

EN BANC

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

Promulgated:

February 28, 2023

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CONCURRENCE

LAZARO-JAVIER, J.:

Every civil case generally follows **two sequential stages** – *liability* and *relief*. These stages are in reality the **elements constituting a cause of action** – *right, violation of this right, and relief*. At times, trials are **bifurcated** to first settle the **issue of liability** before hearing evidence on the **appropriate relief**.

Here, I agree with the *ponencia* that petitioner COSAC, Inc. is **liable for infringing the copyright** of respondent’s principals – the first two constituent elements of its cause of action, its *right* and petitioner’s *violation* of this right. There is no question that without the requisite license from respondent, COSAC may not play or perform copyrighted music – *i.e.*, through a live band or recorded music, otherwise, it would be infringing Republic Act No. 8293.

I also laud the ponente for his comprehensive discussion on the grant of temperate damages, in lieu of the actual damages prayed for by FILSCAP. As aptly noted, FILSCAP “did not present sufficient evidence to prove the amount claimed and the basis to measure actual damage.”

To recall, the courts below **appear to have based the amount of damages** awarded on **the following matrix** presented by one of respondent’s witnesses, thus:

Since Off the Grill is considered as a bar, Gaitan stated that the royalty fees should be computed as follows:

For lounges/ Bars/ Pubs (Where Dancing is not allowed)	Live & Mechanical Royalty Rate / Day	Mechanical Only Royalty Rate / Day
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Maximum Accommodation Capacity		
100 persons or less	₱ 100.00	₱ 45.00
More than 100 persons, but less than 300 persons	₱ 120.00	₱ 65.00
300 persons or more, but less than 500 persons	₱ 145.00	₱ 90.00
500 persons or more	₱ 170.00	₱ 105.00

The specific amounts of damages are **not so categorized**, to wit: –

a) Php317,050.00 as damages for unpaid license fees/royalties... 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....

I assume, however, that these damages are **actual damages** under the *Civil Code* based on respondent's **matrix**.

A secondary source in the United States,¹ which I find helpful to spur discussion on the issue of damages, summarizes the purpose of an award of a copyright owner's **actual damages** – “to compensate the owner for losses attributable to the infringement” – and the purposes of an **award of the profits the infringer received** from the infringement, “to prevent unjust enrichment of the infringer and to deter wrongful activity.” It also mentions a **limit** to the items that may be included as **actual damages** –

Similarly, a copyright owner **cannot recover both his own lost profits on sales the owner would have made to the infringer** and also **the value to the infringer of the use of the copyright by the infringer**, even though they are both measures of actual damages, since this recovery would double-count the same economic transaction. Normally the owner recovers the larger of the two amounts, or all of one and so much of the other as is not included in the one.²

This secondary source clarifies that a “copyright owner's actual damages are usually calculated by **assessing lost profits**.” The same secondary source *intuitively* cautions that “[t]he court recognized that in cases of this kind, lost sales and their resultant lost profit may be based upon opinion and probable estimate, but it added that **a finding that the infringer has unlawfully taken sales from the copyright owner has to be based upon something other than conjecture**.” This source also states that “[e]vidence offered to prove the value of a copyrighted item must be both **material and**

¹ 50 Am. Jur. Proof of Facts 2d 263 (Originally published in 1988).

² *Id.*

relevant." I think this statement echoes an analogous ring to our own statement of the law on **actual damages**.

I refer to these **guiding principles** because I find it **conjectural** to peg the value of **actual damages** on these categories: "*lounges/bars/pubs;*" *whether dancing is not allowed;* "*live and mechanical*" or "*mechanical*" only; and the *venue's "maximum accommodation capacity."*

I do not think that **everyone** in the audience would love to hear the songs in respondent's repertoire of songs. Or that **everyone** went to petitioner's bar **for the songs** in respondent's list of copyrighted music. **Not everyone** seeks a seat in the bar for the songs being performed by the bands or the videos being played when the bands are segueing to their next sets. Some would go to a bar not for anything else **but only for the opportunity to be together**, especially before the pandemic.

Unless clearly established and articulated, the categories in respondent's matrix have **nothing to do** with the **losses** of the copyright owner and the **profits and expenses** constituting the profits received by the infringer.

Instead of the matrix referred to by the courts below, we could heed this advice –

To establish the **amount of lost profits**, the copyright owner may present evidence of **what the estimated sales of the copyrighted item would have been in the absence of the infringement**. Attempting to estimate **what sales the copyright owner would have made in the absence of an infringement**, however, is **inherently speculative**. In addition, if a copyright owner is claiming actual damages based on lost profits, the owner will have to **provide more than proof of the estimated lost sales revenue**, since a **loss of revenue is not the same thing as a loss of profits**. If the copyright owner contends that **lost sales revenue would have been all profit**, the contention is **sufficiently improbable** to require substantiating evidence, for it implies that the owner could have made all the lost sales at zero cost. Also, if the copyright owner's actual sales were reduced because of the infringement, then the copyright owner's costs may have been reduced as well; in the computation of the copyright owner's lost profits, this **cost savings is a gain that has to be offset against the loss of revenues**.³

The process of **arriving at** the amount of damages suffered gets **even more complicated**. For instance: –

The **amount of the infringer's actual sales of the infringing item** may be indicative of the amount of sales the copyright owner would have made in the absence of the infringement. When a copyright owner seeks to prove the amount of his lost profits by presenting **evidence of the**

³ *Id.*

↑

infringer's actual sales of the infringing item, the owner's claim is often challenged as too speculative on the ground that the copyright owner might not have sold copyrighted items to every customer who purchased an infringing item, perhaps because the copyright owner's price for the item was higher than the infringer's price. To show that if there had been no infringement the copyright owner would have made the same volume of sales as the infringer actually made, so as to constitute a permissible basis for an award of damages, **the copyright owner must show that the items were of substantially similar quality, sold at substantially similar prices, and sold in a substantially similar market.**⁴

The secondary source I have copiously referenced is 88-page long in letter size, in Times New Roman, font size 10, and with .75-inch margins. **My point** is that the legal concept of **actual damages** and **profits** is **so complicated** to be **left undiscussed at all**. Indeed, if the award of damages is based on respondent's **matrix**, we could be doing **injustice** to the scheme in Republic Act No. 8293 which lays down what can and cannot be awarded. In fine, there is a need to **operationalize** and **explain** in **actual cases** the provisions on damages that may be awarded to copyright owners. In short, we **cannot take for granted the basis for setting in exact pesos and centavos** what petitioner owes to respondent, without first *articulating the clear basis for this award*.

*ACI Philippines, Inc. v. Coquia*⁵ forewarned that claims for actual damages in cases of infringement should be examined with **extreme caution**. In determining actual damages, the Court cannot rely on mere assertions, speculations, conjectures or guesswork but must depend on **competent proof and on the best evidence** obtainable regarding the **actual amount of loss**.

To reiterate, respondent's matrix is certainly insufficient to justify the award of actual damages in this case. For the exact amount of loss or damages cannot be based on the number of persons going in and out of Off the Grill Bar and Restaurant every night, especially in the absence of evidence that the customers go to Off the Grill **specifically** to listen to the subject copyrighted songs. It should also be remembered that FILSCAP presented proof of COSAC's acts of infringement on two dates only: February 3, 2005 and January 13, 2006. Surely, we cannot extrapolate the amount of damages based on this very small sample size. In other words, FILSCAP utterly failed to prove the actual amount of damages it had suffered.⁶

In *Sambar v. Levi Strauss & Co., et al.*,⁷ the Court clarified that the fact that there was infringement meant that there were losses. But **when the exact amount of damage or loss could not be determined**, the award of

⁴ Id.

⁵ 580 Phil. 275, 287 (2008) [Per J. Tinga, Second Division].

⁶ See *Smith Kline Beckman Corp. v. Court of Appeals*, 456 Phil. 213-226 (2003) [Per J. Carpio Morales, Third Division].

⁷ 428 Phil. 425-437 (2002) [Per J. Quisumbing, Second Division].

temperate damages⁸ should be imposed instead. There, the Court awarded PHP 50,000.00 in favor of private respondents Levi Strauss & Company and Levi Strauss (Phil.), Inc. considering the attendant circumstances of the case as well as the global coverage and reputation of private respondents.

The US case of *Morley Music Co. v. Cafe Continental, Inc.*⁹ which shares a similar factual milieu with the present case is also illuminating. There, plaintiffs were owners of copyrights of certain musical compositions and were members of American Society of Composers, Authors and Publishers (ASCAP) to which they granted non-exclusive right to license non-dramatic public performances of their works. ASCAP discovered though that therein plaintiff's musical compositions were being publicly performed at defendant Café Continental, *sans* the requisite license. The court found Café Continental liable for copyright infringement. In lieu of actual damages, the Court awarded **statutory damages**, which bears semblance to **temperate damages** in our jurisdiction, taking into account the following factors:

- (1) the expenses saved and profits reaped by the defendant in connection with the infringements;
- (2) the revenues lost by plaintiffs as a result of the defendant's conduct; and
- (3) the infringers' state of mind, that is, whether willful, knowing, or merely innocent.

Indeed, the award of actual damages is not the only relief which the courts may grant in cases of copyright infringement. The **relevant provisions of Republic Act No. 8293**, as amended read:

SECTION 216. Infringement. — A person infringes a right protected under this Act when one:

....

(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.

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

....

(b) To 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

⁸ **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.

⁹ Case No. 91-6019-CIV, November 4, 1991.

shall be required to prove **sales only** and the defendant shall be required to **prove every element of cost** which he claims, or, **in lieu of actual damages and profits**, such **damages** which to the court shall appear to be **just** and shall not be regarded as penalty: Provided, That the amount of damages to be awarded shall be doubled against any person who:

(i) Circumvents effective technological measures; or

(ii) Having reasonable grounds to know that it will induce, enable, facilitate or conceal the infringement, remove or alter any electronic rights management information from a copy of a work, sound recording, or fixation of a performance, or distribute, import for distribution, broadcast, or communicate to the public works or copies of works without authority, knowing that electronic rights management information has been removed or altered without authority.

....

(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.

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.**

In case the infringer was **not aware and had no reason to believe that his acts constitute an infringement** of copyright, the court in its discretion may **reduce the award of statutory damages** to a sum of not more than Ten thousand pesos (Php10,000.00): Provided, That the amount of damages to be awarded shall be doubled against any person who:

(i) Circumvents effective technological measures; or

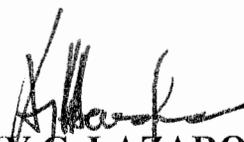
(ii) Having reasonable grounds to know that it will induce, enable, facilitate or conceal the infringement, remove or alter any electronic rights management information from a copy of a work, sound recording, or fixation of a performance, or distribute, import for distribution, broadcast, or communicate to the public works or copies of works without authority, knowing that electronic rights management information has been removed or altered without authority.

....

Verily, the *complications* of proving **actual damages** and **profits** are avoided altogether by seeking **just damages** (thus, RA 8293 states “*in lieu of actual damages and profits*”) or **statutory damages** (only if, as RA 8293 clearly imposes, the copyright owner “*elect[s], at any time before final judgment is rendered, to recover instead of actual damages and profits, an award of statutory damages*”). The learned *ponente* has painstakingly explored the grant of “just damages” akin to temperate damages. Indeed, even if FILSCAP failed to substantiate its entitlement to actual damages, damages which appear to be just may be awarded to address a claim of pecuniary loss. As it was, FILSCAP suffered pecuniary loss when COSAC did not pay the license fees before it allowed the public performance of copyrighted music at Off the Grill. I, therefore, agree with the award of temperate damages in the amount of PHP 300,000.00 pursuant to Section 216.1 (b) of Republic Act No. 8293.

ACCORDINGLY, I vote for the denial of the petition, and the grant of PHP 300,000 as temperate damages in favor of FILSCAP.

Respectfully submitted.


AMY C. LAZARO-JAVIER
Associate Justice