



Republic of the Philippines
Supreme Court
Baguio City

THIRD DIVISION

ICEBERGS FOOD CONCEPTS,
INC. and ALLAN JOHN T.
YOUNG,

Petitioners,

-versus-

G.R. No. 256091

Present:

CAGUIOA, J., Chairperson,
INTING,
GAERLAN,
ZALAMEDA,* and
SINGH, JJ.

FILIPINO SOCIETY OF
COMPOSERS, AUTHORS, AND
PUBLISHERS, INC.,

Respondent.

Promulgated:
April 12, 2023

Mica D. Balt

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DECISION

SINGH, J.:

Before the Court is the Petition for Review on *Certiorari*¹ under Rule 45 of the Rules of Court, filed by petitioners Icebergs Food Concepts, Inc. (**Icebergs**) and Allan John T. Young (**Young**), assailing the Decision² and the Resolution³ of the Court of Appeals (CA) in CA-G.R. SP No. 159124, dated February 6, 2020, and March 18, 2021, respectively, which affirmed the

* Designated additional member per Raffle, dated January 18, 2023, in lieu of Justice Japar B. Dimaampao, who took no part due to prior participation in the Court of Appeals.

¹ *Rollo*, Vol. 1, pp. 11-44.

² *Id.* at 47-64. Penned by Associate Justice Louis P. Acosta and concurred in by Associate Justices Japar B. Dimaampao (now a Member of the Court) and Eduardo B. Peralta, Jr.

³ *Id.* at 66-67.

December 5, 2018 Decision⁴ of the Regional Trial Court of Quezon City, Branch 93 (RTC), in Civil Case No. R-QZN-14-11876-CV. The RTC found the petitioners liable for copyright infringement.

The Facts

Icebergs is a corporation, duly organized under Philippine laws, engaged in the business of operating several branches of restaurants within the country.⁵ On the other hand, Young is the President and General Supervisor of Icebergs. Respondent Filipino Society of Composers, Authors, and Publishers, Inc. (FILSCAP) is a non-stock, non-profit association of composers, and is likewise a government-accredited Collective Management Organization (CMO), which is authorized to acquire, administer, license, and enforce the public performance rights over copyrighted musical works or compositions of its members and affiliate foreign societies. FILSCAP is also a member of the International Confederation of Societies of Authors and Composers (CISAC), which entered into reciprocal agreements with FILSCAP for the licensing of public performance rights.⁶

As a CMO, FILSCAP has the right to collect royalties and license fees for the public performance of local or foreign copyrighted musical works.⁷ As to foreign copyrighted musical works, FILSCAP derives its right to issue licenses and collect license fees from the Deeds of Assignment executed by its members, as well as the reciprocal agreements it entered into with its affiliate foreign societies.⁸

From 2010 through 2014, FILSCAP monitored several Icebergs restaurants. FILSCAP discovered that Icebergs publicly played in its restaurants copyrighted musical works found in FILSCAP's musical repertoire without the required public performance license. FILSCAP found that Icebergs played around 324 songs in its musical repertoire without such license.⁹

FILSCAP sent Icebergs and Young a total of five letters, from 2009 to 2010, requiring them to secure a public performance license, as well as to pay the corresponding license fees.¹⁰ However, Icebergs failed to respond, which prompted FILSCAP to send two more demand letters on July 2, 2010 and on

⁴ Id., Vol. 2, pp. 590-607. Penned by Judge Arthur O. Malabaguio.

⁵ Id., Vol. 1, pp. 47-63, CA Decision.

⁶ Id. at 48.

⁷ Id.

⁸ Id.

⁹ Id.

¹⁰ Id. at 49.



August 6, 2014.¹¹ Subsequently, FILSCAP sent a Final Demand Letter on September 30, 2014.¹²

As the letters remained unheeded, FILSCAP was constrained to file a Complaint for Copyright Infringement¹³ on December 1, 2014, before the RTC, docketed as Civil Case No. R-QZN-14-11876-CV. In its Complaint, FILSCAP alleged that Icebergs' continuous and regular unauthorized public performances of FILSCAP's musical works clearly constituted copyright infringement under Section 216, in relation to Section 177, of Republic Act No. 8293,¹⁴ as amended, or the Intellectual Property Code (**IP Code**).¹⁵ Thus, FILSCAP claimed that Icebergs should pay the amount of ₱627,200.00, representing license fees for the years 2010 to 2014, ₱500,000.00 each for moral and exemplary damages, as well as attorney's fees in the amount of ₱100,000.00.¹⁶

In its Answer with Counterclaim,¹⁷ Icebergs denied committing copyright infringement, and claimed that FILSCAP had no substantial proof that it had the authority to collect and receive royalties or license fees in behalf of the owners of the songs under its musical repertoire.¹⁸ Icebergs likewise alleged that FILSCAP was not the real party-in-interest to institute the complaint, as the Complaint failed to attach any proof of authority to file the same.¹⁹ In its counterclaim, Icebergs prayed for attorney's fees and litigation expenses.²⁰

FILSCAP replied that it had the authority to file the case by virtue of the Deeds of Assignment executed by its members, as well as the Reciprocal Agreements it entered into with its affiliate foreign societies.²¹ The Deeds of Assignment and Reciprocal Agreements have been deposited with the Copyright Office of the National Library of the Philippines.²²

During trial, Icebergs presented Young, its Chairman, as its lone witness. Young insisted that there were no public musical performances in their restaurants, and that whatever musical sounds were heard in the restaurants were due to the occasional tuning in to the local FM radio broadcast from radio networks made available to the public.²³ Young likewise asserted that the subject Icebergs restaurants did not need music for its

¹¹ Id.

¹² Id.

¹³ Id. at 190-206.

¹⁴ Approved on June 6, 1997.

¹⁵ *Rollo*, Vol. 1, p. 201.

¹⁶ Id. at 49.

¹⁷ Id., Vol. 2, at 586-589.

¹⁸ Id. at 587.

¹⁹ Id.

²⁰ Id. at 588.

²¹ Id. at 615.

²² Id. at 627, Memorandum.

²³ Id. at 596, RTC Decision.



operations and that the tuning in to local radio stations was not done to entice customers or generate patronage in the concept of public performance or for commercial gain.²⁴ Young also claimed that Icebergs did not advertise the musical works or charge a fee for playing the same, as the customers were billed only for food and drinks consumed.²⁵

The Ruling of the RTC

In a Decision,²⁶ dated December 5, 2018, the RTC found Icebergs guilty of copyright infringement. The RTC ruled:

FILSCAP derives its right or authority to license and to collect license fees for the public performance of local musical compositions from the Deeds of Assignments executed by its members. Under the said Deeds of Assignments, the members of FILSCAP assigned to FILSCAP their public performance right over all the musical compositions created or acquired by them at the time they signed the Deeds of Assignment and during the continuance of their membership with FILSCAP. Accordingly, FILSCAP is effectively the copyright owner of those musical compositions insofar as the public performance aspect of copyright is concerned. x x x.

On the other hand, FILSCAP has executed Reciprocal Agreements with its affiliate foreign societies for the licensing of the public performance rights of the foreign musical compositions under their respective repertoire in the Philippines. Under the Reciprocal Agreements, FILSCAP was granted by its foreign affiliates the right to authorize the public performance in the Philippines of the copyrighted musical compositions under the repertoire of the said affiliates. Accordingly, FILSCAP is effectively the copyright owner or holder in the Philippines of the works under the repertoire of its foreign affiliates insofar as the public performance aspect of copyright is concerned. x x x.

The public performance right over the musical compositions that were publicly played in various branches of Icebergs Restaurants have been assigned to and are owned, controlled or held by FILSCAP pursuant to the Deeds of Assignment and Reciprocal Agreements between FILSCAP and its affiliate foreign societies. The Reciprocal Agreements executed by the said foreign affiliate societies in favor of FILSCAP gave the latter authority to license their copyrighted songs. x x x.

Consequently, FILSCAP owns, controls and holds the public performance right over the copyrighted musical compositions of its members and the members of its affiliate performing right societies. Thus, if the public performance right of its member or the member of its affiliate performing right societies was infringed, FILSCAP is entitled to take legal action to enforce such right in the Philippines. x x x.

It was established during trial that defendants publicly played FILSCAP Musical Compositions for at least 324 times via mechanical

²⁴ Id.

²⁵ Id.

²⁶ Id. at 590-607.



background music in the various branches of their Icebergs Restaurants by examining the *Monitoring Reports* and *Judicial Affidavits* executed by FILSCAP employees and the *Fiche Internationales* retrieved from the CIS network database.”²⁷ (Citations omitted)

The RTC likewise held that when Icebergs played background music in its restaurants by means of any device or process, it is considered a public performance of that music. Thus, by playing such background music without FILSCAP’s permission, Icebergs committed copyright infringement.²⁸ The dispositive portion of the RTC Decision states:

WHEREFORE, in view of the foregoing, judgment is hereby rendered:

1. Declaring Defendants Iceberg Food Concepts Inc. and Allan John T. Young to have committed copyright infringement against Plaintiff Filipino Society of Composers, Authors and Publishers, Inc. (FILSCAP);
2. Finding Defendants Icebergs Food Concepts, Inc. and Allan John T. Young solidarily liable to FILSCAP for their copyright infringement and to pay FILSCAP the following:
 - a. SIX HUNDRED TWENTY-SEVEN THOUSAND TWO HUNDRED (Php627,200.00) PESOS as actual or compensatory damages;
 - b. THREE HUNDRED THOUSAND (Php300,000.00) PESOS as moral damages;
 - c. THREE HUNDRED THOUSAND (Php300,000.00) PESOS as exemplary damages; and
 - d. ONE HUNDRED THOUSAND (Php100,000.00) PESOS as attorney’s fees plus cost of litigation, including monitoring expense, which as of 7 April 2015, amounted to SIXTY-SIX THOUSAND THREE HUNDRED EIGHTYSIX (sic) and 58/100 (Php66,386.58) PESOS; and
3. Enjoining or ordering Defendants to cease and desist from publicly performing FILSCAP Musical Compositions unless and until they secure a public performance license from FILSCAP.

SO ORDERED.²⁹

Aggrieved, Icebergs filed a Petition for Review under Rule 43 of the Rules of Court before the CA.

²⁷ Id. at 600, 603.

²⁸ Id. at 605.

²⁹ Id. at 607.



The Ruling of the CA

In the assailed Decision and Resolution, the CA upheld the ruling of the RTC in full. The CA held:

[A] plain reading of Section 171.6³⁰ of the Intellectual Property Code, anyone who plays a sound recording, through any device or process, and makes such sound recording audible in a place where other people “outside the normal circle of a family and that family’s closes [sic] social acquaintances are or can be present” is considered to be engaged in the public performance of the same. Moreover, the said provision does not qualify that the sound recording should be at the disposal or subject to the will of the one making the same audible in the places aforementioned. And neither does Section 171.6 require that the person or entity making a sound recording audible derive any profit therefrom x x x.³¹

The CA ruled that Icebergs, by playing in its restaurants, more or less, 324 copyrighted musical compositions under FILSCAP’s repertoire without the necessary license, committed copyright infringement.³² The CA likewise ruled that it is immaterial that Icebergs had no control over the songs played on the radio, as Section 171.6 does not distinguish.³³

The CA likewise held that the RTC correctly ruled that the application of Section 110 of the U.S. Copyright Act and the case of *Twentieth Century Music Corp. v. Aiken*, as raised by Icebergs, should be disregarded as the same “were not duly pleaded and proved during trial.”³⁴

Finally, the CA noted that the petitioners availed of an improper remedy in appealing the Decision of the RTC. Instead of filing an ordinary appeal under Rule 41 to assail the Decision, which was rendered by the RTC in the exercise of its original jurisdiction, the petitioners erroneously filed a petition for review under Rule 43 of the Rules of Court.³⁵

Icebergs filed a Motion for Reconsideration, which was denied by the CA in its Resolution,³⁶ dated March 18, 2021.

³⁰ Section 171.6. “Public performance,” in the case of a work other than an audiovisual work, is the recitation, playing, dancing, acting or otherwise performing the work, either directly or by means of any device or process; in the case of an audiovisual work, the showing of its images in sequence and the making of the sounds accompanying it audible; and, in the case of a sound recording, making the recorded sounds audible at a place or at places where persons outside the normal circle of a family and that family’s closest social acquaintances are or can be present at the same place and at the same time, or at different places and/or at different times, and where the performance can be perceived without the need for communication within the meaning of subsection 171.3.

³¹ *Rollo*, Vol. 1, p. 57.

³² *Id.*

³³ *Id.* at 57-58.

³⁴ *Id.* at 58.

³⁵ *Id.* at 62-63.

³⁶ *Id.* at 66-67.



Thus, Icebergs filed the present Petition for Review on *Certiorari* under Rule 45 of the Rules of Court.

The Issue

The sole issue for the Court's resolution is whether Icebergs committed copyright infringement by playing radio broadcasts as background music in its establishments without a license from FILSCAP.

The Arguments of Icebergs

Icebergs claims that it was not engaged in "public performance" under Section 171.6 of the IP Code, as it did not play a sound recording, but merely switched on a radio transmitter, which, for Icebergs, connotes two different ideas.³⁷ Icebergs asserts that "switching on a radio transmitter" is merely a mechanical act which does not involve any discretion on the part of the person playing the same, while "playing of a sound recording" entails a conscious effort to determine what kind of musical composition is to be played and in what platform.³⁸

In addition, Icebergs argues that the application of foreign laws and jurisprudence is warranted by the dearth of domestic jurisprudence on the matter and the principle of reciprocity under Section 3 of the IP Code. Icebergs insists that pursuant to the principle of reciprocity, FILSCAP cannot collect license fees from Icebergs in behalf of United States-based copyright holders in view of the limitations provided for in Section 110 of the United States Copyright Act.

Icebergs likewise assails the award of actual or compensatory damages, moral damages, exemplary damages, attorney's fees, costs of litigation, and monitoring expense, for lack of factual and legal basis and for being arbitrary, unconscionable, and excessive.³⁹

The Arguments of FILSCAP

FILSCAP avers that the IP Code provision on what constitutes public performance is clear, as it includes the "making audible of recorded sounds in a setting outside the immediate family circle and the playing, either directly or by means of any device or process of any work that is not a recorded sound or audio-visual work. In either case, the public playing of copyrighted works

³⁷ Id. at 24, Petition for Review.

³⁸ Id.

³⁹ Id. at 39-42.



through the radio falls squarely within these definitions.”⁴⁰ Thus, FILSCAP claims that there is no ambiguity in Section 171.6 of the IP Code and as such, no other meaning or interpretation should be ascribed to the same.⁴¹

The Ruling of the Court

The Petition should be denied.

Petitioners availed of the wrong remedy before the CA

At the outset, the Court rules that the CA did not err in holding that the petitioners availed of the wrong remedy when they filed a Petition for Review under Rule 43 of the Rules of Court to assail the RTC Decision. Under Rule 41 of the Rules of Court, the appeal to the CA in cases decided by the RTC in the exercise of its original jurisdiction, such as this case, must be done by way of filing a notice of appeal with the said court.

It is axiomatic that the right to appeal is not a constitutional right but a mere statutory privilege.⁴² Thus, parties who seek to appeal must comply with the statutes or rules allowing the said remedy.⁴³

Nevertheless, even if this Court were to delve into the merits of this Petition, the same must still be denied.

Applicability of United States Copyright Act and Jurisprudence

Intellectual property right, being primarily a private right, is governed by the law of the country where its enforcement is being sought.⁴⁴ Thus, the law applicable to the present case, which involves the enforcement of copyright in the country, is Philippine law, particularly, the IP Code, as well as the treaties on intellectual property rights, to which the Philippines is a party,⁴⁵ such as the Berne Convention for the Protection of Literary and Artistic Works (**Berne Convention**).

⁴⁰ Id. at 109, Comment/Opposition.

⁴¹ Id.

⁴² *ABS-CBN Publishing, Inc. v. Director of the Bureau of Trademarks*, 833 Phil. 791, 799 (2018), citing *Bañez vs. Social Security System*, 739 Phil. 148, 154 (2014).

⁴³ Id.

⁴⁴ *Filipino Society of Composers, Authors and Publishers, Inc. v. Anrey, Inc.*, G.R. No. 233918, August 9, 2022.

⁴⁵ See Intellectual Property Office of the Philippines, *Treaties*, <<https://www.ipophil.gov.ph/reference/philippine-acceded-intellectual-property-treaties/>> (visited October 25, 2022).



However, in view of the fact that our copyright laws were patterned after those of the United States, the Court has previously resorted to the decisions of the United States courts to resolve cases involving copyright.⁴⁶ This is consistent with the rule in statutory construction that in case of laws adopted from the laws of another country, the judicial construction attached to the source statutes is of authoritative value in the interpretation of the local laws.⁴⁷

In *Carolina Industries, Inc. v. CMS Stock Brokerage, Inc.*,⁴⁸ the Court explained that “when a statute has been adopted from another State and such statute has previously been construed by the courts of such State or country, this statute is deemed to have been adopted with the construction so given it.”⁴⁹

Icebergs committed copyright infringement

Copyright infringement is a trespass on a private domain owned by the owner of the copyright and, therefore, protected by law. Infringement of copyright consists in the doing by any person, without the consent of the owner of the copyright, of anything the sole right to do belongs to the owner of the copyright.⁵⁰

In *NBI-Microsoft Corporation v. Hwang*,⁵¹ the Court held:

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 Sec. 5. Hence, any person who performs any of the acts under Section 5 without obtaining the copyright owner’s prior consent renders himself civilly and criminally liable for copyright infringement.

Stated simply, copyright infringement is committed by any person who shall use original literary or artistic works, or derivative works, without the copyright owner’s consent in such a manner as to violate the latter’s economic rights.⁵² Section 177 of the IP Code enumerates the economic rights of copyright owners:

⁴⁶ *ABS-CBN Corp. v. Gozon*, 755 Phil. 709 (2015).

⁴⁷ *Wise & Co. v. Meer*, 78 Phil. 655, 670 (1947).

⁴⁸ 186 Phil. 492, 522 (1980).

⁴⁹ *Id.*

⁵⁰ *Columbia Pictures, Inc. v. Court of Appeals*, 329 Phil. 875, 926 (1996).

⁵¹ 499 Phil. 423, 438 (2005).

⁵² *Olaño v. Lim Eng Co.*, 783 Phil. 234, 250 (2016).



SECTION 177. Copyright or Economic rights. – Subject to the provisions of Chapter VIII, copyright or economic rights shall consist of the exclusive right to carry out, authorize or prevent the following acts:

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;

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.

These acts, when carried out by another person without the consent of the copyright owner, amount to copyright infringement. However, to constitute infringement, the usurper must have copied or appropriated the original work of the copyright owner; absent such copying, there can be no infringement.⁵³

In this case, Icebergs committed copyright infringement when it played in its restaurants FILSCAP's copyrighted musical works without the latter's consent. Through FILSCAP's monitoring operations from 2010 through 2014, it found that Icebergs played more or less 324 songs from its repertoire without a public performance license.⁵⁴

Playing radio broadcast over speakers amounts to public performance

The crux of the controversy is whether playing a radio broadcast over a loudspeaker as background music in a restaurant amounts to copyright infringement.

Icebergs claims that it did not actually play a sound recording under the context of Section 171.6 of the IP Code, but that it only "switched on" a radio

⁵³ See 18 AM JUR 2D §101 citing *Weitzenkorn v. Lesser*, 40 Cal 2d 778, 256 P2d 947 (1953).

⁵⁴ *Rollo*, Vol. i, p. 48, CA Decision.



transmitter in its restaurants.⁵⁵ Meanwhile, FILSCAP insists that the act of “switching on” radio transmitters falls under the IP Code provision on what constitutes public performance.⁵⁶

In finding Icebergs guilty of copyright infringement, the CA found that Icebergs was engaged in public performance when it made audible through radio devices 324 copyrighted musical compositions which are part of FILSCAP’s repertoire, absent the latter’s consent.⁵⁷

The Court agrees with the CA’s conclusion that Icebergs infringed on the copyright assigned to FILSCAP, specifically, that the right violated by Icebergs was the copyright holder’s right to “public performance.”

In the recently decided case of *Filipino Society of Composers, Authors, and Publishers, Inc. v. Anrey, Inc.*⁵⁸ (*Anrey*), the Court ruled that the act of playing radio broadcasts containing copyrighted music through the use of loudspeakers amounted to public performance, thus:

A “public performance” means:

171.6 “Public performance,” in the case of a work other than an audiovisual work, is the recitation, playing, dancing, acting or otherwise performing the work, either directly or by means of any device or process; in the case of an audiovisual work, the showing of its images in sequence and the making of the sounds accompanying it audible, and, **in the case of a sound recording**, making the recorded sounds audible at a place or at places where persons outside the normal circle of a family and that family’s closest social acquaintance are or can be present, irrespective of whether they are or can be present at the same place and at the same time, or at different places and/or at different times, and where the performance can be perceived without the need for communication within the meaning of Subsection 171.3. (emphasis not ours)

A “sound recording” means the fixation of sounds of a performance or of other sounds, or representation of sound, other than in the form of a fixation incorporated in a cinematographic or other audiovisual work; while a “fixation” is defined as the embodiment of sounds, or of the representations thereof, from which they can be perceived, reproduced or communicated through a device.

Following a run-down of the above definitions, a sound recording is publicly performed if it is made audible enough at a place or at places where persons outside the normal circle of a family, and that family’s closest social

⁵⁵ Id. at 27, Petition for Review.

⁵⁶ Id. at 111, Comment/Opposition.

⁵⁷ Id. at 57.

⁵⁸ G.R. No. 233918, August 9, 2022.



acquaintance, are or can be present. The sound recording in this case, is the copyrighted music broadcasted over the radio which Anrey played through speakers loud enough for most of its patrons to hear. But the big question is whether radio reception, is, to begin with, a performance.

We believe that the act of playing radio broadcasts containing copyrighted music through the use of loudspeakers (radio-over-loudspeakers) is in itself, a performance.

In the American case of *Buck v. Jewell-LaSalle Realty Co. (Jewell)*, the respondent, a hotel proprietor, played copyrighted musical compositions received from a radio broadcast throughout the hotel by using public speakers for the entertainment of its guests. ASCAP notified the hotel of its copyrights and advised that unless a license is obtained, performance of any of its copyrighted musical composition of its members is forbidden. Suits for injunction and damages were brought against the hotel. The hotel argued that radio receiving cannot be held to be performing. The federal court denied relief against ASCAP, but on appeal, the SCOTUS ruled that the act of respondent in playing copyrighted musical compositions received from a radio broadcast throughout the hotel by means of a public speaker system was a "performance" within the meaning of the US Copyright Act of 1909. The court reasoned that a reception of radio broadcast and its translation into audible sound was not a mere playing of the original program, but was a reproduction, since complicated electrical instrumentalities were necessary for its reception and distribution.

Then came the case of *Twentieth Century Music Corp. v. Aiken (Aiken)*, which temporarily abandoned the concept that radio reception is a performance. In *Aiken*, a restaurant received songs broadcasted in the radio and this was heard all throughout the area using four speakers. The station that broadcasted the songs is licensed by ASCAP but the restaurant did not hold such a license, thus it was sued for copyright infringement. On the question on whether radio reception constituted copyright infringement, the SCOTUS ruled in the negative. It stated that those who listen do not perform, therefore do not infringe. The said court used the analogy that if a radio station "performs" a musical composition when it broadcasts it, then it would require the conclusion that those who listen to the broadcast through the use of radio receivers do not perform the composition.

Finally, the case of *Broadcast Music, Inc. v. Claire's Boutiques, Inc. (Claire's)*, reverted back to the same rationale laid down in *Jewell*. As it stands now, an establishment that plays radio-over-loudspeakers is said to have publicly performed them. In rejecting the conclusions reached in *Aiken*, the SCOTUS ruled in this wise:

Most relevant to the present case, the Supreme Court in *Twentieth Century Music Corp. v. Aiken*, dealt with a restaurant owner who played a radio with four speakers in his restaurant. Defendant Aiken owned a fast-food restaurant where customers usually stayed no more than ten or fifteen minutes. Following *Fortnightly*, the Court considered that the only performance in this situation is initiated by the radio station, and Aiken's largely passive act of turning on a radio was held not to be a performance. Since Aiken did not perform, he did not infringe anyone's copyright by playing his radio in his restaurant. The Court reasoned that a contrary ruling would result in practical problems because of the large number of small



business establishments in the United States. As an economic matter, the Court felt that a copyright owner was adequately compensated for his work through his license fee with the radio station.

If *Aiken's* rationale were to apply in our case, the radio playing by Claire's store managers would not be performances and BMI would have no case. Congress, however, rejected *Aiken's* rationale, if not its result, in the Copyright Act of 1976. The drafters defined "perform" and "perform publicly" broadly in 17 U.S.C. § 101:

To "perform" a work means to recite, render, play, dance, or act it, either directly or by means of any device or process x-x-x

x-x-x

To perform or display a work "publicly" means –

(1) to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered; or

(2) to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times.

Under these particular definitions, the restaurant owner in *Aiken* "performed" the works in question by "playing" them on a device – the radio receiver. Furthermore, the performances were "public" because they took place at a restaurant "open to the public." For the same reasons, Claire's, through the actions of its employees, engages in public performances of copyrighted works when it plays the radio during normal business hours.

It should be noted that *Claire's* was decided based on how the present US copyright law defines the term public performance, which is similarly worded to our own definition of the said term. Thus, the intention really is to treat a reception of a radio broadcast containing copyrighted music as a performance.

In the above case, the Court, in citing as basis the 1991 United States Court of Appeals case of *Broadcast Music, Inc. v. Claire's Boutiques*⁵⁹ (*Claire's Boutiques*), held that the said case was decided based on how the present United States Copyright Act defines the term public performance, which is similarly worded to our own definition of the said term. Thus, the

⁵⁹ 949 F.2d 1482 (7th Cir. 1991).



Court in *Anrey* stated that the intention was to treat a reception of a radio broadcast containing copyrighted music as a performance.⁶⁰

By contrast, Section 171.6 of the IP Code defines “public performance” as follows:

SECTION 171.6. “Public performance,” in the case of a work other than an audiovisual work, is the recitation, playing, dancing, acting or otherwise performing the work, either directly or by means of any device or process; in the case of an audiovisual work, the showing of its images in sequence and the making of the sounds accompanying it audible; and, **in the case of a sound recording, making the recorded sounds audible at a place or at places where persons outside the normal circle of a family and that family's closest social acquaintances are or can be present, irrespective of whether they are or can be present at the same place and at the same time, or at different places and/or at different times, and where the performance can be perceived without the need for communication within the meaning of Subsection 171.3.** (Emphasis supplied)

Meanwhile, Section 202.2 of the IP Code defines a “sound recording” as the fixation of sounds of a performance or of other sounds, or representation of sound, other than in the form of a fixation incorporated in a cinematographic or other audiovisual work.

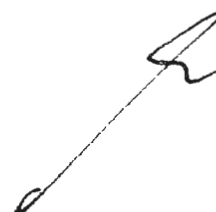
Following the Court’s ruling in *Anrey*, the Court finds that Icebergs’ act of playing copyrighted music, albeit through a radio, in its restaurants amounted to a public performance of the said copyrighted music.

FILSCAP’s right to communicate to the public

In *Anrey*, the *ponente* filed a Separate Concurring and Dissenting Opinion, to underscore the distinction between public performance and communication to the public. The position of the *ponente* is that the playing of radio receptions of copyrighted musical works *via* a loudspeaker, without the copyright holder’s consent, amounts to a violation of the copyright holder’s right to communicate the protected musical works to the public.

It must be noted that the United States Copyright Act, which was the basis of the conclusion in the *Anrey* case, does not distinguish public performance from communication to the public, thus:

⁶⁰ Id.



To “perform” a work means to recite, render, play, dance, or act it, either directly or by means of any device or process or, in the case of a motion picture or other audiovisual work, to show its images in any sequence or to make the sounds accompanying it audible.

x x x x

To perform or display a work “publicly” means—

(1) to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered; or

(2) to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times.

To repeat, Section 171.6 of the IP Code defines “public performance,” in the case of a sound recording, as “making the recorded sounds audible at a place or at places where persons outside the normal circle of a family and that family’s closest social acquaintances are or can be present, irrespective of whether they are or can be present at the same place and at the same time, or at different places and/or at different times, and where the performance can be perceived without the need for communication within the meaning of Subsection 171.3.”

On the other hand, under Section 171.3 of the IP Code, as amended by Republic Act No. 10372,⁶¹ “communication to the public” is characterized as:

[A]ny communication to the public, including broadcasting, rebroadcasting, retransmitting by cable, broadcasting and retransmitting by satellite, and includes 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. (Emphasis supplied)

Moreover, Section 202.7 of the IP Code defines broadcasting as a means of communication to the public by wireless means:

SECTION 202.7. “Broadcasting” means the transmission by wireless means for the public reception of sounds or of images or of representations thereof; such transmission by satellite is also “broadcasting

⁶¹ Entitled “AN ACT AMENDING CERTAIN PROVISIONS OF REPUBLIC ACT NO. 8293, OTHERWISE KNOWN AS THE ‘INTELLECTUAL PROPERTY CODE OF THE PHILIPPINES’, AND FOR OTHER PURPOSES,” approved February 28, 2013.



where the means for decrypting are provided to the public by the broadcasting organization or with its consent.

As can be gleaned from the above, unlike the United States Copyright Act, our own IP Code treats “public performance” and “communication to the public” separately. Thus, the right to “public performance” and “communication to the public” are two distinct rights that the author may enforce and exploit to the exclusion of others. This distinction was not accounted for in *Claire’s Boutiques*, which was the basis for the conclusion in *Anrey*.

In the same vein, the IP Code recognizes the following rights of performers, producers of sounds recordings, and broadcasting organizations:

SECTION 209. *Communication to the Public.* – If a sound recording published for commercial purposes, or a reproduction of such sound recording, is used directly for broadcasting or for other communication to the public, or is publicly performed with the intention of making and enhancing profit, a single equitable remuneration for the performer or performers, and the producer of the sound recording shall be paid by the user to both the performers and the producer, who, in the absence of any agreement shall share equally.

Thus, as aptly pointed out by Associate Justice Alfredo Benjamin S. Caguioa (**Associate Justice Caguioa**) in his Separate Concurring Opinion in *Anrey*, under the aforementioned provision, performers and producers of sound recordings are entitled to remuneration for three distinct acts: (1) when the sound recording is published for commercial purposes; or (2) when the reproductions of such sound recordings are (a) used directly for broadcasting or for other communication to the public (right to communicate to the public); or (b) when the sound recording is publicly performed with the intention of making and enhancing profit (right to public performance). This bolsters the position that “public performance” and “communication to the public” pertain to two distinct and separate acts. The key distinction between the two acts lies in the **method** that the copyrighted music are made available to the public.⁶² Under Section 171.6 of the IP Code, in order to constitute “public performance,” the same must be “perceivable without the need for communication within the meaning of Subsection 171.3.” On the other hand, if the performance can be perceived through the use of “wire or any wireless means,” then the performance would be a “communication to the public.”

Moreover, the Berne Convention likewise distinguishes public performance from communication to the public:

⁶² J. Singh, Separate Concurring Opinion in *Filipino Society of Composers, Authors, and Publishers, Inc. v. Anrey*, G.R. No. 233918, August 9, 2022.



Article 11

I. Right of Public Performance and of communication to the public of a performance x x x.

- (1) Authors of dramatic, dramatico-musical and musical works shall enjoy the exclusive right of authorizing:
- i. The public performance of their works, including such public performance by any means or process;
 - ii. Any communication to the public of the performance of their works. x x x.

Article 11bis

I. Broadcasting and other wireless communications, public communication of broadcast by wire or rebroadcast, public communication of broadcast by loudspeaker or analogous instruments x x x.

- (1) Authors of literary and artistic works shall enjoy the exclusive right of authorizing:
- (i) *The broadcasting of their works or the communication thereof to the public by any other means of wireless diffusion of signs, sounds or images;*
 - (ii) *Any communication to the public by wire or by rebroadcasting of the broadcast of the work, when this communication is made by an organization other than the original one;*
 - (iii) *The public communication by loudspeaker or any other analogous instrument transmitting, by signs, sounds or images, the broadcast of the work.*

Adopted in 1886, the Berne Convention deals with the protection of works and the rights of their authors, and also gives the creators a degree of control with regard to how their works are used, by whom, and on what terms.⁶³ The Philippines became a party to the Berne Convention in 1951.⁶⁴

Icebergs made the copyrighted music audible to its customers through radios in its restaurants. This act falls squarely within Subsection 171.3 of the IP Code on “communication to the public,” as it constitutes playing sound recordings “by wire or wireless means.” Under this method of making music audible to the public, Section 171.6 can no longer apply as the latter specifies that “the performance can be perceived *without the need for communication*

⁶³ Berne Convention for the Protection of Literary and Artistic Works, September 8, 1886 <<https://www.wipo.int/treaties/en/ip/berne/#:~:text=The%20Berne%20Convention%2C%20adopted%20in,whoin%2C%20and%20on%20what%20terms>> (visited December 12, 2022).

⁶⁴ *Republic v. Heirs of Tupaz IV*, G.R. No. 197335, September 7, 2020.



within the meaning of Subsection 171.3.” Thus, the playing of a radio broadcast through loudspeakers cannot be considered a “public performance.”

However, applying the Court’s ruling in *Anrey*, and pursuant to the time-honored principle of *stare decisis*, the Court rules that the playing of radio receptions of musical works through a loudspeaker amounts to public performance. Thus, Icebergs committed copyright infringement.

Having settled the key issue of copyright infringement, there appears a need to further discuss the concept of fair use as applied in this case, even if the same was not raised as an issue by the parties, in order to arrive at a just decision. A strict application of the provisions on fair use in our IP Code may hinder or even defeat a core purpose to its institution. The Court must not only look at the potential injuries to the copyright owner, but must likewise balance this with the inherent social purpose of our laws.

Fair use

Iceberg’s use of FILSCAP’s copyrighted songs do not constitute fair use. To repeat, copyright is primarily concerned with the advancement of a common social good.⁶⁵ To this end, copyright protection is not absolute. The IP Code provides the limitations on copyright, one of which is the doctrine of fair use as embodied in Section 185:

SECTION 185. *Fair Use of a Copyrighted Work.* — 185.1. The fair use of a copyrighted work for criticism, comment, news reporting, teaching including multiple 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 is 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 the use upon the potential market for or value of the copyrighted work.

⁶⁵ *Broadcast Music, Inc. v. Claire’s Boutiques*, 754 F. Supp. 1324 (1990).



In *ABS-CBN Corporation v. Gozon (Gozon)*,⁶⁶ the Court defined fair use as follows:

Fair use is a privilege to use the copyrighted material in a reasonable manner without the consent of the copyright owner or as copying the theme or ideas rather than their expression. Fair use is an exception to the copyright owner's monopoly of the use of the work to avoid stifling "the very creativity which that law is designed to foster." (Citations omitted)

The doctrine of fair use was first recognized in the case of *Folsom v. Marsh*,⁶⁷ which was decided by the United States Circuit Court for the District of Massachusetts in 1841. In that case, it was held that in resolving questions of fair use, the court must "look to the nature and objects of the selections made, the quantity and value of the materials used, and the degree in which the use may prejudice the sale, or diminish the profits, or supersede the objects of the original work."⁶⁸ The fair use doctrine was then codified in the U.S. Copyright Act of 1976.⁶⁹

Section 107 of the U.S. Copyright Act enumerates four factors that courts must use in evaluating whether fair use applies:

Section 107. Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include –

- (1) The purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) The nature of the copyrighted work;
- (3) The amount and substantiality of the portion used in relation to the copyrighted work; and
- (4) The effect of the use upon the potential market for or value of the copyrighted work.

Similarly, the Court in *Gozon*,⁷⁰ had occasion to discuss the four factors to be considered in determining fair use:

⁶⁶ Supra note 45.

⁶⁷ 9 F. Cas. 342 (C.C.D. Mass. 184);

⁶⁸ Id.

⁶⁹ 17 USC §101.

⁷⁰ Supra note 45, at 758.



Determining fair use requires application of the four-factor test. Section 185 of the Intellectual Property Code lists four (4) factors to determine if there was fair use of a copyrighted work:

- a. The purpose and character of the use, including whether such use is of a commercial nature or is 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 the use upon the potential market for or value of the copyrighted work.

First, the purpose and character of the use of the copyrighted material must fall under those listed in Section 185, thus: “criticism, comment, news reporting, teaching including multiple copies for classroom use, scholarship, research, and similar purposes.” The purpose and character requirement is important in view of copyright’s goal to promote creativity and encourage creation of works. Hence, commercial use of the copyrighted work can be weighed against fair use.

The “transformative test” is generally used in reviewing the purpose and character of the usage of the copyrighted work. This court must look into whether the copy of the work adds “new expression, meaning or message” to transform it into something else. “Meta-use” can also occur without necessarily transforming the copyrighted work used.

Second, the nature of the copyrighted work is significant in deciding whether its use was fair. If the nature of the work is more factual than creative, then fair use will be weighed in favor of the user.

Third, the amount and substantiality of the portion used is important to determine whether usage falls under fair use. An exact reproduction of a copyrighted work, compared to a small portion of it, can result in the conclusion that its use is not fair. x x x.

Lastly, the effect of the use on the copyrighted work’s market is also weighed for or against the user. If this court finds that the use had or will have a negative impact on the copyrighted work’s market, then the use is deemed unfair.

Based on the above considerations, the presence of profit does not automatically negate the application of the fair use doctrine. There are other factors that must be looked into in deciding whether the fair use doctrine applies. Nevertheless, the presence of profit generally presupposes the existence of harm to the potential market for the creator’s copyrighted work under the fourth factor in determining fair use. This was elaborated by the United States Court of Appeals in *Sony Corp. of America v. Universal City*



Studios, Inc.,⁷¹ where it was held that “every commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege.”⁷²

However, in the United States Supreme Court case of *Harper & Row, Publishers, Inc. v. Nation Enterprises*,⁷³ the Court tempered the heavy assumption of exploitation and held that “[t]he fact a publication was commercial as opposed to nonprofit is a separate factor that *tends to weigh against a finding of fair use*.”⁷⁴ Further, in the same case, it was held that the fourth factor, or the factor of harm to the potential market, is “undoubtedly the single most important” of all the factors.⁷⁵ This is because copyright was developed from the need to protect the moral and economic rights of creators.

In our IP Code, the fourth factor in determining fair use, *i.e.*, the effect of use upon the potential market for or the value of the copyrighted work, considers the economic or commercial benefits or disadvantages brought about by the alleged infringement to the original owner of the work. This concept was illustrated by the United States Court of Appeals in *Ty, Inc. v. Publications International*,⁷⁶ in this wise:

We may say that copying that is complementary to the copyrighted work (in the sense that nails are complements of hammers) is fair use, but copying that is a substitute for the copyrighted work (in the sense that nails are substitutes for pegs or screws), or for derivative works from the copyrighted work x x x is not fair use.

x x x x

Complementary copying does not impair the potential market or value of the copyrighted work insofar as it criticizes the work, which is the opposite of taking a free ride on its value.

Where the profit generated by the alleged infringement is what the copyright owner or original creator could have made, there can be no fair use. But where the benefits are merely complementary or incidental, fair use may properly be considered.

Based on the foregoing disquisitions, using copyrighted music *via* radio broadcast played through loudspeakers, as background music in restaurants for the entertainment of customers and for the enhancement of their dining experience, falls outside the ambit of fair use, and thus amounts to copyright infringement. Allowing these businesses to profit from the copyrighted works

⁷¹ *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

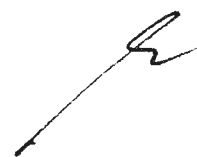
⁷² *Id.*

⁷³ 471 U.S. 417 (1984).

⁷⁴ *Id.*

⁷⁵ *Id.*

⁷⁶ 292 F.3d 512 (7th Cir. 2002).



of artists without compensating them or their assignees would seriously injure the market of the copyright holders.

The small business exemption

Be that as it may, a distinction should be made between the big businesses, such as the Icebergs restaurants, and the small businesses such as small eateries, canteens, *carinderias*, food carts, and the like. The Court should not ignore the far-reaching consequences that the Court's ruling in this case may have on these small businesses if no such distinction is made. If the Court makes a sweeping ruling that all those in the position of Icebergs are copyright infringers, there would be a ripple effect such that all businesses, including small ones, where it could hardly be said that ambience is a consideration for customers, which play music through radios, would also be subject to suit for copyright infringement.

The "small business exemption rule" finds basis in Section 110 (5) of the United States Copyright Act, as amended by the Fairness in Music Licensing Act of 1998 (**FMLA**), which provides:

Notwithstanding the provisions of Section 106, the following are not infringements of copyright:

x x x x

(5)

(A) Except as provided in subparagraph (B), communication of a transmission embodying a performance or display of a work by the public reception of the transmission on a single receiving apparatus of a kind commonly used in private homes, unless –

(i) A direct charge is made to see or hear the transmission; or

(ii) The transmission thus received is further transmitted to the public;

(B) Communication by an establishment of a transmission or retransmission embodying a performance or display of a nondramatic musical work intended to be received by the general public, originated by a radio or television broadcast station licensed as such by the Federal Communications Commission, or, if an audiovisual transmission, by a cable system or satellite carrier, if –

(i) In the case of an establishment other than a food service or drinking establishment, either the establishment in which the communication occurs has less than 2,000 gross square feet of space (excluding space used for customer parking and for no other purpose), or the



establishment in which the communication occurs has 2,000 or more gross square feet of space (excluding space used for customer parking and for no other purpose) and –

- (I) If the performance is by audio means only, the performance is communicated by means of a total of not more than 6 loudspeakers, of which not more than 4 loudspeakers are located in any 1 room or adjoining outdoor space; or
 - (II) If the performance or display is by audiovisual means, any visual portion of the performance or display is communicated by means of a total of not more than 4 audiovisual devices, of which not more than 1 audiovisual device has a diagonal screen size greater than 55 inches, and any audio portion of the performance or display is communicated by means of a total of not more than 6 loudspeakers, of which not more than 4 loudspeakers are located in any 1 room or adjoining outdoor space;
- (ii) In the case of a food service or drinking establishment, either the establishment in which the communication occurs has less than 3,750 gross square feet of space (excluding space used for customer parking and for no other purpose), or the establishment in which the communication occurs has 3,750 gross square feet of space or more (excluding space used for customer parking and for no other purpose) and –
- (I) If the performance is by audio means only, the performance is communicated by means of a total of not more than 6 loudspeakers, of which not more than 4 loudspeakers are located in any 1 room or adjoining outdoor space; or
 - (II) If the performance or display is by audiovisual means, any visual portion of the performance or display is communicated by means of a total of not more than 4 audiovisual devices, of which not more than one audiovisual device is located in any 1 room, and no such audiovisual device has a diagonal screen size greater than 55 inches, and any audio portion of the performance or display is communicated by means of a total of not more than 6 loudspeakers, of which not more than 4 loudspeakers are located in any 1 room or adjoining outdoor space;
- (iii) No direct charge is made to see or hear the transmission or retransmission;



- (iv) The transmissions or retransmission is not further transmitted beyond the establishment where it is received; and
- (v) The transmission or retransmission is licensed by the copyright owner of the work so publicly performed or displayed.⁷⁷

The above-quoted provision allows owners of “Mom and Pop” establishments to play music without incurring liability for copyright infringement.⁷⁸ This exemption excludes from liability for infringement those transmissions received by a single apparatus of a kind commonly used in the confines of a private home, provided there is no direct charge to see or hear the transmission, and that the transmission is not further transmitted to the public.⁷⁹

To come under the “small business exemption” rule, an establishment must meet the following criteria: (1) the establishment must be a small commercial establishment; (2) the establishment must not make a “direct charge” to hear the music; (3) the establishment must employ a “single receiving apparatus of a kind commonly used in private homes;” and (4) “the performances must not be further transmitted to the public.”⁸⁰ (Citations omitted)

The United States Congress explained the rationale behind the small business exemption rule:

Its purpose is to exempt from copyright liability anyone who merely turns on, in a public place, an ordinary radio or television receiving apparatus of a kind commonly sold to members of the public for private use.

The basic rationale of this clause is that the secondary use of the transmission by turning on an ordinary receiver in public is so remote and minimal that no further liability should be imposed. In the vast majority of these cases no royalties are collected today, and the exemption should be made explicit in the statute.⁸¹

The importance of the small business exemption rule was further explained in the responses to the Written Questions of the World Trade Organization (**WTO**) Panel in connection with the dispute between European Communities and the United States with regard to the alleged inconsistencies

⁷⁷ 17 USCS § 110.

⁷⁸ Peggy H. Luh, *Pay or Don't Play: Background Music and the Small Business Exemption of Copyright Law*, 16 Loy. L.A. Ent. L. Rev. 711, p. 715 (1996) <<https://digitalcommons.lmu.edu/elr/vol16/iss3/4>> (last accessed October 25, 2022).

⁷⁹ Id.

⁸⁰ Id.

⁸¹ H.R. Rep. No. 94-1476 (1976), p. 87.



of the United States Copyright Act with the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights:

With respect to 110(5)(A), the record is clear that Congress was concerned with small ‘mom and pop’ businesses. Small businesses play a particularly important role in the American social fabric. They foster local values and innovation and experimentation in the economy. Small businesses also create a disproportionately greater number of economic opportunities for women, minorities, immigrants, and those formerly on public assistance, and thus are an essential mechanism by which millions enter the economic and social mainstream.⁸²

The first requirement for the small business exemption rule is that the establishment must be a “small commercial establishment.” The rationale for this requirement finds its roots in United States legislative history where an examination was made on whether the business was of such size that would merit a subscription to a commercial music service.⁸³ In determining whether a business can be considered as a small commercial establishment, the courts must examine the physical and financial size of the establishment.⁸⁴

The second requirement in order to qualify for the small business exemption rule is that an establishment must not directly charge its customers to hear the music.⁸⁵ This requirement does not typically pose problems in ascertaining whether the small business exemption should apply, because it is a fairly objective criterion. Most establishments do not separately charge their patrons for background music.⁸⁶

The third requirement is that the establishment must use a single receiving apparatus of a kind commonly used in private homes.⁸⁷ According to the United States Supreme Court, this is the most difficult factor to analyze, as the United States Congress did not employ a hard and fast rule as to which devices qualify for such exemption.⁸⁸

Lastly, the fourth element to qualify for the small business exemption rule requires that the transmission is not further transmitted to the public. In analyzing this requirement, the size of the establishment and the physical arrangement of the sound system must be looked into.⁸⁹

⁸² Panel Report, United States – Section 110(5) of the U.S. Copyright Act, WT/DS160/R (June 15, 2000), p.87 <https://docs.wto.org/dol2fe/Pages/FE_Search/MultiDDFDocuments/55222/Q:/WT/DS/160R-00.pdf;Q:/WT/DS/160R-01.pdf [hereinafter, Panel Report]> (visited October 25, 2022).

⁸³ H.R. Rep. No. 1733, 94th Cong., 2d Sess. 75 (1976).

⁸⁴ *Pay or Don't Play: Background Music and the Small Business Exemption of Copyright Law*, supra note 77, at 719-720.

⁸⁵ *Cass County Music Co. v. Muedini*, 55 F.3d 263 (7th Cir. 1995).

⁸⁶ *Pay or Don't Play: Background Music and the Small Business Exemption of Copyright Law*, supra note 77, at 724-725.

⁸⁷ *Id.*

⁸⁸ *Id.*

⁸⁹ *Id.* at 730.



The Court is mindful that there exists no similar exemption in our IP Code. Nevertheless, the “Mom and Pop” establishments should receive protection from liability for copyright infringement under the fair use doctrine. To continue ignoring this gap in our law would be tantamount to sanctioning the expansion of the scope of copyright, in violation of its core objective of achieving the common good. Thus, the Congress’ attention should be drawn to this deficiency and, in the meantime, the Court, in applying the law on intellectual property, must strike a careful balance between the rights of the owners to be compensated for the use of their works and the right of the public to enjoy these creations. However, the Court acknowledges that a comprehensive discussion on these matters at this time would be premature.

In light of the foregoing, a similar set of exemptions for small businesses in the Philippines should be considered, following the “three-step test” as proposed by Associate Justice Caguioa.⁹⁰ The three-step test is a clause that provides for three conditions to the limitations and exceptions of a copyright holder’s rights, establishing the legal parameters for reproducing work.⁹¹ Thus, the three-step test provides the following exemptions to the copyright holders’ rights, which must:

1. Cover only certain special cases;
2. Not conflict with the normal exploitation of the work; and
3. Not unreasonably prejudice the legitimate interests of the copyright holder.

The three-step test first emerged at the 1967 Stockholm Berne Convention Revision Conference, and was codified in Article 9.2 of the Berne Convention.⁹² It later on became an integral part of several international agreements, particularly in Article 13 of the Agreement on Trade-Related Aspects of International Property Rights (**TRIPS**), and Article 10 of the WIPO Copyright Treaty (**WCT**).

Article 9 (2) of the Berne Convention provides:

Article 9 (2) It shall be a matter for legislation in the countries of the Union to permit the reproduction of such works in certain special cases, provided

⁹⁰ J. Caguioa, Concurring Opinion, dated April 10, 2023.

⁹¹ Rachel Marusak Hermann. “IP Experts Focus on 3-Step Test In Copyright, Discuss Way Forward” Intellectual Property Watch (December 2011) <<https://www.ip-watch.org/2011/12/21/ip-experts-focus-on-3-step-test-in-copyright-debate-way-forward/>> (visited April 11, 2023).

⁹² Geiger, Senftleben, and Gervais. “Understanding the ‘Three-Step Test’” (January 2015) <https://www.researchgate.net/publication/298519957_Understanding_the_three-step_test> (visited April 11, 2023).



that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author.

On the other hand, Article 13 of the TRIPS states:

Article 13. Members shall confine limitations or exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder.

Finally, Article 10 of the WCT states:

- (1) Contracting Parties may, in their national legislation, provide for limitations of or exceptions to the rights granted to authors of literary and artistic works under this Treaty in certain special cases that do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the author;
- (2) Contracting Parties shall, when applying the Berne Convention, confine any limitations of or exceptions to rights provided for therein to certain special cases that do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the author.

Based on the foregoing, member states, in imposing limitations on the rights of copyright holders and allowing small businesses to exploit their creations, must adhere to the three-step test. As succinctly discussed by Justice Caguioa in his Concurring Opinion, the proposed small business exemption pertains to smaller commercial establishments that are unlikely to significantly impact the market for copyrighted work, and thus, the small business exemption must concentrate on the establishment's size, type, usage, and the manner in which the music is transmitted (*i.e.*, the use of a single receiving apparatus of a kind commonly used in private homes and physical arrangement of the sound system).⁹³ Thus, the small business exemption should carefully balance the interests of the copyright holders as well as the small business establishments.

Ultimately, the objective of the three-step test is to ensure that the right of the copyright holders are protected, and, at the same time, the right of small businesses to use their creations in accordance with the limitations set forth in the three-step test. As the three-step test was meant to serve as a guide to national legislators when it was first formulated in 1967,⁹⁴ the Congress, in its bid to fill the gap in our current copyright laws, should consider the three-step test in order to "craft a more equitable copyright system that caters to the

⁹³ J. Caguioa, Concurring Opinion, p. 11.

⁹⁴ *Id.* at 7.



unique challenges faced by small Filipino businesses—and indeed our society in general—without undermining the rights of copyright holders.”⁹⁵

Remedies for infringement


As an assignee of copyright, FILSCAP is entitled to all the rights and remedies which the assignor had with respect to the same. Thus, FILSCAP has the right to be compensated for the communication to the public of copyrighted musical works under its repertoire. Section 216 of the IP Code provides for the following remedies available to copyright owners or holders in case of infringement:

SECTION 216.1. *Remedies for Infringement.* – Any person infringing a right protected under this law shall be liable:

- (a) To an injunction restraining such infringement. The court may also order the defendant to desist from an infringement, among others, to prevent the entry into the channels of commerce of imported goods that involve an infringement, immediately after customs clearance of such goods.
- (b) To pay the copyright proprietor or his assigns or heirs such actual damages, including legal costs and other expenses, as he may have incurred due to the infringement as well as the profits the infringer may have made due to such infringement, and in proving profits the plaintiff shall be required to prove sales only and the defendant shall be required to prove every element of cost which he claims, or, in lieu of actual damages and profits, such damages which to the court shall appear to be just and shall not be regarded as penalty: *Provided*, That the amount of damages to be awarded shall be doubled against any person who:
 - (i) Circumvents effective technological measures; or
 - (ii) Having reasonable grounds to know that it will induce, enable, facilitate or conceal the infringement, remove or alter any electronic rights management information from a copy of a work, sound recording, or fixation of a performance, or distribute, import for distribution, broadcast, or communicate to the public works or copies of works without authority, knowing that electronic rights management information has been removed or altered without authority.

The RTC directed the petitioners to pay FILSCAP ₱627,200.00 as actual or compensatory damages, ₱100,000.00 as attorney’s fees plus cost of

⁹⁵ Id. at 15.



litigation, including monitoring expense in the amount of ₱66,386.58, as well as moral and exemplary damages in the amount of ₱300,000.00 each.⁹⁶

Having established that Icebergs committed copyright infringement, FILSCAP is entitled to be compensated in the form of actual damages pursuant to Section 216.1 of the IP Code.

Article 2199 of the Civil Code of the Philippines (**Civil Code**) provides:

Article 2199. Except as provided by law or by stipulation, one is entitled to an adequate compensation only for such pecuniary loss suffered by him as duly proved. Such compensation is referred to as actual or compensatory damages.

Actual damages are compensation for an injury that will put the party in the position where it was before the injury; it pertains to the injuries or losses that are actually sustained and susceptible of measurement.⁹⁷ However, to claim actual or compensatory damages, the party must first prove the loss actually sustained. Basic is the rule that to recover actual damages, not only must the amount of loss be capable of proof; it must also be actually proven with a reasonable degree of certainty, premised upon competent proof or the best evidence obtainable.⁹⁸

Since actual damages are awarded to compensate for a pecuniary loss, the injured party is required to prove two things: (1) the fact of injury or loss; and (2) the actual amount of loss with reasonable degree of certainty premised upon competent proof and on the best evidence obtainable.⁹⁹

In the present case, the entitlement of FILSCAP to compensation for the use of copyrighted musical works in its repertoire and Icebergs' refusal to pay the same were duly proven. Evidently, FILSCAP was deprived of the license fees that Icebergs should have paid had it secured the necessary license from FILSCAP from 2010 to 2014.

To prove the amount of the license fees due to FILSCAP, it offered, among others, the testimony of its Licensing Manager, Ceasar M. Apostol (**Apostol**), as well as the Assessment for Public Performance License that Apostol prepared, which the RTC found to be sufficient to establish the amount of license fees that the petitioners should have paid to FILSCAP.¹⁰⁰

⁹⁶ *Rollo*, Vol. 2, p. 607, RTC Decision.

⁹⁷ *International Container Terminal Services, Inc. v. Chua*, 730 Phil. 475, 489 (2014).

⁹⁸ *Id.*

⁹⁹ *Yamauchi v. Suñiga*, 830 Phil. 122, 134 (2018).

¹⁰⁰ *Rollo*, Vol. 2, p. 605, RTC Decision.



The Court finds no reason to disturb the RTC's findings. The issue on the amount of actual damages is a factual question that, subject to recognized exceptions, none of which obtains in this case, this Court may not resolve in a Rule 45 petition.¹⁰¹

FILSCAP was likewise awarded exemplary damages in the amount of ₱500,000.00 by way of example or correction for the public and to deter others from publicly playing copyrighted musical works in their establishments without a public performance license.¹⁰² The purpose of exemplary damages is to serve as a deterrent to future and subsequent parties from the commission of a similar offense.¹⁰³

To be awarded exemplary damages, the following requisites must concur:

(1) They may be imposed by way of example in addition to compensatory damages, and only after the claimant's right to them has been established;

(2) That they cannot be recovered as a matter of right, their determination depending upon the amount of compensatory damages that may be awarded to the claimant; and

(3) The act must be accompanied by bad faith or done in a wanton, fraudulent, oppressive or malevolent manner.¹⁰⁴

The Court finds that the award of exemplary damages is also proper. It must be noted that FILSCAP sent Icebergs several demand letters from 2010 to 2014, which all fell on deaf ears. This demonstrates Iceberg's wanton disregard of its duty to secure a license from FILSCAP. Nevertheless, the Court reduces the amount of the exemplary damages awarded to ₱100,000.00.

The award of attorney's fees is also warranted, pursuant to Section 216.1 (b) of the IP Code, which entitles the copyright owner to legal costs and other expenses, as he may have incurred due to the infringement. It is clear that FILSCAP was compelled to bring suit in order to protect its rights. FILSCAP presented receipts for its legal expenses that it incurred in connection with the case.¹⁰⁵ Thus, the award of attorney's fees is justified.

¹⁰¹ *City of Dagupan v. Maramba*, 738 Phil. 71, 96 (2014).

¹⁰² *Rollo*, Vol. 1, p. 202, Complaint.

¹⁰³ *Tankeh v. Development Bank of the Philippines*, 720 Phil. 641, 692 (2013).

¹⁰⁴ *Francisco v. Ferrer, Jr.*, 405 Phil. 741, 750 (2001).

¹⁰⁵ *Rollo*, Vol. 1, pp. 381-382, Formal Offer of Evidence.



As for the award of moral damages, the Court deletes the same for lack of basis.

Article 2217 of the Civil Code provides:

Article 2217. Moral damages include physical suffering, mental anguish, fright, serious anxiety, besmirched reputation, wounded feelings, moral shock, social humiliation, and similar injury. Though incapable of pecuniary estimation, moral damages may be recovered if they are the proximate result of the defendant's wrongful act or omission.

An award of moral damages must be anchored on a clear showing that the party claiming the same actually experienced mental anguish, besmirched reputation, sleepless nights, wounded feelings, or other similar injuries.¹⁰⁶

It must be noted that a juridical person, such as FILSCAP, is generally not entitled to moral damages because, unlike a natural person, it cannot experience physical suffering or such sentiments as wounded feelings, serious anxiety, mental anguish, or moral shock.¹⁰⁷ It is true that the Court has previously carved out narrow exceptions to such rule, such as in cases of libel¹⁰⁸ or in cases of gross negligence committed against a corporation.¹⁰⁹ No exception is obtaining in this case.

Finally, the monetary award shall earn interest at the rate of six percent (6%) *per annum* from the finality of this judgment until its full satisfaction, in accordance with the guidelines established in *Lara's Gifts & Decors, Inc. v. Midtown Industrial Sales, Inc.*¹¹⁰

WHEREFORE, the Petition for Review on *Certiorari* is **DENIED**. The Decision, dated February 6, 2020, and Resolution, dated March 18, 2021, of the Court of Appeals in CA-G.R. SP No. 159124, are **AFFIRMED WITH MODIFICATIONS**.

Icebergs Food Concepts, Inc. is **ORDERED** to pay the Filipino Society of Composers, Authors and Publishers, Inc. the amount of ₱627,000.00 as actual damages representing unpaid license fees, ₱100,000.00 as exemplary damages, and ₱100,000.00 as attorney's fees. These amounts shall be subject to interest at the rate of six percent (6%) *per annum* from date of finality of this Decision until full satisfaction.

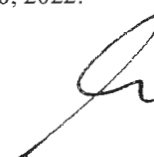
¹⁰⁶ *De Guzman v. Tumolva*, 675 Phil. 808, 820 (2011).

¹⁰⁷ *Filipinas Broadcasting Network, Inc., v. Ago Medical and Educational Center-Bicol Christian College of Medicine*, 489 Phil. 380, 399 (2005).


¹⁰⁸ *Id.*

¹⁰⁹ *Simex International Incorporated v. Court of Appeals*, 262 Phil. 387 (1990).

¹¹⁰ G.R. No. 225433, Decision dated August 28, 2019, and Resolution dated September 20, 2022.



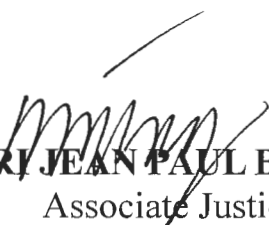
SO ORDERED.

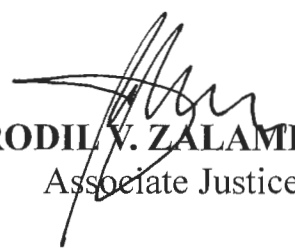

MARIA FILOMENA D. SINGH
Associate Justice


WE CONCUR:


ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

*See Concurring
Opinion*

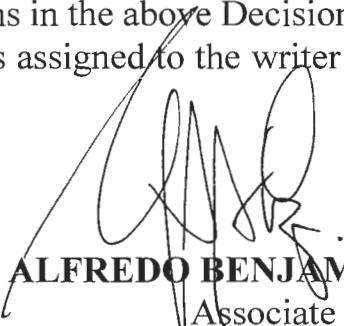

HENRI JEAN PAUL B. INTING
Associate Justice


RODIL V. ZALAMEDA
Associate Justice


SAMUEL H. GAERLAN
Associate Justice

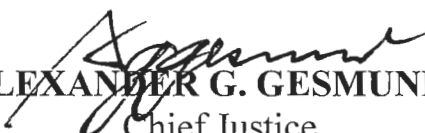
ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


ALFREDO BENJAMIN S. CAGUIOA
Associate Justice
Chairperson, Third Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


ALEXANDER G. GESMUNDO
Chief Justice

