



Copyright_Levies_Reform
Alliance

PRESS RELEASE

INDUSTRY CONDEMNS COMMISSION BACKDOWN ON REFORM

REFORM OF COPYRIGHT LEVIES ABANDONED FOLLOWING OPPOSITION FROM FRANCE

Brussels, December 13, 2006 – The Copyright Levies Reform Alliance (CLRA), an alliance of technology companies promoting the reform of copyright levies in the European Union, today expressed dismay at the José Manuel Barroso's decision to bury European Commission legislation designed to reform copyright levies in the European Union. The legislation (a *Commission Recommendation*) was scheduled to be adopted on December 20, 2006.

While major European collecting societies - such as SONT in the Netherlands and SACEM in France - are under close scrutiny from their national governments for their lack of transparency and their failure to fully redistribute the copyright taxes they collect in the name of authors and creators, it is unclear why the Commission President decided this week to pull the plug on one of the key EU initiatives aimed at improving the competitiveness of the European economy and creating growth and jobs. This contradicts his statement before the European Parliament on November 14th, 2006, when he announced that copyright levy reform would be adopted this year, as per the Commission's 2006 Work Programme.

Mark MacGann, CLRA spokesperson and Director General of European digital technology industry group EICTA, stated: *"European industry is deeply disturbed by the European Commission's apparent about-face on the planned reform of copyright levies. It seems the Commission has chosen to drop the Recommendation on levies that was due to be adopted next week following eleventh hour interference from France. With this decision, it is clear to industry that the Commission has abandoned any serious efforts to establish transparency, efficiency and fairness in the way these levies are set, collected and distributed, let alone its publicly stated ambition to promote 'better regulation' in Europe."*

The Commission has held several consultations with the Member States and interested stakeholders¹ in order to determine the nature and extent of the problem. It conducted what it has officially termed a "...rigorous impact study..." which concluded that the body of evidence of market distortion and unjust levying of consumer devices was sufficiently substantial to merit the adoption of a Commission Recommendation.

"It should be a source of major concern that the Barroso Commission appears unwilling to take the difficult political decisions that form part of its obligations under the Treaty," said MacGann. *"This does not bode well for other proposals for reform necessary to give meaning to the Commission's growth and jobs agenda. The vested interests and protectionist elements in the national capitals that oppose European Single Market reforms have scored a Pyrrhic victory today since European consumers in those countries will bear the brunt of this unfair tax on technology until it is reined in."*

Today's unsustainable situation arises from EU Member States' failure to properly implement the 2001 Copyright Directive, which foresaw a gradual phase out of

copyright levies with the advent of alternative mechanisms to directly compensate artists. The Commission Recommendation was intended as a pragmatic means to rectify this.

In the absence of the kind of clear guidelines foreseen in the draft Recommendation, several large European companies now intend to file official complaints with the Commission that will likely result in a wave of infringement procedures against certain Member States. The reform of copyright levies would then move from the European executive to the European Court of Justice.

Notes to Editors

A **Recommendation of the European Commission** is a legal instrument of the European Union, addressed to Member States, which urges Member States to comply with existing legislation (in this case the 2001 Directive on Copyright in the Information Society) or expresses a view on how legislation should be implemented. It is a so-called instrument of “soft law”, and while non-binding in nature, can be cited in domestic legal proceedings as an indication of how European law should be interpreted.

What are copyright levies?

Copyright levies are fees intended to compensate rights holders for the economic harm done by legal private copying; similar to a tax, yet their amounts are not statutorily decided. They are not intended to compensate for illegal copying, and should not be perceived as a “piracy tax” on European consumers.

Copyright levies were first collected on cassette recorders and blank cassettes in 1961. They were applied to video cassette recorders and blank video cassettes in the early 1980s.

Today, they are applied to various types of digital devices as well as reprographic equipment such as copiers and multifunctional printers; and proposals are underway in several countries to extend copyright levies to new devices such as PCs, mobile phones and digital cameras. They are not royalties designed to compensate artists for sale of their works. Copyright levies are not designed to compensate artists for piracy. The only European countries which do not apply copyright levies to devices and recordable media are Cyprus, Ireland, Malta, Luxembourg and the UK.

About the Copyright Levies Reform Alliance

The Copyright Levies Reform Alliance is comprised of the Business Software Alliance (BSA), European American Business Council (EABC), European Digital Media Association (EDiMA), European Information and Communications Technology and Consumer Electronics Association (EICTA), Recording-media Industry Association of Europe (RIAE), and the European Semiconductor Industry Association (ESIA)

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ⁱ Hearing on Collective Management; Brussels, 13-14 November 2000; Commission Staff Working Paper on DRMs, February 2002. Two more DRM Workshops were held, the second on 25 March 2003, and the third on 6 April 2005; COMMISSION STAFF WORKING PAPER on the review of the EC legal framework in the field of copyright and related rights – Brussels, 19.7.2004, SEC(2004) 995;

High Level Group on Digital Rights Management, Final Report March-July 2004 (Addressed the impact of DRM on existing rights management approaches, in particular the application of levies. A wider consultation of all stakeholders was launched on the Final Report in August/September 2004);
October 11, 2004: Consultation on the subject of Digital rights management Art. 12 Contact Committee of the Directive 2001/29;
October 2004: Commission consulted Member States on the scope of the private copying exception and existing systems of remuneration;
Digital Right Management Workshop - 6 April 2005;
Management of Copyright and Related Rights – Stakeholder consultation September 2005; Copyright Levy reform – stakeholder consultation - June 2006; INFSO: Public Consultation on Content Online in the Single Market, July 2006