible games.²⁵⁶

While Philippine law does not require that the unprotected elements can only be reached through decompilation and that the decompilation have a legitimate purpose, this case law can still be instructive, as the fair use factors were analyzed.

248. *Id.*

249. *Sega*, 977 F.2d at 1514.

250. *Id.* at 1515.

251. *Id.* at 1516.

252. *Id.*

253. *Id.*

254. *Id.* at 1517.

255. *Sega*, 977 F.2d at 1518.

256. *Id.* at 1526.

E. Remedies for Infringement

It is a fact that so much content, such as music, is available on the Internet. Indeed, “[i]t is the special feature of the Internet and digital technologies that copies can be easily produced and distributed to millions of recipients at very low costs.”²⁵⁷ While the Internet can serve as a “[n]ew fast and efficient channel[] for the distribution of music, [] videos, pictures and books,”²⁵⁸ many are downloading content without paying for it. Hence, the birth of Digital Rights Management (DRM).²⁵⁹ While DRM has been criticized by fair use advocates because rights holders use DRM to restrict actions that were previously exercised as fair use exceptions, it is clear that DRM is on its way to the Philippines and will be here to stay.

DRM is considered as a “potential solution to the problem [of piracy].”²⁶⁰ Generally, piracy can occur in two ways: 1) unauthorized acquisition and 2) unauthorized use.²⁶¹ The first deals with obtaining copyrighted content illegally, such as by downloading a song or movie through BitTorrent or buying pirated DVDs off of the street.²⁶² The second is when “a consumer obtains a piece of copyrighted content legitimately and then attempts to use it in an unauthorized way.”²⁶³ DRM is a way of enforcing licenses between the content provider (licensor) and consumer (licensee). DRM checks if an “action conforms to the terms of the license, and either allows or blocks that action from occurring.”²⁶⁴

Legislation concerning DRM was brought about by the need to implement two treaties, the WIPO Copyright Treaty and the WIPO Performance and Phonograms Treaty.²⁶⁵ Article 11 of the WIPO Copyright Treaty states that:

257. Eberhard Becker, et al., *DRM as an Interlocking Challenge for Different Scientific Disciplines: Introduction*, in DIGITAL RIGHTS MANAGEMENT: TECHNOLOGICAL, ECONOMIC, LEGAL AND POLITICAL ASPECTS 1 (Eberhard Becker, et al., eds., 2003).

258. *Id.*

259. *Id.*

260. Stuart Haber, et al., *If Piracy is the Problem, is DRM the Answer?*, in DIGITAL RIGHTS MANAGEMENT: TECHNOLOGICAL, ECONOMIC, LEGAL AND POLITICAL ASPECTS 224 (Eberhard Becker, et al., eds., 2003).

261. *Id.* at 225.

262. *Id.*

263. *Id.*

264. *Id.*

265. See Mathias Lejeune, *Digital Rights Management: Legal and Political Aspects*, in DIGITAL RIGHTS MANAGEMENT: TECHNOLOGICAL, ECONOMIC, LEGAL AND POLITICAL ASPECTS 368 (Eberhard Becker, et al., eds., 2003).

Contracting Parties shall provide adequate legal protection and effective legal remedies against the circumvention of effective technological measures[,] that are used by authors in connection with the exercise of their rights under this Treaty or the Berne Convention and that restrict acts, in respect of their works, which are not authorized by the authors concerned or permitted by law.²⁶⁶

Article 12 of same Treaty states that:

Contracting Parties shall provide adequate and effective legal remedies against any person knowingly performing any of the following acts knowing, or with respect to civil remedies having reasonable grounds to know, that it will induce, enable, facilitate[,] or conceal an infringement of any right covered by this Treaty or the Berne Convention: (i) to remove or alter any electronic rights management information without authority; (ii) to distribute, import for distribution, broadcast[,] or communicate to the public, without authority, works or copies of works knowing that electronic rights management information has been removed or altered without authority[.]²⁶⁷

Rights Management Information (RMI)

means information which identifies the work, the author of the work, the owner of any right in the work, or information about the terms and conditions of use of the work, and any numbers or codes that represent such information, when any of these items of information is attached to a copy of a work or appears in connection with the communication of a work to the public.²⁶⁸

Article 18 of the WIPO Performance and Phonograms Treaty is a virtual restatement of Article 11 of the Copyright Treaty, replacing “authors” with “performers or producers of phonograms.”²⁶⁹ Article 19 of the same Treaty is also a virtual restatement of Article 12 of the Copyright Treaty, substituting “works” with “performances or phonograms.”²⁷⁰ Under the WIPO Performance and Phonograms Treaty, RMI is also virtually the same, substituting “author” with “performer or producer of the phonogram,” and “works” with “performance or phonograms.”²⁷¹

1. Technological Measure

Under the amendments, a technological measure is “any technology, device[,] or component that, in the normal course of its operation, restricts

266. WIPO Copyright Treaty, *supra* note 44, art. 11.

267. *Id.* art. 12.

268. *Id.*

269. WPPT, *supra* note 45, art. 1.

270. *Id.* art. 12.

271. *Id.* art. 19.

acts in respect of a work, performance or sound recording, which are not authorized by the authors, performers[,] or producers of sound recordings concerned or permitted by law.”²⁷² This is a new definition to be placed in the IPC and is going to be put in order to comply with the Philippines’ international obligations.

There are generally two kinds of technological measures: those controlling access to the works and those controlling use of the works.²⁷³ This categorization can prove problematic when these two types are combined or merged in a single piece of technology.²⁷⁴ The first is “compared to locking up the door of a room in which a work (a book) is located.”²⁷⁵ It is implemented in a variety of ways, such as the unscrambling of a cable TV signal (like Skycable’s DigiBox) or by providing the user with a key code in order to access additional content.²⁷⁶ The second is an “anti-copying” measure as well as preventing other infringing acts.²⁷⁷ Other infringing actions that can be prevented are the right of public performance and the right of distribution, in case of a CD that does not copy to a listener’s hard drive through the intervention of a technological measure.²⁷⁸

A more concrete example of a technological measure that controls use is a measure found in a certain version of Microsoft Office that, when online, would check whether other computers on the same network were using the same license code and prevent Office programs from opening if the number of users with the same license exceeded the number of users allowed under the license. This is an example of restriction of use of software which is intended to be used only for one computer or a limited number of computers, being used on multiple computers or on a number of computers in excess of the number allowed in the license. Of course there are different ways to get around this, one of them was simply disconnecting your computer from the Internet or using a program to block the Office program from connecting to the network to check for the same license keys. These

272. INTELLECTUAL PROPERTY CODE, § 171.12.

273. Jacques de Werra, *The Legal System of Technological Protection Measures under the WIPO Treaties, the Digital Millennium Copyright Act, the European Union Directives, and other National Laws (Japan, Australia)* (An Unpublished Paper Presented to the Association Littraire et Artistique Internationale Congress) 4, *available at* www.alai-usa.org/2001_conference/Reports/dewerra.doc (last accessed Feb. 28, 2013).

274. *Id.*

275. *Id.*

276. *Id.* at 5.

277. *Id.*

278. *Id.* at 6.

acts could be violations of the IPC as a “Circumvention of Technological Measures,” if coupled with an infringement, as will be discussed later on.

Another example is songs downloaded from Apple iTunes, which included FairPlay DRM with songs that customers purchase and download.²⁷⁹ It restricted use to a limited number of authorized computers.²⁸⁰ The iTunes Store has since stopped selling music with DRM.

The main goal of technological measures is to prevent or inhibit infringement of copyright law.²⁸¹

2. Electronic Rights Management Information

RMI is any

information which identifies the work, sound recording, or performance; the author of the work, producer of the sound recording or performer of the performance; the owner of any right in the work, sound recording or performance; or information about the terms and conditions of the use of the work, sound recording or performance; and any numbers or codes that represent such information, when any of these items is attached to a copy of the work, sound recording or performance.²⁸²

Simply put, “[RMI] of a work is ... data that provides identification of rights related to that work either directly or indirectly.”²⁸³

An example of analog or non-electronic RMI is portions of a book identifying the International Standard Book Number (ISBN) and copyright notices. Electronic Rights Management Information (ERMI) simply transports this into the digital world.

ERMI “has much in common with watermarking and steganography, both of which provide information over and above that contained in the primary work.”²⁸⁴ This information makes it possible to identify the work and track the use of the work.²⁸⁵

279. Mark Perry, *Rights Management Information*, in *IN THE PUBLIC INTEREST: THE FUTURE OF CANADIAN COPYRIGHT LAW* 253 (Michael Geist ed., 2005).

280. *Id.*

281. de Werra, *supra* note 273, at 8.

282. Perry, *supra* note 279, at 256.

283. *Id.* at 251.

284. *Id.* at 252.

285. See Marelize Conroy, *A Comparative Study of Technological Protection Measures in Copyright Law* (An Unpublished Paper Submitted in Accordance with the Requirements for the Degree of Doctor of Laws at the University of South Africa) 33, available at <http://uir.unisa.ac.za/bitstream/handle/10500/>

The FairPlay DRM, associated with songs downloaded from Apple iTunes, also included RMI. Through iTunes, a “user can see various copyright and other information, such as the name of the work, album, singer, ... that the song is a ‘protected AAC audio file,’ the size, bit and sample rates (of encoding), the account name[,] purchaser name of the file, and the encoding complexity.”²⁸⁶ While the iTunes Store has since stopped including DRM in music downloaded, it still includes a digital watermark, the ERMI.

3. Violations

Section 217 of the Code provides for the criminal penalties to be incurred by “any person infringing any right secured by provisions of Part IV of this Act or aiding or abetting such infringement.”²⁸⁷ The amendments to the Code have included as aggravating circumstances the following:

Provided, that the respective maximum penalty stated in Sec. 217.1 (a), (b), and (c) herein for the first, second, third, and subsequent offense, shall be imposed when the infringement is committed by:

- (a) The circumvention of effective technological measures;
- (b) The removal or alteration of any electronic rights management information from a copy of a work, sound recording, or fixation of a performance, by a person, knowingly and without authority; or
- (c) The distribution, importation for distribution, broadcast, or communication to the public of works or copies of works, by a person without authority, knowing that electronic rights management information has been removed or altered without authority.²⁸⁸

Under Section 217.1, the penalty to be imposed for copyright infringement depends upon the number of offenses committed by the infringer.²⁸⁹ Different ranges of penalties are provided for the first, second, third, and subsequent offenses.²⁹⁰

The amendment to Section 217.2 provides aggravating circumstances for the crime of copyright infringement, serving to raise the respective penalties to the maximum allowed under the law. An aggravating circumstance is a concept in criminal law that, if present in the commission of a crime, increases the applicable penalty without increasing the maximum penalty

2217/thesis.pdf;jsessionid=77F073A98E53FA87F7BoB4DE19A59C48?sequence=1 (last accessed Feb. 28, 2013).

286. Perry, *supra* note 279, at 253.

287. INTELLECTUAL PROPERTY CODE, § 217.

288. S.B. No. 2842, § 21 (emphasis supplied).

289. *See* INTELLECTUAL PROPERTY CODE, § 217.1.

290. *See* INTELLECTUAL PROPERTY CODE, § 217.1.

provided by law.²⁹¹ In the amendments, the presence of any of the three circumstances in the crime of infringement increases the penalty. Thus, it is evident that the commission of any of the acts enumerated above, without any copyright infringement, will not result in criminal penalties being imposed.

a. Circumvention of Technological Measure

As mentioned earlier, there are two kinds of technological measures — access control and use control measures. The distinction is unimportant in this jurisdiction because the proposed amendments do not distinguish between the two. In any event, circumvention of the first kind of technological measure, which controls access to a work, is akin to “breaking into a locked room in order to obtain a copy of a book.”²⁹² The circumvention of the second kind of technological measure would allow the commission of an activity that the rights holder has sought fit to prevent, such as allowing copying when specifically prohibited by the rights holder. This technology would either totally prevent the making of copies or deteriorate the quality of the recording by distorting or degrading the playback.²⁹³

Circumvention of either of these would qualify as an aggravating circumstance in determining criminal penalties for infringement under the amendments to the IPC,²⁹⁴ resulting in the imposition of the maximum penalty. Circumvention can loosely be termed as a “workaround” or a way of bypassing the technological measure. The use of CD-Key generators to allow a user to access a bootleg copy of a program such as Adobe Photoshop or Microsoft Office is potentially such an example of circumvention of a technological measure.

b. Removal or Alteration of ERMI

According to an author, “[w]hatever technologies are used to ‘fix’ RMI into a work, there are always those who are going to attempt to engage in the circumvention practices.”²⁹⁵ This would be akin to ripping out the page from a Rex Printing Company published “Commercial Laws of the Philippines Volume 1” that contains, among other things, the Copyright Notice, the signature of Atty. Ernesto C. Salao, the control number, the ISBN, and the bar code.

291. I LUIS B. REYES, REVISED PENAL CODE 327-28 (2008).

292. de Werra, *supra* note 273, at 4.

293. *Id.* at 7.

294. INTELLECTUAL PROPERTY CODE, § 217.2 (a).

295. Perry, *supra* note 279, at 254.

RMI “is a passive form of defen[s]e[,] and [a]lthough it cannot prevent unauthorized copying or distribution, it enables owners to monitor uses of their works.”²⁹⁶ In other words, it may allow a rights holder to track where or how an infringement took place and possibly who committed it. This function is probably the reason why the proposed amendments seek to prohibit the removal or alteration of this information.

Removal is simply taking out the ERMI from the digital product. How difficult this is depends upon the technology used to embed the ERMI. Alteration is the unauthorized addition to or modification of the ERMI, thus resulting in a situation where the person who made the alteration can trick users into believing that certain actions are permitted when they are not.

It could also be as simple as removing a photographer’s digital watermark from a photo he or she has taken. This can be as expedient as cropping a picture in such a way as to prevent the photo from being identified as having been taken by a particular photographer. In the past, photographers and bloggers have alleged copyright infringement against several broadsheets in the country for printing uncredited pictures taken from their blogs, Flickr, or Multiply accounts. Among the newspapers that have been accused of the practice are the Manila Bulletin, where only Anton Sheker actually brought a case in court with the Manila Bulletin filing a counterclaim against him,²⁹⁷ and the Philippine Star.²⁹⁸

Under this Provision, only a deliberate removal, without authority, is punishable. If it was an inadvertent removal or the removal was done with authority, it would not fall under this Provision.

c. Distribution, Importation for Distribution, Broadcast, or Communication to the Public

The proposed amendments also seek to prevent the distribution, importation for distribution, broadcast, or communication to the public of works or copies of works, by a person without authority, knowing that ERMI has been removed or altered without authority.

Thus, if a person knows that the ERMI has been removed or altered and despite this, he or she performs any of the punished actions, he or she would be subject to the maximum penalty for infringement.

296. Conroy, *supra* note 285, at 34.

297. See ePHOTOzine.com, Anton Sheker sues The Manila Bulletin for stealing Vigan blog photos, *available at* <http://www.ephotozine.com/article/anton-sheker-sues-the-manila-bulletin-for-stealing-vigan-blog-photos-9687> (last accessed Feb. 28, 2013).

298. Chris Linag, Philippine Star’s Copyright Infringement of the Ebe Dancel Photo I Took, *available at* <http://www.flickr.com/photos/leonbedista/5375665800/> (last accessed Feb. 28, 2013).

F. Extension of Protection to Existing Subject Matter

Section 24 of both the House and Senate Bills extend the protections specified in Part IV of the IPC to all “works, sound recordings and performances fixed in sound recordings and broadcasting already in existence upon the effectivity of the [IPC], and which are the subject of international conventions, treaties, or agreements to which the Philippines is party[.]”²⁹⁹ Of course, this would not apply to those works that have fallen into the public domain in the Philippines.

However, this Provision did not make it into the amendments to the Code. Whereas it was expected that all works presently existent would enjoy the new protections under the amendments, the exclusion of this Provision now casts doubt on that.

G. Author’s Right to Make Works Available to the Public

Under Section 208 of the IPC, producers of sound recordings enjoy several rights.³⁰⁰ A fourth right was introduced by the amendments. This is

[t]he right to authorize the making available to the public their sound recordings in such a way that members of the public may access the sound recording from a place and time individually chosen or selected by them, as well as other transmissions of a sound recording with like effect.³⁰¹

This is taken from Article 10 of the Performances and Phonograms Treaty which states that;

[p]erformers shall enjoy the exclusive right of authorizing the making available to the public of their performances fixed in phonograms, by wire

299. S.B. No. 2842, § 24 & H.B. No. 3841, § 24.

300. Section 208 of the Code provides:

Subject to the provisions of Section 212, producers of sound recordings shall enjoy the following exclusive rights:

208.1. The right to authorize the direct or indirect reproduction of their sound recordings, in any manner or form; the placing of these reproductions in the market and the right of rental or lending;

208.2. The right to authorize the first public distribution of the original and copies of their sound recordings through sale or rental or other forms of transferring ownership; and

208.3. The right to authorize the commercial rental to the public of the original and copies of their sound recordings, even after distribution by them by or pursuant to authorization by the producer.

INTELLECTUAL PROPERTY CODE, § 208.

301. *Id.* § 208.4.

or wireless means, in such a way that members of the public may access them from a place and at a time individually chosen by them.³⁰²

Earlier in this Article, “making available to the public,” under the proposed amendments, was established to include distribution over the Internet. The use of the same words indicates that this means the same thing, thus giving producers of sound recordings the exclusive right to distribute over the Internet and other future media. The phrase “transmission with like effect” accounts for the same. There are now many different distribution channels for sound recordings on the Internet with producers of sound recordings using websites such as myspace.com and more recently soundcloud.com to showcase their recordings. This Provision will undoubtedly see a lot of use in the years to come.

H. Other Provisions

I. Bureau of Copyright

The amendments have established a Bureau of Copyright and Other Related Rights under the IPO of the Philippines. This Bureau of Copyright shall have the following functions:

- (1) Exercise original jurisdiction to resolve disputes relating to the terms of a license involving the author’s right to public performance or other communication of his work;³⁰³
- (2) Accept, review, and decide on applications for the accreditation of collective management organizations or similar entities;³⁰⁴
- (3) Conduct studies and researches in the field of copyright and related rights;³⁰⁵ and
- (4) Provide other copyright and related rights service and charge reasonable fees therefor.³⁰⁶

An important addition of the amendments is the function of the Bureau to regulate Collective Management Organizations (CMOs). CMOs are “groups that enforce the copyright of the copyright holders.”³⁰⁷ The Filipino Society of Composers, Authors, and Publishers, Inc. (FILSCAP), Performers Rights Society of the Philippines (PRSP), Filipino Visual Arts and Design

302. WPPT, *supra* note 45, art. 10.

303. INTELLECTUAL PROPERTY CODE, § 9A.1.

304. *Id.* § 9A.2.

305. *Id.* § 9A.3.

306. *Id.* § 9A.4.

307. S. JOURNAL Sess. No. 40, at 762.

Rights Organization (FILVADRO), and Filipinas Copyright Licensing Society, Inc. (FILCOLS) are examples of CMOs. CMOs have been said to be “an important link between creators and users of copyrighted works (such as radio stations) because they ensure that, as owners of rights, creators receive payment for the use of their works.”³⁰⁸ CMOs have been extant in the Philippines at least since 1965, when FILSCAP was incorporated.³⁰⁹

These CMOs often charge membership fees³¹⁰ and charge “administrative fees” for collecting royalty fees, among other things, and as with all things related to money, it is not without controversy. In 2010, FILSCAP was accused by Heber Bartolome of “anomalies in [FILSCAP’s] financial dealings particularly, disbursements [amounting to] ₱8.5 million.”³¹¹ FILSCAP for its part states that Bartolome “double-assigned” his songs, opening FILSCAP up to lawsuits.³¹²

Given the current issues such as apparent conflicts of interest between CMOs, the creation of a body to monitor and to oversee these groups is a welcome change. The regulation of CMOs would potentially promote “good corporate governance among CMOs, benefitting not only the rights holders themselves but also the users of copyright works.”³¹³

2. Importation and Exportation of Infringing Materials

Section 190, as amended, now covers the importation and exportation of infringing materials. The Commissioner of Customs, with the approval of the Secretary of Finance, is empowered to make rules and regulations regarding the importation or exportation of articles which are prohibited from being imported or exported by the IPC, as well as by treaties and

308. World Intellectual Property Organization, Collective Management of Copyright and Related Right, *available at* http://www.wipo.int/about-ip/en/about_collective_mngt.html#P67_8306 (last accessed Feb. 28, 2013).

309. Ang Kwee-Tiang, *Collective Management in Asia*, in COLLECTIVE MANAGEMENT OF COPYRIGHT AND RELATED RIGHTS 425 (2010).

310. *Id.* at 427.

311. Pocholo Concepcion, *Heber is a liar, says Filscap head*, PHIL. DAILY, INQ., Feb. 25, 2010, *available at* <http://showbizandstyle.inquirer.net/entertainment/entertainment/view/20100225-255331/Heber-is-a-liar-says-Filscap-head> (last accessed Feb. 28, 2013).

312. Bong Godinez, *Songwriter Heber Bartolome says his ongoing feud with FILSCAP is to correct “maling sistema,”* *available at* <http://www.pep.ph/mobile/features/controversies/21471/songwriter-heber-bartolome-says-his-ongoing-feud-with-filscap-is-to-correct-maling-sistema/1> (last accessed Feb. 28, 2013).

313. S. JOURNAL Sess. No. 40, at 762.

conventions to which the Philippines is party to.³¹⁴ It also covers seizure and disposing of these articles in case they are discovered after importation or before exportation.³¹⁵

3. Term of Moral Rights

The rights of “attribution” and “integrity” are collectively known as “moral rights.”³¹⁶ Attribution “ensures that artists are correctly identified with the works of art that they create, and that they are not identified with works created by others.”³¹⁷ Integrity “allows artists to protect their works against modifications and destructions that are prejudicial to their honors or reputations.”³¹⁸

As guaranteed by the IPC, Moral rights consist of the following:

193.1. To require that the authorship of the works be attributed to him, in particular, the right that his name, as far as practicable, be indicated in a prominent way on the copies, and in connection with the public use of his work;

193.2. To make any alterations of his work prior to, or to withhold it from publication;

193.3. To object to any distortion, mutilation[,] or other modification of, or other derogatory action in relation to, his work which would be prejudicial to his honor or reputation; and

193.4. To restrain the use of his name with respect to any work not of his own creation or in a distorted version of his work.³¹⁹

Sections 193.1 and 193.4 are the Attribution rights and Sections 193.2 and 193.3 are the Integrity rights. Previously, all of these rights lasted for duration of the lifetime of the author and continued to subsist until 50 years after his death. In a significant change, the right of attribution of authorship, found in Section 193.1, is now to last in perpetuity.³²⁰ The remaining moral rights are co-terminus with the economic rights,³²¹ the respective terms of which are found in Section 213.³²²

314. INTELLECTUAL PROPERTY CODE, § 190.

315. *Id.*

316. *Lilley v. Stout*, 384 F.Supp.2d 83, 84 (2005) (U.S.).

317. *Id.* at 85.

318. *Id.*

319. INTELLECTUAL PROPERTY CODE, § 193.

320. *Id.* § 198.

321. *Id.*

322. Section 213 of the Code provides:

4. Visitorial Power of the Director General of the IPO

The amendments grant the Director General (DG) several new powers.³²³ These include the power to “[c]onduct visits during reasonable hours to establishments and businesses engaging in activities violating intellectual property rights and provisions of this Act based on report, information, or complaint received by the office[.]”³²⁴

As mentioned earlier, the Philippines remained on the Priority Watch List of the USTR mainly due to lack of enforcement of IPR in the Philippines. It remains to be seen how this amendment will enhance IP enforcement in the Philippines and what kind of organizational structure this amendment will take. This has also raised some concern that this empowers the DG to conduct warrantless inspections of establishments,³²⁵ which generally is unconstitutional.

213.1. Subject to the provisions of Subsections 213.2 to 213.5, the copyright in works under Sections 172 and 173 shall be protected during the life of the author and for 50 years after his death. This rule also applies to posthumous works.

213.2. In case of works of joint authorship, the economic rights shall be protected during the life of the last surviving author and for 50 years after his death.

213.3. In case of anonymous or pseudonymous works, the copyright shall be protected for 50 years from the date on which the work was first lawfully published: Provided, That where, before the expiration of the said period, the author's identity is revealed or is no longer in doubt, the provisions of Subsections 213.1 and 213.2 shall apply, as the case may be: Provided, further, That such works if not published before shall be protected for 50 years counted from the making of the work.

213.4. In case of works of applied art the protection shall be for a period of 25 years from the date of making.

213.5. In case of photographic works, the protection shall be for 50 years from publication of the work and, if unpublished, 50 years from the making.

213.6. In case of audio-visual works including those produced by process analogous to photography or any process for making audio-visual recordings, the term shall be 50 years from date of publication and, if unpublished, from the date of making.

Id. § 213.

323. See INTELLECTUAL PROPERTY CODE, § 7.

324. INTELLECTUAL PROPERTY CODE, § 7 (d).

325. TJ Dimacali, New IP law allows warrantless searches, ‘erases’ right to personal use, *available at* <http://www.gmanetwork.com/news/story/294998/scitech/>

V. ANALYSIS

A. Compliance with International Obligations

As stated earlier, one of the principal motivations for amending the IPC is to comply with the international obligations of the Philippines under the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty. Specifically, the provisions refer to Technological Measures and ERM, which are both used to safeguard copyright.

There are currently 90 contracting parties to the WIPO Copyright Treaty.³²⁶ The Philippines acceded to the WIPO Copyright Treaty on 4 July 2002 and the Treaty came into force in the Philippines on 4 October 2002, as provided by Article 20 of the Copyright Treaty.³²⁷

The WIPO Performances and Phonograms Treaty has 91 contracting parties, with the Philippines also acceding to it on 4 July 2002.³²⁸ The Treaty came into force on 4 October 2002, in accordance with Article 29 of the said Treaty.³²⁹

It is only now, when the amendments to the IPC on Technological Measures and RMI are to be incorporated into the Code that the Philippines can begin to comply with its obligations under Articles 11 and 12 of the Copyright Treaty and Articles 18 and 19 of the WIPO Performance and Phonograms Treaty.

As mentioned earlier, Article 18 of the WIPO Performances and Phonograms Treaty is a virtual restatement of Article 11 of the Copyright Treaty, only changing “authors” to “performers or producers of phonograms.” Article 19 of the Performances and Phonograms Treaty is a

technology/new-ip-law-allows-warrantless-searches-erases-right-to-personal-use (last accessed Feb. 28, 2013).

326. World Intellectual Property Organization, Contracting Parties to the WIPO Copyright Treaty, available at http://www.wipo.int/treaties/en/ShowResults.jsp?treaty_id=16 (last accessed Feb. 28, 2013).

327. Article 20 of the WIPO Copyright Treaty states that the “[t]reaty shall enter into force three months after 30 instruments of ratification or accession by States have been deposited with the Director General of the WIPO.” WIPO Copyright Treaty, *supra* note 44, art. 20.

328. World Intellectual Property Organization, Contracting Parties to the WIPO Performances and Phonograms Treaty, available at http://www.wipo.int/treaties/en/ShowResults.jsp?treaty_id=20 (last accessed Feb. 28, 2013).

329. The entry into force of the WPPT is “three months after 30 instruments of ratification or accession by States have been deposited with the Director General of the WIPO.” WPPT, *supra* note 45, art. 29.

restatement of Article 12 of the Copyright Treaty, referring to “performances or phonograms” instead of “works.”

With the Senate and House Bills providing for the definition of “technological measures” and punishment for the circumvention of technological measures, it seems that the Philippines is well on its way to meeting its obligations under Article 11 of the Copyright Treaty and Article 18 of the Performances and Phonograms Treaty.

The provisions of Article 12 of the Copyright Treaty and Article 19 of the Performances and Phonograms Treaty are also to be met by the Senate and House Bills, once signed into law, through the addition of the definition of RMI and the provision giving a legal remedy for the removal or alteration of RMI.

B. Potential Effect on Free Competition

The action of the Philippine Legislature to protect IPRs through these amendments is certainly commendable and will ultimately prove beneficial to rights holders. It is recognized that IPRs may stimulate economic growth and development.³³⁰ As such, there has been a consistent push by rights holders for better enforcement and protection of IPRs, especially in third world countries. More often than not, it is developed countries that push for the protection of IPRs since their citizens and industries have the most to gain from such protection.

Often lost in the shuffle is “evidence to date is fragmented and somewhat contradictory, in part because many of the concepts involved have not yet been measured.”³³¹ It has been opined that “[a] stronger system of protection could either enhance or limit economic growth.”³³² It could “limit economic growth”³³³ because in developing countries, the cost of enforcing this better protection could result in “net welfare losses”³³⁴ with the benefits of enforcing this protection not manifesting themselves in the

330. Archbishop Silvano M. Tomasi, Permanent Representative of the Holy See to the United Nations and Other International Organizations in Geneva, Statement at the 48th Series of Meetings of the World Intellectual Property Organization’s General Assemblies in Geneva, Switzerland (Sep. 21, 2010) (transcript available at <http://nunzio-un.blogspot.com/2010/10/statement-by-h.html> (last accessed Feb. 28, 2013)).

331. *Id.*

332. *Id.*

333. *Id.*

334. *Id.*

short term. Deriving benefits from IPRs depends on the ability of a country to “absorb and develop technologies and new products.”³³⁵

Further, there has been an alarming trend where enforcement of IPRs is doing the opposite of encouraging creativity, innovation, and development. Quite the contrary, potential IPR litigation is causing entities to be extremely cautious for fear that they might be sued for infringement. For example, in the field of patents,

some patents are so broad that they allow patent holders to claim sweeping ownership of seemingly unrelated products built by others. Often, companies are sued for violating patents they never knew existed or never dreamed might apply to their creations, at a cost shouldered by consumers in the form of higher prices and fewer choices.³³⁶

Patents are being deliberately used to “leverage against competitors”³³⁷ and as “destructive weapons.”³³⁸ Perhaps even worse, litigation can become almost all consuming, as it diminishes valuable time and energy, which otherwise could have been used to develop new products and to ensuring consumers receive quality products. It seems that companies are adopting a strategy whereby when creating a new product, a company would patent anything and everything, even if the product or component is never built. The net effect is a monopoly over a technology’s “potential” and preventing other companies from developing similar items. There are even some companies that exist for the sole purpose of suing over patent violations the so-called “patent trolls.”³³⁹

It is often claimed that patents, and indeed other IPRs, exist to protect the creator from loss and to compensate him or her for innovation, but with companies remaining very profitable despite alleged infringement. For example, Apple is said to collect more than one billion dollars in iPhone and iPhone-related sales.³⁴⁰

Big corporations which have engaged in wholesale registration of patents now appear to hold all of the cards; the most alarming legal consequence is

335. *Id.*

336. Charles Duhigg and Steve Lohr, *The Patent, Used as a Sword*, N.Y. TIMES, Oct. 7, 2012, available at <http://www.nytimes.com/2012/10/08/technology/patent-wars-among-tech-giants-can-stifle-competition.html?pagewanted=all> (last accessed Feb. 28, 2013) (emphasis supplied).

337. *Id.*

338. *Id.* In the Philippines, see *Pearl & Dean (Phil.), Inc. v. Shoemart, Incorporated*, 409 SCRA 231 (2003) & *Ching v. Salinas, Sr.*, 462 SCRA 241 (2005).

339. Duhigg & Lohr, *supra* note 336.

340. *Id.*

that “patent disputes are suffocating the culture of start-ups that has long fueled job growth and technological innovation.”³⁴¹

Ultimately, the most frightening thought is that there will no longer be any room for big ideas. Instead, the focus will be finding a way to prevent others from using their ideas as a form of “crab mentality.”

While the amendments to the IPC are concerned with Copyright, care must still be taken so that the enhancement of IPRs, such as Copyright, does not end up impairing the reason for their existence. Copyright, and indeed IPRs, are not primarily for the benefit of authors but for the benefit of society.

It is to be noted that,

[t]he protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations.³⁴²

While emphasis must be placed on protecting and enforcing intellectual property rights, this should not come at the expense of consumers to the sole benefit of creators. Indeed, mutual advantage can only be reached if a fine balance of rights and obligations is achieved. Care must be taken that these amendments lead to the attainment of that fine balance and not be the cause of its disruption.

C. Other Concerns Regarding the Proposed Amendments

Recently, the media has raised concerns regarding the amendments,³⁴³ which has sparked a debate about them,³⁴⁴ with “netizens”³⁴⁵ urging

341. *Id.*

342. TRIPS: Agreement on Trade-Related Aspects of Intellectual Property Rights, art. 7, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, THE LEGAL TEXTS: THE RESULTS OF THE URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS 323 (1999), 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994).

343. See Raissa Robles, Congress erased every Filipino’s right to bring home music, movies and books from abroad, *available at* <http://raissarobles.com/2013/02/14/congress-erased-every-filipinos-right-to-bring-home-music-movies-and-books-from-abroad/> (last accessed Feb. 28, 2013).

344. See Mary Ann LL. Reyes, *IP Code changes benefit Filipinos*, PHIL. STAR, Feb. 17, 2013, *available at* <http://www.philstar.com/business/2013/02/17/909654/ip-code-changes-benefit-filipinos> (last accessed Feb. 28, 2013) & Dimacali, *supra* note 330.

President Aquino to veto the amendments.³⁴⁶ At the very least, the media attention and clamor created online had the President reviewing the proposed amendments in order to determine whether or not to veto the law.³⁴⁷ Ultimately, the President has decided against any veto and signed the amendments into law.

Raissa Robles, an investigative journalist,³⁴⁸ claimed that the amendments will result in Filipinos being unable to bring back with them to the Philippines, books, Digital Versatile Discs (DVD), and Compact Discs (CD), for their personal use.³⁴⁹ It was also speculated that “jailbreaking”³⁵⁰ a device will subject a person to criminal liability, under the concept of DRM.³⁵¹ Further, it is stated that a mall or building owner who rents out space to someone who infringes copyright may open up the mall or building owner to liability for infringement.³⁵²

These concerns will be addressed in turn.

1. “Filipinos are no longer allowed to import books, DVDs, and CDs into the Philippines”

Robles made a claim with respect to how she believes the amendments will affect the common Filipino —

Every day, many Filipinos arrive in Manila, bringing back with them books as well as DVDs and CDs of music and movies they bought in other countries for their personal use.

They can do this without fear of being questioned because it’s a right specifically granted to ‘persons or families arriving from foreign countries under Section 190 of the [IPC] of the Philippines or Republic Act 8293.

345. ABS-CBN News, IP Code amendments opposed, <http://www.abs-cbnnews.com/video/anc/02/14/13/ip-code-amendments-opposed> (last accessed Feb. 28, 2013).

346. Jojo Malig, Aquino urged to veto IP Code amendments, *available at* <http://www.abs-cbnnews.com/nation/02/14/13/aquino-urged-veto-ip-code-amendments> (last accessed Feb. 28, 2013).

347. Willard Cheng, Palace to review IP Code amendments, *available at*, <http://www.abs-cbnnews.com/nation/02/15/13/palace-review-ip-code-amendments> (last accessed Feb. 28, 2013).

348. Raissa Robles, About me, *available at* <http://raissarobles.com/about-us/> (last accessed Feb. 28, 2013).

349. Robles, *supra* note 343.

350. *Id.*

351. Discussed in Part IV-E of this Article.

352. Robles, *supra* note 343. This was discussed Part IV-A of this Article.

What these Filipinos probably do not know is Congress has just passed a law erasing this right. The law — a consolidated measure amending RA 8293, was sent to Malacañang Palace on [29 January 2013] and just needs the signature of President Benigno Aquino III to become effective.

...

And so I asked Ricardo Blancaflor, the IPO Director General, why they felt the need to erase Section 190.1 — which specifically guaranteed the rights of ordinary Filipinos flying home from overseas to bring home copyright materials such as DVD movies, music CDs, and books.

And does this mean that Filipinos could now be open to extortion at the airports and harbors when they bring in such copyright materials?³⁵³

There is an apparent misunderstanding here that Section 190.1 and 190.2 of the previous IPC created a right to “bring home copyright materials such as DVD movies, music CDs, and books” and that the amendment introduced in the new [IP] law has “erased this right.”

The right to bring home *copyrighted* materials such as DVD movies, music CDs, and books has always been protected regardless of Section 190. Section 190 did not contemplate the *original* DVD movies, music CDs and books which were *legally* bought in another country. What it covers is the importation of *unauthorized copies* of the work. Section 190 prior to the amendment was as follows:

Section 190. Importation for Personal Purposes. — 190.1 Notwithstanding the provision of Subsection 177.6 but subject to the limitation under Subsection 185.2, *the importation of a copy of a work* by an individual for his personal purpose *will be permitted without the authorization of the author of, or owner of copyright in, the work* under the following circumstances:

- (a) When copies of the work are not available in the Philippines and:
 - (i) Not more than one (1) copy at one time is imported for strictly individual use only; or
 - (ii) The importation is by authority of and for the use of the Philippine Government; or
 - (iii) The importation, consisting of not more than three (3) such copies or likenesses in any one invoice is not for sale but for the use of any religious, charitable, or educational society or institution duly incorporated or registered, or is for the encouragement of the fine arts, or for any state school, college, university, or free public library in the Philippines.

353. Robles, *supra* note 343.

- (b) When such copies of the form parts of libraries and personal baggage belonging to persons or families arriving from foreign countries and are not intended for sale: Provided, That such copies do not exceed three (3).

190.2 Copies imported as allowed by this Section may not lawfully be used in any way to violate the rights of [the] owner of the copyright or annul or limit the protection secured by this Act, and under such unlawful use shall be deemed an infringement and shall be punishable as such without prejudice to the proprietor's right of action.

190.3 Subject to the approval of the Secretary of Finance, the Commissioner of Customs is hereby empowered to make rules and regulations for preventing the importation of articles the importation of which is prohibited under this Section and under treaties and conventions to which the Philippines may be a party and for seizing and condemning and disposing of the same in case they are discovered after they have been imported.³⁵⁴

Clearly, the Provision referred to the importation of *unauthorized copies* and not those legally acquired. There is nothing in the Code that prohibits the importation of non-infringing material.

Further, it must be noted that the bundle of economic rights enumerated under Section 177 does not include the right to import.³⁵⁵ Note further that while economic rights include the exclusive right to carry out, authorize, or prevent the first public distribution of the original and each copy of the work by sale or other forms of transfer of ownership, the right is not limited as national in scope.³⁵⁶ Hence, the doctrine of "first sale" or "exhaustion" that the Philippines adheres to is a regime of "international exhaustion," as opposed to "national exhaustion" adhered to in the U.S., or the regime of "community-wide exhaustion" in the European Union. Hence, parallel importation is not illegal in the Philippines.

In 1908, the U.S. Supreme Court decided the case of *Bobbs-Merrill v. Straus*³⁵⁷ which first enunciated the "first sale" doctrine. Here, Bobbs-Merrill Company (BMC) brought a suit against Isidor and Nathan Straus, who were

354. This is the text of Section 190 of the Code prior to its amendment by R.A. No. 10372 (emphasis supplied).

355. See INTELLECTUAL PROPERTY CODE, § 177.

356. INTELLECTUAL PROPERTY CODE § 177.3. Under Section 177.3, the copyright owner or holder has the exclusive right to carry out, authorize, or prevent "[t]he first public distribution of the original and each copy of the work by sale or other forms of transfer of ownership[.]" *Id.* Note that there is no qualification as to where the first public distribution is made. Therefore, it may be in a country other than the Philippines as there is no limitation provided under the Code.

357. *Bobbs-Merrill v. Straus*, 210 U.S. 339 (1908).

partners as R.H. Macy & Company (Macy) in order to prevent the sale of a copyrighted novel.³⁵⁸ Macy had purchased copies of the book at a wholesale price from wholesale dealers, thus they were able to purchase the items at a discount.³⁵⁹ Under the copyright notice of the book, BMC placed a notice to the effect that “[t]he price of this book at retail is one dollar net. No dealer is licensed to sell it at a less price, and *a sale at a less price will be treated as an infringement of the copyright.*”³⁶⁰ Macy sold copies of the book at 89 cents a copy and continued to do so without the consent of BMC.³⁶¹ Essentially what is at issue is whether copyright owner has the right to control the price or indeed to limit future sales of a work after the first sale of the work. It was ruled that the copyright statute could not be given such a construction.³⁶² The “right to vend” had been exhausted when BMC sold the books to the wholesale retailer.³⁶³ Thus, after the “first sale” the copyright owner exhausts his or her right of distribution. In another case, the U.S. Supreme Court held unanimously that “[t]he whole point of the first sale doctrine is that once the copyright owner places a copyrighted item in the stream of commerce by selling it, he has exhausted his exclusive statutory right to control its distribution.”³⁶⁴

Thus, on the basis of the first sale doctrine (and the regime of international exhaustion) of the IPC, a *Balikbayan* or an Overseas Filipino Worker (OFW) can buy 10 original books or CDs in another country and bring the same home without liability, because as far as the Philippines is concerned, the rights holder, regardless of where the first sale was made has exhausted his rights under the Code. On the basis of Section 190.1 and 190.2, the same *Balikbayan* or OFW can make two unauthorized copies of a book or CD and bring the same to the Philippines without any liability. But with the proposed deletion of Section 190.1 and 190.2, the effect is that the importation of any unauthorized or infringing copy of a work is no longer allowed.

2. “Jailbreaking a device is a form of copyright infringement which incurs criminal liability.”

It was opined by Robles that,

358. *Id.* at 341.

359. *Id.* at 341-42.

360. *Id.* at 341 (emphasis supplied).

361. *Id.* at 342.

362. *Id.* at 350.

363. *Bobbs-Merrill*, 210 U.S. at 351.

364. *Quality King Distributors, Inc. v. L’anza Research International, Inc.*, 523 U.S. 135, 152 (1998).

[u]nder this new law, once you modify a device (for instance ‘jailbreaking’ an Apple product such as an iPhone or iPad) in order to remove restrictions on what and how apps and content can be stored or used — you can be held liable for ‘copyright infringement.’ The amended version for the first time in our criminal law the concept of [DRM] — which also covers how we use digital devices on the internet and which behaviors are considered criminal.³⁶⁵

This observation is not entirely accurate. To explain this, the concept of “jailbreaking” shall be explained first:

Jailbreaking a smart phone, such as the iPhone, allows individuals to run unapproved applications. To jailbreak, the user replaces the firmware (the operating system software controlling basic phone functions) with a modified version. The modified version of the code removes any requirement that third-party applications have completed the approval process.³⁶⁶

As for the iPhone Software, it “has protection under copyright law and the DMCA. However ... iPhone jailbreaking centers not on the copyrighted work but on the restrictions placed on a hardware device through a copyrighted software operating system.”³⁶⁷ The end-user license agreement with Apple, which the user must agree to by clicking on “Agree” during the setup of the phone to be able to use the phone, carries with it a condition that a “user ‘may not copy, decompile, reverse engineer, disassemble, attempt to derive the source code of, modify, or create derivative works of the iPhone software,’ and that ‘Apple retains ownership of the iPhone software itself.’”³⁶⁸ Further, “[u]nlike most cases involving the DMCA, where unauthorized access is being used to copy unauthorized copyrighted content, the act of jailbreaking an iPhone does not circumvent access to the copyrighted content offered on Apple’s iTunes or App Store.”³⁶⁹

The process has been described as “akin to customizing a fancy car — it simply allows owners to personalize the look of their devices, turning their phones into a brag-worthy accessory and status symbol.”³⁷⁰ However, there

365. Robles, *supra* note 343.

366. Haochen Sun, *Fair Use as a Collective User Right*, 90 N.C. L. REV. 125, 179 (2011).

367. Michael K. Cheng, *iPhone Jailbreaking under the DMCA: Towards a Functionalist approach in Anti-Circumvention*, 25 BERKELEY TECH. L.J. 215, 218 (2010).

368. *Id.* at 219 (citing Apple, Inc., iPhone End-User License Agreement §§ 1 & 3 (c), available at http://store.apple.com/Catalog/US/Images/iphone_tcs.pdf (last accessed Feb. 28, 2013)).

369. Cheng, *supra* note 367, at 226.

370. Sun, *supra* note 366, at 179 (citing Jenna Wortham, *The Great Break-In: A Software Battle over Little Apps Entangles iPhone*, N.Y. TIMES, May 12, 2009, at B1).

are “[t]hird party applications designed to work with jailbroken iPhones [that] have broken Apple’s Fairplay copy protections and pirated versions of App Store games and applications are widely available on the Internet.”³⁷¹

In the U.S., the “jailbreaking” of smart phones is legally permissible:³⁷² “The Librarian of Congress, upon the recommendation of the Register of Copyrights, has determined that the prohibition against circumvention of technological measures that effectively control access to copyrighted works shall not apply to persons who engage in non-infringing uses of certain classes of works.”³⁷³ The exemption was extended to mobile phones but not to tablets.³⁷⁴ “Jailbreaking” was found to be fair use.³⁷⁵ Under the “purpose and character of the use” factor it was found that the use is “noncommercial and personal so that individual owners of smartphones may use them for the purpose for which they were intended.”³⁷⁶ As such, this factor favored “jailbreaking.” Under the “nature of the copyrighted work” factor the “nature of the copyrighted work — firmware — remains the same as it was in 2010, and it remains true that one engaged in “jailbreaking” need only

371. Cheng, *supra* note 367, at 226–27 (citing Charlie Sorrel, Crackulous Strips Copy Protection from iPhone Apps, *available at* <http://www.wired.com/gadgetlab/2009/02/crackulous-stri/> (last accessed Feb. 28, 2013) & Daniel Eran Dilger, How FairPlay Works: Apple’s iTunes DRM Dillema, *available at* <http://www.roughlydrafted.com/RD/RDM.Tech.Q1.07/2A351C60-A4E5-4764-A083-FF8610E66A46.html> (last accessed Feb. 28, 2013)).

372. Under the Code of Federal Regulations,

pursuant to the authority set forth in 17 U.S.C. 1201(a)(1)(C) and (D), and upon recommendation of the Register of Copyrights, the Librarian has determined that the prohibition against circumvention of technological measures that effectively control access to copyrighted works set forth in 17 U.S.C. 1201(a)(1)(A) shall not apply to persons who engage in noninfringing uses of the following classes of copyrighted works:

...

- (2) Computer programs that enable wireless telephone handsets to execute software applications, where circumvention is accomplished for the sole purpose of enabling interoperability of such applications, when they have been lawfully obtained, with computer programs on the telephone handset.

Copyright Office and Procedures, 37 C.F.R. § 201.40 (b) (2012) (U.S.).

373. Exemption to Prohibition on Circumvention of Copyright Protection Systems for Access Control Technologies, 77 Fed. Reg. 65,260, 65,260 (Oct. 26, 2012) (to be codified at 37 C.F.R. pt. 201).

374. *Id.* at 65,263.

375. *Id.* at 65,264.

376. *Id.*

modify the functional aspects of the firmware, which may or may not be subject to copyright protection.”³⁷⁷ As discussed earlier, “jailbreaking” is often not centered on the protected copyrighted software but on the restrictions placed by this software: “Those engaged in ‘jailbreaking’ use only that which is necessary to engage in the activity, which is often *de minimis*, rendering the third factor [or the amount and substantiality of the copying] potentially unfavorable, but nevertheless of minimal consequence.”³⁷⁸ Finally, “[w]ith respect to market harm, notwithstanding the earlier exemption, the proliferation of smartphones has increased since the last rulemaking, suggesting that the fourth factor favored a fair use finding even more than it did in 2010.”³⁷⁹

While there are “concerns about pirated applications that are able to run on jailbroken devices, the record did not demonstrate any significant relationship between jailbreaking and piracy.”³⁸⁰

In this jurisdiction, with the proposed amendments, “jailbreaking” a device may subject you to criminal liability, if this act is accompanied by an infringement of one of the rights provided under Section 177.³⁸¹ Plainly, the circumvention of DRM as provided in the amendments is an aggravating circumstance. While “jailbreaking” could conceivably fall under the “circumvention of an effective technological measure” as discussed earlier, there must be infringement in order to trigger the provisions of the amendment, as they are merely aggravating circumstances and as such are not in themselves crimes. Further, “jailbreaking” as a form of decompilation, may be allowed as fair use under the Code. Thus, it is not accurate to state that “jailbreaking” by itself would subject a person to criminal liability under the proposed amendments.

3. “A mall or building owner may be held criminally liable for renting out space to a copyright infringer.”

As discussed in Part IV A of this Article, there are now situations where a person may be held liable for indirect infringement. These situations are covered by the addition of vicarious infringement and contributory infringement to Philippine law through the amendments. However, in order to be liable, the elements of vicarious infringement or contributory infringement, as the case may be, must be established before such mall or building owner renting out space to a copyright infringer may be held liable.

377. *Id.*

378. *Id.*

379. Exemption to Prohibition on Circumvention of Copyright Protection Systems for Access Control Technologies, 77 Fed. Reg. at 65,264.

380. *Id.*

381. See INTELLECTUAL PROPERTY CODE, § 177.

A finding of vicarious or contributory liability would therefore not be automatic.

4. “‘Visitorial power’ equates to a warrantless search.”

Article III, Section 2 of the Philippine Constitution secures “[t]he right of the people to be secure in their persons, houses, papers, and effects against unreasonable searches and seizures of whatever nature and for any purpose[.]”³⁸² This right is inviolable.³⁸³ However, the guarantee is only against *unreasonable* searches and seizures, and not all searches and seizures.³⁸⁴ Generally, a search or seizure unaccompanied by a valid search warrant or warrant of arrest, as the case may be, is unreasonable.³⁸⁵

It is, however, recognized that there are several exceptions to the requirement that searches and seizures need a valid warrant.³⁸⁶ The case of *Valeroso v. Court of Appeals*³⁸⁷ listed down several of the warrantless searches and seizures are allowed:

- (1) Warrantless search incidental to a lawful arrest;
- (2) Seizure of evidence in “plain view[;]”
- (3) Search of a moving vehicle[;]
- (4) Consented warrantless search[;]
- (5) Customs search;
- (6) Stop and Frisk;
- (7) Exigent and emergency circumstances[;]
- (8) Search of vessels and aircraft; and
- (9) *Inspection of buildings and other premises for the enforcement of fire, sanitary, and building regulations.*³⁸⁸

Searches and seizures are permissible “*even without a valid warrant in inspection of buildings and other premises for the enforcement of fire, sanitary, and building regulations.*”³⁸⁹ This, however, does not squarely apply

382. PHIL CONST. art. III, § 2.

383. PHIL CONST. art. III, § 2.

384. JOAQUIN G. BERNAS, S.J., *THE 1987 CONSTITUTION OF THE REPUBLIC OF THE PHILIPPINES: A COMMENTARY* 168 (2009).

385. *Id.* at 169.

386. *See generally* BERNAS, *supra* note 384, at 191-204.

387. *Valeroso v. Court of Appeals*, 598 SCRA 41 (2009).

388. *Id.* at 54 (emphasis supplied).

389. Emmanuel LJ. Mapili, Annotation, *Law and Jurisprudence on Search Warrant and Warrantless Search*, 664 SCRA 450, 463 (2012) (emphasis supplied).

because an inspection by the DG of the IPO can hardly be said to be for the enforcement of fire, sanitary, and building regulations. As there are no Philippine cases that are instructive, U.S. jurisprudence must be examined.

In *Camara v. Municipal Court*,³⁹⁰ it was determined that warrantless administrative searches are impermissible,³⁹¹ given the facts surrounding the case. Although a claim that “public interest” demanded warrantless administrative searches, this was rejected, in spite of the fact that the searches in *Camara* were meant to enforce the “minimum fire, housing, and sanitation standards, and that the only effective means of enforcing such codes is by routine systematized inspection of all physical structures.”³⁹² The U.S. Supreme Court stated in that case that

[t]he question is not whether the public interest justifies the type of search in question, but *whether the authority to search should be evidenced by a warrant, which in turn depends in part upon whether the burden of obtaining a warrant is likely to frustrate the governmental purpose behind the search.*³⁹³

It was not shown in the case that fire, health, and housing code inspection programs could not achieve their goals within the confines of a reasonable search warrant requirement. In *Camara*, the “inspections are neither personal nor aimed at the discovery of evidence of crime, they involve a relatively limited invasion of the urban citizen’s privacy.”³⁹⁴ Despite the fact that this was a “relatively limited invasion,”³⁹⁵ it was not upheld. It may well be advanced that the purpose of the inspection power granted to the DG, which is to prevent infringement of IPRs, would not be frustrated by having to obtain a search warrant.

However, this finding in *Camara* does not necessarily militate against the power granted to the DG. The situation in *Camara* is not on fours with situation contemplated in the proposed amendments. The power questioned in *Camara* to inspect may be differentiated from the DG’s power to inspect as well as the situation in which the power of inspection is to be exercised.

First, in *Camara*, the inspections were inspections of the homes of private citizens. Here, the DG is under certain limitations. The subjects of the inspections are commercial establishments and businesses which the government has a right to regulate. Further, these inspections would be during reasonable hours.

390. *Camara v. Municipal Court*, 387 U.S. 523 (1967).

391. *Id.*

392. *Id.* at 533.

393. *Id.* (emphasis supplied).

394. *Id.* at 537.

395. *Id.*

Second, there is no warrantless seizure. There is nothing in the proposed amendments that suggests that the DG is given the power to seize goods that are suspected to be counterfeit. Neither is the DG allowed to confiscate these goods. The most that the DG could do under this provision is perhaps to take an inventory of the goods but the owner of the establishment would not be prohibited from disposing of or selling the goods. In other words, the goods would not be “seized” as the owner of the establishment would still have control over them, the DG not having been granted any power to constructively seize these goods.

The inspection of the DG would not result in a valid warrantless seizure because as opposed to dangerous drugs, which are inherently and patently illegal, goods suspected of being counterfeit would only be ostensibly illegal. This is because IPRs are private rights that can only be claimed by the rights holder. The DG, upon inspecting an establishment, would not by himself or herself be able to determine whether there is a case of parallel importation of medicine or if a good is counterfeit. It is the rights holder who will be able to determine if a right has been infringed upon.

Third, the Department of Trade and Industry³⁹⁶ and the Optical Media Board³⁹⁷ have both been granted inspection powers that are more expansive than the power granted to the DG. In spite of this fact, there has been no question as to the legality of the grant to the DTI and to the OMB, who have been exercising these powers.

Thus, it would appear that the power granted to the DG is not necessarily unconstitutional. However, the use of this power must be properly and closely monitored because of the possible improper or abusive implementation that comes with this authority to visit.

VI. CONCLUSION

396. The Consumer Act of the Philippines [Consumer Act of the Philippines], Republic Act No. 7394, § 18 (c) (1992). Under this Section, it is unlawful for a person to “refuse to permit entry of or inspection of authorized officers or employees of the [Department of Trade and Industry.]” *Id.*

397. Optical Media Act of 2003, § 10 (d). Under this Section, the Optical Media Board is allowed to

[c]onduct inspections, by itself or in coordination with other [competent] agencies of the government, at any time, with or without prior notice, of establishments or entities including those within the economic zones engaged in activities as provided in Section 13 (a), (b), and (c) of this Act, and employ reasonable force in the event that the responsible person or persons of such establishment or entity evades, obstructs, or refuses such inspection. For this purpose, the agents of the OMB shall be considered agents in authority.

Id.

The Philippine Legislature, through these amendments to the IPC, has taken a significant stand against copyright infringement, reinforcing protections available, stiffening penalties, and providing for more remedies to copyright holders against infringement. These are welcome changes, which will, in time, bear fruit and redound to the benefit of not just copyright holders, but to the public in general.

To be sure, this will not be an easy road to trek nor will it be a path that leads to certain prosperity. A fine balance must be struck because a hardline stance on copyright protection that would limit fair use and threaten to hamstring its use could end up undercutting the promise of economic development and innovation. Time will tell how the provisions affecting copying for educational purposes will be enforced and applied, as well as how the Supreme Court will rule on the matter. In this country, education is valued and not just any education but a quality education. The right of a student to an education of quality that is already limited by many different factors, should not be further compromised by shrinking the fair use exception to heavily favor authors and other rights holders over students.

Yes, rights holders deserve protection from unscrupulous entities that seek to infringe upon their rights for financial gain but the student should not suffer because of that. To bring the proverbial hammer down upon students would have the opposite of the desired effect of discouraging infringement. Moving these educational sources out of the reach of students could possibly drive them to find less than legal methods to access them. Rightsholders, the Government, and other interested parties should work together to make these materials accessible in a reasonable manner, perhaps even for a nominal or minimal fee, to encourage the honest and fair use of copyrighted works.

These are exciting times in the field of IP. Many more developments lie ahead and the Philippines must not only be responsive or reactive, but rather, it must be proactive and enterprising enough to meet the challenges that the future has in store for it. Stakeholders must not lose sight of the ultimate ends of IP. Fundamentally, while it is financially profitable, IP is meant to enrich more than just one's pockets.