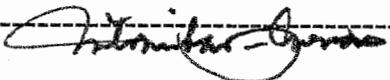


EN BANC

G.R. No. 222537 – COSAC, INC., Petitioner, v. FILIPINO SOCIETY OF COMPOSERS, AUTHORS AND PUBLISHERS, INC., Respondent.

Promulgated:

February 28, 2023

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SEPARATE CONCURRING OPINION

LEONEN, J.:

I concur in the result. Petitioner should be made liable for copyright infringement pursuant to Republic Act No. 8293, the Intellectual Property Code.

I agree that profit is not the controlling factor in determining the commission of copyright infringement.¹ Even during the copyright regime subsisting under Presidential Decree No. 49, the exhibition, performance, representation, production, or reproduction of a copyrighted work is the exclusive right of the copyright holder, regardless of whether the act was committed for profit or otherwise:

SEC. 3. The proprietor of a copyright or his heirs or assigns shall have the exclusive right:

...

(c) To exhibit, perform, represent, produce, or reproduce the copyrighted work in any manner or by any method whatever *for profit or otherwise*; if not reproduced in copies for sale, to sell any manuscripts or any record whatsoever thereof; ... (Emphasis supplied)

As astutely pointed out in the *ponencia*, what the factor of profit—or more accurately, the absence of a profit-making aim—can do is to exclude certain acts from a finding of infringement, such as when the act was committed in accordance with those enumerated in Section 184 of the Intellectual Property Code.² Particularly, when raising the defense of fair use, several factors—not just the alleged infringer’s profit purpose—must be considered:

The determination of what constitutes fair use depends on several factors. Section 185 of the Intellectual Property Code states:

¹ *Ponencia*, p. 22.

² *Id.* at 25.



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. . . . 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.

Respondents allege that the news footage was only five (5) seconds long, thus falling under fair use. ABS-CBN belies this contention and argues that the footage aired for two (2) minutes and 40 seconds. 113 According to the Court of Appeals, the parties admitted that only five (5) seconds of the news footage was broadcasted by GMA-7.

This court defined fair use as "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."

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. There may also be cases where, though the entirety of the copyrighted work is used without consent, its purpose determines that the usage is still fair. For example, a parody using a substantial amount of copyrighted work may be permissible as fair use as opposed to a copy of a work produced purely for economic gain.

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.³

There is no question that petitioner's employees playing copyrighted music through the radio, speakers, or music videos constituted an exercise of respondent's public performance rights, and that to do so without securing a license from respondent constitutes copyright infringement for which the petitioner can be made liable. That much has been settled in *Filscap v. Anrey*.⁴

It may likewise appear that the case of *Filscap v. Tan*⁵ is controlling on the liability of a proprietor when a live band, within the establishment of another, publicly performed musical compositions without the appropriate public performance license. There, the operator of a restaurant was alleged to have committed copyright infringement when it hired a combo of professional singers who played and sung musical compositions "to entertain customers therein"⁶ without first securing a license or permission from the copyright holders.

However, *Filscap v. Tan* did not fully reckon with the infringement liability of the owner of an establishment in relation to the liability of the primary and direct infringers—the combo of professional singers. Instead, the Court ultimately found that no copyright infringement was committed because the compositions performed have already passed into the public domain.⁷

This Court must be circumspect in its assignation of infringing act and

³ *ABS-CBN v. Gozon*, 755 Phil. 709, 756–760 (2015) [Per J. Leonen, Second Division].

⁴ G.R. No. 233918, August 9, 2022 [Per J. Zalameda, *En Banc*].

⁵ 232 Phil. 426 (1987) [Per J. Paras, Second Division].

⁶ *Id.* at 429.

⁷ *Id.* at 433–434.

liability pursuant to copyright law. Copyright is a statutory right, the extent and limitations of which are defined and governed by existing law:

An important aspect of intellectual property rights is that their protection subsists only “for such period as may be provided by law.” As with other intellectual property rights, the metes and bounds of protection for works covered by copyright are defined and governed by existing law. In *Joaquin v. Drilon*:

Copyright, 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. Being a statutory grant, the rights are only such as the statute confers, and may be obtained and enjoyed only with respect to the subjects and by the persons, and on terms and conditions specified in the statute.⁸

At the time the infringing acts were committed in this case, Republic Act No. 8293 only punished the direct infringer: the person who, without authority or consent, exercises a right that was exclusively granted to the copyright holder, or author of the work in case of moral rights, or the performer, producer of sound recordings or broadcasting organization for rights defined in Chapter XII of the Intellectual Property Code, among others. Persons who benefit from the infringing activity of another, or knowingly and materially contribute to another’s infringing activity, were not liable under Section 216 of Republic Act No. 8293. Thus, in the strictest understanding of liability for infringement under Republic Act No. 8293, to impute infringement, it must be shown that the unauthorized exercise of copyright or related right must have been done by the alleged infringer. The only exception was persons who knowingly possess infringing copies of the work, penalized under Section 217.3:

SECTION 217. Criminal Penalties. — ...

217.3. Any person who at the time when copyright subsists in a work has in his possession an article which he knows, or ought to know, to be an infringing copy of the work for the purpose of:

(a) Selling, letting for hire, or by way of trade offering or exposing for sale, or hire, the article;

(b) Distributing the article for purpose of trade, or for any other purpose to an extent that will prejudice the rights of the copyright owner in the work; or

(c) Trade exhibit of the article in public, shall be guilty of an offense and shall be liable on conviction to imprisonment and fine as above mentioned.

⁸ *Philippine Home Cable Holdings Inc. v. Filscap*, G.R. No. 188933, February 21, 2023 [Per J. Leonen, *En Banc*].

It was only in Republic Act No. 10372 that acts constituting copyright infringement were expanded to contemplate those done by persons other than the direct infringers:

SEC. 216. Infringement. — Any 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;

(c) With knowledge of infringing activity, induces, causes or materially contributes to the infringing conduct of another.

I respectfully put forward that, if this Court must impute liability to persons other than the direct infringers absent a specific provision in copyright law, then it is inappropriate to find its basis on the common law principles of another jurisdiction.⁹ “Otherwise, our laws, and by extension, our courts, will be beholden to interpretations made of foreign laws, by foreign bodies, ignoring the real and material divergences in the legal, political, social, and cultural developments unique to each jurisdiction.”¹⁰ For those infringing acts allegedly committed and yet responsibility is imputed to another, prior to the effectivity of Republic Act No. 10372, it is more appropriate that Philippine law and jurisprudence’s existing formulations of the concept of vicarious liability be applied. In *Cangco v. Manila Railroad Co.*:¹¹

On the other hand, the liability of masters and employers for the negligent acts or omissions of their servants or agents, when such acts or omissions cause damages which amount to the breach of a contract, is not based upon a mere presumption of the master's negligence in their selection or control, and proof of exercise of the utmost diligence and care in this regard does not relieve the master of his liability for the breach of his contract.

Every legal obligation must of necessity be extra-contractual or contractual. Extra-contractual obligation has its source in the breach or omission of those mutual duties which civilized society imposes upon its members, or which arise from these relations, other than contractual, of certain members of society to others, generally embraced in the concept of status. The legal rights of each member of society constitute the measure of the corresponding legal duties, mainly negative in character, which the existence of those rights imposes upon all other members of society. The breach of these general duties whether due to willful intent or to mere inattention, if productive of injury, gives rise to an obligation to indemnify

⁹ *Ponencia*, p. 36.

¹⁰ Justice Leonen’s Dissenting Opinion in *Filscap v. Anrey, Inc.*, G.R. No. 233918, August 9, 2022 [Per J. Zalameda, *En Banc*].

¹¹ 38 Phil. 768 (1918) [Per J. Fisher, *En Banc*].

the injured party. The fundamental distinction between obligations of this character and those which arise from contract, rests upon the fact that in cases of non-contractual obligation it is the wrongful or negligent act or omission itself which creates the *vinculum juris*, whereas in contractual relations the *vinculum* exists independently of the breach of the voluntary duty assumed by the parties when entering into the contractual relation.

With respect to extra-contractual obligation arising from negligence, whether of act or omission, it is competent for the legislature to elect — and our Legislature has so elected — to limit such liability to cases in which the person upon whom such an obligation is imposed is morally culpable or, on the contrary, for reasons of public policy, to extend that liability, without regard to the lack of moral culpability, so as to include responsibility for the negligence of those persons whose acts or omissions are imputable, by a legal fiction, to others who are in a position to exercise an absolute or limited control over them. The legislature which adopted our Civil Code has elected to limit extra contractual liability — with certain well-defined exceptions — to cases in which moral culpability can be directly imputed to the persons to be charged. This moral responsibility may consist in having failed to exercise due care in one's own acts, or in having failed to exercise due care in the selection and control of one's agents or servants, or in the control of persons who, by reason of their status, occupy a position of dependency with respect to the person made liable for their conduct.¹²

In particular, when an employer is being made liable for their employees' acts, this Court's jurisprudence on vicarious liability of employers can be adapted and refined as the foundation for vicarious liability in copyright infringement cases. For example, in the preliminary determination of an employer's vicarious liability, there must be proof that an employer-employee relationship exists between the two parties.¹³ It must then be shown that the employer was negligent in some capacity, failing to exercise the diligence of a good parent of a family in the selection of employees and supervision of performance of their duties. As stated in *Victory Liner, Inc. v. Heirs of Malecdan*:¹⁴

Employers may be relieved of responsibility for the negligent acts of their employees acting within the scope of their assigned task only if they can show that "they observed all the diligence of a good father of a family to prevent damage." For this purpose, they have the burden of proving that they have indeed exercised such diligence, both in the selection of the employee and in the supervision of the performance of his duties.

In the selection of prospective employees, employers are required to examine them as to their qualifications, experience and service records. With respect to the supervision of employees, employers must formulate standard operating procedures, monitor their implementation and impose disciplinary measures for breaches thereof. These facts must be shown by concrete proof, including documentary evidence.¹⁵

¹² *Id.* at 775–776.

¹³ *Catsilex Industrial Corporation v. Vasquez, Jr.*, 378 Phil. 1009, 1017 (1999) [Per C.J. Davide, Jr., First Division].

¹⁴ 442 Phil. 784 (2002) [Per J. Mendoza, Second Division].

¹⁵ *Id.* at 793.

Thus, recovery from the proprietor of the establishment under the theory of vicarious liability may hinge upon a finding that the proprietor has control or supervision over the acts of the primary and direct infringer. This likewise presupposes that the proprietor knows or has been informed of the primary infringer's act, much in the same way that Section 216 of the Intellectual Property Code, as amended, requires notice or knowledge for liable persons who are not the direct infringers.

Finally, I agree with the *ponencia* that, considering that respondent only prayed for nominal damages and failed to prove actual damages, but suffered some degree of pecuniary loss in the form of petitioner's nonpayment of the appropriate licensing fees for the musical compositions performed, temperate damages may be awarded.

FILSCAP's evidence is lacking in terms of the "actual" damage it sustained. It did not offer other receipts or documentation, except for what Lejano presented when he visited Off the Grill, as well as the matrix of fees submitted by FILSCAP's employees. There is no effective way to ascertain how much pecuniary loss FILSCAP incurred with respect to license fees as well as monitoring expenses. For this reason, the RTC and CA's award to FILSCAP for license fees/royalties should also be removed, in addition to the monitoring expenses which the CA already deleted. FILSCAP's evidence, unfortunately, is insufficient to properly calculate its entitlement to royalties, as well as other actual damages, assuming it further prayed for the same, apart from the license fees and monitoring expenses.¹⁶

Accordingly, I vote to **DENY** the Petition for Review on *Certiorari*.



MARVIC M.V.F. LEONEN
Senior Associate Justice

¹⁶ *Ponencia*, p. 47.