



SUPREME COURT OF THE PHILIPPINES  
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Republic of the Philippines  
**Supreme Court**  
Manila

**EN BANC**

**COSAC, INC.,**

*Petitioner,*

**G.R. No. 222537**

Present:

GESMUNDO, C.J.,  
LEONEN,  
CAGUIOA,  
HERNANDO,  
LAZARO-JAVIER,  
INTING,\*  
ZALAMEDA,  
LOPEZ, M. V.,\*\*  
GAERLAN,  
ROSARIO,  
LOPEZ, J. Y.,  
DIMAAMPAO,  
MARQUEZ,  
KHO, JR., and  
SINGH, JJ.

- versus -

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

*Respondent.*

Promulgated:

February 28, 2023

X ----- X

**DECISION**

**HERNANDO, J.:**

This Petition for Review on *Certiorari*<sup>1</sup> assails the May 28, 2015

\* No part; his sister J. Socorro B. Inting, had participation in the proceedings before the Court of Appeals.

\*\* No part; penned the assailed CA Decision.

<sup>1</sup> *Rollo*, pp. 10-19.

Decision<sup>2</sup> and the January 14, 2016 Resolution<sup>3</sup> of the Court of Appeals (CA) in CA-G.R. CV No. 101415 that affirmed the October 24, 2012 Decision<sup>4</sup> and the July 22, 2013 Order<sup>5</sup> of the Regional Trial Court (RTC) of Quezon City, ordering COSAC, Inc. (COSAC) to pay Filipino Society of Composers, Authors and Publishers, Inc. (FILSCAP), damages for unpaid license fees/royalties.

### The Facts

FILSCAP is a non-stock, non-profit corporation comprised of composers, authors, and music publishers. It is tasked to enforce and protect the performing rights of copyright owners of musical works. FILSCAP is also authorized to issue licenses and collect license fees for the public performance of copyrighted musical works under its repertoire,<sup>6</sup> whether for profit or not. FILSCAP alleged that Filipino composers executed deeds of assignment, and foreign composers/publishers of musical works executed reciprocal representation agreements, whereby they assigned to FILSCAP their rights to the use and protection of their copyrighted works.<sup>7</sup>

On February 3, 2005 and January 13, 2006, a representative from FILSCAP who monitored<sup>8</sup> Off the Grill Bar and Restaurant (Off the Grill) in Quezon City (owned and operated by COSAC) discovered that the restaurant played copyrighted music without obtaining from FILSCAP a license or paying the corresponding fees. Thus, FILSCAP advised COSAC to secure the required licenses and sent letters of the same tenor dated September 20, 2004<sup>9</sup> and October 14, 2004.<sup>10</sup> Without getting a favorable response from COSAC, FILSCAP sent a Final Demand Letter<sup>11</sup> dated November 10, 2005 to the former. However, COSAC still refused to comply.

Thus, on February 13, 2006, FILSCAP filed a Complaint<sup>12</sup> for infringement of copyright and damages against COSAC. FILSCAP alleged that COSAC's refusal to secure the license and its continued use of copyrighted music without the requisite performing rights constitute acts of infringement. Thus, COSAC should be compelled to secure a license and to pay royalty fees, damages, and attorney's fees.<sup>13</sup>

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<sup>2</sup> Id. at 26-34. Penned by Associate Justice Mario V. Lopez (now a Member of this Court) and concurred in by Associate Justices Noel G. Tijam (a retired Member of this Court) and Myra V. Garcia-Fernandez.

<sup>3</sup> Id. at 36.

<sup>4</sup> Id. at 75-80. Penned by Presiding Judge Reynaldo B. Daway of Branch 90, RTC of Quezon City.

<sup>5</sup> Id. at 81-82. Penned by Presiding Judge Arthur O. Malabaguio of Branch 93, RTC of Quezon City.

<sup>6</sup> Id. at 98.

<sup>7</sup> Id. at 26-27.

<sup>8</sup> On February 3, 2005 and January 13, 2006.

<sup>9</sup> *Rollo*, pp. 60-61.

<sup>10</sup> Id. at 62-63.

<sup>11</sup> Id. at 71.

<sup>12</sup> Id. at 37-43.

<sup>13</sup> Id. at 27.

Conversely, COSAC argued that FILSCAP is not a real party-in-interest since it did not prove that the copyright owners assigned their rights to FILSCAP. COSAC denied committing infringement as it had no knowledge about what the band members would sing as part of their performance, and because songs once aired and performed become public property. In its counterclaim, COSAC prayed for attorney's fees and litigation expenses.<sup>14</sup>

To prove its standing to file the case, FILSCAP presented the deeds of assignment<sup>15</sup> executed by the local copyright owners in its favor, together with their reciprocal representation agreements<sup>16</sup> with foreign societies abroad. Likewise, FILSCAP submitted a Certificate of Authentication<sup>17</sup> as well as an International Confederation of Societies of Authors and Composers (ICSAC) Certification<sup>18</sup> dated September 13, 2006 as proofs of its membership in the ICSAC, and to show that it is the only ICSAC-recognized collective management organization in the Philippines authorized to license the public performance of musical works.<sup>19</sup>

FILSCAP also provided a list from Fiche Internationale,<sup>20</sup> a database containing information pertinent to the interested parties of musical works. It contains "(a) the names of the interested parties (*i.e.*, the composer, lyricist [author], publisher and sub-publisher of the musical work), (b) the society to which each interested party belongs to, and (c) the percentage of sharing of performance royalties between the interested parties."<sup>21</sup> FILSCAP averred that Off the Grill played some songs that were assigned to it and included in the Fiche Internationale's database.<sup>22</sup>

In the Affidavit<sup>23</sup> of Debra Ann Gaité (Gaité), then the General Manager of FILSCAP, she asserted that the deeds of assignment executed by the composers and publishers over the performing rights of their works to FILSCAP were duly registered with the National Library of the Philippines and are easily available to the public.<sup>24</sup>

During her cross-examination, Gaité stated that the copyright owners authorized FILSCAP to issue "licenses" to the establishments which sought to

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<sup>14</sup> Id. at 27.

<sup>15</sup> *Rollo*, pp. 178-179; 182-183; 186-187; records, Volume I, pp. 236-237; Though the order and wording may be different, the older duly executed versions of the other Deeds of Assignment essentially have the same provisions pertaining to the assignment of rights in favor of FILSCAP; *rollo*, pp. 190-193; 199-200.

<sup>16</sup> Records, Volume II, pp. 534-632.

<sup>17</sup> FILSCAP's Exhibit "H," p. 528.

<sup>18</sup> FILSCAP's Exhibit "H-1," p. 529.

<sup>19</sup> Id.

<sup>20</sup> *Rollo*, pp. 230-255.

<sup>21</sup> Id. at 165.

<sup>22</sup> Id. at 166.

<sup>23</sup> Id. at 159-162.

<sup>24</sup> Id. at 160.

play copyrighted music in their respective venues.<sup>25</sup> She explained that the computation of royalty fees are based on the seating capacity of the establishment.<sup>26</sup> Since Off the Grill is considered as a bar, Gaité stated that the royalty fees should be computed as follows:<sup>27</sup>

For lounges/ Bars/ Pubs (Where Dancing is not allowed)

Maximum Accommodation Capacity	Live & Mechanical Royalty Rate / Day	Mechanical Only Royalty Rate / Day
100 persons or less	[P] 100.00	[P] 45.00
More than 100 persons, but less than 300 persons	[P] 120.00	[P] 65.00
300 persons or more, but less than 500 persons	[P] 145.00	[P] 90.00
500 persons or more	[P] 170.00	[P] 105.00 <sup>28</sup>

Similarly, Ferdinand Gorospe (Gorospe), then the Licensing Manager of FILSCAP, explained in his Judicial Affidavit<sup>29</sup> that the “license” that FILSCAP issues to the users of the music is basically a written authorization, given that FILSCAP controls the performance rights over the copyrighted musical works of its members and affiliate performing rights of societies abroad.<sup>30</sup>

Gorospe stated that there is public performance when “a musical work is played to the public through any means or process,”<sup>31</sup> such as when the copyrighted musical work is “played or performed live through a performer or mechanically through any audio or audiovisual player or device such as a CD player, VCD player, DVD player, cassette player, television set or radio player.”<sup>32</sup> Gorospe elucidated FILSCAP’s position during his testimony, as follows:

Q: To whom do you issue this practice of issuing licenses?

A: We issue it to the users of music.

Q: You mean to the public?

A: Well, to the users.

Q: To the public?

A: To those who want to use the music, but not to everybody.

<sup>25</sup> TSN, March 15, 2010, p. 15.

<sup>26</sup> Id. at 19.

<sup>27</sup> *Rollo*, pp. 161-162.

<sup>28</sup> Id. at 162.

<sup>29</sup> Id. at 163-167.

<sup>30</sup> Id. at 163-164.

<sup>31</sup> Id. at 148, 165.

<sup>32</sup> Id.

Q: Who want to use-?

A: Who [wants] to use the music.

Q: When you said “who [wants] to use,” you are referring to singers?

A: Well, if they are to use it, yes it could be to singers. If they want to produce a record, then, a license also is issued to them by the parties, but not FILSCAP.

Q: For example, Mr. Witness, myself, I want to sing a song assigned by the composer to FILSCAP. If I want to use it, I have to get a license from you?

A: Technically, singing, no. We need not issue license because singing is not really – It depends on where you’ll sing it, like, for example, if you want to sing it privately in your bathroom, then why would we issue a license because that is –

Q: How about a band? They want to sing it in a restaurant. To whom [shall they] secure a license?

A: Technically it is the establishment. We’ll go after the establishment, the owner of the establishment.

Q: Why the establishment? Why not the singer, Mr. Witness? Or why not the band?

A: Because if the establishment allows the singing of the songs, then, the corporation or the establishment allows public performance.

Q: Why? Is there a control on the establishment over the band to sing what they should sing?

A: No, not on the particular song but on the act of singing. The bar can say, *You are not allowed to sing because you are not licensed by the establishment*, something like that.

Q: All kinds of songs, Mr. Witness?

A: No, only – well, yes, for copyrighted songs.

Q: Do you have singers or bands who secure licenses from you?

A: As of –

x x x x

Q: Were there other establishments that secure your license?

A: Yes.

x x x x

A: Well, we have Shoemart, we have GMA 7, Channel 2, Channel 5. We also have bars like, well, we have, before it was the *Embassy*. We also have *Jollibee*, we have *McDonald’s*, *Starbucks*, et cetera, et cetera.<sup>33</sup>

Gorospe averred that without an authorization or “license,” the public performance of the copyrighted work is illegal.<sup>34</sup> During his cross-examination,

<sup>33</sup> TSN, June 28, 2010, pp. 7-10.

<sup>34</sup> *Rollo*, pp. 163-164.

Gorospe asserted that if an establishment allows the singing or playing of copyrighted songs in its venue, then it also allows the “public performance” of the songs.<sup>35</sup>

Emigio C. Lejano III (Lejano), then a Licensing Assistant of FILSCAP, stated in his Judicial Affidavit<sup>36</sup> that when he monitored Off the Grill on February 3, 2005<sup>37</sup> and January 13, 2006,<sup>38</sup> he found that copyrighted musical works under FILSCAP’s repertoire were being performed for the entertainment of the customers.<sup>39</sup> In particular, the following songs were performed live by a band in Off the Grill on February 3, 2005, for the entertainment of its customers:

1. Ignition
2. If I Ain’t Got You
3. Falling In Love With You
4. Tattooed On My Mind
5. If I Was The One<sup>40</sup>

Thereafter, these songs were mechanically played as background music for its customers:

1. Don’t Miss You At All
2. All I Wanna Do
3. Strong Enough
4. Don’t Know Why
5. Run Baby Run
6. Saturday Night
7. Anything But Down
8. My All
9. Turn The Beat Around
10. Conga
11. Get On Your Feet
12. You’re Still The One<sup>41</sup>

In like manner, on January 13, 2006, the following musical works were performed by a live band:

1. Officially Missing You
2. Angel
3. At Your Best (You Are Love)
4. Knocks Me Off My Feet

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<sup>35</sup> TSN, June 28, 2010, p. 8.

<sup>36</sup> *Rollo*, pp. 168-170.

<sup>37</sup> *Id.* at 67-70.

<sup>38</sup> *Id.* at 64-66.

<sup>39</sup> *Id.* at 168.

<sup>40</sup> *Id.* at 103, 169.

<sup>41</sup> *Id.* at 103-104, 169.

## 5. Emotion<sup>42</sup>

Afterwards, the following songs were mechanically played as background music:

1. Everybody's Changing
2. She Will Be Loved
3. Let's Get Retarded<sup>43</sup>

Michelle Flor (Flor), a Copyright Examiner from the National Library, mentioned in her Judicial Affidavit<sup>44</sup> that FILSCAP regularly files and deposits with the National Library's Copyright Office the deeds of assignment of performing rights over copyrighted musical works as well as reciprocal representation agreements with other societies abroad.<sup>45</sup> She clarified that their office's certification applies to the entire document even if they only stamp the first page of a multi-page document, in order to certify that the said file is a faithful reproduction or photocopy of the original one deposited with the Copyright Office.<sup>46</sup> On cross-examination, Flor confirmed that her office records the application for copyright of an individual or company<sup>47</sup> as well as the transfer and assignment of rights to the copyright to a society like FILSCAP.<sup>48</sup>

On the other hand, in the Judicial Affidavit<sup>49</sup> of COSAC's lone witness, Melrose Tanan (Tanan), she asserted that bands perform at Off the Grill to provide entertainment. She also claimed that once music is played, it becomes public property.<sup>50</sup> During her cross-examination, Tanan admitted that music is regularly played in the restaurant either live or through recorded music *via* a monitor or music video.<sup>51</sup>

### **The Ruling of the Regional Trial Court**

In a Decision<sup>52</sup> dated October 24, 2012, the RTC found COSAC guilty of infringement.<sup>53</sup> The RTC found that:

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<sup>42</sup> Id. at 104, 169.

<sup>43</sup> Id.

<sup>44</sup> *Rollo*, pp. 174-176.

<sup>45</sup> Id. at 174.

<sup>46</sup> Id. at 175.

<sup>47</sup> TSN, December 12, 2011, p. 11.

<sup>48</sup> Id. at 13.

<sup>49</sup> *Rollo*, pp. 217-218.

<sup>50</sup> Id. at 217.

<sup>51</sup> TSN, April 3, 2012, pp. 12-13.

<sup>52</sup> *Rollo*, pp. 75-80.

<sup>53</sup> Id. at 78.

[T]he un rebutted evidence on record shows that the foreign composers of the 25 musical works performed live or mechanically played in [COSAC's Off the Grill Bar and Restaurant], through their foreign societies, had authorized [FILSCAP] also as assignee of their musical works to file this case for infringement of copyright and damages against [COSAC] which allowed such live performance or mechanical playing of the musical works in its x x x establishment for the benefit of its customers without the requisite performance license from FILSCAP or without the payment of the license fees/royalties to FILSCAP.<sup>54</sup>

Moreover, the RTC held that under Section 182 of the Intellectual Property Code (IPC), the filing of the deeds of assignment and the reciprocal representation agreements with the National Library and its non-publication in the Intellectual Property Office (IPO) Gazette did not render the said deeds and agreements void. The trial court declared that if this were the intent of Congress, then it should have expressly provided in the IPC that such assignments and/or agreements which were not published in the IPO Gazette shall be void.<sup>55</sup>

Additionally, it ruled that FILSCAP, as duly authorized by the copyright owners, is a real party-in-interest and has the standing to file the complaint based on Section 183<sup>56</sup> of the IPC.<sup>57</sup> Thus, the dispositive portion of the RTC Decision reads:

WHEREFORE, judgment is rendered ordering the defendant [COSAC] to pay to the plaintiff [FILSCAP] the following sums of money, to wit: a) Php317,050.00 as damages for unpaid license fees/royalties and Php5,778.17 as damages for monitoring expenses, both with interest at the rate of six percent (6%) per annum reckoned from the date of the filing of the complaint, February 13, 2006, until the same is fully paid; and b) Php52,003.47 as reasonable attorney's fees and litigation expenses plus costs of suit. All other claims, including the counterclaims, are dismissed for lack of legal and/or factual basis.

SO ORDERED.<sup>58</sup>

Aggrieved, COSAC filed a motion for reconsideration.<sup>59</sup> Likewise, it filed a motion for inhibition<sup>60</sup> resulting in the inhibition of the presiding judge<sup>61</sup> and the re-assignment of the case. Nevertheless, the RTC, in an Order<sup>62</sup> dated July

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<sup>54</sup> Id.

<sup>55</sup> Id. at 79.

<sup>56</sup> Sec. 183. *Designation of Society*. The copyright owners or their heirs may designate a society of artists, writers or composers to enforce their economic rights and moral rights on their behalf (Sec. 32, P.D. No. 49a).

<sup>57</sup> *Rollo*, pp. 79-80.

<sup>58</sup> Id. at 80.

<sup>59</sup> Records, Volume III, pp. 199-206.

<sup>60</sup> Id. at 230-232.

<sup>61</sup> Id. at 248.

<sup>62</sup> *Rollo*, pp. 81-82.

22, 2013, denied COSAC's motion for reconsideration of the RTC's October 24, 2012 Decision. COSAC appealed<sup>63</sup> to the CA insisting that the documents which FILSCAP relied on to assert its authority were not published in the IPO Gazette as allegedly required by Section 182 of the IPC.<sup>64</sup>

### **The Ruling of the Court of Appeals:**

In its assailed May 28, 2015 Decision,<sup>65</sup> the CA sustained the ruling of the RTC but deleted the award for monitoring expenses.<sup>66</sup> It held that:

Under Section 177 of the Intellectual Property Code of the Philippines, a copyright owner has the exclusive right to carry out, authorize or prevent the public performance of a work and other communication to the public of the work. To enforce this right, the copyright may be assigned in whole or in part and the assignee is entitled to all the rights and remedies which the assignor has with respect to the copyright. Particularly, copyright owners or their heirs may designate a society of artists, writers or composers to enforce their economic rights and moral rights on their behalf.<sup>67</sup>

The CA found that the copyright owners assigned their rights and remedies to FILSCAP through deeds of assignment and reciprocal representation agreements. As such, FILSCAP is authorized to regulate the public performance, mechanical reproduction, and synchronization rights granted by law to the creators and owners of original musical works.<sup>68</sup> Significantly, the CA held that registration or publication in the IPO Gazette of the deeds of assignment and reciprocal representation agreements is not required.

Citing Section 182 of the IPC which states that "an assignment or exclusive license may be filed in duplicate with the National Library upon payment of the prescribed fee for registration in books and records," the CA concluded that the filing is discretionary and that non-publication in the IPO Gazette did not render said deeds and agreements void.<sup>69</sup> Moreover, the CA ruled that FILSCAP is a real party-in-interest as it is authorized to enforce the intellectual property rights of copyright owners pursuant to the deeds and agreements.<sup>70</sup>

Finally, the CA held that due to the continued infringing activities of COSAC, the RTC correctly awarded damages in favor of FILSCAP, as well as attorney's fees, as FILSCAP was compelled to litigate to protect its rights. However, the CA deleted the award for monitoring expenses since FILSCAP

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<sup>63</sup> Records, Volume III, pp. 327-329.

<sup>64</sup> *Rollo*, p. 28.

<sup>65</sup> *Id.* at 26-34.

<sup>66</sup> *Id.* at 33.

<sup>67</sup> *Id.* at 29.

<sup>68</sup> *Id.* at 29-30.

<sup>69</sup> *Id.* at 31-32.

<sup>70</sup> *Id.* at 32.

failed to substantiate this claim. COSAC's counterclaim for attorney's fees and litigation expenses was denied for lack of merit.<sup>71</sup>

The *fallo* of the CA Decision reads:

**FOR THESE REASONS**, the October 24, 2012 Decision of the Regional Trial Court of Quezon City, Branch 90 is **MODIFIED** in that the award for monitoring expenses is deleted.

**SO ORDERED.**<sup>72</sup>

COSAC moved for reconsideration<sup>73</sup> which the CA denied in its January 14, 2016 Resolution.<sup>74</sup>

Unrelenting, COSAC elevated this case before Us based on the following grounds:

I

THE COURT OF APPEALS COMMITTED REVERSIBLE ERROR IN NOT HOLDING THE NECESSITY OF PUBLICATION IN THE IPO GAZETTE OF THE ALLEGED DEED OF ASSIGNMENT/AUTHORITY OF THE RESPONDENT.

II

THE COURT OF APPEALS ERRED IN ORDERING THE PETITIONER TO PAY LICENSE FEES/ROYALTIES TO RESPONDENT IN THE AMOUNT OF [P]317,050.00 AND MONITORING EXPENSE OF [P]5,778.17.

III

THE COURT OF APPEALS ERRED IN ORDERING THE PETITIONER TO PAY ATTORNEY'S FEES IN THE AMOUNT OF [P]52,003.47.

IV

THE COURT OF APPEALS ERRED IN NOT GRANTING THE COUNTERCLAIMS OF THE PETITIONER.<sup>75</sup>

Thus, the issues in this petition are whether COSAC committed copyright infringement and if so, whether it should be held liable to pay fees and damages for the said violation.

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<sup>71</sup> Id. at 32-33.

<sup>72</sup> Id. at 33.

<sup>73</sup> Id. at 406-411.

<sup>74</sup> Id. at 36.

<sup>75</sup> Id. at 13.

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### **Arguments of COSAC**

COSAC insists that the publication of the deeds of assignment or FILSCAP's authority in the IPO Gazette is necessary under Section 182 of the IPC as it serves to inform the general public of its authority to collect royalty fees.<sup>76</sup> COSAC contends that FILSCAP's authority as assignee is vague and not supported by evidence.<sup>77</sup> Additionally, FILSCAP is not entitled to collect royalty fees because its authority is defective.

Likewise, the damages and attorney's fees awarded in favor of FILSCAP are baseless and excessive, especially since COSAC has no control over what the bands will sing in the establishment.<sup>78</sup> Lastly, COSAC maintains that it is entitled to its counterclaim as it was unnecessarily dragged into litigation, considering that once the music is played in the airwaves, it becomes public property.<sup>79</sup>

### **Arguments of FILSCAP**

FILSCAP counters that COSAC's arguments are mere rehashes of arguments raised in previous pleadings and involve questions of fact which are not allowed in a Rule 45 petition. Contrary to COSAC's contention, FILSCAP offered in evidence the deeds of assignment and the reciprocal representation agreements. It adds that although COSAC is a corporation, the petition's verification and certification of non-forum shopping were not verified by the corporation itself or any of its authorized representatives but by a certain Jeremy Sy (Sy), the General Manager, supposedly in his personal capacity. Thus, the petition should be dismissed outright.<sup>80</sup>

Moreover, FILSCAP avers that the CA correctly held that FILSCAP has the right to enforce the intellectual property rights over copyrighted musical works pursuant to the deeds of assignment of the members and the reciprocal representation agreements with foreign affiliate societies. These were duly filed and recorded in the National Library pursuant to Section 182 of the IPC. Thus, as copyright owner or at least the copyright holder of copyrighted musical works, FILSCAP is a real party-in-interest.<sup>81</sup>

With regard to the issue of publication in the IPO Gazette based on Section 182 of the IPC, FILSCAP opines that:

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<sup>76</sup> Id. at 13-15.

<sup>77</sup> Id. at 15-16.

<sup>78</sup> Id. at 16-17.

<sup>79</sup> Id. at 17-18.

<sup>80</sup> Id. at 97, 116-131.

<sup>81</sup> Id. at 132-138.

*W*

it [is] clear that the word ‘may’ pertains to the filing of an assignment or exclusive license with the National Library. From the wording of the law, this portion of the provision is clearly permissive. On the other hand, the word ‘shall’ pertains to the publication in the IPO Gazette of exclusive licenses or deeds of assignment which have optionally been filed with the National Library. [COSAC’s] interpretation would render the IP Code provision absurd as it would appear that it wants this Honorable Court to disregard the portion of the provision with the permissive term ‘may’ in favor of the portion which has the mandatory term ‘shall,’ when clearly each word pertains to a separate and distinct object.<sup>82</sup>

FILSCAP adds that Section 172.1 of the IPC provides that literary and artistic works are original intellectual creations which are protected from the moment of their creation. Similarly, Section 172.2 of the IPC states that works are protected by the sole fact of their creation, irrespective of their form of expression, as well as their content, quality, and purpose. Hence, musical works are protected by copyright without need of any other act including registration with any government agency or publication.<sup>83</sup>

Moreover, FILSCAP maintains that it should be paid royalties and attorney’s fees and that COSAC is not entitled to its counterclaim.<sup>84</sup> It asserts that it can sue for infringement and recover damages if “(1) the musical works are publicly performed, (2) the musical works [are] within the repertoire of FILSCAP, and (3) the musical works were publicly performed without the consent of or license from FILSCAP.”<sup>85</sup> FILSCAP asserts that for there to be a public performance, there must be performance of the work, either directly or by means of any device or process, or if in case of a sound recording, the recorded sound or music is audible at a place where persons outside the normal circle of family and that family’s closest social acquaintances are or can be present.<sup>86</sup>

### **Our Ruling**

The petition lacks merit.

The Court notes that the petition suffers from infirmities. COSAC did not attach a Secretary’s Certificate or any document showing Sy’s authority to sign the Verification and Certification of Non-Forum Shopping on behalf of COSAC.<sup>87</sup> More importantly, the petition raised issues that were already passed upon by both the RTC and the CA. Nonetheless, We deem it proper to discuss the pertinent matters regarding copyrighted music since these tread on fairly new jurisprudential territory.

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<sup>82</sup> Id. at 139.

<sup>83</sup> Id. at 140-141.

<sup>84</sup> Id. at 144-155.

<sup>85</sup> Id. at 149.

<sup>86</sup> Id. at 152.

<sup>87</sup> *Good Earth Enterprises, Inc. v. Garcia*, G.R. No. 238761, January 22, 2020.

At the outset, it must be stressed that the alleged acts of infringement occurred on February 3, 2005 and January 13, 2006, while the Complaint was filed on February 13, 2006. The applicable law then was Republic Act No. 8293 (RA 8293) or the IPC, which took effect on January 1, 1998,<sup>88</sup> prior to its amendment by Republic Act No. 10372 (RA 10372)<sup>89</sup> on February 28, 2013. Relevant to this case are the amendments introduced by RA 10372 in Section 216 of the IPC which classifies the three types of copyright infringers.<sup>90</sup> Although not originally enumerated in RA 8293, the same still finds support in the earlier law (RA 8293). Similarly, the concept of “just damages” which may be awarded in lieu of actual damages can be found in RA 8293. We will expound on these matters in the discussion.

### Overview of Copyright

“[A] copyright is the right to literary property as recognized and sanctioned by positive law; it is an intangible, incorporeal right granted by statute to the author or originator of certain literary or artistic productions, whereby he or she is invested, for a specific period, with the sole and exclusive privilege of multiplying copies of the same and publishing and selling them.”<sup>91</sup> Relevantly, “[c]opyright, in the strict sense of the term, is purely a statutory right. It is a new or independent right granted by the statute, and not simply a pre-existing right regulated by it. 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. Accordingly, it can cover only the works falling within the statutory enumeration or description.”<sup>92</sup>

Section 13, Article XIV of the Constitution accords protection to intellectual properties, including copyright, as follows: “[t]he State shall protect and secure the exclusive rights of scientists, inventors, artists, and other gifted

<sup>88</sup> The IPC was approved on June 6, 1997, but Section 241 of the said law indicates that it took effect on January 1, 1998.

<sup>89</sup> Republic Act No. 10372, 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 on February 28, 2013.

<sup>90</sup> Id. at Sec. 22.

SECTION 22. Section 216 of Republic Act No. 8293 [IPC] is hereby amended to read as follows:

SEC. 216. *Infringement.* – A person infringes a right protected under this Act when one:

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

x x x x

<sup>91</sup> *Kensonic, Inc. v. Uni-Line Multi-Resources, Inc. (Phil.)*, 832 Phil. 495, 505 (2018), citing Black’s Law Dictionary, Centennial Edition, 6th ed. West Group, St. Paul Minnesota, USA, 1990, p. 336.

<sup>92</sup> *Ching v. Salinas Sr.*, 500 Phil. 628, 649 (2005), citing *Pearl & Dean (Phil.) v. Shoemart*, 456 Phil. 474 (2003); and *Joaquin, Jr. v. Drilon*, 361 Phil. 900 (1999); see also *Stuff v. La Budde Feed & Grain Co.*, 42F. Supp. 493 (E.D. Wis. 1941); and *Miller v. Goody*, 125 F. Supp. 348 (S.D.N.Y. 1954).

citizens to their intellectual property and creations, particularly when beneficial to the people, for such period as may be provided by law.”

The declaration of state policies of the IPC acknowledges that “[t]he use of intellectual property bears a social function. To this end, the State shall promote the diffusion of knowledge and information for the promotion of national development and progress and the common good.”<sup>93</sup> In line with this, the Court held in *ABS-CBN Broadcasting Corp. v. Philippine Multi-Media System, Inc.*<sup>94</sup> that intellectual property protection must be consistent with public welfare, viz.:

[I]ntellectual property protection is merely a means towards the end of making society benefit from the creation of its men and women of talent and genius. This is the essence of intellectual property laws, and it explains why certain products of ingenuity that are concealed from the public are outside the pale of protection afforded by the law. It also explains why the author or the creator enjoys no more rights than are consistent with public welfare.<sup>95</sup>

Included in the category of copyright are musical works, which is the main subject of the case at bench.

### **Musical Works: Covered by Copyright Protection**

Musical works are protected by copyright from the moment of creation in accordance with Sections 172 and 178 of the IPC, which provide:

SECTION 172. *Literary and Artistic Works.* – 172.1. Literary and artistic works, hereinafter referred to as “works”, are original intellectual creations in the literary and artistic domain protected from the moment of their creation and shall include in particular:

x x x x

(f) Musical compositions, with or without words;

x x x x

SECTION 178. *Rules of Copyright Ownership.* – Copyright ownership shall be governed by the following rules:

178.1 Subject to the provisions of this section, in the case of original literary and artistic works, copyright shall belong to the author of the work;

x x x x<sup>96</sup>

<sup>93</sup> INTELLECTUAL PROPERTY CODE, Sec. 2.

<sup>94</sup> 596 Phil. 283-304 (2009).

<sup>95</sup> Id. at 304, citing Fr. Ranhillo Callangan Aquino, *Intellectual Property Law: Comments and Annotations*, 2003, p. 5.

<sup>96</sup> INTELLECTUAL PROPERTY CODE, Secs. 172 and 178.

Derivative works are likewise protected by copyright, to wit:

SECTION 173. *Derivative Works.* – 173.1. The following derivative works shall also be protected by copyright:

(a) Dramatizations, translations, adaptations, abridgments, arrangements, and other alterations of literary or artistic works; and

(b) Collections of literary, scholarly or artistic works, and compilations of data and other materials which are original by reason of the selection or coordination or arrangement of their contents.

173.2. The works referred to in paragraphs (a) and (b) of Subsection 173.1 shall be protected as new works: Provided, however, That such new work shall not affect the force of any subsisting copyright upon the original works employed or any part thereof, or be construed to imply any right to such use of the original works, or to secure or extend copyright in such original works.<sup>97</sup>

A musical composition<sup>98</sup> is an intangible work of art composed of a combination of sounds perceptible to the senses. It is separate and distinct from the tangible object that embodies it, such as a sheet music,<sup>99</sup> as described by Section 181 of the IPC:

SECTION 181. *Copyright and Material Object.* – The copyright is distinct from the property in the material object subject to it. Consequently, the transfer or assignment of the copyright shall not itself constitute a transfer of the material object. Nor shall a transfer or assignment of the sole copy or of one or several copies of the work imply transfer or assignment of the copyright.<sup>100</sup>

As pointed out by Senior Associate Justice Marvic Mario Victor F. Leonen during deliberations, the IPC also introduces the concept of “fixation” of a performance of a musical composition in a “sound recording,”<sup>101</sup> as follows:

SECTION 202. *Definitions.* – For the purpose of this Act, the following terms shall have the following meanings:

X X X X

<sup>97</sup> INTELLECTUAL PROPERTY CODE, Sec. 173.

<sup>98</sup> See also: “Musical Composition means a musical composition or medley consisting of words and/or music, or any dramatic material and bridging passages, whether in form of instrumental and/or vocal music, prose or otherwise, irrespective of length,” *available at*: <https://www.lawinsider.com/dictionary/musical-composition> (last accessed Nov. 26, 2021).

<sup>99</sup> See also: “Sheet music, or score, is a hand-written or printed form of musical notation. Sheet music typically is printed on paper (or, in earlier times, parchment), although in recent years sheet music has been published in digital formats. Use of the term ‘sheet’ is intended to differentiate music on paper from an audio presentation from a sound recording, broadcast, or live performance, or video,” *available at*: [https://www.newworldencyclopedia.org/entry/Sheet\\_music](https://www.newworldencyclopedia.org/entry/Sheet_music) (last accessed Nov. 26, 2021).

<sup>100</sup> INTELLECTUAL PROPERTY CODE, Sec. 181.

<sup>101</sup> Separate Concurring Opinion of Senior Associate Justice Marvic Mario Victor F. Leonen, pp. 3-4.

202.2. “Sound recording” means the fixation of the 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;

x x x x

202.4. “Fixation” means the embodiment of sounds, or of the representations thereof, from which they can be perceived, reproduced or communicated through a device;<sup>102</sup>

Chapters XII<sup>103</sup> and XIII<sup>104</sup> of the IPC govern the fixations of sounds in the form of sound recordings. These chapters provide for the moral rights of the

<sup>102</sup> INTELLECTUAL PROPERTY CODE, Sec. 202.

<sup>103</sup> INTELLECTUAL PROPERTY CODE, Secs. 202-205.

202.1. “Performers” are actors, singers, musicians, dancers, and other persons who act, sing, declaim, play in, interpret, or otherwise perform literary and artistic work;

x x x x

202.5. “Producer of a sound recording” means the person, or the legal entity, who or which takes the initiative and has the responsibility for the first fixation of the sounds of a performance or other sounds, or the representation of sounds;

202.9. “Communication to the public of a performance or a sound recording” means the transmission to the public, by any medium, otherwise than by broadcasting, of sounds of a performance or the representations of sounds fixed in a sound recording. For purposes of Section 209, “communication to the public” includes making the sounds or representations of sounds fixed in a sound recording audible to the public.

SECTION 203. *Scope of Performers’ Rights.* – Subject to the provisions of Section 212, performers shall enjoy the following exclusive rights:

203.1. As regards their performances, the right of authorizing:

- (a) The broadcasting and other communication to the public of their performance; and
- (b) The fixation of their unfixed performance.

203.2. The right of authorizing the direct or indirect reproduction of their performances fixed in sound recordings, in any manner or form;

203.3. Subject to the provisions of Section 206, the right of authorizing the first public distribution of the original and copies of their performance fixed in the sound recording through sale or rental or other forms of transfer of ownership;

203.4. The right of authorizing the commercial rental to the public of the original and copies of their performances fixed in sound recordings, even after distribution of them by, or pursuant to the authorization by the performer; and

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

x x x x

204.2. The rights granted to a performer in accordance with Subsection 203.1 shall be maintained and exercised fifty (50) years after his death, by his heirs, and in default of heirs, the government, where protection is claimed.

x x x x

SECTION 205. *Limitation on Right.* – 205.1. Subject to the provisions of Section 206, once the performer has authorized the broadcasting or fixation of his performance, the provisions of Sections 203 shall have no further application.

<sup>104</sup> INTELLECTUAL PROPERTY CODE, Sec. 208.

SECTION 208. *Scope of Right.* – Subject to the provisions of Section 212, producers of sound recordings shall enjoy the following exclusive rights:

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

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

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

performers, the rights of producers of sound recordings, and the limitations<sup>105</sup> on the said rights.

A distinction exists between a musical composition which is protected by copyright and the performance or fixation of a musical composition. Such a distinction is relevant since not only the composers, authors, and publishers, but also the performers and sound recording producers should be remunerated when the fixation or performance of their sound recording is being performed in public (although the focus of this petition is on composers, authors, and publishers as represented by FILSCAP).

### **Infringing Activities in the Case at Bench**

Yet, before declaring that copyright infringement was committed, the copyright owner must establish the musical works that were subject of the infringing activity as well as the existing valid copyright over the said works. This is because copyright is a statutory right with protections granted by law insofar as those works qualify for the said protections.<sup>106</sup>

In this case, it appears that the infringing activities were committed in two ways: performance by a live band and playing of sound recordings.

With regard to the performance of music by live band, FILSCAP averred that the members of the live bands performed musical works without the consent of the copyright holders. However, it is unclear in FILSCAP's allegations whether the bands altered the musical compositions during their performances, which may be considered as derivative works. Even so, the use of derivative works does not downplay the copyright protections accorded to the original work, and should not be considered as a free ticket to use the said original work without authority. In any case, FILSCAP did not specify whether the live bands, independently of COSAC, secured authorization or were parties to any contract which permitted them to publicly perform the musical works. At most, FILSCAP maintained that COSAC, as the one which ultimately benefitted from the performances, should have secured the required authority, and not the live bands themselves. As the owner of the establishment, COSAC consented to the public performance of these live bands using copyrighted music.

However, Senior Associate Justice Marvic Mario Victor F. Leonen initially observed that We cannot automatically accept FILSCAP's argument that

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<sup>105</sup> INTELLECTUAL PROPERTY CODE, Sec. 212.

SECTION 212. *Limitations on Rights.* – Sections 203 [Performers], 208 [Producers] and 209 shall not apply where the acts referred to in those Sections are related to:

212.1. The use by a natural person exclusively for his own personal purposes;  
212.2. Using short excerpts for reporting current events;  
212.3. Use solely for the purpose of teaching or for scientific research; and  
212.4. Fair use of the broadcast subject to the conditions under Section 185.

<sup>106</sup> *Joaquin v. Drilon*, 361 Phil. 900, 914 (1999).

establishments lacking appropriate licenses which do not prohibit live bands from performing copyrighted songs are infringers under Section 216 of the IPC prior to its amendment by RA 10372.<sup>107</sup> Here, it was not clarified during trial if the members of the live bands were COSAC's employees. If the live bands which performed copyrighted musical works without license would automatically be considered as COSAC's employees and result in COSAC's solidary liability, it would be tantamount to expanding the purview of copyright infringement under [RA] 8293, the applicable law in this case, although the expanded liability for infringement was only introduced in [RA] 10372, which contained amendments not applicable to this case.<sup>108</sup> This concern would further be addressed during the discussion, especially regarding COSAC's indirect or vicarious liability, as it cannot be denied that the playing of live band music still contributed to the overall benefit which COSAC received.

As regards the playing of specific fixations or sound recordings, it appears that aside from infringing the copyright of the owners of the musical compositions, the rights of the performers and producers of the sound recordings to remuneration for the public performances were likewise breached. Sections 202.9, 209, and 206 of the IPC provide:

SECTION 202.9. "Communication to the public of a performance or a sound recording" means the transmission to the public, by any medium, otherwise than by broadcasting, of sounds of a performance or the representations of sounds fixed in a sound recording. For purposes of Section 209, "communication to the public" includes making the sounds or representations of sounds fixed in a sound recording audible to the public.<sup>109</sup>

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.<sup>110</sup>

SECTION 206. *Additional Remuneration for Subsequent Communications or Broadcasts.* – Unless otherwise provided in the contract, in every communication to the public or broadcast of a performance subsequent to the first communication or broadcast thereof by the broadcasting organization, the performer shall be entitled to an additional remuneration equivalent to at least five percent (5%) of the original compensation he or she received for the first communication or broadcast.<sup>111</sup>

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<sup>107</sup> Separate Concurring Opinion of Senior Associate Justice Marvic Mario Victor F. Leonen, pp. 3-4.

<sup>108</sup> Separate Concurring Opinion of Associate Justice Marvic Mario Victor F. Leonen, pp. 4-7.

<sup>109</sup> INTELLECTUAL PROPERTY CODE, Sec. 202.9.

<sup>110</sup> INTELLECTUAL PROPERTY CODE, Sec. 209.

<sup>111</sup> INTELLECTUAL PROPERTY CODE, Sec. 206.

Insofar as sound recordings are concerned however, it would be premature to make a distinction on the type of performance considering that this was never put into issue in the proceedings before the RTC until it reached this Court. Stated differently, FILSCAP, in its pleadings, did not differentiate the modes of playing the sound recordings. It merely alleged that COSAC committed copyright infringement when it played copyrighted songs in its establishment through live performance and sound recordings. Additionally, both the RTC and the CA focused on the finding of copyright infringement, and did not delve into the methods of playing the sound recordings. Given this restriction, it would be more judicious to say, specifically for this case, that COSAC infringed the performing rights of the copyright owners.<sup>112</sup>

In its complaint, FILSCAP stated that “to have a wonderful dining experience, [COSAC], as a matter of policy and practice, plays copyrighted musical works within the premises of its restaurant. This is confirmed by the presence of loud speakers installed and used within the confines of the restaurant.”<sup>113</sup> FILSCAP pointed out that Tanan admitted under oath that the establishment plays music regularly, or every night<sup>114</sup> and that rock bands performed at Off the Grill to provide entertainment to the public.<sup>115</sup> During Tanan’s testimony, she disclosed the following details:

Q: You mentioned and I’m curious, because you stated in your Affidavit that you are an Accountant but you are in-charge of the monitoring operations of the restaurant?

A: The same.

Q: Which aspect of the operations of the restaurant are you monitoring?

A: The entertainment every night and the payment.

Q: And the payment to?

A: To the entertainers.

Q: So you can confirm to me that music is regularly being played?

A: Every night, sir.

Q: At Off the Grill?

A: Yes, sir.<sup>116</sup>

X X X X

Q: So every night, you play live music for the entertainment?

A: Yes, sir.

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<sup>112</sup> Separate Concurring Opinion of Associate Justice Alfredo Benjamin S. Caguioa, pp. 5-9.

<sup>113</sup> Records, Volume I, p. 3.

<sup>114</sup> *Rollo*, p. 291.

<sup>115</sup> *Id.* at 217.

<sup>116</sup> TSN, April 3, 2012, pp. 11-12.

Q: But during the day and even during the night, you also play recorded music, cd music as background before the band plays?

A: We have a monitor, MTV.

Q: You play? Please say that again?

A: MTV.

Q: You do not play cd music?

A: No, projector, sir.<sup>117</sup>

x x x x

Q: Earlier, you said, you confirmed to me that music is being played at the restaurant?

A: Yes, sir.

Q: Will you give me examples of the songs that were played inside the restaurant?

A: Acoustic songs, sir.

Q: Can you give me the title of the songs that were played that you can remember has been played inside the restaurant?

A: Somewhere Down the Road, sir.

Q: What else?

A: Through the Fire.<sup>118</sup>

x x x x

Q: In your Judicial Affidavit, paragraph 4, you mentioned that once music is played at the airwaves, it already became a public property. What is your basis for saying this?

A: May kumakanta sa radio so hindi na natin hawak yung kinakanta nila so sa entertainment po, hindi namin alam kung ano iyong mga kinakanta ng mga bawat entertainer.

Q: So, that is just your opinion?

A: Actually hindi po opinion, kasi po iyong sa mga band namin, they have their own songs na pina-practice so hindi po namin alam kung ano iyong mga kinakanta nila dahil hindi naman po pinapaalam sa amin for the night.<sup>119</sup>

Hence, FILSCAP contended that “by hiring bands and other performers, [COSAC] made music audible at the Off the Grill Bar and Restaurant, which is a place where persons outside the normal circle of a family and that family’s closest social acquaintances are or can be present. Furthermore, [COSAC] likewise played, apart from live music[,] background music and music through monitor or projector. These are clearly acts of infringement upon the public performing rights owned by FILSCAP committed by [COSAC] as the public

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<sup>117</sup> Id. at 12-13.

<sup>118</sup> Id. at 13-14.

<sup>119</sup> Id. at 18-19.

performances were done without the consent of or license from FILSCAP.”<sup>120</sup>

FILSCAP insisted that COSAC “hired those bands to play music and sing songs in its establishment to enhance its customers’ drinking and dining experience, as well as improve the general ambience of its establishment. By doing so, [COSAC] hopes to entice more of the general public to patronize its establishment, more often. This was thus a business decision of [COSAC], in line with its organizational objective of making more profits. [COSAC] constituted those bands as its agents when it hired them to perform for it a service which was geared towards its profit-making purpose. By the principles of the law of agency, [COSAC] is directly liable for the acts of its agents in publicly performing copyrighted musical works without the requisite license from FILSCAP, ergo, [COSAC] is liable for copyright infringement.”<sup>121</sup>

It is interesting to note that FILSCAP places the liability on COSAC as the owner of the establishment which played the copyrighted music, and not on the live bands that performed thereat. FILSCAP adds that COSAC “cannot feign ignorance and claim that it had no idea the bands would play copyrighted musical works as part of the set of songs they would perform for the event. [COSAC’s] control of what music is played in its establishment is beyond question. If it does not like the music or song being played, it can easily stop the band from continuing with its performance or order them to change the song, in the same way that if it does not like the song playing on the radio or mp3 player, it can easily turn said device off or switch it to another station or song.”<sup>122</sup>

Notably, FILSCAP avers that COSAC provided the venue and the opportunity where the bands could publicly perform copyrighted musical works under FILSCAP’s repertoire without the requisite license. Thus, COSAC should be considered as a “principal by indispensable cooperation.” Without COSAC and its establishment, the bands could not have publicly performed the musical works on the specific time and place where the infringements occurred.<sup>123</sup> It should be noted that with this allegation, FILSCAP alluded to the kinds of infringers which RA 10372 later introduced, and which will further be discussed.

For its part, though, COSAC simply asserts that at night, rock bands perform at Off the Grill to provide entertainment to the customers,<sup>124</sup> and maintains that the bands or the singers are the ones who are performing or singing the copyrighted works of the authors and composers.<sup>125</sup>

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<sup>120</sup> *Rollo*, p. 152.

<sup>121</sup> *Id.* at 387.

<sup>122</sup> *Id.* at 387-388.

<sup>123</sup> *Id.* at 388.

<sup>124</sup> *Id.* at 321.

<sup>125</sup> *Id.* at 257.

### Intent to Profit: Economic Rights Under the IPC

Based on FILSCAP's allegations, COSAC benefitted from the performance in public of copyrighted songs at Off the Grill. While the primary purpose of the establishment is to generate profit, the restaurant owner should bear in mind that the use or performance of copyrighted music should not unduly infringe the rights of the copyright owners or holders. In relation to this, there is a need to revisit the 1987 case of *FILSCAP v. Tan*<sup>126</sup> (*Tan*).

In *Tan*, the restaurant hired professional singers who performed musical compositions to entertain the customers, but without prior authority from FILSCAP which had rights to the songs. The Court ruled that after release, the songs played in the establishment already became part of the public domain and thus, no infringement was committed. However, under the prevailing law at that time, the musical composition needed to be registered first before the economic rights attached to the copyright can be enforced. Specifically, the Court then pronounced that "if the general public has made use of the object sought to be copyrighted for thirty (30) days prior to the copyright application the law deems the object to have been donated to the public domain and the same can no longer be copyrighted [and becomes public property]."<sup>127</sup> Later on, the law on intellectual property was amended (to RA 8293, which was approved on June 6, 1997 but took effect on January 1, 1998) to state that original works are protected from the moment of creation and no longer just from the date of registration.

What is relevant in *Tan*, however, is that the element of profit was considered, in that ultimately, the establishment derived revenue from the playing of live band music even if the patrons primarily paid for the food and drinks. Simply put, the public performance of the musical works was made essentially for the realization of profit. It should be stressed, however, that Act No. 3134, the prevailing law when *Tan* was resolved, expressly mentioned "profit"<sup>128</sup> in connection with "performance." Meanwhile, Sections 171.6 and 177.6 of the IPC no longer mentioned "profit" in relation to "public performance."<sup>129</sup> As such, when considering cases which were filed after Act No. 3134 was amended, "profit" should not be the controlling factor in assessing whether one committed copyright infringement after the performance in public of the musical works, although "profit" would be relevant in evaluating if the case falls under the limitations on copyright or the fair use doctrine (which will briefly be mentioned later). Nevertheless, the Court in *Tan* held that:

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<sup>126</sup> 232 Phil. 426 (1987).

<sup>127</sup> *FILSCAP v. Tan*, id. at 433.

<sup>128</sup> "To exhibit, perform, represent, produce, or reproduce the copyrighted work in any manner or by any method whatever for profit or otherwise x x x"; see Act No. 3134, Sec. 3 (c).

<sup>129</sup> Separate Concurring Opinion of Associate Justice Alfredo Benjamin S. Caguioa, pp. 4-6.

In the case at bar, it is admitted that the patrons of the restaurant in question pay only for the food and drinks and apparently not for listening to the music. As found by the trial court, the music provided is for the purpose of entertaining and amusing the customers in order to make the establishment more attractive and desirable. It will be noted that for the playing and singing the musical compositions involved, the combo was paid as independent contractors by the appellant. It is therefore obvious that the expenses entailed thereby are added to the overhead of the restaurant which are either eventually charged in the price of the food and drinks or to the overall total of additional income produced by the bigger volume of business which the entertainment was programmed to attract. Consequently, it is beyond question that the playing and singing of the combo in defendant-appellee's restaurant constituted performance for profit contemplated by the Copyright Law. (Act 3134 as amended by P.D. No. 49, as amended).<sup>130</sup> (Citations omitted).

The IPC, before its amendment in 2013, did not distinguish if the public performance was conducted or made possible by the owners of the establishment, the performers, or other individuals and entities. Undeniably, however, the performance in public of the copyrighted works, either directly or by means of any device or process, reached persons outside the normal circle of a family and that family's closest social acquaintances. This is how Off the Grill "performed"<sup>131</sup> the copyrighted musical works under FILSCAP's repertoire, even with the knowledge that the music is protected by copyright with the corresponding exclusive economic rights pursuant to Section 177 of the IPC, viz.:

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;

<sup>130</sup> *FILSCAP v. Tan*, supra note 125 at 432-433.

<sup>131</sup> *Rollo*, pp. 106-107, 166; These songs under Fiche Internationale are involved: "Tattooed On My Mind;" "If I Was The One;" "Officially Missing You;" "Angel;" "At Your Best;" "Knocks Me Off My Feet;" "Emotion;" "Everybody's Changing;" "She Will Be Loved;" "Let's Get Retarded;" "Don't Miss You At All;" "All I Wanna Do;" "Strong Enough;" "Don't Know Why;" "Run Baby Run;" "Saturday Night;" "Anything But Down;" "My All;" "Turn The Beat Around;" "Conga;" "Get On Your Feet;" "You're Still The One;" "Ignition;" "If I Ain't Got You;" and "Falling In Love With You."

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.<sup>132</sup> (Emphases and underscoring supplied).

Sections 174 and 178 of the IPC similarly provide:

SECTION 174. *Published Edition of Work.* – In addition to the right to publish granted by the author, his heirs, or assigns, the publisher shall have a copyright consisting merely of the right of reproduction of the typographical arrangement of the published edition of the work.<sup>133</sup>

SECTION 178. *Rules on Copyright Ownership.* – Copyright ownership shall be governed by the following rules:

178.1. Subject to the provisions of this section, in the case of original literary and artistic works, copyright shall belong to the author of the work;

x x x x

178.5. In the case of audiovisual work, the copyright shall belong to the producer, the author of the scenario, the composer of the music, the film director, and the author of the work so adapted. However, subject to contrary or other stipulations among the creators, the producer shall exercise the copyright to an extent required for the exhibition of the work in any manner, except for the right to collect performing license fees for the performance of musical compositions, with or without words, which are incorporated into the work;<sup>134</sup>

## Copyright Infringement

Since the economic rights provided by the IPC are exclusive in nature, not just anyone can exercise such rights. In other words, the use of any copyrighted material without the consent of the copyright owner (or his/her assignee), and which violates these economic rights, shall amount to copyright infringement.

Infringement of a copyright is a trespass on a private domain owned and occupied by the owner [or assignee] of the copyright, and, therefore, protected by law, and infringement of copyright, or piracy, which is a synonymous term in this connection, consists in the doing by any person, without the consent of the owner [or assignee] of the copyright, of anything the sole right to do which is conferred by statute on the owner [or assignee] of the copyright.<sup>135</sup>

<sup>132</sup> INTELLECTUAL PROPERTY CODE, Sec. 177.

<sup>133</sup> INTELLECTUAL PROPERTY CODE, Sec. 174.

<sup>134</sup> INTELLECTUAL PROPERTY CODE, Sec. 178.

<sup>135</sup> *Microsoft Corp. v. Manansala*, 772 Phil. 14, 20-21 (2015), citing *Columbia Pictures, Inc. v. Court of Appeals*, 329 Phil. 875, 926 (1996).

The ‘gravamen of copyright infringement,’ according to *NBI-Microsoft Corporation v. Hwang*,<sup>136</sup>

[I]s not merely the unauthorized ‘manufacturing’ of intellectual works but rather the unauthorized performance of any of the acts covered by Section 5. Hence, any person who performs any of the acts under Section 5 without obtaining the copyright owner’s prior consent renders himself civilly<sup>137</sup> and criminally<sup>138</sup> liable for copyright infringement.<sup>139</sup>

To successfully claim that copyright infringement was committed, the evidence must show the “(1) ownership of a validly copyrighted material by the complainant; and (2) infringement of the copyright by the respondent.”<sup>140</sup>

For the *first element*, as already mentioned, original and derivative works are protected by copyright from the moment of creation. The copyright owners can then enforce their rights, especially economic rights, without the need for prior reporting or recording. In the same way, the copyright owners can assign their rights to an assignee, and this assignment need not be registered for it to be valid. Thereafter, the copyright owners or their assignee can properly pursue the protection and enforcement of these rights.

The *second element* is comprised of two (2) components: (1) the act of infringement; and (2) the defendant or respondent who committed the act of infringement.

#### *Act of Infringement*

The first component or the infringing act, “is not merely the unauthorized ‘manufacturing’ of intellectual works but rather the unauthorized performance”<sup>141</sup> of any of the acts covered by the exclusive economic rights provided under Section 177 of the IPC of the copyright owners or their assignee. Nonetheless, there are instances when certain acts shall **not** constitute as infringement, such as those covered by Section 184 on “Limitations on Copyright” and Section 185 on “Fair Use of a Copyrighted Work,” of the IPC, as follows:

SECTION 184. *Limitations on Copyright.* – 184.1. Notwithstanding the provisions of Chapter V, the following acts shall not constitute infringement of copyright:

<sup>136</sup> *Microsoft Corp. v. Manansala*, 772 Phil. 14, 20-21 (2015), citing *NBI-Microsoft Corporation v. Hwang*, 499 Phil. 423-438 (2005).

<sup>137</sup> INTELLECTUAL PROPERTY CODE, Sec. 216.

<sup>138</sup> INTELLECTUAL PROPERTY CODE, Sec. 217.

<sup>139</sup> *NBI-Microsoft Corporation v. Hwang*, supra note 135.

<sup>140</sup> *Olaño v. Lim Eng Co*, 783 Phil. 234, 250 (2016), citing *Ching v. Salinas, Sr.*, 500 Phil. 628, 639 (2005).

<sup>141</sup> Supra note 135.

(a) The recitation or performance of a work, once it has been lawfully made accessible to the public, if done privately and free of charge or if made strictly for a charitable or religious institution or society;

(b) The making of quotations from a published work if they are compatible with fair use and only to the extent justified for the purpose, including quotations from newspaper articles and periodicals in the form of press summaries: Provided, That the source and the name of the author, if appearing on the work, are mentioned;

(c) The reproduction or communication to the public by mass media of articles on current political, social, economic, scientific or religious topic, lectures, addresses and other works of the same nature, which are delivered in public if such use is for information purposes and has not been expressly reserved: Provided, That the source is clearly indicated;

(d) The reproduction and communication to the public of literary, scientific or artistic works as part of reports of current events by means of photography, cinematography or broadcasting to the extent necessary for the purpose;

(e) The inclusion of a work in a publication, broadcast, or other communication to the public, sound recording or film, if such inclusion is made by way of illustration for teaching purposes and is compatible with fair use: Provided, That the source and the name of the author, if appearing in the work, are mentioned;

(f) The recording made in schools, universities, or educational institutions of a work included in a broadcast for the use of such schools, universities or educational institutions: Provided, That such recording must be deleted within a reasonable period after they were first broadcast: Provided, further, That such recording may not be made from audiovisual works which are part of the general cinema repertoire of feature films except for brief excerpts of the work;

(g) The making of ephemeral recordings by a broadcasting organization by means of its own facilities and for use in its own broadcast;

(h) The use made of a work by or under the direction or control of the Government, by the National Library or by educational, scientific or professional institutions where such use is in the public interest and is compatible with fair use;

**(i) The public performance or the communication to the public of a work, in a place where no admission fee is charged in respect of such public performance or communication, by a club or institution for charitable or educational purpose only, whose aim is not profit making, subject to such other limitations as may be provided in the Regulations; (n)**

(j) Public display of the original or a copy of the work not made by means of a film, slide, television image or otherwise on screen or by means of any other device or process: Provided, That either the work has been published, or, that the original or the copy displayed has been sold, given away or otherwise transferred to another person by the author or his successor in title; and (k) Any use made of a work for the purpose of any judicial proceedings or for the giving of

professional advice by a legal practitioner. (Citations omitted).

184.2. The provisions of this section shall be interpreted in such a way as to allow the work to be used in a manner which does not conflict with the normal exploitation of the work and does not unreasonably prejudice the right holder's legitimate interests.<sup>142</sup>

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.

185.2. The fact that a work is unpublished shall not by itself bar a finding of fair use if such finding is made upon consideration of all the above factors.<sup>143</sup> (Emphasis supplied).

It can thus be inferred that the copyright owners do not have the unlimited and absolute right to limit, restrict, authorize or permit the performances of their works, based on Sections 184 and 185 of the IPC. Nonetheless, the parties in this case did not raise as issues the application of limitations on copyright and the concept of fair use. Even so, a brief yet necessary discussion on these two fundamental concepts is useful.

The limitations on copyright specify the situations which, although involving the use of copyrighted material, do not amount to infringement. In particular, paragraph (i) of Section 184 of the IPC provides that for a performance to be exempt, these requisites should be satisfied:<sup>144</sup>

- (i) The place where the performance is made does not charge any admission fee in respect of such performance or communication;

<sup>142</sup> INTELLECTUAL PROPERTY CODE, Sec. 184.

<sup>143</sup> INTELLECTUAL PROPERTY CODE, Sec. 185.

<sup>144</sup> Separate Concurring Opinion of Associate Justice Alfredo Benjamin S. Caguioa, pp. 9-21.

- (ii) The performance is made by a club or institution: (a) for charitable or educational purpose only; and (b) whose aim is not profit making; and
- (iii) Such other requirements that may be prescribed under the implementing rules and regulations promulgated by the Director General of the [IPO].

For the first requisite, charging an admission fee does not automatically remove the playing of copyrighted music from this exemption. But if the admission fee is “charged in respect of such performance” then it would not be covered by the exemption. Otherwise stated, charging an admission fee for some other purpose not in connection with the playing of the work could still be exempt under this provision.<sup>145</sup>

Regarding the second requisite, the club or institution should both be for a charitable or educational purpose **and not** for profit,<sup>146</sup> in that “no net income or asset accrues to or benefits any member or specific person, with all [its] net income or asset[s] devoted to the institution’s purposes and all its activities conducted not for profit.”<sup>147</sup> A charitable institution should be one that “provide[s] for free goods and services to the public which would otherwise fall on the shoulders of the government,”<sup>148</sup> while an educational institution should be a school, seminary, college, or other similar educational establishment under the formal school system.<sup>149</sup>

As for the fair use doctrine, the case of *ABS-CBN Corporation v. Gozon*<sup>150</sup>

<sup>145</sup> Id.

<sup>146</sup> Id. 805 Phil. 607, 617-618 (2017).

<sup>147</sup> *Commissioner of Internal Revenue v. St. Luke’s Medical Center*, citing *Commissioner of Internal Revenue v. St. Luke’s Medical Center*, 695 Phil. 867, 895 (2012); *Lung Center of the Philippines v. Quezon City*, 477 Phil. 141 (2004).

<sup>148</sup> Id.

<sup>149</sup> *Commissioner of Internal Revenue v. Court of Appeals*, 358 Phil. 562 (1998), citing 84 CJS 566.

<sup>150</sup> 755 Phil. 709 (2015), citing Matthew D. Bunker, TRANSFORMING THE NEWS: COPYRIGHT AND FAIR USE IN NEWS-RELATED CONTEXTS, 52 J. COPYRIGHT SOC’Y U.S.A. 309, 311 (2004-2005), citing *Iowa St. Univ. Research Found., Inc. v. Am. Broad. Cos.*, 621 F.2d 57, 60 (2d Cir. 1980). The four factors are similarly codified under the United States Copyright Act of 1976, sec. 107:

§ 107. Limitations on exclusive rights: Fair use

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;

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(*Gozon*) described it 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.”<sup>151</sup> 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.’”<sup>152</sup> *Gozon* continues to state that “in its current form, the [IPC] is *malum prohibitum* and prescribes a strict liability for copyright infringement. Good faith, lack of knowledge of the copyright, or lack of intent to infringe is not a defense against copyright infringement. Copyright, however, is subject to the rules of fair use and will be judged on a case-to-case basis.”<sup>153</sup>

Pertaining to the fair use doctrine, *Gozon* elucidates:

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

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(3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

(4) the effect of the use upon the potential market for or value of the copyrighted work.

The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.

<sup>151</sup> *ABS-CBN Corporation v. Gozon*, 755 Phil. 709, 757 (2015), citing *Habana v. Robles*, 369 Phil. 764 (1999), which cited 18 AM JUR 2D §109, in turn citing *Toksvig v. Bruce Pub. Co.*, (CA7 Wis) 181 F2d 664 [1950]; *Bradbury v. Columbia Broadcasting System, Inc.*, (CA9 Cal) 287 F2d 478, cert den 368 US 801, 7 L ed 2d 15, 82 S Ct 19 [1961]; *Shipman v. R.K.O. Radio Pictures, Inc.*, (CA2 NY) 100 F2d 533 [1938].

<sup>152</sup> *Id.*

<sup>153</sup> *Id.* at 782.

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.<sup>154</sup> (Emphases supplied, citations omitted)

These four factors should be considered together in establishing a case hinged on fair use, as these are not individually conclusive.<sup>155</sup>

#### *First Factor of Fair Use: The Purpose and Character of the Use*

The purpose and character of the use of the copyrighted work, whether it is for commercial or nonprofit educational purposes, should be determined. Thus, "if the new work clearly has transformative use and value, a finding of fair use is more likely even if the user stands to profit from his or her new work. Conversely, if the new work merely supplants the object of the original work, *i.e.*, *it has no transformative value*, and is commercial in nature, the first factor will most likely be weighed against a finding of fair use. Needless to state, if the new work has transformative use and value, and was created for a noncommercial purpose or use, the scale will highly likely be swayed in favor of fair use."<sup>156</sup> To illustrate, examples of transformative use are those listed in Section 185 of the IPC, *i.e.*, for criticism, comment, news reporting, teaching, scholarship, research, and similar purposes.<sup>157</sup>

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<sup>154</sup> Id. at 759-760.

<sup>155</sup> Separate Concurring Opinion of Associate Justice Alfredo Benjamin S. Caguioa, pp. 15-17, citing *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994).

<sup>156</sup> Separate Concurring Opinion of Justice Alfredo Benjamin S. Caguioa, p. 16.

<sup>157</sup> Separate Concurring Opinion of Associate Justice Alfredo Benjamin S. Caguioa, pp. 14-17, citing *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994).

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*Second Factor of Fair Use: The Nature of the Copyrighted Work*

In this factor, such “calls for recognition that some works are closer to the core of intended copyright protection than others, with the consequence that fair use is more difficult to establish when the former works are copied.”<sup>158</sup> For example, the fair use defense carries more weight in case of factual works compared to fiction and fantasy, since generally, there is a greater need to disseminate the former than the latter.<sup>159</sup> Similarly, if the copied work is unpublished, such is a clear indication of its “nature,” as the “scope of fair use is narrower with respect to unpublished works.”<sup>160</sup> Hence, “the closer the work is to the core of copyright protection – *i.e.*, the more creative, imaginative, or original the copied work is, the more likely will fair use be rejected as a defense against infringement.”<sup>161</sup>

*Third Factor of Fair Use: The Amount and Substantiality of the Portion Used*

This factor relates to the reasonableness of the amount and substantiality of the portion used concerning the copyrighted material as a whole. Additionally, focus must be directed on whether the amount of copying leads to a valid and transformative purpose, which is related to the first factor (the purpose and character of use), even if the entire work is copied but is hinged on a different function compared to the original.<sup>162</sup>

*Fourth Factor of Fair Use: The Effect of the Use Upon the Potential Market for or Value of the Copyrighted Work*

Considered as the most important element of fair use,<sup>163</sup> the last factor “requires the courts to consider not only **the extent of market harm caused by the particular actions of the alleged infringer**, but also **‘whether unrestricted and widespread conduct of the sort engaged in by the defendant... would result in substantially adverse impact on the potential market’** for the original”<sup>164</sup> and derivative works.<sup>165</sup>

In [*Hustler Magazine v. Moral Majority, Inc.*], the US Court held that

<sup>158</sup> Separate Concurring Opinion of Justice Alfredo Benjamin S. Caguioa, p. 17, citing *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994).

<sup>159</sup> Separate Concurring Opinion of Associate Justice Alfredo Benjamin S. Caguioa, pp. 17-18, citing *Stewart v. Abend*, 495 U.S. 207 (1990).

<sup>160</sup> Separate Concurring Opinion of Associate Justice Alfredo Benjamin S. Caguioa, p. 17, citing *Harper v. Row*, 471 U.S. 539 (1985).

<sup>161</sup> Separate Concurring Opinion of Associate Justice Alfredo Benjamin S. Caguioa, p. 18.

<sup>162</sup> Separate Concurring Opinion of Associate Justice Alfredo Benjamin S. Caguioa, pp. 18-19, citing *Google LLC v. Oracle America, Inc.*, 593 U.S. (2021).

<sup>163</sup> Separate Concurring Opinion of Associate Justice Alfredo Benjamin S. Caguioa, pp. 14-20, citing *Harper v. Row*, 471 U.S. 539; *Stewart v. Abend*, 495 U.S. 207, citing 3 Nimmer § 13.05[A], pp. 13-81.

<sup>164</sup> Separate Concurring Opinion of Associate Justice Alfredo Benjamin S. Caguioa, p. 19, citing *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994), citing Nimmer § 13.05[A] [4], p. 13102.61 (footnote omitted); accord *Harper v. Row*, 471 U.S., at 569; Senate Report, p. 65; *Folsom v. Marsh*, 9 F. Cas., at 349.

<sup>165</sup> Separate Concurring Opinion of Associate Justice Alfredo Benjamin S. Caguioa, pp. 19-20, citing *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994), citing *Harper v. Row*, 471 U.S. 539.

in order to determine the potential harm to a copyrighted work, the courts should focus on whether the infringing use: (1) ‘tends to diminish or prejudice the potential sale of the work; (2) tends to interfere with its marketability of the work; or (3) fulfill the demand for the original work.’<sup>166</sup> In this case, the US Court considered the following factors in concluding that the impact of defendant’s use of plaintiff’s work was nil: (a) the plaintiff’s work was first issued or released long before defendant’s mailings went out; (b) ‘the effect on the marketability of back issues of the magazine is de minimis because it is only one page of a publication’; and (c) defendant’s uses did not cause plaintiff any competitive injury since defendant was not selling or distributing copies of the ad parodies to plaintiff’s followers.<sup>167</sup>

Thus, “[w]here the profit generated by the alleged infringement substitutes for what the owner or creator could make, this bars the concept of fair use. But where the benefits are complementary or incidental, then fair use may be properly considered.”<sup>168</sup>

In any case, the playing of music in Off the Grill was not done privately, and the establishment is not a charitable or religious institution or society. Additionally, the playing of the creative copyrighted music in Off the Grill was commercial in nature, and will work against the copyright owners’ interests. Thus, COSAC’s acts did not fall under the said limitations and the fair use doctrine.

In other words, the playing of musical compositions or sound recordings at Off the Grill, regardless of the medium used, whether *via* live band or through the use of speakers or monitors, does not fall under any of the limitations or the concept of fair use. Notably, the IPC did not provide parameters to determine how an entity or individual would be deemed as exempt in certain instances. There is no law, rule or previous jurisprudence delineating the treatment for copyright music infringers, whether it be big businesses (“large-scale users”) or small establishments (“small-scale users”). Additionally, the IPC did not expressly make distinctions as to the possible levels of liabilities or exemptions if the copyrighted music would be played using different media. It did not categorize the “treatments” per medium, if the use would be sourced from a television/radio broadcast, personal recordings through a CD or mp3s, music videos, *etc.* Hence, where the law does not distinguish, We must not distinguish.<sup>169</sup>

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<sup>166</sup> Separate Concurring Opinion of Associate Justice Alfredo Benjamin S. Caguioa, p. 19, citing *Hustler Magazine v. Moral Majority, Inc.*, 796 F. 2d 1148.

<sup>167</sup> Id.

<sup>168</sup> As stated by Associate Justice Maria Filomena D. Singh in her Reflection, p. 5, citing *Ty, Inc. v. Publications International*, 292 F. 3d 512 (7<sup>th</sup> Cir. 2002).

<sup>169</sup> See *Commissioner of Customs v. Gold Mark Sea Carriers, Inc.*, G.R. No. 208318, June 30, 2021, citing *Saint Louis University, Inc. v. Olarez*, G.R. No. 197126, January 19, 2021.

This is noticeably different from other jurisdictions, as the laws in some countries distinguished the kind of medium used, and specified the quantity as well as the area of coverage of the establishment before one can be considered as exempt. In Our jurisdiction, the IPC did not make a distinction on: (a) the area of coverage of the establishment; (b) the number of loud speakers or television monitors used; (c) the transmission of the reception; and, (d) the entrance or admission fees to an establishment, for an entity to be considered as exempt from the licensing fees.<sup>170</sup>

These matters could have been properly delineated and clarified if the provisions of the IPC were supplemented by implementing rules and regulations or actually amended to address the changing milieu of copyrighted musical works. It would have been informative with respect to copyrighted musical works which have many facets, classifications, and media. Still, these concerns would be better addressed by the legislative department, considering the social function or common good element of intellectual property creations as well as the aim to balance the interests of the copyright owners and the public. Regardless, the IPC, specifically the prevailing version at the time COSAC allegedly committed infringing acts, states that public performance can be done **“either directly or by means of any device or process” or “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.”**

Nevertheless, a discussion on these specifications would also be premature since none of the parties raised this as an issue. **More importantly, it was established that regardless of the medium used, COSAC allowed the playing of copyrighted music in its restaurant.**

It should be noted, though, that the copyright owners’ economic rights are hinged on profit, in the sense that the valid use of the copyrighted works serves as reasonable compensation for the owners’ hard work, and to further urge them to create or develop more materials.<sup>171</sup> Even so, the key objective is “to encourage the production of original literary, artistic, and musical expression for the public good.”<sup>172</sup> Additionally, “[t]he primary purpose of copyright law is not so much to protect the interests of the authors/creators, but rather to promote the progress of science and the useful arts – that is – knowledge. To accomplish this purpose, copyright ownership encourages authors/creators in their efforts by granting them a temporary monopoly, or ownership of exclusive rights for a specified length of time. However, this monopoly is somewhat limited when it conflicts with an overriding public interest, such as encouraging new creative and intellectual works, or the necessity for some members of the

<sup>170</sup> See “ASCAP Licensing, Frequently Asked Questions,” available at <https://www.ascap.com/help/ascap-licensing> (last accessed May 24, 2021).

<sup>171</sup> See Section 2 in relation to INTELLECTUAL PROPERTY CODE, Sec. 177.

<sup>172</sup> *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994).

public to make a single copy of a work for [non-profit], educational purposes.”<sup>173</sup>

In the same vein, the Supreme Court of the United States (US Supreme Court) held in *Twentieth Century Music Corp. v. Aiken*<sup>174</sup> that:

The limited scope of the copyright holder’s statutory monopoly, like the limited copyright duration required by the Constitution, reflects a balance of competing claims upon the public interest: creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability of literature, music, and the other arts. The immediate effect of our copyright law is to secure a fair return for an ‘author’s’ creative labor. But the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good. ‘The sole interest of the United States and the primary object in conferring the monopoly,’ this Court has said, ‘lie in the general benefits derived by the public from the labors of authors.’<sup>175</sup>

With these considerations, it appears that, as noted by then Senior Associate Justice Estela M. Perlas-Bernabe<sup>176</sup> (SAJ Bernabe, Ret.) during the deliberations prior to her retirement, there is a balancing of interests between the copyright owners (or their assignees) and the public who benefit from the use of copyrighted materials. As can be gleaned from Sections 184 and 185 of the IPC, the “unauthorized use” of copyrighted works may be allowed and not characterized as infringement. Notably, such permitted “use” of copyrighted works has a **non-profit** aspect, such as for educational, charitable, judicial, scientific, or other recognized purposes under the law.<sup>177</sup> The “use” in the said fields will not significantly or unfavorably impact the copyright holders’ exclusive economic rights, but will be in consonance with the policy that copyright laws should promote creativity and knowledge for the good of the public.

To emphasize, for an act to be considered as copyright infringement, it must not fall under Section 177 of the IPC, and at the same time must not be covered by Sections 184 (Limitations on Copyright) and 185 (Fair Use Doctrine).

#### *Persons Who Commit Acts of Infringement*

For the second component of the *second* element, based on Sections 216 and 216.1 of the IPC, “any person infringing a right protected under [the IPC] shall be liable x x x.” This provision was subsequently refined by the passage

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<sup>173</sup> “Purpose of Copyright Law,” available at <https://lib.siu.edu/copyright/module-01/purpose-of-copyright-law.php> (last accessed Nov. 22, 2021).

<sup>174</sup> 422 U.S. 151 (1975).

<sup>175</sup> Id.

<sup>176</sup> Reflections of then Senior Associate Justice Estela M. Perlas-Bernabe, Ret. p. 10.

<sup>177</sup> See *Righthaven LLC v. Hoehn*, 792 F. Supp. 2d 1138 (D. Nev. 2011) and RA 8293, Secs. 184 and 185.

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of RA 10372<sup>178</sup> in 2013. Specifically, RA 10372 distinguished the “roles” of an infringer as follows: (1) directly commits an infringement; (2) 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; and (3) with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another.<sup>179</sup>

SAJ Bernabe, Ret. opines<sup>180</sup> that Sections 216 and 216.1 of the IPC, as amended by RA 10372, contemplate two (2) different kinds of copyright infringers, specifically: (a) *primary infringers* or those who directly commit the infringing acts; and (b) *secondary infringers* or those who induce, materially contribute to, or benefit from, an infringing act of another. It should be stressed, though, that since RA 10372 was enacted in 2013, or **after** COSAC allegedly committed the infringing acts, the original provisions of RA 8293 should be controlling in this case. Basically, the enumeration pertaining to the different types of infringers provided by RA 10372 cannot strictly apply in the instant case.

Yet, as aptly explained by SAJ Bernabe, Ret.:

Despite the seeming lack of recognition of the dichotomy between primary and secondary infringers under the original Sections 216 and 216.1 [of RA 8293], it is nevertheless submitted that the phrase ‘[a]ny person infringing a right protected under this law shall be liable x x x’ may be interpreted to be broad enough **to include all those who had a part with the infringing activity, whether directly (primary infringers) or indirectly (secondary infringers)** – and that the RA 10372 amendments should be considered as a mere **refinement of the phraseology** of the coverage of copyright infringement **meant only to explicitly codify what was already implied in the old law** in order to further strengthen the enforcement of copyright-related rights.<sup>181</sup>

She adds that this view is supported by copyright law and related jurisprudence in the United States (US), which hold persuasive value in the Philippine jurisdiction given that our country’s copyright laws trace its roots from the US.<sup>182</sup> For instance, the Copyright Act of 1976 of the US is now reflected as Title 17 of the US Code (17 USC). 17 USC § 501 (a),<sup>183</sup> just like

<sup>178</sup> Republic Act No. 10372, AN ACT AMENDING CERTAIN PROVISIONS OF REPUBLIC ACT NO. 8293, OTHERWISE KNOWN AS THE “INTELLECTUAL PROPERTY CODE OF THE PHILIPPINES,” AND FOR OTHER PURPOSES, February 28, 2013.

<sup>179</sup> Id.

<sup>180</sup> Reflections of then Senior Associate Justice Estela M. Perlas-Bernabe, Ret., p. 11.

<sup>181</sup> Id.

<sup>182</sup> Reflections of Senior Associate Justice Estela M. Perlas-Bernabe, Ret., p. 12, citing <https://www.ipophil.gov.ph/news/the-intellectual-property-system-a-brief-history/> (last accessed Nov. 22, 2021).

<sup>183</sup> 17 U.S. Code § 501 – Infringement of Copyright

(a) **Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 122 or of the author as provided in section 106A(a), or who imports copies or phonorecords into the United States in violation of section 602, is an infringer or**

Sections 216 and 216.1 of the IPC, does not enumerate the different types of infringers, as it merely states “anyone who violates” the rights of the copyright owner or author. Simply put, the said provisions do not expressly provide for liability characterized as secondary infringement. Even so, US jurisprudence,<sup>184</sup> based on common law principles, recognizes that liability characterized as secondary infringement should be penalized. Relevantly, in *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*<sup>185</sup> (*MGM*), the US Supreme Court ruled that “[a]lthough ‘[t]he Copyright Act does not expressly render anyone liable for infringement committed by another,’ these doctrines of secondary liability emerged from common law principles and are well established in the law.” Thus, as opined by SAJ Bernabe, Ret., since the legal system of the Philippines is “a blend of customary usage, and Roman (civil law) and Anglo-American (common law) systems,”<sup>186</sup> We can adopt the view regarding common law principles related to secondary infringement. Thus, secondary infringers may be recognized and penalized, given the persuasive nature of US law in connection with Philippine law and in order to complement the old Sections 216 and 216.1 of the IPC.

In relation to this, under US law, copyright infringement is seen in the nature of a tort, and all those who take part in the infringing act are *jointly and severally liable*.<sup>187</sup> The US cases of *EMI April Music, Inc. v. White*,<sup>188</sup> *Shapiro v. H. L. Green Co.*,<sup>189</sup> and *MGM*, clarified that a person can be held liable for copyright infringement based on the acts of another – if one benefits from the infringing act; if a person contributes to the infringement by inducing direct infringing acts; or infringes vicariously by profiting from direct infringement while declining to exercise a right to stop/limit it.

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**the copyright of right of the author, as the case may be.** For purposes of this chapter (other than section 506), any reference to copyright shall be deemed to include the rights conferred by section 106A(a). As used in this subsection, the term ‘anyone’ includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this title in the same manner and to the same extent as any nongovernmental entity. (Emphases and underscoring supplied).

<sup>184</sup> See *Sony Corp. v. Universal City Studios*, 464 U.S. 417 (1984).

The Copyright Act does not expressly render anyone liable for infringement committed by another. In contrast, the Patent Act expressly brands anyone who ‘actively induces infringement of a patent’ as an infringer, and further imposes liability on certain individuals as ‘contributory infringers.’ **The absence of such express language in the copyright statute does not preclude the imposition of liability for copyright infringements on certain parties who have not themselves engaged in the infringing activity.** For vicarious liability is imposed in virtually all areas of the law, and the concept of contributory infringement is merely a species of the broader problem of identifying the circumstances in which it is just to hold one individual accountable for the actions of another. (Emphases and underscoring supplied).

<sup>185</sup> 545 U.S. 913 (2005).

<sup>186</sup> Reflections of Senior Associate Justice Estela M. Perlas-Bernabe, Ret., p. 13; Historical Overview of the Legal System in the Philippines, ASEAN Law Association, available at: <https://www.aseanlawassociation.org/wp-content/uploads/2019/11/ALA-PHILS-legal-system-Part-1.pdf> (last accessed Nov.22, 2021).

<sup>187</sup> *Granite Music Corp. v. Ctr. St. Smoke House, Inc.*, 786 F. Supp. 2d 716 (2011), citing *Syigma Photo News, Inc. v. High Society Magazine, Inc.*, 596 F. Supp. 28, 33 (S.D.N.Y. 1984).

<sup>188</sup> 618 F. Supp. 2d 497 (2009).

<sup>189</sup> 316 F. 2d 304 (1963).

US case law also provides for sub-classifications of secondary liability, as follows: (a) inducement theory; (b) contributory infringement; and (c) vicarious infringement.

Under the inducement theory, when a person induces the commission of an infringing act by another party, or persuades another to commit infringement, he/she shall be liable.<sup>190</sup> Next, contributory infringement happens when a person, aware of the infringing activity, induces, causes or materially contributes to the infringing act of another.<sup>191</sup>

Finally, vicarious infringement has two (2) elements: (1) a defendant possesses the right and ability to supervise the infringing act; and (2) the defendant must have “an obvious and direct financial interest in the exploitation of copyrighted material.”<sup>192</sup> In this mode, knowledge or lack thereof of the infringement is immaterial in the determination of vicarious liability.<sup>193</sup>

The US case of *ABKCO Music, Inc. v. Washington*<sup>194</sup> ruled that the secondary liability of an infringer may be founded on both contributory and vicarious infringement, as when the secondary infringer has a financial interest in the act of infringement and also materially contributed to the commission of the said act.

Therefore, to hold a defendant or respondent liable, the evidence must show that he or she is either a direct infringer or a secondary infringer, in relation to the exclusive economic rights of a copyright owner (or assignee) which are not covered by the fair use doctrine or the limitations on copyright under the IPC.

### **Copyright Infringement: COSAC's Liability**

All the elements of copyright infringement, (1) ownership of a validly copyrighted material by the complainant and (2) infringement of the copyright by the respondent, are present in this case. The songs that were played in Off the Grill are copyrighted works, and the copyright owners have a right to enforce their exclusive economic rights. COSAC, through the testimony of Tanan, admitted that it allowed the playing of the copyrighted songs in the restaurant. Such performances were not covered by the limitations on copyright or the fair use doctrine. More importantly, these were carried out to realize

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<sup>190</sup> Katherine Wardein, “Copyright Infringement: What’s Covering the Cover Band?” available at: <http://www.kentlaw.edu/perritt/courses/seminar/Katherine%20wardein%20Final%20Paper.pdf> (last accessed Nov. 22, 2021).

<sup>191</sup> *ABKCO Music, Inc. v. Washington*, 2011 U.S. Dist. LEXIS 120081 (2011).

<sup>192</sup> *EMI April Music, Inc. v. White*, 618 F. Supp. 2d 497 (2009), citing *Shapiro, Bernstein & Co. v. H. L. Green Co.*, 316 F.2d 304, 307 (2d Cir. 1963); see also: *ABKCO Music, Inc. v. Washington*, 2011 U.S. Dist. LEXIS 120081 (2011).

<sup>193</sup> *ABKCO Music, Inc. v. Washington*, 2011 U.S. Dist. LEXIS 120081 (2011), citing *Gordon v. Nextel Comm'n*, 345 F.3d 922, 925 (6<sup>th</sup> Cir. 2003).

<sup>194</sup> 2011 U.S. Dist. LEXIS 120081 (2011).

profits for the establishment. Ergo, **COSAC committed copyright infringement.**

To be more precise, COSAC is a primary infringer, and also a secondary infringer under the concept of vicarious infringement. This is because as owner of Off the Grill, it allowed the commission of infringing acts when it permitted musical artists or bands to perform copyrighted music (secondary infringer), and played sound recordings as background music (primary infringer) without first procuring a license from the copyright owners (or assignees) of the songs and paying the fee. By doing so, COSAC unduly enriched itself when it allowed the playing in public of copyrighted songs which in turn paved the way for it to generate more profit without any additional expense to it. This contravenes the aim of copyright laws to protect and compensate authors and the artists, as well as encourage them to produce more creations for the eventual benefit of the public. FILSCAP's allegation that COSAC is a principal by indispensable cooperation, in a way, finds basis in this rationale.

### **Designation of FILSCAP**

In view of these, the copyright owners of the musical works can rightly assert their economic rights when their copyrighted songs are being played or performed without their consent or authorization. FILSCAP even asserted that notice and demand from the copyright owner is not required for the infringer to be liable for copyright infringement.<sup>195</sup> To effectively enforce their economic rights, the copyright owners can designate a society of artists, writers or composers on their behalf, like FILSCAP, as provided by Section 183<sup>196</sup> of the IPC. This designation is achieved through deeds of assignment, exactly how various copyright owners had assigned to FILSCAP the protection and enforcement of their rights on their behalf. The deeds of assignment between FILSCAP and the copyright owners contained the following pertinent provisions:

#### **1. DEFINITIONS**

a) **"Copyright work"** shall mean and include –

x x x x

b) **"right of public performance"** shall, as provided in Section 171.6 of [the IPC] x x x

c) **"right of communication to the public"** shall mean the right... per Section 171.3 od [the IPC]

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<sup>195</sup> *Rollo*, p. 389.

<sup>196</sup> Sec. 183. *Designation of Society*. The copyright owners or their heirs may designate a society of artists, writers or composers to enforce their economic rights and moral rights on their behalf (Sec. 32, P.D. No. 49a).

d) The expression “public performing rights” shall mean (b) [right of public performance] and (c) [right of communication to the public] above.

## **2. ASSIGNMENT OF PUBLIC PERFORMING RIGHTS**

a. ASSIGNOR assigns to FILSCAP, the PUBLIC PERFORMING RIGHTS in ALL copyright works x x x, together with all interests and shares of the ASSIGNOR x x x

b. FILSCAP shall own, hold, control, administer and enforce said public performing rights on an exclusive basis x x x.

c. ASSIGNOR shall x x x make, constitute and appoint FILSCAP as his/her true and lawful attorney, with full power and authority to execute all documents and do all acts, including licensing of the rights herein assigned, that may be necessary, proper or expedient to effectively administer/enforce the public performing rights of ASSIGNOR in all his/her copyright works.

x x x x

## **5. DISTRIBUTION OF ROYALTIES**

a. FILSCAP shall from time to time pay ASSIGNOR such sums of money out of the royalties FILSCAP has collected from the exercise or licensing of the rights herein assigned in accordance with the distribution guidelines set by the FILSCAP Board of Trustees.

x x x x<sup>197</sup>

In like manner, the reciprocal representation agreements executed by the foreign societies in favor of FILSCAP essentially stipulated the following:

[They] assign to FILSCAP the performing right x x x, in the territories in which this latter Society operates x x x, and the right to authorize all public performances x x x of musical works, with or without lyrics, which are protected under the terms of national laws, bilateral treaties and multilateral international conventions relating to the author’s right (copyright, intellectual property, etc.) x x x.

The assignment of the performing right as referred to x x x entitles each of the contracting Societies, x x x

a) to permit or prohibit x x x public performance of works in the repertoire of the other Society and to issue the necessary authorizations for such performances;

b) to collect all royalties required in return for the authorizations issued by it x x x;

c) to receive all sums due as indemnification or damages for unauthorized

<sup>197</sup> *Rollo*, pp. 178-179; 182-183; 186-187; 198; records, Volume I, pp. 236-237; Though the order and wording may be different, the older duly executed versions of the other Deeds of Assignment essentially have the same provisions pertaining to the assignment of rights in favor of FILSCAP; *rollo*, pp. 190-193; 199-200.

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performances of the works in question;

d) to commence and pursue x x x any legal action against any person or corporate body and any administrative or other authority responsible for illegal performance of the works in question;

e) to transact, compromise, submit to arbitration, refer to any Court of Law, special or administrative tribunal;

f) to take other action for the purpose of ensuring the protection of the public performance right in the works covered by the present contract.<sup>198</sup>

It should be mentioned that “at most, an assignee can only acquire rights duplicating those which his assignor is entitled by law to exercise.”<sup>199</sup> Necessarily, FILSCAP’s scope of authority is limited by what the deeds or agreements specifically provide. Relevantly, too, FILSCAP alleged that it represents “composers, lyricists/authors, and music publishers.” As additional information, since FILSCAP is currently recognized and accredited by the IPO<sup>200</sup> as a Collective Management Organization (CMO),<sup>201</sup> it essentially has

<sup>198</sup> *Rollo*, pp. 30-31; see records, Volume II, pp. 534-632; Although differently worded, the agreements essentially pertain to the assignment of rights to FILSCAP; *see*: records, Volume II, pp. 537-538, 593-594; 582 (for similarities): “‘Performing Right’ includes any right that now exists or may exist in the future of performance of any musical work in public by any means whether now known or later invented and in any manner, or of communication of any musical work to the public by telecommunication or authorizing or prohibiting any public performance or any communication of any work to the public by telecommunication within the territories in which each of the contracting Societies operates. ‘Public performance’ shall have a corresponding meaning and without limiting the generality of the foregoing, includes performances whether instrumental or vocal or both and whether provided by live means, by mechanical means (including but not limited to analog or digital sound recordings whether phonographic recordings, discs, wires, tapes, sound tracks and similar devices capable of reproducing sound); by processes of projection (including but not limited to videogrammes, whether sound film, tape, and similar devices capable of reproducing sound); by means of telecommunication (including but not limited to radio, television, telephonic apparatus, cable, fibre optic, satellite and similar means and devices); and whether made directly, relayed, rebroadcast or retransmitted.”; *see also* records, Volume II, pp. 554, 573, 607-608 (for similarities): other agreements describe public performance as follows: “includes all performances audible to the public in any place within the territories administered by either contracting Society, by whatever means, whether the said means be already known and used or whether hereafter discovered and put into use during the period when the present contract is in force. The expression ‘public performance’ includes, in particular, performances given by live means, instrumental or vocal; by mechanical means, such as gramophone records, wires, tapes and sound tracks, magnetic or otherwise; by any process of sound-film projection, of diffusion and transmission; such as radio and television broadcasts, whether direct, relayed or retransmitted, and so forth, as well as by any process of wireless reception, radio, television and telephone receiving apparatus and similar means and devices, and so forth.”

<sup>199</sup> *Lim v. Moldex Land, Inc.*, 804 Phil. 341, 353 (2017) citing *Casabuena v. Court of Appeals*, 350 Phil. 237, 244 (1998).

<sup>200</sup> *See*: RA 10372, Sec. 10:

**Section 10.** Section 183 of Republic Act No. 8293 is hereby amended to read as follows:

“SEC. 183. *Designation of Society.* – the owners of copyright and related rights or their heirs may designate a society of artists, writers, composers and other right-holders to collectively manage their economic or moral rights on their behalf. For the said societies to enforce the rights of their members, they shall first secure the necessary accreditation from the Intellectual Property Office. (Sec. 32, P.D. No. 49a)”

<sup>201</sup> Concept introduced by RA 10372; *see*: Collective Management Organizations “[manages] the bundle of copyrights that their members own, by providing the legal platform to efficiently enforce their intellectual property (IP) rights,” *available at* <https://www.ipophil.gov.ph/news/ipophil-highlights-relevance-of-collective-management-organizations/> (last accessed Nov. 26, 2021).; *See also* “List of Accredited Collective Management Organizations (CMO)” *available at*: <https://www.ipophil.gov.ph/collective->

the personality to step in to protect the rights of copyright owners, specifically composers, lyricists, music publishers, and other music copyright owners,<sup>202</sup> as long as the copyrighted songs are under FILSCAP's catalogue.

Therefore, FILSCAP, as the assignee, "is entitled to all the rights and remedies which the assignor had with respect to the copyright."<sup>203</sup> If FILSCAP determines that there is an infringement of the copyrighted musical works, it can pursue appropriate measures to protect its rights and that of the assignors. The remedies for infringement relevant to the instant case are stated in Section 216 of the IPC, prior to its amendment by RA 10372 in 2013, as follows:

SECTION 216. *Remedies for Infringement.* 216.1. 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) Pay to 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.

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(e) Such other terms and conditions, including the payment of moral and exemplary damages, which the court may deem proper, wise and equitable and the destruction of infringing copies of the work even in the event of acquittal in a criminal case.

x x x x<sup>204</sup> (Emphasis Supplied).

COSAC failed to rebut FILSCAP's claim that Off the Grill played copyrighted music either through a live band or sound recordings without any license from the Society. As the assignee, FILSCAP rightly sought to protect

management-organizations/ (last accessed Nov. 24, 2021); and "Why do you need a License?" available at: <https://filscap.org/licensing> (last accessed Nov. 24, 2021).

<sup>202</sup> Certificate of Accreditation, Registration No. CMO-2-2020, available at <https://www.ipophil.gov.ph/collective-management-organizations/> (last accessed June 2, 2022); See "We Value Music," available at: <https://filscap.org/> (last accessed June 6, 2022): "FILSCAP has been duly accredited by the Intellectual Property Office of the Philippines to operate as a Collective Management Organization (CMO) for music creators and copyright owners, and to primarily license the public playing, broadcast and streaming of the songs of its members, and the members of its affiliate foreign societies. Currently, FILSCAP's repertoire covers over 20 million copyrighted local and foreign songs."

<sup>203</sup> SECTION 180. *Rights of Assignee.* – 180.1. The copyright may be assigned in whole or in part. Within the scope of the assignment, the assignee is entitled to all the rights and remedies which the assignor had with respect to the copyright.

<sup>204</sup> INTELLECTUAL PROPERTY CODE, Sec. 216.1.

the copyrighted musical works by requiring COSAC, through demand letters, to procure the authorization to play the songs and also to pay the corresponding fees. Since COSAC refused to comply, FILSCAP properly resorted to filing a complaint before the trial court to compel COSAC to secure a license and pay the fees before conducting or allowing any further performance of the copyrighted songs at Off the Grill.

**Registration Not Required;  
For Recording Purposes Only**

With the presentation of the certifications<sup>205</sup> from the National Library and the deeds of assignment<sup>206</sup> of various musical artists in its favor, FILSCAP was able to establish its authority to enforce the rights of the assignors, especially when an establishment plays the copyrighted music without a “license.” The same applies to the foreign societies’ copyrighted music, with the corresponding certification from the National Library of the reciprocal representation agreements.<sup>207</sup>

Even so, COSAC argues that FILSCAP should have caused the publication of the deeds of assignment and the reciprocal representation agreements in the IPO Gazette to properly inform the public of its authority. We are not persuaded. Section 182 of the IPC provides:

Section 182. *Filing of Assignment or License.* – An assignment or exclusive license may be filed in duplicate with the National Library upon payment of the prescribed fee for registration in books and records kept for the purpose. Upon recording, a copy of the instrument shall be returned to the sender with a notation of the fact of record. Notice of the record shall be published in the IPO Gazette.<sup>208</sup>

Thus, if the author or assignee opts to file a duplicate of the deed or agreement, a record of the said filing will be kept by the National Library. A notation of the fact of record shall be given to the sender or the filer. Thereafter, a notice of the said record shall be published in the IPO Gazette. Withal, the provision suggests that filing a duplicate of the document assigning the rights to copyrighted musical works is permissive and not mandatory upon the author or the assignee.

As uniformly found by both the RTC and the CA, the filing of a duplicate copy of the deed of assignment or the reciprocal representation agreement with the National Library is **not** required. Instead, filing a duplicate copy of the deed or agreement with the National Library is **discretionary** on the part of either the author or the assignee. Since the filing is optional, the authors or their

<sup>205</sup> *Rollo*, pp. 177, 181, 185, 189, 197; records, Volume I, p. 235.

<sup>206</sup> *Id.* at 178-180, 182-184, 186-188, 190-196, 198, 201; *id.* at 236-238.

<sup>207</sup> Records, Volume II, pp. 534-632.

<sup>208</sup> INTELLECTUAL PROPERTY CODE, Sec. 182.

assignees cannot be compelled to file a duplicate copy of the document evidencing the assignment, and have the deeds or agreements published in the IPO Gazette before their rights can be invoked or enforced.

FILSCAP aptly stated that “[c]onsidering that the Deeds of Assignment and Reciprocal Agreements are not required to be registered with the National Library, then much less is their publication in the IPO Gazette required. The filing of the assignment of copyright is a pre-requisite for publication, such that if no assignment is filed, then there can be no publication to speak of.”<sup>209</sup>

In addition, the Court sustains FILSCAP’s fitting explanation regarding the intent of the framers of the IPC, when juxtaposed with Presidential Decree (PD) No. 49, the preceding law, and other provisions in the IPC, as follows:

85. Furthermore, an analysis of the legislative history of Section 182 of the IP Code, as well as a comparison of the said provision with the other provisions of the IP Code will confirm that there is no question that the filing of copyright assignment instruments with the National Library is not mandatory and that the failure to file the said instruments will not render the instrument void as to third persons.

86. Prior to Section 182 of the IP Code, Presidential Decree No. 49, promulgated on 14 November 1972, mandated the filing of the assignment of a copyright with the National Library and provided a penalty for non-compliance, to wit:

‘SECTION 19. Every assignment, license or other instrument relating to any right, title or interest in a copyright and to the work subject to it **shall** be filed in duplicate with the National Library upon payment of the prescribed fee for registration in books and records kept for the purpose. Upon recording, a copy of the instrument shall be returned to the sender with a notation of the fact of record. Notice of the record shall be published in the Official Gazette.

**Such [instrumentalities]<sup>210</sup> shall be void as against any subsequent purchaser or mortgagee for valuable consideration and without notice unless it is recorded in the library prior to the subsequent purchase or mortgage.’**

87. Obviously, if it were the intention of the Philippine Congress to make it mandatory to file the assignment of copyright with the National Library, the second paragraph in Section 19 of PD No. 49 as quoted above should have been retained in Section 182 of the IP Code. It was not.

88. The permissive character of registration of assignment of copyright is likewise highlighted by a comparison of the provisions of the IP Code on registration of an assignment of copyright as against the IP Code provisions on registration of trademark assignment and patent assignment.

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<sup>209</sup> *Rollo*, p. 143.

<sup>210</sup> Decree on the Protection of Intellectual Property, Presidential Decree No. 49, November 14, 1972.

88.1 Registration with IPO is required for assignments, licenses and other instruments relating to the transmission of any right, title or interest in and to inventions, and patents or application for patents or inventions within three (3) months from the date of the instrument, or prior to a purchase or mortgage. If the instrument is not registered, it is void as against a subsequent purchaser or mortgagee for valuable consideration and without notice.

88.2 The IP Code likewise requires IPO recording of assignments and transfers of trademark application or registration for the same to be effective against third parties. The rule is likewise the same for license contracts involving a trademark application or registration.<sup>211</sup>

Simply put, if the legislative intent was to void the deeds or agreements in case of non-publication in the IPO Gazette, then a provision requiring said publication should have been expressly stated in the IPC. Absent such a provision, there is no basis to conclude that non-publication in the IPO Gazette of copies of the deeds or agreements would automatically render void these documents.

Notably, under the old copyright laws,<sup>212</sup> registration and deposit of the work were required before it can be protected. In the aforementioned *Tan* case, which was decided under these old copyright laws, the Court ruled that while the acts of the respondent in playing live band music in the restaurant

<sup>211</sup> *Rollo*, pp. 141-142.

<sup>212</sup> See Act No. 3134, "An Act to Protect Intellectual Property," § 11 and Presidential Decree No. 49, "Decree on the Protection of Intellectual Property," § 26.

Act No. 3134, Section 11	Presidential Decree No. 49, Section 26
<p><b>SECTION 11.</b> Copyright for a work may be secured by the registration of the claim to such copyright in accordance with the provisions of this Act and by publication thereof with the required notice of copyright upon the front part or title-page of each copy thereof published or offered for sale by authority of the copyright proprietor and by depositing with the Director of the Philippine Library and Museum by personal delivery or by registered mail two complete copies of the copyrighted work or one copy of the issue or issues containing the work if it be a contribution to a periodical. <u>No copyright in any work is considered as existing until the provisions of this Act with respect to the deposit of copies and registration of claim to copyright shall have been complied with.</u></p>	<p><b>Section 26.</b> After the first public dissemination or performance by authority of the copyright owner of a work falling under subsections (A), (B), (C) and (D) of Section 2 of this Decree, there shall, within three weeks, be registered and deposited with the National Library, by personal delivery or by registered mail, two complete copies or reproductions of the work in such form as the Director of said library may prescribe. A certificate of registration and deposit for which the prescribed fee shall be collected. If, within three weeks after receipt by the copyright owner of a written demand from the director for such deposit, the required copies or reproductions are not delivered and the fee is not paid, the copyright owner shall be liable to pay to the National Library the amount of the retail price of the best edition of the work.</p> <p><u>With or without a demand from the director, a copyright owner who has not made such deposit shall not be entitled to recover damages in an infringement suit and shall be limited to the other remedies specified in Section 23 of this Decree.</u></p>

constituted as copyright infringement, he could not be held liable since the owners of the musical works did not comply with the formalities required by the old copyright laws. Such failure constituted as a waiver on the owners' part to enforce their copyright ownership, and thus, they cannot enjoy copyright protection over their works. As a consequence, their musical works became property of the public domain.

Yet, pursuant to the Berne Convention,<sup>213</sup> of which the Philippines is a signatory, the enjoyment of rights protected by copyright "shall not be subject to any formality; such enjoyment and such exercise shall be independent of the existence of protection in the country of origin of work."<sup>214</sup> Hence, in the past, while formalities were required before a work may be protected, the country's copyright laws later on shifted to conferring protection **from the moment of creation**.<sup>215</sup> Accordingly, under the IPC, original and derivative works are protected by the sole fact of their creation, irrespective of their mode or form of expression, as well as of their content, quality and purpose,<sup>216</sup> and shall extend during the life of the author and for fifty (50) more years after his/her death.<sup>217</sup>

Again, as SAJ Bernabe, Ret. stated, while the IPC still provides pointers regarding the registration and deposit of copyrighted works, the objective for doing so is for **recording only**. Such recording will not affect the copyright's validity, including the rights and protections that are attached to it. Withal, failure to register an assignment or licensing agreement involving copyrighted

<sup>213</sup> See "Berne Convention for the Protection of Literary and Artistic Works," *available at*: <https://wipolex.wipo.int/en/text/283698> (last accessed Nov. 25, 2021).

<sup>214</sup> In its Guide to the Berne Convention, the World Intellectual Property Organization explains Article 5, paragraph 2, as follows:

Here appear the other fundamental principles of the Convention. First and foremost, protection may not be made conditional on the observance of any formality whatsoever. The word "formality" must be understood in the sense of a condition which is necessary for the right to exist administrative obligations laid down by national laws, which, if not fulfilled, lead to loss of copyright. Examples are: the deposit of a copy of a work; its registration with some public or official body; the payment of registration fees, or one or more of these. If protection depends on observing any such formality, it is breach of the Convention. However, what is at issue here is the recognition and scope of protection and not the various possible ways of exploiting the rights given by the law. Member countries may, for example, prescribe model contracts governing the conditions of the utilisation of works without this being considered a formality. What one must look at is whether or not the rules laid down by the law concern the enjoyment and exercise of the rights. (Underscoring supplied).

<sup>215</sup> See Senate Deliberations, October 8, 1996, pp. 18-19, the pertinent portions of which read:

Part IV, Mr. President, in this proposed Code is the proposed new law on copyrights. To comply with the Berne Convention, Senate Bill No. 1719 repeals the provision in Presidential Decree No. 49 which provides that unless the author deposits two copies of books, publications, lectures, and letter with the National Library, then he cannot recover damages against the infringer.

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The Code also seeks to clarify that basic concept in the first paragraph of Section 161 that works "are protected by the sole fact and from the moment of their creation, irrespective of their mode or form of expression, as well as their content, quality and purpose." Similarly, it reaffirms the basic principle in Section 164 that "no protection shall extend to any idea, procedure, system, method or operation, discovery or mere date as such." (Underscoring supplied).

<sup>216</sup> INTELLECTUAL PROPERTY CODE, Sec. 172.2.

<sup>217</sup> INTELLECTUAL PROPERTY CODE, Sec. 213.

works should not impact the validity of such transactions.<sup>218</sup> Rather, the purpose of registration is to protect subsequent purchasers or mortgagees for value and without notice, since in principle, it is similar to the filing and recording statute pertaining to chattel mortgages.<sup>219</sup> Thus, FILSCAP, as the assignee in this case, can register and deposit copyrighted works on behalf of the authors/owners, but only with the aim to successfully record the same.

In fine, non-registration or deposit of the works with the National Library will not affect the validity of the copyright, as these works are protected from the moment of creation, and given that the registration is purely for recording purposes. To stress, copyright holders or their assignees have the basis to enforce their rights and take action against any person or entity who infringes on the said rights even absent such recording.

### **FILSCAP's Remedies**

**As the assignee, FILSCAP has the right to demand compensation for the playing or performance in public of copyrighted musical works under its catalogue in establishments or other venues, when infringement is being committed due to the absence of a license and payment of fees.**

Relevantly, the RTC granted FILSCAP *actual* damages representing unpaid license fees/royalties as well as monitoring expenses (both with legal interest), attorney's fees and litigation expenses, and costs of suit. However, the RTC did not grant FILSCAP's prayer to compel COSAC to secure a public performance license and to pay for the fees. Since FILSCAP did not appeal these aspects, these are deemed waived and considered to have become final as against it.<sup>220</sup> It should be emphasized, however, that failure to procure a license from FILSCAP and pay the necessary fees before allowing the playing or public performance of copyrighted works will still amount to copyright infringement. Nonetheless, the CA upheld the RTC's ruling on license fees/royalties but ordered the deletion of award for monitoring expenses, which FILSCAP did not question as well.

In the case at bench, since COSAC committed infringement, FILSCAP, representing the copyright owners, is entitled to compensation in the form of damages. In its complaint, FILSCAP expressly prayed for *nominal* damages in

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<sup>218</sup> INTELLECTUAL PROPERTY CODE, Sec. 191; see also Rule 7, Sec. 2 of the Copyright Safeguards and Regulations; and Ernesto C. Salao, "Essentials of Intellectual Property Law: A Guidebook on Republic Act No. 8293 and Related Laws", Second Edition, p. 299.

<sup>219</sup> See *Isle Originals, Inc. et. al. v. Sosan Industries, Inc., et. al.*, 95 O.G. 3479, 3487 (1995); see also Jacinto D. Jimenez, "Intellectual Property Law in the Philippines," 2012 Edition, p. 41.

<sup>220</sup> "[I]t is settled in jurisprudence that a party that did not appeal a judgment is bound by the same and he cannot obtain from the appellate court any affirmative relief other than those granted, if any, in the decision of the lower court or administrative body." (*Luna v. Allado Construction Co., Inc.*, 664 Phil. 509, 524 (2011), citing *Pison-Arceo Agricultural and Development Corporation v. NLRC*, 344 Phil. 723, 736 (1997).

the amount of ₱300,000.00.<sup>221</sup> Had FILSCAP asked for *actual* damages, further assessment of the evidence would have been required. “Under Article 2199 of the Civil Code, actual or compensatory damages are those awarded in satisfaction of, or in recompense for, loss or injury sustained. They proceed from a sense of natural justice and are designed to repair the wrong that has been done, to compensate for the injury inflicted and not to impose a penalty.”<sup>222</sup>

To expound, “[t]he Court in *San Miguel Foods, Inc. v. Magtuto*<sup>223</sup> reiterated that there are two kinds of actual or compensatory damages: (1) the loss of what a person already possesses, and (2) the failure to receive as a benefit that which would have pertained to them. In the latter instance, the familiar rule is that damages consisting of unrealized profits, frequently referred to as *ganacias frustradas* or *lucrum cessans*, are not to be granted on the basis of mere speculation, conjecture, or surmise, but rather by reference to some reasonably definite standard such as market value, established experience, or direct inference from known circumstances.<sup>224</sup> Thus, to justify a grant of actual or compensatory damages, it is necessary to prove with a reasonable degree of certainty, premised upon competent proof and on the best evidence obtainable by the injured party, the actual amount of loss.”<sup>225</sup>

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.

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<sup>221</sup> *Rollo*, p. 41.

<sup>222</sup> *Premiere Development Bank v. Court of Appeals*, 471 Phil. 704, 719 (2004); see CIVIL CODE, Arts. 2199-2200.

**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 he has duly proved. Such compensation is referred to as actual or compensatory damages.

**Article 2200.** Indemnification for damages shall comprehend not only the value of the loss suffered, but also that of the profits which the obligee failed to obtain.

<sup>223</sup> *Boncayao Confederation of Sugar Producers Cooperatives*, G.R. No. 225438, January 20, 2021, citing *San Miguel Foods, Inc., and Vinoya v. Magtuto*, G.R. No. 225007, July 24, 2019.

<sup>224</sup> *Id.*

<sup>225</sup> *Boncayao Confederation of Sugar Producers Cooperatives*, G.R. No. 225438, January 20, 2021; *ACI Philippines, Inc. v. Coquia*, 580 Phil. 275, 287 (2008), citing *Premiere Development Bank v. Court of Appeals*, 471 Phil. 704, 719 (2004); *Premiere Development Bank v. Court of Appeals*, 471 Phil. 704, 719 (2004); *Smith Kline Beckman Corp. v. Court of Appeals*, 456 Phil. 213, 225 (2003), citing *Integrated Packaging Corporation v. Court of Appeals*, 388 Phil. 835, 846 (2000); *Sambar v. Levi Strauss & Co.*, 428 Phil. 425, 436 (2002).

Moreover, FILSCAP, through Lejano, only monitored Off the Grill on February 3, 2005 and January 13, 2006, even when it averred that the establishment has been committing infringing acts for a while. Two dates can hardly be considered as an accurate representation of all the instances when COSAC should have paid the license fees. Even if FILSCAP specifically prayed for *actual* damages, the Court cannot grant it because FILSCAP did not present “sufficient evidence to prove the amount claimed and the basis to measure actual damages.”<sup>226</sup> In fine, allegations should always be supported by preponderant evidence<sup>227</sup> to successfully claim for *actual* damages and remuneration of lost profits.

This is not to say, however, that FILSCAP cannot be granted *any* kind of damages. Even if it failed to substantiate its entitlement to *actual* damages, according to RA 8293 or the IPC (**prior** to its amendment in 2013), FILSCAP can still claim some form of compensation. Specifically, RA 8293 states that: “**in lieu of actual damages and profits**, such damages which to the court shall appear to be **just**”<sup>228</sup> may be awarded to address a claim of pecuniary loss.<sup>229</sup> For this Court, “just damages” is a form of compensation akin to **temperate** damages, *viz.*:

Article 2224. Temperate or moderate damages, which are more than nominal but less than compensatory damages, may be recovered when the court finds that some pecuniary loss has been suffered but its amount cannot, from the nature of the case, be provided with certainty.<sup>230</sup>

In the same way, jurisprudence teaches that “[w]hen the court finds that some pecuniary loss has been suffered but the amount cannot, from the nature of the case, be proved with certainty, temperate damages may be recovered. Temperate damages may be allowed in cases where from the nature of the case, definite proof of pecuniary loss cannot be adduced, although the court is convinced that the aggrieved party suffered some pecuniary loss.”<sup>231</sup> Nonetheless, “[i]t must be stressed that the grant of temperate damages, albeit subject to the discretion of the court,<sup>232</sup> must always be reasonable<sup>233</sup> and **based on the facts and circumstances of each case.**<sup>234</sup> Indeed, this Court’s discretion is subject to the condition that the award for damages is not

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<sup>226</sup> *Asia Pacific Resources International Holdings, Ltd. v. Paperone, Inc.*, 845 Phil. 85, 101 (2018).

<sup>227</sup> RULES OF COURT, Rule 133, Sec. 1.

<sup>228</sup> INTELLECTUAL PROPERTY CODE, Sec. 216.1 (b).

<sup>229</sup> As pointed out by Associate Justice Amy C. Lazaro-Javier in her Reflections dated August 31, 2021, pp. 4-6.

<sup>230</sup> CIVIL CODE, Art. 2224.

<sup>231</sup> *Premiere Development Bank v. Court of Appeals*, 471 Phil. 704, 719 (2004); *Sambar v. Levi Strauss & Co.*, 428 Phil. 425, 437 (2002), citing CIVIL CODE, Art. 2224.

<sup>232</sup> *Mencorp Transport Systems, Inc. v. Heirs of Libatique*, G.R. No. 203309 (Notice), February 3, 2021, citing *Pleno v. Court of Appeals*, 244 Phil. 213, 229 (1988).

<sup>233</sup> *Mencorp Transport Systems, Inc. v. Heirs of Libatique*, G.R. No. 203309 (Notice), February 3, 2021, citing CIVIL CODE, Art. 2225.

<sup>234</sup> *Supra* note 231.

excessive under the attendant facts and circumstance of the case.”<sup>235</sup> To stress, even if FILSCAP specifically asked for *actual* damages, *temperate* damages should be awarded instead. This is because due to lack of evidence, the amount of *actual* damages cannot be quantified with reasonable certainty even if it is evident that FILSCAP indeed suffered losses.

To reiterate, FILSCAP, in its Complaint, did **not** include in its prayer the award of *actual* damages. It asked for *nominal* damages<sup>236</sup> and attorney’s fees, on top of its request to compel COSAC to secure a public performance license and then pay the corresponding license fees for the performing rights of copyrighted musical works at Off the Grill.<sup>237</sup>

It should be noted that nominal damages cannot be awarded in this case since it is clear that FILSCAP **suffered pecuniary loss**, although the rates cannot adequately be computed due to lack of proof. To expound, “[u]nder Article 2221 of the Civil Code, nominal damages may be awarded in order that the plaintiff’s right, which has been violated or invaded by the defendant, may be vindicated or recognized, **and not for the purpose of indemnifying the plaintiff for any loss suffered.**”<sup>238</sup> Otherwise stated, “[n]ominal damages are ‘recoverable where a legal right is technically violated and must be vindicated against an invasion that **has produced no actual present loss of any kind** or where there has been a breach of contract and **no substantial injury or actual damages whatsoever have been or can be shown.**’”<sup>239</sup> Nominal damages is not proper in cases involving infringement of intellectual property rights because there is a presumption that the copyright owner (or assignee) suffered a pecuniary loss.<sup>240</sup> Besides, by praying for *nominal* damages, FILSCAP may not have been certain with the actual amount it lost. Regardless, it cannot be denied that FILSCAP suffered pecuniary loss when COSAC did not pay for license fees before it allowed playing and performance in public of copyrighted music at Off the Grill.

Even if its prayer for *nominal* damages cannot be granted for lack of basis, as earlier discussed, FILSCAP is still entitled to *temperate* or *just* damages in

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<sup>235</sup> Id.

<sup>236</sup> CIVIL CODE, Arts. 2221-2223.

Article 2221. Nominal damages are adjudicated in order that a right of the plaintiff, which has been violated or invaded by the defendant, may be vindicated or recognized, and not for the purpose of indemnifying the plaintiff for any loss suffered by him.

Article 2222. The court may award nominal damages in every obligation arising from any source enumerated in article 1157, or in every case where any property right has been invaded.

Article 2223. The adjudication of nominal damages shall preclude further contest upon the right involved and all accessory questions, as between the parties to the suit, or their respective heirs and assigns.

<sup>237</sup> *Rollo*, p. 41.

<sup>238</sup> *Seven Brothers Shipping v. DMC-Construction Resources, Inc.*, 748 Phil. 692, 700 (2014).

<sup>239</sup> Id., citing *Francisco v. Ferrer*, 405 Phil. 741, 751 (2001), which cited *Areola v. Court of Appeals*, 306 Phil. 657, 667 (1994).

<sup>240</sup> See *Sambar v. Levi Strauss & Co.*, 428 Phil. 425, 436-437 (2002) and *Co v. Spouses Yeung* (Resolution), 742 Phil. 803, 809 (2014).

accordance with Section 216.1 (b) of the IPC, notwithstanding its failure to prove its entitlement to *actual* damages.

Thence, the amount which should be awarded to FILSCAP should be based on the following considerations:<sup>241</sup> (1) the 500-seating capacity of Off the Grill;<sup>242</sup> (2) based on FILSCAP's matrix, the royalty fee of ₱170.00/day for lounges/bars/pubs which play copyrighted songs live and mechanically;<sup>243</sup> (3) FILSCAP's assertion that it demanded from COSAC to pay license fees since October 2003, until the filing of the complaint on February 13, 2006<sup>244</sup> (although it is unclear when FILSCAP first discovered COSAC's acts of infringement); (4) FILSCAP's monitoring agent identified only 25 copyrighted songs which were played at Off the Grill without the requisite license and payment of fees;<sup>245</sup> (5) to acknowledge FILSCAP's members who are copyright owners, and FILSCAP's authority to enforce their rights;<sup>246</sup> and, (6) to balance the interests between copyright owners and the society, in that the award of *just* damages is "[a] not too excessive as to scare away other people from carrying out legitimate acts involving copyrighted music, **BUT** [b] not too minimal as to give the wrong impression that the State accords little value to copyrighted musical work and that creators do not deserve to be compensated with reasonable economic rewards for sharing their creations to the society."<sup>247</sup>

Considering the foregoing, the Court deems it proper to award FILSCAP the amount of ₱300,000.00 as *temperate* (or *just*) damages, based on Section 216.1 (b) of the IPC. Such is a fair and reasonable amount to show that the Court recognizes that, apart from suffering pecuniary loss, FILSCAP has the right to require the procurement of a license and the payment of license fees before COSAC can validly play copyrighted musical works in its establishment.<sup>248</sup> One should bear in mind that FILSCAP, as assignee, is seeking to protect the

<sup>241</sup> Separate Concurring Opinion of Associate Justice Alfredo Benjamin S. Caguioa, pp. 21-23, Section 216.1 of the IPC, as amended by RA 10372, can be used as a guide in ascertaining the amount of *just* damages even if:

The copyright owner may elect, at any time before final judgment is rendered, to recover instead of actual damages and profits, an award of statutory damages for all infringements involved in an action in a sum equivalent to the filing fee of the infringement action but not less than Fifty thousand pesos (Php50,000.00). In awarding statutory damages, the court may consider the following factors:

- (1) The nature and purpose of the infringing act;
- (2) The flagrancy of the infringement;
- (3) Whether the defendant acted in bad faith;
- (4) The need for deterrence;
- (5) Any loss that the plaintiff has suffered or is likely to suffer by reason of the infringement, and
- (6) Any benefit shown to have accrued to the defendant by reason of the infringement. x

x x

<sup>242</sup> TSN, April 3, 2012, p. 17.

<sup>243</sup> *Rollo*, pp. 161-162.

<sup>244</sup> *Id.* at 37-41.

<sup>245</sup> *Id.* at 103-104, 169.

<sup>246</sup> See Separate Concurring Opinion of Associate Justice Alfredo Benjamin S. Caguioa, p. 24.

<sup>247</sup> *Id.*

<sup>248</sup> *Co v. Spouses Yeung (Resolution)*, 742 Phil. 803, 809 (2014), citing CIVIL CODE, Art. 2224.

intellectual property rights of the owners of copyrighted musical works, and is not just safeguarding its own interest.

However, modifications regarding the applicable legal interest upon the said monetary awards should be imposed in accordance with *Nacar v. Gallery Frames*.<sup>249</sup> Therefore, the monetary awards shall be subject to interest at the rate of 12% per *annum* from the date of the filing of the complaint or on February 13, 2006 until June 30, 2013, and thereafter, 6% per *annum* from July 1, 2013 until finality of this judgment. Furthermore, once the judgment in this case becomes final and executory, the said amounts shall be subject to legal interest at the rate of 6% per *annum* from such finality until its satisfaction.

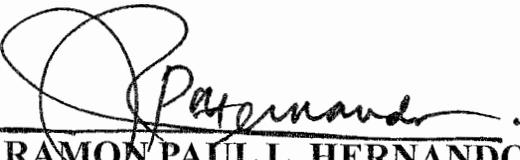
As a final note, the Court acknowledges that FILSCAP, by authority of the deeds/agreements, represents the owners or holders of copyrighted musical works under its catalogue. As the assignee, FILSCAP is tasked to monitor and issue licenses to persons, businesses, establishments, and the like which are interested to play or perform these musical compositions. Although it seems trivial or outrageous to collect fees for this purpose especially when almost everything is readily accessible to the listening public, the copyright owners are still entitled to be compensated for their creative work. There is no question that they invested time, creativity, talent, and effort in the creation and development of their compositions. Thus, assigning FILSCAP to pursue their intellectual property rights on their behalf should not be taken against FILSCAP, as it is acting not merely for its own benefit, but for the copyright owners' as well. Still, FILSCAP's monitoring, licensing, and its other functions should all be exercised within reasonable, proper, and just means.

**WHEREFORE**, the Petition for Review on *Certiorari* is hereby **DENIED**. The assailed May 28, 2015 Decision and January 14, 2016 Resolution of the Court of Appeals in CA-G.R. CV No. 101415 are **AFFIRMED with MODIFICATIONS**. The monetary award in the amount of ₱317,050.00 as damages for unpaid license fees/royalties in favor of the **Filipino Society of Composers, Authors and Publishers, Inc.** is **DELETED**. Instead, petitioner **COSAC, Inc.**, is **ORDERED** to indemnify the **Filipino Society of Composers, Authors and Publishers, Inc.** temperate damages in the amount of ₱300,000.00. This amount shall be subject to interest at the rate of 12% per *annum* from February 13, 2006 until June 30, 2013, and at the rate of 6% per *annum* from July 1, 2013 until the date of finality of this judgment. Thereafter, all the monetary amounts shall be subject to interest at the rate of 6% per *annum* from the date of finality of this judgment until full satisfaction of the same.

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<sup>249</sup> 716 Phil. 267, 280-283 (2013). See Bangko Sentral ng Pilipinas Monetary Board Circular No. 799, Series of 2013.

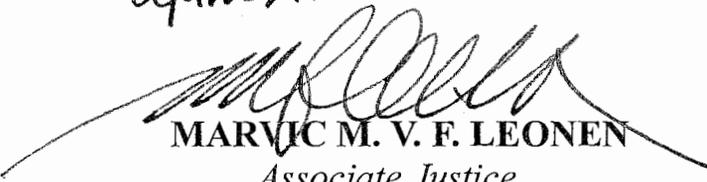
**SO ORDERED.**

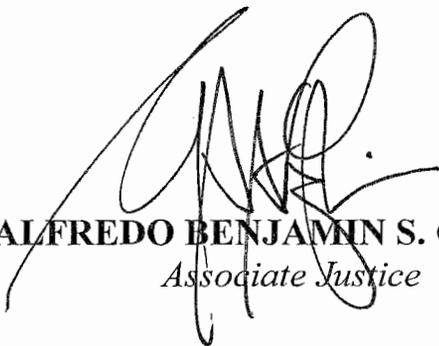
  
**RAMON PAUL L. HERNANDO**  
*Associate Justice*

WE CONCUR:

  
**ALEXANDER G. GESMUNDO**  
*Chief Justice*

*See separate concurring opinion*

  
**MARVIC M. V. F. LEONEN**  
*Associate Justice*

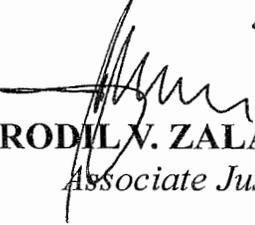
  
**ALFREDO BENJAMIN S. CAGUIOA**  
*Associate Justice*

*See Separate Concurring Opns*

*Pls. see Concurrence*

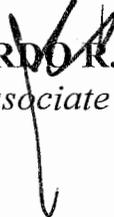
  
**AMY C. LAZARO-JAVIER**  
*Associate Justice*

No part.  
**HENRI JEAN PAUL B. INTING**  
*Associate Justice*

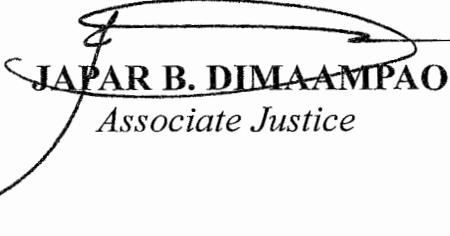
*See Separate  
Concurring Opinion*  
  
**RODIL V. ZALAMEDA**  
*Associate Justice*

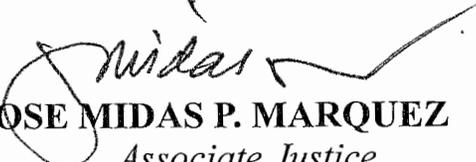
No part.  
**MARIO V. LOPEZ**  
*Associate Justice*

  
**SAMUEL H. GAERLAN**  
*Associate Justice*

  
**RICARDO R. ROSARIO**  
*Associate Justice*

  
**JHOSEP V. LOPEZ**  
*Associate Justice*

  
**JAPAR B. DIMAAMPAO**  
*Associate Justice*

  
**JOSE MIDAS P. MARQUEZ**  
*Associate Justice*

  
**ANTONIO T. KHO, JR.**  
*Associate Justice*

  
**MARIA FILOMENA D. SINGH**  
*Associate Justice*

## CERTIFICATION

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.

  
ALEXANDER G. GESMUNDO  
*Chief Justice*