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### ARTICLES

#### USER CONTRACTS ('DEMAND SIDE')<sup>1</sup>

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## I. INTRODUCTION

A number of doctrinal concerns have been expressed regarding user contracts. To what extent do the terms of these licences depart from copyright law? Are the rights they grant to the owner broader or more restrictive? Are the entitlements of users, beneficiaries of copyright limits, hindered in some form? While no comprehensive empirical study has been conducted to analyse the different types of licensing agreements deployed on the market and their impact on copyright limits, a body of theoretical legal literature exists on this issue.

This Article provides an overview of the doctrinal debate on this topic, with a particular focus on the United States, the United Kingdom, Belgium, Ireland, and Portugal. The latter three countries are interesting for our discourse because they have enacted legislation protecting copyright limits from contracts, by declaring contractual clauses that override some copyright limits null and void. This literature review is not only concerned with copyright exceptions to the exclusive rights of the author, but all of copyright's limits, namely the idea-expression dichotomy, the originality requirement, the first-sale (or exhaustion) doctrine, the extent of the economic rights, and the copyright term.

The review of user contracts is organised as follows:

SECTION 1 examines the nature of copyright limits and their potential impact on the possibility of being contracted out in current licensing practices. It subsequently describes the legislation of the countries examined in this literature review<sup>2</sup> that define copyright limits and exceptions, especially the provisions restricting freedom of contract. It also reviews any relevant case law.

SECTION 2 discusses the terms of the debate. The copyright literature is divided among (a) those who believe that contracts override users' "rights," and therefore legislators should render imperative some or all copyright limits, (b) those who believe that contracts are more efficient than copyright law, and therefore we should entrust digital copyright matters to "private ordering," and (c) and those who believe the entire question is falsely posed, because contracts and copyright belong to different but complementary worlds, that act in useful synergy. This section examines all these arguments.

SECTION 3 reviews the types of contracts currently utilised by right holders to licence copyright material to users. The analysis is divided by segments of users: (a) consumers (natural persons); (b) libraries and universities; (c) commercial users (broadcasting institutions, leisure-related businesses, audio/video producers, etc.). This section focuses on the enforceability of

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<sup>2</sup> The U.K., the U.S., Belgium, Portugal, Germany, and Ireland; EU legislation is considered as well.

electronic standard form contracts (shrink-wrap, click-wrap, browse-wrap), as opposed to arms-length agreements, and on their current and potential impact on users' privileges.

SECTION 4 examines the limits to freedom of contract residing within copyright law (preemption, misuse), contract law, consumer protection legislation, competition law, and constitutional principles. Current and prospective limits to contracts embedded within copyright law are also discussed in this section. The focus of the analysis is on the law of the countries examined in this literature review and on the international legislation impacting them, from the point of view of the legal copyright literature.

SECTION 5 deals with Digital Rights Management (DRM) and its interplay with contracts. It inquires into the interaction between technological protection measures (TPMs) and end-user licence agreements. It examines the doctrinal concerns for and against a right of access of the owner, or of the user. It also briefly reviews the remedies provided to users against DRM which override copyright limits. It concludes with a comparison between contracts and TPMs.<sup>3</sup>

SECTION 6 identifies gaps in copyright research, either doctrinal or empirical, that may have policy implications in the regulation of the relationship of copyright (including related rights) and contract law.

## II. THE LIMITS OF COPYRIGHT LAW

**A. THE EFFECT OF COPYRIGHT LIMITS ON CONTRACTING OUT OF COPYRIGHT IS LIMITED IN MANY WAYS: AT ITS OUTSET, BY THE EXCLUSION OF CERTAIN WORKS FROM PROTECTION (IDEA-EXPRESSION DICHOTOMY AND ORIGINALITY REQUIREMENT); DURING ITS EXPLOITATION, BY ECONOMIC LIMITS (LIMITED DURATION AND EXHAUSTION OF THE DISTRIBUTION RIGHT) AND BY EXCEPTIONS TO THE ECONOMIC RIGHTS**

The requirements for protection are based on the idea-expression dichotomy and on the principle of originality. That is, copyright protects the expression of the ideas, not the ideas themselves and only a sufficiently original creation is protected. Copyright is also protected for a limited term. The copyright duration is at the basis of the general "contract" between the author and the public, according to which authors accept a limited control on their work in exchange for exclusive rights that would grant them a fair reward for their "sweat of the brow."<sup>4</sup>

Further, once copyrighted products embodied in a physical object are introduced in the market in a given territory, the right holder loses control of

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<sup>3</sup> TPMs and DRM will be defined in section 4.5.

<sup>4</sup> L. RAY PATTERSON & STAHLER W. LINDBERG, *THE NATURE OF COPYRIGHT: A LAW OF USERS' RIGHTS* 236 (1991).

them—they can be freely resold, lent, or given away by the purchaser.<sup>5</sup> This is the principle of exhaustion or first-sale. The rationales behind the principle of exhaustion are the preservation of the free movement of goods<sup>6</sup> and the presence of market failures.<sup>7</sup> Finally, copyright exceptions are special allowances made to benefit particular categories of users such as libraries, teachers, students, researchers, and people with disabilities. All the above exclusions from copyright protection, taken as the general boundaries of copyright, are traditionally underpinned by freedom of expression and access to information or culture.<sup>8</sup>

The debate on the nature of copyright limits is extensive. While some copyright exceptions (e.g., like those for the purposes of parody, criticism, and news reporting) and copyright exclusions (e.g., like the idea-expression dichotomy) are obviously based on fundamental rights like freedom of expression, other economic limits (e.g., the first-sale principle) and some exceptions (e.g., private copying) are based on market failures.

The distinction among the underpinnings of copyright limits is, however, not always easy to see. Even copyright limits that are based on some market failures can have implications on fundamental public interests. For example, the first-sale doctrine is based on the impossibility of controlling the subsequent uses of a purchased copyright work, but it also allows greater access to the work by the public, thus enhancing the circulation of culture. Moreover, some copyright literature considers the exception for private copy as supported by the fundamental right to privacy.<sup>9</sup>

The answer on the nature of copyright exceptions cannot, therefore, be uniform. Some European commentators defined copyright limits not as rights, but either as interests, or liberties, or as a “claim to the application of a rule of

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<sup>5</sup> LUCIE GUIBAULT, *COPYRIGHT LIMITATIONS AND CONTRACTS - AN ANALYSIS OF THE CONTRACTUAL OVERRIDABILITY OF LIMITATIONS ON COPYRIGHT* 16 (2002).

<sup>6</sup> ESTELLE DERCLAYE, *THE LEGAL PROTECTION OF DATABASES: A COMPARATIVE ANALYSIS* 185 (2008).

<sup>7</sup> See Professor Peter Jaszi's testimony before the U.S. Government on the Digital Millennium Copyright Act, available at <http://www.copyright.gov/reports/studies/dmca/testimony/jaszi.pdf>. The first sale doctrine is based on market failure in the United States but in the EU it is also based on the principle of the free movement of goods and services.

<sup>8</sup> This is classic copyright doctrine, underscored by some case law (*Associated Newspapers v. News Group Newspapers*, [1986] R.P.C. 515 (EWHC (Ch)); *Hyde Park v. Yelland* [2001] Ch. 143. See ROBERT BURRELL & ALLISON COLEMAN, *COPYRIGHT EXCEPTIONS: THE DIGITAL IMPACT* 20–21 (2005) (though Burrell and Coleman state that this construct is currently discredited, *id.* at 21).

<sup>9</sup> See Julie E. Cohen, *Copyright and the Jurisprudence of Self-Help*, 13 *BERKELEY TECH. L.J.* 1089, 1103–08; see also P. Bernt Hugenholtz, University of Amsterdam Institute for Information Law, *Fierce Creatures — Copyright Exceptions: Towards Extinction?* Keynote Address at the IFLA/IMPRIMATUR Conference (Oct. 30–31, 1997) (transcript available at <http://www.ivir.nl/staff/hugenholtz.html>).

objective right.”<sup>10</sup> Others claim they are “rights” of the user, and there should be a clear definition and protection for them in copyright law.<sup>11</sup> Similarly, in American doctrine, the entitlements of the user have been sometimes qualified as “rights,”<sup>12</sup> and sometimes as a mere remedy against market failures.<sup>13</sup>

How does the rationale behind exceptions impact their status? For many authors, the first group of exceptions (i.e., parody, citation, private copying, criticism, news reporting), which safeguards fundamental freedoms, has a public policy character.<sup>14</sup> In other words, such exceptions cannot be limited unless we question the principles from which they derive, and this is not possible in a democratic society. Consequently, a user cannot be forced by contract to relinquish her freedom of speech or her privacy, as contracts cannot override public policy norms.<sup>15</sup>

Similarly, commentators believe that private agreements cannot supplant the exceptions that are based on the general interest.<sup>16</sup> However, since copyright is also an instrument in the service of the general interest, a balance should be struck between the interests of the users and those of the authors, for instance, by way of an equitable remuneration to the authors. Furthermore, as these exceptions affect less fundamental principles of society, they should be imperative rules rather than public policy norms.<sup>17</sup>

The rationale underlying the exceptions based on the regulation of industry practices or on the facilitation of trade, conversely, is less strong. Exceptions based on regulatory practices could, therefore, be overridable. On the other hand, the decompilation exception, which regulates competition, has already

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<sup>10</sup> SÉVERINE DUSOLLIER, DROIT D'AUTEUR ET PROTECTION DES ŒUVRES DANS L'UNIVERS NUMÉRIQUE 486 (2005).

<sup>11</sup> F.W. Grosheide, *Copyright Law from a User's Perspective: Access Rights for Users*, 23 EUR. INTEL. PROP. REV. 321, 323–25 (2001).

<sup>12</sup> Jessica Litman, *The Exclusive Right to Read*, 13 CARDOZO ARTS & ENT. L.J. 29, 35–40 (1994).

<sup>13</sup> Hugenholtz, *supra* note 9 (merging 1993 and 2004, Bell 1998, Gordon 1982, but see Gordon 2003 for an adjustment of this argument).

<sup>14</sup> Mireille Buydens & Séverine Dusollier, *Les exceptions au droit d'auteur dans l'environnement numérique : évolutions dangereuses*, COMMUNICATION – COMMERCE ÉLECTRONIQUE, Sept. 2001, at 13–14.

<sup>15</sup> Neil Weinstock Netanel, *Copyright and the First Amendment: What Eldred Misses — And Portends*, in COPYRIGHT AND FREE SPEECH 129, 143 (Jonathan Griffiths & Uma Suthersanen, eds., 2005).

<sup>16</sup> Buydens & Dusollier, *supra* note 14, at 14; Thomas Vinje, *Copyright Imperilled*, 21 EUR. INTEL. PROP. REV. 192, 193 (1999); Dusollier, *supra* note 10, at 508–09 (arguing that exceptions for public lending, handicapped people, teaching, libraries and archives should be imperative as well as the exception for normal use).

<sup>17</sup> Buydens & Dusollier, *supra* note 14, at 14.

been made mandatory in Europe, on the basis that loyal and free competition is in the public interest.<sup>18</sup>

The exceptions exclusively founded on market failure, which, therefore, do not reflect a fundamental value of society or the general interest, are bound to disappear in the digital environment, as authors can now prevent the digital copying of works and enforce their copyright. Examples are the exception for ephemeral recordings made by broadcasting organisations,<sup>19</sup> for the incidental inclusion of a work or other subject-matter in other material,<sup>20</sup> and the exception for the use in connection with the demonstration or repair of equipment.<sup>21</sup> In the opinion of some commentators, each Member State should be allowed to attribute a default character to these exceptions.<sup>22</sup>

In conclusion, the nature of each copyright limit is crucial to determine its overridability by contract law. Following the views of the above literature, we can assume that while a clause impeding, for example, any criticism of a work would be clearly unenforceable, market failure-driven exceptions can be safely contracted out of. In practice, this is currently decided on a case-by-case basis. For example, case law in a few EU Member States clearly determined the nature of “defence” and not “right” of the entitlement of the user to perform a copy for personal use;<sup>23</sup> whereas in U.S. courts, fair use seems to be generally prevailing on contract clauses.<sup>24</sup>

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<sup>18</sup> Derclaye, *supra* note 6, at 181.

<sup>19</sup> Council Directive 2001/29, art. 5(2)(d), 2001 O.J. (L 167) (EC) [hereinafter InfoSoc Directive]. Note that this exception is classified differently by L. Guibault, as an exception intended to regulate industry practices.

<sup>20</sup> *Id.* art. 5(3)(i).

<sup>21</sup> *Id.* art. 5(3)(l); Buydens & Dusollier, *supra* note 14, at 14.

<sup>22</sup> This means that they would be overridable by contract. *See* Buydens and Dusollier, *supra* note 14, at 14; Dusollier, *supra* note 10, at 508–09.

<sup>23</sup> Stéphane P, UFC Que Choisir v. Universal Pictures Video France - Tribunal de grande instance [T.G.I.] [court of first instance] Paris, 3ème chambre, 2ème section, Jugement du 30 avril 2004 ; Cour d’Appel de Paris, 4ème chambre, section B, Arrêt du 22 avril 2005 ; Cour de Cassation — Première chambre civile Arrêt du 28 février 2006 . L’ASBL Association Belge des Consommateurs TestAchats v. SE EMI Recorded Music Belgium, Tribunal de première instance de Bruxelles, [Civ] [court of first instance], Jugement du May 25 2004, No 2004/46/A du rôle des référés.

<sup>24</sup> DSC Comm. Corp. v. DGI Techs., Inc., 81 F.3d 597 (5th Cir. 1996); Lasercomb Am., Inc. v. Reynolds, 911 F.2d 970 (4th Cir. 1990). However, this must be taken with a pinch of salt, as other decisions, such as ProCD (see below), have enforced contracts which overturn copyright limits.



## B. COMPARATIVE REVIEW OF COPYRIGHT LIMITS IN VARIOUS COUNTRIES

All copyright regimes analysed in this study share the same limits to copyright protection: the idea-expression dichotomy; the originality requirement; a limited term of protection; the exhaustion or first-sale doctrine; and a limited number of economic rights. However, each of the countries studied in this literature review adopts a different approach on copyright exceptions and the way they can be varied by contract. This part examines the statutes of these countries on the specific matter of copyright limits, and investigates whether the law provides some protection against private agreements containing clauses that override or modify them.

## III. THE UNITED STATES

The idea-expression dichotomy in the U.S. is stipulated by § 102(b) of Title 17 of the United States Code (USC), which states that “[i]n no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery. . . .” Further, some originality of the work is also required for copyright protection in the U.S., but the requirement is not very strict, as set by *Feist v. Rural Telephone* in 1991.<sup>25</sup> Moreover, the term of copyright has been extended by the Sonny Bono Copyright Term Extension Act of 1998 (Sonny Bono Act) (from the life of the author plus fifty years to the life of the author plus seventy years).<sup>26</sup> Finally, the first-sale doctrine applies to digital works stored on physical media,<sup>27</sup> but it does not apply to works downloadable from the Internet, which are considered services rather than goods.<sup>28</sup>

Copyright exceptions, on the other hand, are protected under the fair-use doctrine codified at § 107, which reads:<sup>29</sup>

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<sup>25</sup> *Feist Publ'ns, Inc. v. Rural Tele. Serv. Co.*, 499 U.S. 340, 345 (1991). Here, it was stated: ‘only that the work was independently created by the author (as opposed to copied from other works), and that it possesses at least some minimal degree of creativity . . . even a slight amount will suffice.’

<sup>26</sup> Copyright Term Extensions Act [CTEA], Pub. L. No. 105-298, 112 Stat. 2827 (codified as amended in scattered sections of 17 U.S.C.).

<sup>27</sup> 17 U.S.C. § 109(a) (2010).

<sup>28</sup> The exclusion of internet goods from the first-sale doctrine is discussed within the copyright doctrine. Some believe that technology could help in rendering digital internet works similar to those stored on physical carriers, and therefore subject to the first-sale rule. Victor F. Calaba, *Quibbles 'N Bits: Making a Digital First Sale Doctrine Feasible*, 9 MICH. TELECOMM. & TECH. L. REV. 1 (2002). Others believe that digital works that can be permanently stored in a computer hard drive have features more similar to products than to services. GIUSEPPE MAZZIOTTI, EU DIGITAL COPYRIGHT LAW AND THE END-USER 67 (2008).

<sup>29</sup> 17 U.S.C. § 107.

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

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

Fair use, therefore, is an open-ended exception that allows a court to excuse acts that would normally amount to infringement, both in the cases defined in § 107 and in other similar cases. The United States Code contains also a specific list of exceptions in §§ 108–122. They can be divided into the following categories: limitations to support freedom of information;<sup>30</sup> limitations for a specific social action or purpose;<sup>31</sup> limitations for private use;<sup>32</sup> limitations concerning activities that are necessary accessories to other permitted actions and are economically reasonable;<sup>33</sup> and compulsory licenses, which may be justified by transaction costs of negotiating licenses, by the importance of certain industry sectors, or by other factors.<sup>34</sup> Fair use is a mobile concept, always in evolution. For example, during the history of fair-use, case law adapted this exemption to the peculiar characteristics of the technology. In *Sony Corp. of America v. Universal City Studios, Inc.*,<sup>35</sup> the Supreme Court held that private videotaping of free TV broadcasting did not amount to

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<sup>30</sup> Section 108 allows qualified libraries and archives to make and distribute noncommercial copies for preservation or research purposes, under specific conditions. Sections 110(1) and (2) allow performance and display of copyrighted works, through transmissions or otherwise, in connection with nonprofit teaching activities, under specific conditions.

<sup>31</sup> 17 U.S.C. §§ 110(3), (4), (8), (9), 118, 120(a), 121 (2010).

<sup>32</sup> 17 U.S.C. §§ 109(a), (c), 1008.

<sup>33</sup> 17 U.S.C. §§ 110(7), 112, 113(c), (d), 117, 120(b), 512.

<sup>34</sup> Pub. L. No. 105-304, 112 Stat. 2860 (codified as amended in scattered sections of 17 U.S.C.).

<sup>35</sup> 464 U.S. 417 (1984).

copyright infringement. Likewise, in *Kelly v. Arriba Soft Corp.*,<sup>36</sup> the court held that making thumbnails out of photographs for use on a search page was fair use.

The exceptions for libraries in the U.S. also have been “updated” to meet the needs of the digital environment. The Digital Millennium Copyright Act (DMCA) of 1998<sup>37</sup> modified the limitations for libraries, permitting the latter up to three copies for preservation and replacement purposes. The Sonny Bono Act also expanded library exceptions by giving libraries a limited right to use the works in the last twenty years of their copyright term for purposes of preservation, scholarship, or research, if the works are not subject to normal commercial exploitation or are not available at a reasonable price.<sup>38</sup>

With regard to the relationship between copyright limits and contracts, we need to state at the outset that freedom of contract in the U.S. is paramount. Article 1 Section 10 of the U.S. Constitution forbids the States to pass legislation impairing the obligation of contract without the consent of the Congress.<sup>39</sup> Moreover, case law has interpreted the Fourteenth Amendment as protecting the freedom of contract.<sup>40</sup> Therefore, a legally enforceable contract is likely to be able to override copyright limits. The U.S. Copyright Act does not contain a provision making copyright limits imperative, i.e., not overridable by contract.

#### IV. THE EUROPEAN UNION

In the European Union, most of the limits to copyright are set by the Directive on Copyright and related rights in the Information Society (InfoSoc Directive),<sup>41</sup> the Directive for the legal protection of computer programmes (Software Directive),<sup>42</sup> and the Directive for the legal protection of databases (Database Directive).<sup>43</sup> In the latter two is also found the originality requirement, which states that a work has to be the author’s own intellectual

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<sup>36</sup> 336 F.3d 811 (9th Cir. 2003).

<sup>37</sup> 17 U.S.C. §§ 1201, 1205, 1301, 1332 (2006).

<sup>38</sup> CTA § 104.

<sup>39</sup> Guibault, *supra* note 5, at 116.

<sup>40</sup> *Allgeyer v. Louisiana* 165 U.S. 578, 589 (1879). *But see* *Glynn v. Mrargetson & Co.*, [1893] A.C. 351 (H.L.) (appeal taken from Q.B.) (U.K.); *London & N.W. Ry. Co. v. Neilson*, [1922] 2 A.C. 263 (H.L.) (appeal taken from K.B.) (U.K.); *Canada Steamship Co. v. The King*, [1952] A.C. 192 (J.C.) (appeal taken from Can.) (U.K.) *Sze Hai Tong Bank Ltd. v. Rambler Cycle Co.*, [1959] A.C. 576 (P.C.) (appeal taken from Sing) (limiting the freedom of contract within the terms of reasonable clauses).

<sup>41</sup> InfoSoc Directive, *supra* note 19, at 10–19.

<sup>42</sup> Council Directive 91/250, 1991 O.J. (L 122) 42–46 (EC) [hereinafter Software Directive].

<sup>43</sup> Council Directive 96/9, 1996 O.J. (L 77) 20–28 (EC) [hereinafter Database Directive].

creation.<sup>44</sup> The copyright duration has also been harmonised by the Copyright Term Directive of 1993, modified by the Term Directive of 2006.<sup>45</sup> The latter is now in the process of being modified; the proposal mainly purports to extend the protection of sound recordings from fifty to ninety-five years.<sup>46</sup>

The principle of exhaustion (corresponding to the American first-sale doctrine) has been made uniform in the EU law by Article 4.2 of the InfoSoc Directive, which limits the distribution right.<sup>47</sup> This limit, as observed in the U.S., does not apply to copyrighted works distributed on demand.<sup>48</sup>

The Software and Database Directives stipulate imperative exceptions to copyright, not overridable by contracts. Article 9(1) of the Software Directive of 1992 expressly provides that “any contractual provision contrary to Article 6 or to the exceptions provided for in Article 5(2) and (3) shall be null and void.”<sup>49</sup> These articles protect, respectively, decompilation,<sup>50</sup> lawful use,<sup>51</sup> observation, study, and testing of computer programs.<sup>52</sup>

Article 15 of the Database Directive states that “any contractual provision contrary to Articles 6(1) and 8 shall be null and void.” The referred Article 6(1) stipulates that

the performance by the lawful user of a database or of a copy thereof of any of the acts listed in Article 5 which is necessary for the purposes of access to the contents of the databases and normal use of the contents by the lawful user shall not require the authorisation of the author of the database.<sup>53</sup>

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<sup>44</sup> Software Directive, *supra* note 42, art. 1.3; Database Directive, *supra* note 43, Recital 16.

<sup>45</sup> Council Directive 93/98, 1993 O.J. (L 290) 9-13 (EC) of 29 October 1993 harmonizing the term of protection of copyright and certain related rights; Official Journal L 290, 24/11/1993 P. 0009 – 0013. According to Article 1(1) of the Term Directive 1993 copyright is protected for 70 years from the death of the author. Council Directive 2006/116, 2006 O.J. (L 372) 12–18 (EC) of the European Parliament and of the Council of 12 December 2006 on the term of protection of copyright and certain related rights Official Journal L 372, 27/12/2006 P. 0012 – 0018.

<sup>46</sup> Commission Proposal for a European Parliament and Council Directive, amending Directive 2006/116, at 6, EUR. PARL. DOC. (COM 2008) 464 final (July 26, 2008).

<sup>47</sup> InfoSoc Directive, *supra* note 19, art. 4(2) (“The distribution right shall not be exhausted within the Community in respect of the original or copies of the work, except where the first sale or other transfer of ownership in the Community of that object is made by the rightholder or with his consent.”).

<sup>48</sup> For the debate on this issue, see Calaba, *supra* note 28, and Mazziotti, *supra* note 28, at 67.

<sup>49</sup> Database Directive, *supra* note 43, art. 15.

<sup>50</sup> Software Directive, *supra* note 42, art. 6.

<sup>51</sup> *Id.* art. 5(1).

<sup>52</sup> *Id.* art. 5(3).

<sup>53</sup> *Id.* art. 6(1).

Finally, Article 8 allows a lawful user of a database to extract and/or to re-utilise for any purposes whatsoever insubstantial parts of the contents of a database protected under the *sui generis* right.

The above suggests that, in the domain of software and databases, copyright exceptions are protected against contracts. However, the copyright literature has raised some concerns. Problems, for example, have been identified for the practical applications of the provisions of the Database Directive.<sup>54</sup> Moreover, uncertainty has been voiced on the ability of the Software Directive to establish the statutory nature of its exceptions, whose modes of exercise can be defined by contract.<sup>55</sup> Further, dissatisfaction has been expressed because the above provisions leave uncovered optional copyright exceptions, copyright exclusions (e.g., works not protected by copyright, idea-expression dichotomy), and copyright economic limits (duration and first-sale).<sup>56</sup> Finally, the EU Member States implemented the above provisions in different ways, creating different levels of protection within the EU.<sup>57</sup>

However, the most discussed piece of legislation in EU copyright law was the InfoSoc Directive, which is mandated to settle owners' and users' entitlements relating to copyright in the digital environment. In its Article 5, the InfoSoc Directive lists a number of copyright exceptions to the reproduction right and to the communication right of the owner.<sup>58</sup> Of these exceptions, only the first (caching copying for technical reasons)<sup>59</sup> is mandatory for Member States. They can choose whether to implement any of the other exceptions.<sup>60</sup> Article 5 has been extensively criticised by the literature. The main criticisms concern both the optional nature of the list and its misguided ambition of being exhaustive.<sup>61</sup>

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<sup>54</sup> Estelle Derclaye, *Copyright Contracts, Public Policy, and Competition: Can Adhesion Contracts Override Copyright Limits? The Answer Lies within Copyright Law Itself*, in *COPYRIGHT LAW AND THE INFORMATION SOCIETY IN ASIA*, IIC STUDIES 167, 184 (Christopher Heath & Kung-Chung Liu eds., 2007).

<sup>55</sup> SÉVERINE DUSOLLIER, *DROIT D'AUTEUR ET PROTECTION DES OEUVRES DANS L'UNIVERS NUMÉRIQUE – DROITS ET EXCEPTIONS À LA LUMIÈRE DES DISPOSITIFS DE VERROUILLAGE DES ŒUVRES* 498 (2d ed. 2007).

<sup>56</sup> See Derclaye, *supra* note 6, at 176; Lucie Guibault, *Wrapping Information in Contract: How Does it Affect the Public Domain?*, in *THE FUTURE OF THE PUBLIC DOMAIN: IDENTIFYING THE COMMONS IN INFORMATION LAW* 87, 94–97 (Lucie Guibault & P. Bernt Hugenholtz eds., 2006).

<sup>57</sup> Guibault, *supra* note 5, at 219; Guibault, *supra* note 56, at 97.

<sup>58</sup> Infosoc Directive, *supra* note 19, art. 5.

<sup>59</sup> *Id.* art. 5(1).

<sup>60</sup> P. Bernt Hugenholtz, *Why the Copyright Directive is Unimportant, and Possibly Invalid*, 22 *EUR. INTELL. PROP. REV.* 499, 501–02 (2000) (defining the exceptions in the InfoSoc Directive as a “shopping list”).

<sup>61</sup> Thomas Heide, *The Approach To Innovation Under The Proposed Copyright Directive: Time For Mandatory Exceptions*, 3 *INTELL. PROP. QUARTERLY* 215, 215–23 (2000); Michael Hart, *The Proposed*

Most of the copyright exceptions, therefore, according to the InfoSoc Directive, are optional. However, in Article 6(4) the InfoSoc Directive lists seven mandatory exceptions that have to be respected by technological protection measures.<sup>62</sup> According to some, this suggests that at least these exceptions should be considered mandatory against licensing agreements, *a fortiori*.<sup>63</sup> According to the letter of the Directive, this is all but certain. In fact, the opposite appears to be true, and this is indicated by a number of factors.

First, the InfoSoc Directive is posterior to the Software and Database Directives, and the latter two directives contain express provisions on the mandatory nature of the exceptions to the rights they grant. Therefore, if the EU legislators also wanted to stipulate imperative copyright exceptions in the InfoSoc Directive, they probably would have done so.<sup>64</sup>

Second, the above is confirmed by the second reading of the Proposal for the Directive, in which amendment 156 proposed the introduction of a new Article 5(6) stating that “[n]o contractual measures may conflict with the exceptions or limitations incorporated into national law pursuant to Article 5.”<sup>65</sup> This amendment was not accepted by the Commission, and this clearly indicates its position on the matter.<sup>66</sup>

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*Directive for Copyright in the Information Society: Nice Rights, Shame about the Exceptions*, 20 EUR. INTELL. PROP. REV. 169, 171 (1998); CPB NETHERLANDS BUREAU FOR ECONOMIC POLICY ANALYSIS, COPYRIGHT PROTECTION: NOT MORE BUT DIFFERENT, available at <http://www.cpb.nl/eng/pub/cpbreeksen/werkdoc/122/cr/>; Hugenholtz, *supra* note 9; Séverine Dusollier, *Tipping the Scale in Favour of the Right Holders: The European Anti-Circumvention Provisions*, in DIGITAL RIGHTS MANAGEMENT: TECHNOLOGICAL, ECONOMIC, LEGAL AND POLITICAL ASPECTS 462, 473 (Eberhard Becker et al. eds., 2003); Lucie Guibault, *The Nature and Scope of Limitations and Exceptions to Copyright and Neighbouring Rights with Regard to General Interest Missions for the Transmission of Knowledge: Prospects for their Adaptation to the Digital Environment*, E-COPYRIGHT BULLETIN, October–December 2003, at 39, available at <http://unesdoc.unesco.org/images/0013/001396/139671e.pdf>.

<sup>62</sup> InfoSoc Directive, *supra* note 19, art. 6(4).

<sup>63</sup> Hugenholtz, *supra* note 60.

<sup>64</sup> See Thomas Heide, *Copyright, Contract and the Legal Protection of Technological Measures – Not “the Old Fashioned Way”: Providing a Rationale to the “Copyright Exceptions Interface,”* 50 J. COPYRIGHT SOC’Y U.S.A. 315 (2003) (arguing that the Software Directive should have served as a model to the InfoSoc Directive, because its “copyright exceptions interface” is the most efficient).

<sup>65</sup> INSTITUTE FOR INFORMATION LAW, STUDY ON THE IMPLEMENTATION AND EFFECT IN MEMBER STATES’ LAWS OF DIRECTIVE 2001/29/EC ON THE HARMONISATION OF CERTAIN ASPECTS OF COPYRIGHT AND RELATED RIGHTS IN THE INFORMATION SOCIETY 138 (2007), [http://www.ivir.nl/publications/guibault/Infosoc\\_report\\_2007.pdf](http://www.ivir.nl/publications/guibault/Infosoc_report_2007.pdf), citing European Parliament, Committee on Legal Affairs and the Internal Market (Feb. 6, 2001), available at [http://www.europa.europa.eu/sides/getDoc.do?pubRef=\\_//EP//NONSGML+REPORT+A5-2001-0043+0+DOC+PDF+V0//EN&language=EN](http://www.europa.europa.eu/sides/getDoc.do?pubRef=_//EP//NONSGML+REPORT+A5-2001-0043+0+DOC+PDF+V0//EN&language=EN).

<sup>66</sup> European Parliament, Committee on Legal Affairs and the Internal Market, 17 January 2001, PE 298.368/5-197, cited in GUIBAULT ET AL., UNIVERSITY OF AMSTERDAM INSTITUTE FOR INFORMATION LAW, STUDY ON THE IMPLEMENTATION AND EFFECT IN MEMBER STATES’ LAWS OF

Third, not only is there no express protection of copyright limits from private contracting, but there are also specific allowances for rights or privileges that can be contracted away.<sup>67</sup> Recital 45 states that “[t]he exceptions and limitations referred to in Article 5(2), (3) and (4) should not, however, prevent the definition of contractual relations designed to ensure fair compensation for the rightholders insofar as permitted by national law.”<sup>68</sup> Further, Article 6(4) excludes from the application of copyright exceptions on-demand services “available to the public on agreed contractual terms in such a way that members of the public may access them from a place and at a time individually chosen by them.”<sup>69</sup>

Recital 45 has been interpreted differently by subsequent doctrine.<sup>70</sup> Some believe the Recital clearly states that the exceptions in Article 5(2) to 5(4) can be overridden by contracts.<sup>71</sup> Others argue that the meaning of this Recital is that “the ability to perform legitimate uses that do not require the authorisation of rights holders is a factor that can be considered in the context of contractual agreements about the price.”<sup>72</sup> This interpretation suggests that the leeway of rights holders does not concern contracts, but the determination of the price, with reference to those exceptions that are compensated for by compulsory licensing.<sup>73</sup>

However, no doubt exists on the interpretation of the relevant part of Article 6(4), which clearly excludes works made available online from the application of the exceptions listed in Article 6, and leaves the matter to private ordering.<sup>74</sup> This provision has been criticised by legal scholars for setting a two-tier protection for copyright exceptions, and a reform of Article 6(4) has been proposed.<sup>75</sup>

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DIRECTIVE 2001/29/EC ON THE HARMONISATION OF CERTAIN ASPECTS OF COPYRIGHT AND RELATED RIGHTS IN THE INFORMATION SOCIETY 138 (2007), available at [http://www.ivir.nl/publications/guibault/Infosoc\\_report\\_2007.pdf](http://www.ivir.nl/publications/guibault/Infosoc_report_2007.pdf) [hereinafter IViR].

<sup>67</sup> *Id.* at 157.

<sup>68</sup> *Id.* at 137.

<sup>69</sup> *Id.* at 138.

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

<sup>71</sup> Stefan BECHTOLD, *Digital Rights Management in the United States and Europe*, 52 AM. J. COMP. L. 323, 366 (2004), citing Hugenholtz, *supra* note 60, at 501; Dusollier, *supra* note 55, at 502; Heide, *supra* note 64, at 327.

<sup>72</sup> IViR, *supra* note 66, at Part I, 137.

<sup>73</sup> *Id.* at 153, citing Séverine Dusollier, *Sharing Access to Intellectual Property through Private Ordering*, 82 CHI.-KENT L. REV. 1391 (2007).

<sup>74</sup> *Id.* at 153, citing Séverine Dusollier, *Sharing Access to Intellectual Property Through Private Ordering*, 82 CHI.-KENT L. REV. 1391 (2007).

<sup>75</sup> Dusollier, *supra* note 55, at 502; PATRÍCIA AKESTER, TECHNOLOGICAL ACCOMMODATION OF CONFLICT BETWEEN FREEDOM OF EXPRESSION AND DRM: THE FIRST EMPIRICAL ASSESSMENT 122 (2009), <http://www.law.cam.ac.uk/faculty-resources/download/technological-accommodation-of->

Finally, not all legal commentators are convinced that the above provisions stipulate the contractual overridability of copyright exceptions. Some reckon that the question is left to national legislators.<sup>76</sup> Moreover, others argue that the interpretation of the existing national and European copyright law may provide a sufficient shelter, especially for copyright limits based on fundamental rights or liberties, or the public interest.<sup>77</sup> However, the part of the examined literature that calls for a clear formulation of the imperative and non-overridable nature (by contract or TPMs) of a number of copyright exceptions seems to prevail (see Section B).

No EU case law helps to clarify whether copyright exceptions prevail over contract, or vice versa. A few rulings in some EU Member States have examined the question of the exception for private copying, declaring that it is not a “right.”<sup>78</sup> These judgements, moreover, focused on the duty of the rights holder to disclose the existence and functioning of a technological protection measure, considered as an essential feature of the product. They were concerned, therefore, with the instruments of consumer protection. The terms of the licence (probably forbidding the reproduction) were not examined. In conclusion, the EU case law so far leaves open the question of the contractual overridability of copyright limits (except those clearly made imperative in the Software and Database Directives).<sup>79</sup>

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conflicts-between-freedom-of-expression-and-drm-the-first-empirical-assessment/6286/pdf. For a more cautious position on this matter *see also* Burrell & Coleman, *supra* note 8, at 309.

<sup>76</sup> Dusollier, *supra* note 55, at 503.

<sup>77</sup> P. Bernt Hugenholtz, University of Amsterdam Institute for Information Law, The Future of Copyright Limitations, Address at the Third UNESCO Congress on Ethical, Legal and Societal Challenges of Cyberspace (Nov. 13–15, 2000); Derclaye, *supra* note 54, at 186–211.

<sup>78</sup> Tribunal de première instance de Bruxelles, L'ASBL Association Belge des Consommateurs TestAchats v. SE EMI Recorded Music Belgium, Sony Music Entertainment (Belgium), SA Universal Music, SA Bertelsmann Music Group Belgium, SA IFPI Belgium, Jugement du 25 mai 2004, No 2004/46/A du rôle des référés. For France, see François M. v. EMI France, Auchan France – Tribunal de Grande Instance de Nanterre [court of first instance], 6ème chambre, Jugement du 2 septembre 2003; Cour d'Appel De Versailles, 1re Chambre, 1re section, 30 septembre 2004; Stéphane P, UFC Que Choisir v. Universal Pictures Video France et Autres – Tribunal de Grande Instance de Paris [court of first instance], 3ème chambre, 2ème section, Jugement du 30 avril 2004; Cour d'Appel de Paris, 4ème chambre, section B, Arrêt du 22 avril 2005; Cour de Cassation – Première chambre civile Arrêt du 28 février 2006; and Christophe R., UFC Que Choisir v. Warner Music France, Fnac – Tribunal de Grande Instance de Paris [court of first instance] 5ème chambre, 1ère section Jugement du 10 janvier 2006. For Germany, see BVerfG: ‘Verfassungsbeschwerde gegen urheberrechtliche Kopierschutz-Regelungen’(Beschl. v. 25.07.2005 - Az: 1 BvR 2182/04). *See also* André Lucas, *L'apposition d'une mesure technique de protection sur un DVD est légitime au regard de l'exception de copie privée*, 21 LA SEMAINE JURIDIQUE EDITION GENERALE 1065 (2006) (Fr.).

<sup>79</sup> Although there is no case law, it seems pretty clear that courts would respect the provisions of the directives providing for imperativity.



## A. THE UNITED KINGDOM

The Copyright and Related Rights Regulations 2003<sup>80</sup> came into force on October 31, 2003 and modified the Copyright, Designs and Patents Act 1988<sup>81</sup> to bring it into line with the InfoSoc Directive. Other legislation impacting on the protection of copyright are:

- The Copyright (Computer Programs) Regulations 1992;<sup>82</sup>
- The Duration of Copyright and Rights in Performance Regulations 1995;<sup>83</sup>
- The Copyright and Related Rights Regulations 1996;<sup>84</sup>
- The Copyright and Rights in Databases Regulations 1997;<sup>85</sup>
- The Copyright and Related Rights Regulations 2003;<sup>86</sup>
- The Copyright (EC Measures Relating to Pirated Goods and Abolition of Restrictions on the Import of Goods) Regulations 1995.<sup>87</sup>

The idea-expression dichotomy in the U.K. is not defined by statutory law. However, as Lord Hoffmann stated in *Designers Guild Ltd. v. Russell Williams Textiles Ltd.*,<sup>88</sup> it is defined in TRIPS,<sup>89</sup> of which the U.K. is a signatory. Article 9.2 states that “copyright protection shall extend to expressions and not to ideas, procedures, methods of operation or mathematical concepts as such.”<sup>90</sup>

The requirement of originality, on the other hand, was recently redefined in *Hyperion Records Ltd. v. Sawkins*,<sup>91</sup> where it was stated: “In the end the question is one of degree—how much skill, labour and judgement in the making of the copy is that of the creator of that copy? Both individual creative input and

<sup>80</sup> Copyright and Related Rights Regulations, 2003, S.I. 2003/2498 (U.K.).

<sup>81</sup> Copyright, Designs and Patents Act [CDPA], 1988, c. 48 (Eng.).

<sup>82</sup> The Copyright (Computer Programs) Regulations, 1992, S.I. 1992/3233 (U.K.).

<sup>83</sup> The Duration of Copyright and Rights in Performance Regulations, 1995, S.I. 1995/3297 (U.K.).

<sup>84</sup> The Copyright and Related Rights Regulations, 1996, S.I. 1996/2967 (U.K.).

<sup>85</sup> The Copyright and Rights in Database Regulations, 1997, S.I. 1997/3032 (U.K.).

<sup>86</sup> The Copyright and Related Rights Regulations, 2003, S.I. 2003/2498 (U.K.).

<sup>87</sup> The Copyright (EC Measures Relating to Pirated Goods and Abolition of Restrictions on the Import of Goods) Regulations, 1995, S.I. 1995/1445 (U.K.).

<sup>88</sup> [2000] 1 W.L.R. 2416 (H.L.) at 2422.

<sup>89</sup> TRIPS: Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, The Legal Texts: The Results of the Uruguay Round of Multilateral Trade Negotiations 320 (1999), 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994) [hereinafter TRIPS Agreement].

<sup>90</sup> *Id.* § 1, art. 9(2).

<sup>91</sup> [2005] EWCA (Civ) 565.

sweat of brow may be involved and will be factors in the overall evaluation.”<sup>92</sup> The level of originality in the U.K. and Ireland is arguably now governed by the *Infopaq* case,<sup>93</sup> which requires intellectual creation and is thus higher than skill, judgement, and labour. No decision from the U.K. or Irish courts has been handed down to confirm this as the *Infopaq* case is still very recent.

The above case law shows that the criteria of the idea-expression dichotomy and originality are intertwined, and it is a very delicate matter to identify a subject of protection on the basis of these requirements.<sup>94</sup>

With regard to other copyright limits, the U.K. has a list of statutory exceptions defined in SS 28a-76, CDPA. These exceptions are for:

- making of temporary copies
- fair dealing for research and private study
- fair dealing for criticism, review and news reporting
- incidental inclusion of copyright material
- visual impairment defences
- education defences
- libraries and archives defences
- public administration (including parliamentary and judicial proceedings)
- computer programs: lawful users (including back up copies and decompilation)
- databases
- designs and typefaces
- works in electronic form
- anonymous or pseudonymous works: acts permitted on assumptions as to expiry of copyright or death of author
- use of notes or recordings of spoken words in certain cases
- public reading or recitation
- abstracts of scientific or technical articles
- recordings of folksongs
- representation of certain artistic works on public display
- advertisement of sale of artistic work
- making of subsequent works by same artist
- reconstruction of buildings
- lending to public of copies of certain works
- films: acts permitted on assumptions as to expiry of copyright

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<sup>92</sup> *Id.* at 83.

<sup>93</sup> Case C-5/08, *Infopaq Int'l A/D v. Danske Dagblades Forening*, 2009 ECJ EUR-Lex LEXIS 1493 (July 116, 2009).

<sup>94</sup> *See also* Burrell & Coleman, *supra* note 8, at 22.

- recording for purposes of time-shifting
- photographs of broadcasts
- free public showing or playing of broadcast for certain purposes
- recording for archival purposes<sup>95</sup>

The CDPA's Schedule 5A sets out the permitted acts to which section 296ZE applies:<sup>96</sup>

- section 29 (research and private study)
- section 31A (making a single accessible copy for personal use)
- section 31B (multiple copies for visually impaired persons)
- section 31C (intermediate copies and records)
- section 32(1), (2) and (3) (things done for purposes of instruction or examination)
- section 35 (recording by educational establishments of broadcasts)
- section 36 (reprographic copying by educational establishments of passages from published works)
- section 38 (copying by librarians: articles in periodicals)
- section 39 (copying by librarians: parts of published works)
- section 41 (copying by librarians: supply of copies to other libraries)
- section 42 (copying by librarians or archivists: replacement copies of works)
- section 43 (copying by librarians or archivists: certain unpublished works)
- section 44 (copy of work required to be made as condition of export)
- section 45 (Parliamentary and judicial proceedings)
- section 46 (Royal Commissions and statutory inquiries)
- section 47 (material open to public inspection or on official register)
- section 48 (material communicated to the Crown in the course of public business)
- section 49 (public records)

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<sup>95</sup> CDPA, *supra* note 81.

<sup>96</sup> *Id.* § 296ZE (providing a mechanism in the event users are not able to benefit from an exception because of a TPM).

- section 50 (acts done under statutory authority)
- section 61 (recordings of folksongs)
- section 68 (incidental recording for purposes of broadcast)
- section 69 (recording for purposes of supervision and control of broadcasts)
- section 70 (recording for purposes of time-shifting)
- section 71 (photographs of broadcasts)
- section 74 (provision of sub-titled copies of broadcast)
- section 75 (recording for archival purposes)<sup>97</sup>

The implementation of the InfoSoc Directive 2001 has slightly modified the above list of exceptions. For example, the exception to make temporary copies has been introduced according to Article 5(1) of the Directive.<sup>98</sup> Other existing exceptions have been curtailed. For example, the exception for research and private study, which now needs to be carried out only for non-commercial purposes and with acknowledgement of the source, in order to be exempted from infringement.

Moreover, section 29 of the CDPA stipulates the exceptions for fair dealing for the purposes of research and private study, while section 30 defines fair dealing for the purposes of criticism, review, and news reporting.<sup>99</sup> The definition of fair dealing, operated by the above statute and by some case law,<sup>100</sup> makes it rather more restrictive than American fair use, to the extent that some commentators raise concerns about its consistency with free speech issues.<sup>101</sup>

Nothing in the Copyright Act forbids contracting out of the above exceptions. A notable exception is section 36(4) CDPA which makes section 36 imperative. Section 36(4) states:

the terms of a licence granted to an educational establishment authorising the reprographic copying for the purposes of

<sup>97</sup> *Id.*

<sup>98</sup> InfoSoc Directive, *supra* note 19, at 5(1).

<sup>99</sup> CDPA, *supra* note 81, §§ 29–30.

<sup>100</sup> *See* *Beloff v. Pressdram Ltd.*, [1973] 1 All E.R. 262 (Ch.); *ProSieben Media AG v. Carlton U.K. Television Ltd.*, [1999] 1 W.L.R. 605, 611 (A.C.). *See also* *Hubbard v. Vosper*, (1972) 2 Q.B. 84, 94–95 (discussing the exclusion of unpublished works from fair dealing); *ProSieben*, [1999] 1 W.L.R. at 626 (discussing the use for an approved purpose, necessary for the fair dealing exemption). For the issue of criticism and review see *Ashdown v. Telegraph Group Ltd.*, [2001] Ch. 685, *aff'd*, [2001] EWCA (Civ) 1142, [2002] Ch. 149; *Hyde Park Residence Ltd. v. Yelland*, [1999] R.P.C. 665, 661, *rev'd*, [2001] Ch. 143; *Time Warner Entm'ts Co. v. Channel Four Television Corp.*, [1994] E.M.L.R. 1 (Civ.).

<sup>101</sup> *Burrell & Coleman*, *supra* note 8, at 45.

instruction of passages from published works are of no effect so far as they purport to restrict the proportion of a work which may be copied (whether on payment or free of charge) to less than that which would be permitted under this section.<sup>102</sup>

As to the other exceptions, existing legal doctrines outside copyright statutes may impact on contracts, varying them. For example, commentators argue that fundamental principles such as freedom of expression, and the common law defence of “public interest,” now codified under section 171(3) have to be taken into account.<sup>103</sup>

Finally, in U.K. law, the Software Directive and the Database Directive have been implemented, and therefore it is not possible to override by contract the lawful access to and use of a database, including everything that is necessary for it:<sup>104</sup> the carrying out of a back-up copy;<sup>105</sup> the right to decompile a computer program;<sup>106</sup> or the observation, study, and testing of it.<sup>107</sup> Moreover, fair dealing to report current events cannot be contracted out of with reference to the inclusion of a broadcast in another broadcast.<sup>108</sup>

#### B. BELGIUM<sup>109</sup>

Copyright in Belgium is regulated by the Law of the 30th of June 1994 on Copyright and Neighbouring Rights (the Copyright Act),<sup>110</sup> which has been modified by the Law of the 31st of August 1998, implementing the Database Directive,<sup>111</sup> and by the Law of the 22nd of May 2005 implementing the InfoSoc Directive.<sup>112</sup>

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<sup>102</sup> CDPA, *supra* note 81, § 36(4).

<sup>103</sup> *Id.* at 80–112.

<sup>104</sup> CDPA, *supra* note 81, § 50D.

<sup>105</sup> *Id.* § 50A.

<sup>106</sup> *Id.* § 50B.

<sup>107</sup> *Id.* § 50BA.

<sup>108</sup> Broadcasting Act 1996, c.55 § 137 (Eng.).

<sup>109</sup> General notions on the Belgian legislation have been drawn by the National Report presented at the ALAI conference in Barcelona 2006 (published by ALAI, ALADDA 2008 - hereinafter ALAI 2008). The report was drafted by Carine Doutrelepon, François Dubuisson, Joris Deene, and Katrien Van der Perre. Regarding the lists of copyright exceptions, free translations and summaries are provided by the author of the present work.

<sup>110</sup> M.B., July 27, 1994, 19297; err. M.B., Nov. 5, 1994, 27467 et M.B., Nov. 22, 1994, 28832.

<sup>111</sup> M.B., Nov. 14, 1998.

<sup>112</sup> Loi du 22 mai 2005 transposant en droit belge la directive européenne du 22 mai 2001 sur l'harmonisation de certains aspects du droit d'auteur et des droits voisins dans la société de l'information, M.B., May 27, 2005, 24997.

Software is protected in a separate law, the Law of the 30th of June 1994,<sup>113</sup> and the *sui generis* right protecting databases is enshrined in the Law of the 31st of August 1998, implementing the Database Directive.<sup>114</sup> Some consumer rights related to copyright might be protected by the consumer Law of the 14th of July 1991<sup>115</sup> or the competition Law of the 1st of July 1999.<sup>116</sup>

Copyright in Belgium is excluded if the work is not original, and the requirement of originality has been defined by the case law.<sup>117</sup> The Belgian Copyright Act makes no mention of the idea-expression dichotomy, but it is clearly applicable in Belgium owing to TRIPs and the case law that takes it into account. The Copyright Act stipulates a list of exceptions to the exclusive rights of the author in Articles 21–23, which is intended to be exhaustive. Further exceptions are enshrined in Article 22bis (for databases) and in Articles 46–47 (for neighbouring rights). They are defined by some literature as a “partial derogation” of exclusive rights.<sup>118</sup> According to the current legal doctrine, the above exceptions can be divided into: (a) legal exceptions and (b) compulsory licences (‘exceptions légales’ and ‘licences légales’).<sup>119</sup>

Among the compulsory licences are included: private reprography, reprography for teaching and research, copying for teaching and research, communication for teaching and research, and private copying.

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<sup>113</sup> Loi transposant en droit belge la directive européenne du 14 mai 1991 concernant la protection juridique des programmes d’ordinateur, M.B., July 27, 1994, 19315.

<sup>114</sup> Loi transposant en droit belge la directive européenne du 11 mars 1996 concernant la protection juridique des bases de données, M.B. Nov. 14, 1998, 36914.

<sup>115</sup> Loi du 14 juillet 1991 sur les pratiques du commerce et sur l’information et la protection du consommateur, M.B., Aug. 29, 1991.

<sup>116</sup> Loi du 1er juillet 1999 sur la protection de la concurrence économique (coordonnant la loi du 5 août 1991), M.B., Sept. 1, 1999. See also Alain Strowel & François Tulkens, (2006), *Équilibrer la liberté d’expression et le droit d’auteur. À propos des libertés de créer et d’user des Œuvres* 9, in DROIT D’AUTEUR ET LIBERTÉ D’EXPRESSION (Alain Strowel ed., 2006), at 9, arguing that author’s right is always subject to competition law.

<sup>117</sup> For the originality requirement, see Cass., 25 October 1989, Bidelot c/ Egret et Stas, Pas., 1990, I, 238. and Cass., 11 March 2005, Balta Industries S.A. c/ R. Vanden Berghe S.A., <http://www.juridat.be>. See also Alain Strowel, *L’originalité en droit d’auteur : un critère à géométrie variable*, 1991 Journal des Tribunaux 513, 515; for the fixation requirement see Civ. Bruxelles (réf.), 17 July 2001, Cortina c/ État belge, A. & M., 2002, p. 69, Palouzie c/ S.A. Épithète Films et Faraldo, J.L.M.B., 2001, p. 1444; all cited in the Belgian response to the questionnaire in ALAI 2008. On the originality requirement, see also ALAIN STROWEL & ESTELLE DERCLAYE, DROIT D’AUTEUR ET NUMÉRIQUE: LOGICIELS, BASES DE DONNÉES, MULTIMÉDIA 23 (2001).

<sup>118</sup> Dirk Voorhoof & Katrien Van der Perre, *L’exception au droit d’auteur – droit belge*, in LA NUMÉRISATION POUR L’ENSEIGNEMENT ET LA RECHERCHÉ: ASPECTS JURIDIQUES 265 (I. de Lamberterie ed., 2003).

<sup>119</sup> Alain Strowel & Jean-Paul Triaille, *Le droit d’auteur. Du logiciel au multimédia*, 11 CAHIER DU CRID 148 (1996).

The legal exceptions are for: citation, anthology purposes, temporary reproduction, news reporting; reproduction/communication; reproduction in family circles, parody, public examinations, archiving, access from a terminal, radio broadcasting, disabled people, exhibitions in art galleries, social institutions, and public lending.

A similar list of exceptions is stipulated for neighbouring rights, with the addition, in some instances, of the provision for compulsory licences for the fair compensation of the right holder.

In the legal framework envisaged for the protection of databases, the Belgian legislature added two new exceptions from the Database Directive: (a) the exceptions for acts necessary to a lawful user for the normal utilization of the work and (b) the utilization for reasons of public security or within administrative or judicial proceedings.

Moreover, the Belgian copyright legislation provides, with reference to databases protected by copyright, many of the exceptions reserved to copyright: private photocopying, photocopying for teaching and research, copyright for teaching and research, communication for teaching and research, news reporting, incidental reproduction/communication, reproduction in family circles, parody, public examination; and public lending.

Finally, in the field of computer software, the Law of the 30th of June 1994 authorises the making of a back-up copy, the normal utilization of the program, the software testing, studying, and reverse engineering. In this case, however, the exceptions provided for copyright in general were not extended to computer software.<sup>120</sup> In Belgium, all the exceptions to the *sui generis* right (i.e., the equivalent of Art. 8, 9(a), 9(b) and 9(c) of the Database Directive) have been implemented and are mandatory.<sup>121</sup> Accordingly, users cannot be presented with either standard-form or fully-negotiated contracts that would restrain the scope of the exceptions or that would allow some remuneration for acts that are in principle excepted.

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<sup>120</sup> However some literature suggests that the traditional copyright exceptions also apply to software. See Strowel & Derclaye, *supra* note 117, at 242 nn.280–81; apart from the exceptions for study and private copy, which are already regulated by the directive, these authors think that all the other exceptions stipulated by the Copyright Act are applicable to software.

<sup>121</sup> Art. 11 of Law of Aug. 31, 1998, implementing in Belgium the European Directive of Mar. 11, 1996 relating to the legal protection of databases, M.B. Nov. 14, 1998, in force Nov. 14, 1998 (Database Act). Note however that the law implementing the Copyright Directive in Belgium (act of May 22, 2005, implementing in Belgian law the European Directive 2001/29/EC relating to the harmonisation of certain aspects of copyright and related rights in the information society, M.B. May 27, 2005, p. 24997) adds a second paragraph to article 11 of the Database Act, which makes an exception to this mandatory nature for databases made available to the public on agreed contractual terms in such a way that members of the public may access them from a place and at a time individually chosen by them.

The preparatory texts to the Belgian Database Act explain that the mandatory nature has been provided to avoid exceptions being overturned by the application of other laws less favourable to users. Article 11 forbids contractual clauses providing for the application of a foreign law.<sup>122</sup>

Furthermore, the exceptions to exclusive rights in Belgian copyright law are expressly declared imperative and not overridable by contract. The Law of 31st August 1998 implementing the Database Directive provides, in Article 23bis, that “the provisions of articles 21, 22, 22bis et 23(1) and (3), are imperative.”<sup>123</sup> In other words, no derogation is permitted. Every contrary clause is considered null and void.

The choice of the Belgian legislature, to declare all exceptions imperative without distinguishing between fundamental rights and market failures, appears puzzling to some commentators.<sup>124</sup> It has been argued that as a result of this choice, these provisions introduced a recognition of the “rights” of the user,<sup>125</sup> although admittedly they did not establish a “right of access” of the user.<sup>126</sup>

However, the Law of the 22nd of May 2005, which implemented the InfoSoc Directive, added another sub-paragraph to Article 23bis (and to Article 47bis for neighbouring rights), which aligned the Belgian Copyright Act with Article 6(4) of the Directive.<sup>127</sup> Article 6(4), we recall, excludes online services from the list of copyright exceptions that have to comply with technological protection measures. Copyright products accessible online, therefore, can also be subjected in Belgium to usage restrictions that are regulated by contract law.

While in Europe advocates of the mandatory nature of copyright exceptions cite Belgium as an example to follow for its regulation of copyright and related rights,<sup>128</sup> Séverine Dusollier, a Belgian commentator, expresses perplexity and dissatisfaction with the above norms. First, she voices disappointment because the imperative nature of the exceptions is declared only with reference to contracts and not to technological protection measures. She argues that, *a*

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<sup>122</sup> *Id.*

<sup>123</sup> Loi du 31 août 1998 transposant en droit belge la directive européenne n 96/9/CE du 11 mars 1996 concernant la protection juridique des bases de données.

<sup>124</sup> See F. Dubuisson, *Le régime des exceptions au droit d'auteur après la loi du 31 août 1998 concernant la protection juridique des bases de données* 2001 AUTEURS ET MÉDIAS 200 (2001).

<sup>125</sup> *Id.* at 214.

<sup>126</sup> *Id.*

<sup>127</sup> Loi du 22 mai 2005 transposant en droit belge la directive européenne 2011/29/CE du 22 mai 2001 sur l'harmonization de certains aspects du droit d'auteur et des droits voisins dans la société de l'information.

<sup>128</sup> See comments to the Green Paper of 2008 on ‘Copyright in the Knowledge Economy,’ at [http://circa.europa.eu/Public/irc/markt/markt\\_consultations/library=/copyright\\_neighbouring/legislation\\_copyright&vm=detailed&sb=Title](http://circa.europa.eu/Public/irc/markt/markt_consultations/library=/copyright_neighbouring/legislation_copyright&vm=detailed&sb=Title).



*fortiori*, that should have been the case.<sup>129</sup> Second, she maintains that the exclusion of the copyright works accessible on demand from the purview of Article 23bis suggests that copyright exceptions, while mandatory for digital copyright works commercialised on a physical carrier (e.g., a CD or a DVD), are only optional when the same digital products are commercialised online via download. This creates an unjustified two-tier system.<sup>130</sup>

The status of the exceptions in Belgium, Dusollier argues, assumes a hybrid nature (mandatory and optional) depending on the means of diffusion of the work.<sup>131</sup> The reasoning of the Belgian legislature, while adding the above exclusion for on-demand copyright works—that the online distribution of copyright goods has to be promoted—does not convince her. She considers this argument fallacious, except perhaps for the exception for private copying. By declaring mandatory the exceptions for “offline” digital works and entirely manageable by contract the exceptions for online digital works, the Belgian legislature indirectly encourages the practice of overriding copyright exceptions. It is regrettable, she concludes, that the Belgian legislature stopped halfway in a process that had commenced under the right auspices.<sup>132</sup>

Existing case law in Belgium does not clarify the matter. In the most notable case on copyright exceptions in the digital environment, *Test-Achats v. EMI*, the consumer association Test-Achats demanded that users be allowed to make a private reproduction of a music CD equipped with DRM impeding the reproduction. The judge declared that the exception for private copying is only a “legal immunity” against infringement and not a right.<sup>133</sup> This ruling, therefore, leaves open both the question of the nature of other copyright exceptions (for example, those underpinned by fundamental rights) and the question of the overridability of copyright exceptions by contract and DRM.

### C. IRELAND

After relevant national and international pressure, Ireland adopted the Copyright Act of 2000,<sup>134</sup> which was intended to adapt copyright legislation to

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<sup>129</sup> Séverine Dusollier, *La contractualisation de l'utilisation des œuvres et l'expérience belge des exceptions impératives*, 25 PROPRIÉTÉS INTELLECTUELLES 443, 451 (2007).

<sup>130</sup> *Id.*

<sup>131</sup> *Id.* at 452.

<sup>132</sup> *Id.*

<sup>133</sup> Tribunal de première instance [Civ] [court of first instance] Bruxelles, L'ASBL Association Belge des Consommateurs TestAchats v. SE EMI Recorded Music Belgium, Jugement du May 25, 2004, N. 2004/46/A du rôle des référés.

<sup>134</sup> The previous copyright legislation was the Copyright Act n. 10 of 1963, Copyright and Related Rights Act, 2000 (Act no. 38/2000) (Ir.), available at <http://www.acts.oireachtas.ie/en.act.2000.0028.1.html>.

the needs of the digital environment, and to implement the InfoSoc Directive. However, a few provisions of the Copyright Act 2000 departed from the InfoSoc Directive in its binding provisions, and, therefore, after an EU action brought against Ireland, the Copyright and Related Rights Regulations 2004 were adopted.<sup>135</sup> This Statutory Instrument introduced the exception for caching copy (temporary copyright within a system), and sanctioned a non-interference of Rights Protection Measures with Permitted Acts.<sup>136</sup> With the latter provision, all permitted acts are protected from TPMs unduly expanding copyright protection.

The boundaries of copyright protection, including the idea-expression dichotomy and the originality requirement, are expressed in section 17(2) and (3) of the Copyright and Related Rights Act 2000.<sup>137</sup> The requirement of originality for databases has also been added in the same statute to comply with the Database Directive.<sup>138</sup>

The Irish Copyright Act provides an extremely detailed list of copyright exceptions. They are grouped by category, under the subsections dedicated to:

<sup>135</sup> Copyright and Related Rights Regulations (S.I. no. 16/2004) (Ir.).

<sup>136</sup> *Id.* § 5:

- (1) Nothing in this Chapter shall be construed as operating to prevent any person from undertaking the acts permitted -
  - (a) in relation to works protected by copyright under Chapter 6 of Part II,
  - (b) in relation to performances, by Chapter 4 of Part III, or
  - (c) in relation to databases, by Chapter 8 of Part V.
- (2) Where the beneficiary is legally entitled to access the protected work or subject-matter concerned, the rightsholder shall make available to the beneficiary the means of benefiting from the permitted act, save where such work or other subject-matter has been made available to the public on agreed contractual terms in such a way that members of the public may access the work or other subject-matter from a place and at a time individually chosen by them.
- (2) In the event of a dispute arising, the beneficiary may apply to the High Court for an order
- (3) requiring a person to do or to refrain from doing anything the doing or refraining from doing of which is necessary to ensure compliance by that person with the provisions of this section.’

<sup>137</sup> *Id.* § 17:

- (2) Copyright subsists, in accordance with this Act, in—
  - (a) original literary, dramatic, musical or artistic works,
  - (b) sound recordings, films, broadcasts or cable programmes,
  - (c) the typographical arrangement of published editions, and
  - (d) original databases.
- (3) Copyright protection shall not extend to the ideas and principles which underlie any element of a work, procedures, methods of operation or mathematical concepts and, in respect of original databases, shall not extend to their contents and is without prejudice to any rights subsisting in those contents.

<sup>138</sup> Catherine M. Conneely, *Ireland's Copyright Act 2000: Copyright Legislation for the New Millennium*, 24 SUFFOLK TRANSNAT'L L. REV. 179, 198 (2000).

education, libraries and archives, public administration, design, computer programs, original databases, typefaces, works in electronic form, and a miscellaneous section. The exception for private copying is reserved to domestic recording for the purpose of time shifting.<sup>139</sup>

On the mandatory nature of the exceptions, Section 2(10) of the Copyright Act 2000 states: “Where an act which would otherwise infringe any of the rights conferred by this Act is permitted under this Act it is irrelevant whether or not there exists any term or condition in an agreement which purports to prohibit or restrict that act.” At first sight, the Irish provision seems broader than the corresponding legal provisions of Belgium and Portugal, and seems to cover all copyright limits. In fact, since it uses the term “rights,” it can be said to refer to economic rights, rather than copyright as such, and thus to exceptions only and not all copyright limits, so that the meaning of the section is similar to its Portuguese and Belgian equivalent. Regrettably, no case law or literature, at a national or European level, has commented in detail on the reasons for such a choice of the Irish legislature. It is unclear, therefore, whether it is based on the nature of the exceptions or on utilitarian principles. Moreover, no empirical studies have been carried out on the impact that such provisions had on the local copyright industry.

#### D. PORTUGAL

Copyright in Portugal is regulated by the Code of Author’s Rights and Related Rights (Código do Direito de Autor e dos Direitos Conexos — CDADC) of the 14th of March 1985, which has been modified by the statutes implementing the Software Directive,<sup>140</sup> the Rental Rights Directive,<sup>141</sup> the Satellite-Cable Directive,<sup>142</sup> the Copyright Term Directive,<sup>143</sup> the Database Directive,<sup>144</sup> the Term Directive 1993,<sup>145</sup> and the InfoSoc Directive.<sup>146</sup> The

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<sup>139</sup> Copyright Act 2000 § 101.

<sup>140</sup> Decreto-Lei n. 252/94, Oct. 20, 1994.

<sup>141</sup> Council Directive 92/100, 1992 O.J. (L 346) 61–66 (EC) (governing rental right and lending right and certain rights related to copyright in the field of intellectual property). Decreto-Lei n. 332/97, Nov. 27, 1997.

<sup>142</sup> Council Directive 93/83, 1993 O.J. (L 248) 15–20 (EC) (governing coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission). Decreto-Lei n. 333/97, Nov. 27, 1997.

<sup>143</sup> Council Directive 93/98, 1993 O.J. (L 290) 9–13 (EC) (harmonizing the term of protection of copyright and certain related rights). Decreto-Lei 334/97, Nov. 27, 1997.

<sup>144</sup> Decreto-Lei n. 122/2000, July 4, 2000.

<sup>145</sup> Decreto-Lei n. 334/97, Nov. 27, 1997.

<sup>146</sup> Decreto-Lei n. 24/2006, June 30, 2006.

matter also is regulated by the law on remuneration of private copying and by the law on collecting societies.<sup>147</sup>

The conditions for the protection of copyright works, and, therefore, the exclusion of copyright protection according to the idea-expression dichotomy and—indirectly—to the originality requirement, are enshrined in Article 2 of the CDADC. Further, exhaustion of the distribution right and copyright duration are stipulated by the above legislation in line with the corresponding directives.

The system of copyright exceptions provides for an exhaustive list, which is strictly interpreted by courts.<sup>148</sup> After the implementation of the InfoSoc Directive, the list presents the following exceptions in Article 75:

- Caching copy
- Private copying (on paper), except for musical scores
- Reproduction and public communication of summaries or excerpts, or speeches
- Press review
- Reproduction and communication of short extracts of literary works in current affairs report
- Copying by libraries and museums, for loan and archiving, non-profit
- Teaching (non-commercial)
- Quotation for criticism or teaching
- Disabled persons
- Public performance of national anthems, patriotic chants, or religious works and practices
- Inclusion for promotion of expositions or sales/auctions
- News reporting
- Public security and administrative or judiciary proceedings
- Research and private study (with dedicated terminals and within library premises) of works that are not available for sale or licensing
- Reproduction by social institutions
- Architectural works and sculptures placed in public places
- Incidental inclusion
- Demonstrative or maintenance purposes, including buildings, their drawings and plans

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<sup>147</sup> Decreto-Lei n. 62/98, of Sept. 1, 1998. The complete legislation on copyright in Portugal is accessible at <http://www.gpeari.pt> (Law n. 83/2001 of the 1st of August).

<sup>148</sup> See ALAI 2008, Portuguese Report.

- Distribution of works lawfully reproduced, when justified by the act of reproduction.<sup>149</sup>

Citation requirements and fair compensation are also provided for in some instances.

Moreover, private copying is regulated by a dedicated article (Article 81) which exempts the reproduction only for scientific or humanistic purposes when the work is not available for sale or is impossible to retrieve elsewhere (only one copy is allowed). The personal copy, subjected to the three-step test—which does not affect the normal exploitation of the work and does not bring unjustified prejudice to the interests of the author<sup>150</sup>—cannot be communicated to the public and cannot be commercialised.

In consequence of the implementation in the Portuguese legislation of the Software Directive and of the Database Directive, the corresponding imperative exceptions have been incorporated. Therefore, back-up copying and observation, study, and testing of a computer program are allowed, and not overridable by contract.<sup>151</sup> The same is true for the decompilation of computer software aimed at achieving inter-operability.<sup>152</sup> Likewise, the normal utilization of a database is guaranteed against contracts.<sup>153</sup>

For the exceptions to the exclusive rights of the author, the Portuguese Copyright Act provides for protection against contracts. Article 75(5) of the CDADC, states that “any contractual clause which aims to eliminate or impede the normal exercise by the beneficiaries of the uses listed in paragraphs 1, 2 and 3 of this article [which the law calls ‘free uses’] is null and void”<sup>154</sup> without prejudice to contractual arrangements about the modes of exercise, in particular to establish the amount of fair compensation.<sup>155</sup>

All copyright exceptions in the Portuguese copyright legislation are thus protected against contracting, similarly to the Irish legislation and the Belgian law.<sup>156</sup>

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<sup>149</sup> Free translation and summaries by the author.

<sup>150</sup> Berne Convention for the Protection of Literary and Artistic Works, September 9, 1986, as revised on July 24, 1971, 828 U.N.T.S. 221 art. 9.2 (1971): “It shall be a matter for legislation in the countries of the Union to permit the reproduction of such works in certain special cases, provided that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author.”

<sup>151</sup> Decreto-Lei n. 252/94, art. 6, Oct. 20, 1994.

<sup>152</sup> *Id.* art. 7.

<sup>153</sup> Decreto-lei n. 122/2000, art. 9, July 4, 2000.

<sup>154</sup> Translation by Patricia Akester, University of Cambridge.

<sup>155</sup> Translation by the author.

<sup>156</sup> *See* Dubuisson, *supra* note 124, at 213.

## E. CONCLUSION

In conclusion, the above examined countries adopt different approaches to the relationship between copyright exceptions and contracts. Some leave them to private ordering, some select few exceptions and declare them imperative, and some protect all exceptions from contracts and technical locks. Apart from Belgium, there is no sufficient analysis of this legislation, in the literature or in the case law of the examined countries, to clarify the reasons of the choice of the respective legislators (e.g., whether the underpinning justifications for copyright limits determine their resistance to contracts). Moreover, there is no empirical research reviewing the impact of these different regulations on the relationship between owners and users of copyright works. In sum, it is difficult to understand whether legislation providing for imperative copyright exceptions helps users to benefit from them or harms the interests of rights holders. In addition, apart from Portuguese law, which seems clear on the point, it is unclear whether the whole contract or simply the clause overriding the exception will be void (art. 9(1) of the Software Directive, 15 of the Database Directive and section 36(4) of the CDPA are good examples of such confusion).

## V. ACADEMIC COMMENTARY

## A. CONTRACTS OVERRIDE USERS' FREEDOMS

Contracts have always been part of the copyright law scenario.<sup>157</sup> They are essential to the correct implementation of the copyright system.<sup>158</sup> Authors and publishers use contracts to define the profit sharing deriving from copyright protection. Commercial copyright users arrange with authors or their representatives (often collecting societies) the terms of use of creative works. Private users purchase copyrighted works on analogue media (e.g., a book) under the standard terms of a sale contract. These contracts in the digital environment take the form of licences, setting the usage rules of a given copyrighted product.<sup>159</sup> This is how we see the emergence, in relation with digital copyright works, of standard form electronic contracts, such as shrink-wrap, click-wrap and browse-wrap licenses.

Electronic licences, whose terms are determined by the rights holder, leave no room for negotiation to the user, who is confronted with a 'take it or leave it' choice. They are therefore different from arms-length contracts, in which

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<sup>157</sup> Paul Goldstein, *Copyright and Its Substitutes*, 1997 WIS. L. REV. 865, 866 (1997).

<sup>158</sup> David Nimmer et al., *The Metamorphosis of Contract into Expand*, 87 CAL. L. REV. 17, 63 (1999).

<sup>159</sup> *Id.*

the consent of both parties is fully informed and freely expressed.<sup>160</sup> Some literature suggests that these licences are not contracts at all. They, therefore, do not require consent from the user. They are unilateral actions by which the owner exercises her property right, and indicates to the user which uses of her property she wishes to exclude. It is, in sum, a permission to use a property that is subject to conditions.<sup>161</sup>

From the point of view of the end users, these licences are often too long. Some suggest that, in practice, users do not read them in the ever-speeding internet environment, but they regret having agreed to them when they learn what their terms are.<sup>162</sup>

Moreover, end-user licences are often worded in legal jargon, unintelligible to common users.<sup>163</sup> But even when they are comprehensible, they “are not as clear as the indication of the price of a product.” This means that the user is unable to fully determine the real impact of the terms and conditions on her interest. For example, she cannot know in advance whether she will be inspired by the content of that particular creative work to produce further creations.<sup>164</sup> Despite the above, some case law in the United States has held shrink-wrap licences enforceable, even when the user expressed only minimal assent.<sup>165</sup>

Furthermore, often the contract is bundled with the digital copyrighted work: either it is written on the product (e.g., on a music CD) or it pops up in the reading device at the first or every utilization of the product (e.g., in computer software). This means that not only the original buyer of the product, but also each and every person subsequently utilising it is bound by the terms of the agreement. In this way, the right *in personam* of the owner, obtained by contract, bears the characteristics of a right *in rem*, like a property right.<sup>166</sup>

On this point, Elkin-Koren argues that the outcome of cases like *ProCD*<sup>167</sup> in the United States suggests as acceptable a total contractual control on every access to the copyright work, not only by the original contractor (the purchaser)

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<sup>160</sup> Cohen, *supra* note 9, at 1096.

<sup>161</sup> Niva Elkin-Koren, *Copyright Policy and the Limits of Freedom of Contract*, 12 BERKELEY TECH. L.J. 93, 98 (1997).

<sup>162</sup> See Mark A. Lemley, *Terms of Use*, 91 MINN. L. REV. 459, 461 n.5 (2006) (citing Nathaniel Good et al., *Stopping Spynware at the Gate: A User Study of Privacy, Notice and Spynware* 1–10 (Minn. L. Rev., Working Paper, 2003)); see also *id.* at 463, n.10 (relating an anecdote according to which a company put in its end-user licence agreement (EULA) that it would pay a prize to anyone who read the terms of use).

<sup>163</sup> See Guibault, *supra* note 5, at 119 (citing Jaques Ghestin, *Traité de droit civil - La formation du contrat* 367 (Paris: Librairie Générale de Droit et de Jurisprudence ed., 1993) (Fr.)).

<sup>164</sup> Elkin-Koren, *supra* note 161, at 8.

<sup>165</sup> See *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447 (7th Cir. 1996).

<sup>166</sup> Elkin-Koren, *supra* note 161, at 9.

<sup>167</sup> 86 F.3d at 1447. The *ProCD* decision will be discussed below.

but also by every following user. In this way, the contract creates rights that are similar to property rights, enforceable against everybody. After the *ProCD* case, in practice, no third party will be allowed to use a CD without being bound by the original contract between the offerer and the purchaser.<sup>168</sup> Elkin-Koren rejects the argument that copyright and contract do not hinder each other because the first creates initial entitlement and the second merely regulates the transfer of the entitlements.<sup>169</sup> Although the contract cannot operate on the initial entitlement, she argues, it can operate on the final outcome of the rights on this entitlement, and the final result is often contrary to copyright policy.<sup>170</sup>

A few other copyright commentators maintain that end-user licences can override the privileges of the users.<sup>171</sup> For example, most terms and conditions within those licences forbid any use or copy of the work, for whatever purpose, thereby impeding the exercise of fundamental freedoms like citation, criticism, parody, and transformative works.<sup>172</sup> Yet, abiding by the terms of the contract can become a pre-condition for the user to benefit from copyright exceptions.

Dusollier argues, for example, that in order to benefit from the exceptions the use has to be “lawful.” The lawful use has been defined in several EU directives, in different terms, as the person who “has lawfully acquired the work,”<sup>173</sup> the person that has the right to access the work (by law or by contract),<sup>174</sup> or the person regularly licensed to access (by contract) from the owner.<sup>175</sup> In all the above definitions, the importance of the role of the contract is obvious. The user cannot benefit from a copyright exception by her own initiative—for example, by performing a reproduction that is forbidden by

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<sup>168</sup> See Elkin-Koren, *supra* note 161, at 94–98 (discussing *ProCD*).

<sup>169</sup> *Id.* at 56.

<sup>170</sup> *Id.* at 47.

<sup>171</sup> See, e.g., Michel Vivant, La limitation ou ‘Réduction’ des Exceptions au Droit d’auteur par Contrats ou Mesures Techniques de Protection: De possibles Contrepoids, General Report, Proceedings of the ALAI Study Days, 19–20 June Barcelona, 2006, 5/8 (2008) (Sp.), available at <http://www.alai.org>.

<sup>172</sup> Guibault, *supra* note 5, at 119; IViR, *supra* note 66, Pt. I; Pamela Samuelson, *Intellectual Property and Contract Law for the Information Age: Foreword to a Symposium*, 87 CAL. L. REV. 1 (1999); Urs Gasser et al., iTunes, *How Copyright, Contract, and Technology Shape the Business of Digital Media: A Case Study*, Berkman Center for Internet & Society at Harvard Law School Research Publication No. 2004-07 (2004); Vinje, *supra* note 16, at 192.

<sup>173</sup> See Dusollier, *supra* note 10, at 453 (noting consistence with the definition of the Software Directive, and support by part of the literature).

<sup>174</sup> Consistent with the InfoSoc Directive and with the Belgian Copyright Law. This construct is debated within the literature; certain commentators find that a lawful user by law is a beneficiary of a copyright exception. Others state this reasoning is circular. For the full debate see *id.* at 451; see also Vinciane Vanovermeire, *The Concept of the Lawful Use of a Database in the European Database Directive*, 31 *Int’l Rev. of Indus. and Copyright L.* 63 (2000).

<sup>175</sup> Consistent with the Database Directive and supported by another part of the literature. See Dusollier, *supra* note 10, at 454.



contract but allowed by a copyright exception—without becoming an unlawful user who cannot benefit from copyright exceptions. The only available remedy—far more costly and time-consuming—would be to resort to courts or mediation boards. In this way, the construct of a lawful user is used by owners as a supplementary tool to control and restrict copyright exceptions.<sup>176</sup>

Contract not only threatens copyright exceptions, but all copyright limits. The first-sale principle, for example, which allows a lawful purchaser to resell the product on the second-hand market, finds no place in the digital environment. If the licence prevents any copying of the work, for whatever purpose, this entails that reselling, lending, and giving away the work is forbidden.<sup>177</sup> Also, the copyright duration could be endangered by the licences “in perpetuity,” granted by the copyright owner.<sup>178</sup>

In the views of the above literature, in sum, the balance between the exclusive rights of the owner and the access privileges of the user created by copyright is hindered by the implementation of contract and technology,<sup>179</sup> and so is the ultimate goal of copyright: the circulation of culture. Rigid control on access to copyright content, enabled by contracts and technology, produces negative externalities like stifling new creative processes.<sup>180</sup> The only way to avoid this dysfunction of the digital copyright is to subject these contracts to the principles that inform copyright law.<sup>181</sup>

In more detail, copyright law should require that each contract including a clause incompatible with copyright legislation is null and void. To this end, the implementation of imperative copyright exceptions, which would not be overridable by contract, has been deemed necessary. Some reckon the imperative exceptions should be those underpinned by fundamental rights;<sup>182</sup>

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<sup>176</sup> *Id.*

<sup>177</sup> Kieth Kupferschmid, *Lost In Cyberspace: The Digital Demise Of The First-Sale Doctrine*, 16 J. MARSHALL J. COMPUTER & INFO. L. 825 (1998); see also Neil W. Netanel, *Copyright and a Democratic Civil Society*, 106 YALE L.J. 283, 306 (1996) (foreseeing this scenario).

<sup>178</sup> Martin Kretschmer, *Digital Copyright: The End of an Era*, 25 EUR. INTELL. PROP. REV. 333, 337 (2003).

<sup>179</sup> Hugenholtz, *supra* note 9; Vinje, *supra* note 16; Pamela Samuelson, *DRM {AND, OR VS.} the Law*, 46 COMMUNICATIONS OF THE ACM 41, 41–45; Dusollier, *supra* note 61; Guibault, *supra* note 61; Guido Westkamp, *Transient Copying and Public Communications: The Creeping Evolution of Use and Access Rights In European Copyright Law*, 36 GEO. WASH. INT'L L. REV. 1057 (2004); Marcella Favale, *Fine-Tuning European Copyright Law to Strike a Balance Between the Rights of Owners and Users*, 33 EUR. L. REV. 687 (2008).

<sup>180</sup> Niva Elkin-Koren, *Making Room for Consumers Under the DMCA*, 22 BERKELEY TECH. L.J. 1119, 1120 (2007).

<sup>181</sup> Raymond T. Nimmer, *Breaking Barriers: the Relation Between Contract and Intellectual Property Law*, 13 BERKELEY TECH. L.J. 827, 828–31 (1998).

<sup>182</sup> Dusollier et al., *Incidences et Réalité d'un Droit d'Accès*, in 18 CAHIER DU CRID (2000); Christophe Geiger, “Constitutionalising” Intellectual Property Law? *The Influence of Fundamental Rights on*

others point at those enabling productive uses, able to foster innovation;<sup>183</sup> some also add the exceptions likely to have an impact on the internal market.<sup>184</sup> Another part of the literature believes that the whole copyright law, with all its exclusions, limited economic rights, and exceptions should preempt contracts infringing its provisions.<sup>185</sup> Finally, others suggest that there should be a clause in supra-national copyright law that declares null and void clauses in standard form contracts incompatible with copyright law.<sup>186</sup> It has been argued that, in an increasingly borderless market, national copyright laws will not suffice to provide an effective safeguard for users' entitlements, and therefore we need to resort to legal frameworks outside copyright law and at a supra-national level.<sup>187</sup>

Alternatively, instead of the modification of current copyright legislation, a correct interpretation of its principles could be sufficient. To this end, the fundamental function of copyright needs to be taken as a guideline.<sup>188</sup> The interpretation of copyright and of its limits should be underpinned by its democratic function, rather than by its utilitarian justifications. Thus contracts overriding copyright limits would be preempted by copyright law.<sup>189</sup> In short, even in the absence of an express indication in copyright laws, courts should hold unenforceable end-user agreements incompatible with copyright law.<sup>190</sup>

In conclusion, in the view of the above literature, while contracts have always been part of copyright, they have often created an imbalance between the interested parties. Initially, the authors were victims of the overreaching bargaining power of the publishers and legislators enacted norms intended to protect them. Now, end-users are the weakest party in the relationship among copyright players. To assist them, either legislators should take normative

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*Intellectual Property in the European Union*, 2006 INT'L REV. OF INTELL. PROP. & COMPETITION L. 371 (2006); Derclaye, *supra* note 6; Favale, *supra* note 179.

<sup>183</sup> Thomas Heide, *The Approach To Innovation Under The Proposed Copyright Directive: Time For Mandatory Exceptions*, 3 INTELL. PROP. Q. 215 (2000); Thomas Heide, *Copyright, Contract and the Legal Protection of Technological Measures – Not 'the Old Fashioned Way': Providing a Rationale to the 'Copyright Exceptions Interface'*, 50 J. COPYRIGHT SOC'Y U.S.A. (2003).

<sup>184</sup> IViR, *supra* note 66, pt. I, at 64.

<sup>185</sup> Netanel, *supra* note 177, at 382; Guibault, *supra* note 56, at 10.

<sup>186</sup> IViR, *supra* note 66, at 163.

<sup>187</sup> Jacques De Werra, *Moving Beyond the Conflict Between Freedom of Contract and Copyright Policies: In Search of a New Global Policy for On-Line Information Licensing Transactions: A Comparative Analysis Between U.S. Law and European Law*, 25 COLUM. J.L. & ARTS 239, 326 (2003); P. Bernt Hugenholtz et al., *Conceiving an International Instrument on Limitations and Exceptions to Copyright* (2008), available at [http://www.ivir.nl/publications/hughholtz/limitations\\_exceptions\\_copyright.pdf](http://www.ivir.nl/publications/hughholtz/limitations_exceptions_copyright.pdf).

<sup>188</sup> Geiger, *Constitutionalising' intellectual property law? The influence of fundamental rights on intellectual property in the European Union*, 2006 I.I.C., 371.

<sup>189</sup> Netanel, *supra* note 177; Nimmer et al., *supra* note 158, at 828 (arguing that only a naïve observer can claim that policy in intellectual property can trump contract).

<sup>190</sup> Derclaye, *supra* note 54.

action, or courts should inform their interpretation of copyright law in a different way.

#### B. CONTRACTS ARE MORE EFFICIENT THAN COPYRIGHT

Another stream of the literature is significantly more positive on the effects of private ordering on copyright law. These authors reckon that contracts and technological protection measures are more efficient than public policing. This is because the law is not capable of quickly adapting to the needs of copyright users, whereas the market is able to generate the most efficient transaction terms, for the benefit of both owners and users. Fair use and other instruments to address traditional copyright market failures would then safely be replaced by “fared use.”<sup>191</sup>

This stance in the copyright literature is based on the assumption that copyright limits are based on the inefficiencies of the market—mainly, the impossibility of negotiating licences one-by-one with individual end-users. Digital technology bypasses this market failure by offering an individual negotiation. Thus, the use of public policy tools to regulate copyright matters is no longer necessary, and the interaction between owners and users is left to the more efficient instrument of private ordering. Thanks to price discrimination,<sup>192</sup> for example, users will get only the usage privileges they are ready to pay for. This, in the final analysis, will not restrict users’ privileges, it will broaden them.<sup>193</sup> Against this scenario, it has been argued that information goods cannot be completely commodified because of their peculiar characteristics. They are inherently different from other commodities, and therefore they cannot be efficiently subjected to the laws of the market.<sup>194</sup>

Private agreements are also saluted as a vehicle for opportunities, rather than as threats in the field of open-access licences.<sup>195</sup> These are new ways in which authors and creators can make available their work to the general public—

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<sup>191</sup> See, e.g., Tom W. Bell, *Fair Use vs. Fared Use: The Impact of Automated Rights Management on Copyright's Fair Use Doctrine*, 76 N.C. L. REV. 557 (1998); Kenneth W. Dam, *Self-help in the Digital Jungle*, 28 J. LEGAL STUD. 393 (1999); Frank H. Easterbrook, *Cyberspace and the Law of the Horse*, 1996 U. CHI. LEGAL F. 207; Maureen A. O'Rourke, *Copyright Preemption After the PROCD Case: A Market Based Approach*, 12 BERKELEY TECH. L.J. 53 (1997); Robert P. Merges, *Contracting into Liability Rules: Intellectual Property Rights and Collective Rights Organizations*, 84 CAL. L. REV. 1293 (1996).

<sup>192</sup> WILLIAM W. FISHER, *PROMISES TO KEEP: TECHNOLOGY, LAW AND THE FUTURE OF ENTERTAINMENT* (2004).

<sup>193</sup> Easterbrook, *supra* note 191, at 211.

<sup>194</sup> Yochai Benkler, *An Unburied View of Private Ordering in Information Transactions*, 53 VAND. L. REV. 2063 (2000).

<sup>195</sup> Michael Dizon, *The Symbiotic Relationship Between Global Contracts and the International IP Regime?*, 4 J. INTEL. PROP. L. & PRAC. 559 (2009).

normally on the Internet—without charges, but under given terms and conditions (e.g., “some rights reserved”). The General Public Licence (GPL), originally issued by the GNU Project, is designed for software developers.<sup>196</sup> Literary works instead can be licensed under the Creative Common (CC) terms.<sup>197</sup> These new forms of licensing are thought to facilitate access to copyrighted works by the broadest possible share of the public, while at the same time protecting authors from abuse and misuse of their creations. According to some, open-access contracts are a perfect fit for the borderless digital environment, unlike copyright law. By acting worldwide, these contracts offer unprecedented opportunities to improve the general functioning of the copyright system.<sup>198</sup>

However, some commentators are cautious on this issue. According to Elkin-Koren, for example, the multiple choices offered by CC licences augment the costs of information searching for users of CC works. This, in turn, ends up screening access to information rather than facilitating it.<sup>199</sup> Moreover, Dusollier<sup>200</sup> argues that the culture and philosophy at the basis of CC and GNU projects can lead to unintentional negative consequences. In particular, the focus on the user and her need to access copyright works shadows the interests of the author. CC authors selflessly make available their creations to the public, for the benefit of the circulation of culture. But the diffusion of this type of licensing generates the expectation that all works of art should be made

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<sup>196</sup> The project took off in 1984 and was supported by the Free Software Foundation. To avoid copying and subsequent patenting of free software by commercial software producers, GNU elaborated the General Public Licence (GNU GPL). The functioning of the GNU GPL is simple: anyone who wishes to cooperate to produce and distribute free software has to patent it in order to control the exploitation of the work. The software licence, can then be given away for free, thus ensuring that the creation will circulate for free and remain free. *See* What is copyleft?, <http://www.gnu.org/copyleft>.

<sup>197</sup> Creative Commons found inspiration in the GNU GPL model, and it applied its concept to copyright. Some authors want their works to be freely accessible by the public, in order to maximise their diffusion. This purpose cannot be achieved by simply putting a work in the public domain, because others could copy the work and claim its paternity. That is where the Creative Commons licence comes into play. On the CC website a licence is automatically generated according to the rights that the creator wishes to retain. For example, she can choose to claim the reproduction right only partially, by allowing free reproduction only for non-profit activities. *See* Creative Commons, <http://creativecommons.org>.

<sup>198</sup> Dizon, *supra* note 195.

<sup>199</sup> Niva Elkin-Koren, *What Contracts Cannot Do: The Limits of Private Ordering in Facilitating a Creative Commons*, 74 *FORDHAM L. REV.* 375 (2005); Niva Elkin-Koren, *Governing Access to User-Generated-Content: The Changing Nature of Private Ordering in Digital Networks*, in *GOVERNANCE, REGULATIONS AND POWERS ON THE INTERNET* (E. Brousseau, M. Marzouki & C. Méadel eds., 2009).

<sup>200</sup> Séverine Dusollier, *The Master's Tools v. the Master's House: Creative Commons v. Copyright*, 29 *Colum. J.L. & Arts* 271 (2006).

available for free. Moreover, the tool utilised by open-access projects to provide an alternative to the existing copyright system is ironically the same tool that the copyright industry is using to tip the balance of copyright towards the owner: the “viral” contract. This type of contract stipulates terms and conditions that bind not only the first user, but also every following user of the work. Thanks to “viral” contracts, the rights enforceable on the copyright work are more similar to property rights than to contractual rights.<sup>201</sup> Open-source licensing system is therefore criticised with the same arguments opposing commercial electronic licences.

### C. COPYRIGHT AND CONTRACTS ARE INDEPENDENT

Between contract supporters and contract detractors, however, there is a third stream of copyright commentators. While not necessarily supporting an expansion of the use of contracts to regulate copyright matters, some are not at all concerned by the effects of private contracting on the copyright balance. Contracts and copyright are somewhat symbiotic systems, that coexist, serve, and help each other. They do not risk hindering each other, because they impact on different legal areas. Copyright is generally regulated by international law (implemented in national law), it creates rights *in rem* (enforceable *erga omnes*), and it creates initial entitlements only. Contracts instead are generally regulated by national law, they create rights *in personam* (enforceable only against the contractors) and regulate the subsequent transfer of entitlements. Moreover, fair use and the first-sale principle are not endangered by contracts because these are default norms that apply only in the absence of an arrangement between the parties.<sup>202</sup>

For other commentators, the current legislation, correctly interpreted, is sufficient to rein in copyright’s excesses.<sup>203</sup> They reckon that a strict solution like rendering imperative copyright exceptions would be “too inflexible.”<sup>204</sup> A similar solution cannot but be an *extrema ratio*: only a strong positive policy implication can justify overriding the freedom of parties to negotiate their agreements.<sup>205</sup> Moreover, on a practical note, the financial implications of the interference of contract on copyright are held to be minimal. Even when the contract modifies copyright entitlements, remedies offered by contract law are far from being as onerous as those offered by copyright law. This is because, in

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<sup>201</sup> *Id.*

<sup>202</sup> See Nimmer et al., *supra* note 158, at 63.

<sup>203</sup> See, e.g., Burrell & Coleman, *supra* note 8, at 70.

<sup>204</sup> *Id.*

<sup>205</sup> *Id.* (citing Mark A. Lemley, *Intellectual Property and Shrink Wrap Licences*, 68 S. CAL. L. REV. 1239, 1274 (1995)).

the case of breach of contract, all the owner can do is demand monetary damages in proportion to the real injury suffered, and the amount of these is likely to be minimal.<sup>206</sup>

In conclusion, the examined literature is divided among supporters of a legal action (normative or interpretative) to be taken in favour of copyright users, those who would phase out copyright law in favour of contracts, and those that deem the status quo to be sufficiently balanced. In the absence of empirical data on the impact on users of electronic licences, it is impossible to correctly evaluate these arguments. Moreover, different types of contract may be used depending on the type of user of copyrighted works and on the sector (e.g., database, software, music, film sectors). The following section reviews the different licensing agreements and explores their potential impact on users.

#### D. COPYRIGHT WORKS AND THEIR COMMERCIALISATION

A wilful consent from a party to an agreement is important to determine the enforceability of that agreement against that party. Even in some recent case law, where minimal forms of assent were deemed to be sufficient to hold a purchaser bound to the terms of the contract,<sup>207</sup> the possibility to accept or reject the terms of the agreement was held crucial.<sup>208</sup> While fully negotiated arm-length contracts presume wilful consent from all parties, and therefore do not raise this type of issues, standard form contracts, especially when entrusted to the jacket of a CD or to a URL on a web page, may create some problems. In order to explore the potential extent of these problems, it is useful to determine what share of copyrighted products is commercialised with the former or the latter form of contract. The analysis is organised by sector of copyright users: consumers; libraries and universities, and commercial users.

1. *Consumers.* Although official data on this issue are missing, a growing share of the digital copyright commerce (B2C) seems to take place through electronic standard form contracts. This can be inferred from the figures on the diffusion of electronic commerce (e-commerce), which normally deploys this type of agreement, and in the field of copyright take the form of licences.<sup>209</sup>

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<sup>206</sup> See *supra* note 172, at 18; Nimmer et al., *supra* note 158, at 63.

<sup>207</sup> *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1455 (7th Cir. 1996).

<sup>208</sup> *Arizona Retail Sys., Inc. v. Software Link, Inc.*, 831 F. Supp. 759, 763–66 (D. Ariz. 1993).

<sup>209</sup> See John Kennedy, *Music has embraced the future with new business models will governments secure a future for digital content?*, in IFPI DIGITAL MUSIC REPORT 2009, at 4, <http://www.ifpi.org/content/library/DMR2009.pdf>; see also Commission of the European Communities, *Report on Cross-border E-commerce in the EU* (May 3, 2009), available at [http://ec.europa.eu/consumers/strategy/docs/com\\_staff\\_wp2009\\_en.pdf](http://ec.europa.eu/consumers/strategy/docs/com_staff_wp2009_en.pdf) (describing the diffusion of e-commerce in the EU and reporting that on average, among twenty-seven EU member states, 30%–40% of copyrighted goods are sold online; the number reaches 70% in more “mature” markets like the U.K., France, and Germany);

For the purpose of this study, we will divide electronic licences in three types: (a) shrink-wrap, (b) click-wrap, and (c) browse-wrap.

The terms and conditions of shrink-wrap licences, when they are enforceable, are binding for the purchaser from the moment the packaging of the product is open. Click-wrap licences require the user to read the terms and conditions before proceeding with the purchase, and to accept them by clicking a button carrying "I agree," or "I accept," or other similar formulas. For browse-wrap licences, the terms and conditions are accessible via a link on the front-page of the website. It is irrelevant whether the user has effectively read them or understood them. It is sufficient for the acceptance of the agreement that the user "utilizes" the website.<sup>210</sup>

Some digital copyright works can be accessed on a physical medium (e.g., CDs or DVDs) which can be purchased or rented on the internet or in a shop. These products sometimes have terms and conditions external to the packaging, sometimes internal. Some others have a notice exterior to the package referring to terms and conditions inside.<sup>211</sup> For example, when the transaction involves the purchase of computer software on a material carrier, like a CD, the terms of the licence are often printed in the instruction manual, or on a separate booklet that can be found in the package.<sup>212</sup> On the other hand, when a music CD is purchased, the terms and conditions are succinctly printed on the disk (and sometimes, but not always, on the jacket too).<sup>213</sup> Video DVDs show a longer copyright notice before displaying the content.<sup>214</sup> Between the purchaser and the retailer, normal conditions of sale apply. However, between the rights holder and the final purchaser, the licence regulates the agreement. To digital products commercialised on a physical carrier, the doctrine of shrink-wrap licences applies.<sup>215</sup>

The above products can also be purchased directly in digital form. They can be downloaded from a website to the computer of the purchaser, and they do

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*see also* LUCIE GUIBAULT & P. BERNT HUGENHOLTZ, UNIVERSITY OF AMSTERDAM INSTITUTE FOR INFORMATION LAW, STUDY ON THE CONDITIONS APPLICABLE TO CONTRACTS RELATING TO INTELLECTUAL PROPERTY IN THE EUROPEAN UNION 297 (2002).

<sup>210</sup> *See* IViR, *supra* note 66, at 140.

<sup>211</sup> Derclaye, *supra* note 54, at 169–70.

<sup>212</sup> *See* CARL BELGROVE, NATIONAL CONSUMER COUNCIL, WHOSE LICENSE IS IT ANYWAY? A STUDY OF END USER LICENSE AGREEMENT FOR COMPUTER SOFTWARE (2008), <http://nccdev.keymedia.info/nccpdf/poldocs> (follow "NCC195rr\_whose\_license.pdf" hyperlink) (relating to EULAs implemented on computer software).

<sup>213</sup> An example of terms and conditions is probation of: "unauthorised copying, lending, hiring, public performance and broadcast of the recording." *See Gowers Review of Intellectual Property* (2006), at 40, *available at* [http://www.hm-treasury.gov.uk/independent\\_reviews/gowers\\_review\\_intellectual\\_property/gowersreview\\_index.cfm](http://www.hm-treasury.gov.uk/independent_reviews/gowers_review_intellectual_property/gowersreview_index.cfm).

<sup>214</sup> *See* IViR, *supra* note 66, at 143.

<sup>215</sup> *Id.*

not require either packaging or delivery fees. For these products, click-wrap (or click-through, or click-on) contracts are more common.<sup>216</sup>

Music compilations or tunes, audio books, and multimedia material (games and films) are nowadays increasingly commercialised online, via download. This trend is particularly recent for video material because of technological progress and the diffusion of powerful broadband connections. The most popular online service specialised in downloadable music (and now also films) is Apple iTunes, which accounts for the biggest market share of copyright digital products.<sup>217</sup> This service involves the use of proprietary software to sell the products, and it implements click-wrap licenses to set users' restrictions relating to the software and the products, and browse-wrap licences for the use of the website.<sup>218</sup>

Also photo, image, and footage stocks or collections are nowadays mostly licensed online (although CD versions still exist), and they implement click-wrap contracts.<sup>219</sup>

Finally, online newspapers and magazines, whose diffusion on the market is increasing every year,<sup>220</sup> are often commercialised via browse-wrap licences. This is a common practice in the copyright management of websites. However, some of them only report on the front page the indication, "© All Rights Reserved," or something similar. No data are available on the share of websites/services implementing the former or the latter practice.

To conclude the examination of digital products destined to private consumers, some business models that propose standard-form contracts in more traditional forms need to be mentioned. These are providers that often propose "bundles" of digital copyright products and hardware. Examples are cellphones able to play music and videos, or TV services via cable or via Internet.<sup>221</sup> These products are commercialised either in shops or online, and they involve the purchase or rental of a material product (for example, phone, set-top box, router) and the subscription of a service, through standard-form contracts.

Most of the information products considered above are commercialised through standard-form contracts. As mentioned above, the terms of those types of contract are integrally set by the owner of the copyright work. This suggested to some authors that the position of the user is weak, and it needs

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<sup>216</sup> See *id.* at 141.

<sup>217</sup> *Id.* at 177.

<sup>218</sup> See Gasser, *supra* note 172.

<sup>219</sup> Grosheide, *supra* note 11.

<sup>220</sup> Kennedy, *supra* note 209.

<sup>221</sup> IViR, *supra* note 66, at 8.



special protection.<sup>222</sup> This argument is refuted by others maintaining that standard form contracts are perfectly acceptable in contract law because the user has the choice to buy or not to buy the product, and the impact of this choice on industry's policies should not be underestimated. When many users refuse to buy a product with over-restrictive terms of use, the owner is likely to change them.<sup>223</sup> The main debate in copyright literature and case law, however, concerns the enforceability of shrink-wrap, click-wrap, and browse-wrap licences.

*a. The Enforceability of Electronic Contracts.* The status of shrink-wrap, click-wrap, and browse-wrap licences is all but certain at the international level. Shrink-wrap contracts in the U.S. are held enforceable in some states (see *ProCD*)<sup>224</sup> and not enforceable in other states (see *Vault*).<sup>225</sup> Many variables have to be considered: the juridical nature of the purchaser (natural or legal person—that is, private or professional user);<sup>226</sup> the opportunity for the acceptant to have knowledge of the contract terms;<sup>227</sup> and the possibility to accept or reject the agreement and to return the product free of charges.<sup>228</sup> Common law instruments (e.g., the doctrine of unconscionability, the misuse of right, etc.) can be called upon to protect copyright users on a case-by-case basis, along with consumer protection instruments and antitrust law (see *infra*, SECTION D).<sup>229</sup>

In the U.S., the legal doctrine is divided. While some express concerns about the minimal level of assent<sup>230</sup> sufficient to enforce shrink-wrap licences, others are in favour of upholding them. They argue that a contract exists without formalities, by the fact that both parties have voluntarily started to

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<sup>222</sup> Elkin-Koren, *supra* note 161, at 8; Séverine Dusollier, *Technology as an Imperative for Regulating Copyright: From the Public Exploitation to the Private Use of the Work*, 27 EUR. INTEL. PROP. REV. 201–04 (2005); Dusollier, *supra* note 10, at 453; Lemley, *supra* note 162, at 462.

<sup>223</sup> Nimmer et al., *supra* note 158, at 68. Note that this is the case only if there is competition on the specific product market (see Derclaye, *supra* note 6).

<sup>224</sup> *ProCD Inc. v. Zeidenberg*, 86 F. 3d 1447, 1455 (7th Cir. 1996).

<sup>225</sup> *Vault Corp. v. Quaid Software Ltd.*, 655 F. Supp. 750, 763 (E.D. La. 1987).

<sup>226</sup> Lemley, *supra* note 162, at 461–62 (arguing that most courts that have enforced a shrink-wrap licence have done so against a company, while most courts that have refused to enforce them have done so to protect consumers).

<sup>227</sup> *Ariz. Retail Sys. Inc. v. Software Link, Inc.*, 831 F. Supp. 759, 763–66 (D. Ariz. 1993)

<sup>228</sup> Derclaye, *supra* note 54, at 173.

<sup>229</sup> Guibault, *supra* note 5, at 207–13.

<sup>230</sup> See Lemley, *supra* note 162, at 464–65 (discussing the “death of assent,” and citing Radin 2002).

deliver their performance.<sup>231</sup> Therefore, in the U.S. the validity of shrink-wrap licences is unclear.<sup>232</sup>

In Europe, some courts will not hold them enforceable because the terms of the contract are known by the purchaser only after she entered the transaction.<sup>233</sup> Moreover, the indication on the jacket of the CD or on the disk itself that no copy is allowed is not considered a term of a contract, but rather a notice that copyright law applies, and therefore it is valid only to the extent to which it recalls the provisions of the respective national copyright law.<sup>234</sup> In France, some legal commentators suggested that shrink-wrap contracts could be enforceable, provided that the user is aware of assenting to the terms of the contract by opening the package.<sup>235</sup> However, no case law confirms such interpretation.

Also in the U.K., no case law exists on the specific matter of shrink-wrap licences, although some commentators have expressed scepticism on their enforceability.<sup>236</sup> We can only infer that case law on standard form contracts in general (the “ticket cases”)<sup>237</sup> would be recalled in similar matters. In Scotland, a shrink-wrap licence has been held valid, but, according to commentators, this case is of little help to clarify the possible fate of this type of agreement in the rest of Europe.<sup>238</sup> Some other principles may be used to set aside such contracts. As they are applicable generally to all contracts, they will be reviewed in section 3.4.1. Click-wrap contracts, on the contrary, are generally held valid both in the U.S. and the EU.<sup>239</sup> In Europe, the enforceability of such contracts

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<sup>231</sup> In the U.S., this is sanctioned by the RESTATEMENT (SECOND) OF CONTRACTS 19 (1981). In civil law countries, this is what is called concluding a contract *per facta concludentia*.

<sup>232</sup> Derclaye, *supra* note 54, at 173.

<sup>233</sup> See Salvatore v. Sony Playstation, Trib. of Bolzano, Italy, Dec. 31, 2003, [2006] E.C.D.R. 18; see also Coss Holland B.V. v. TM Data Netherlands, BV District Court of Amsterdam, May 24, 1995, Computerrecht 1997 at 63–65.

<sup>234</sup> See Vermande v. Bojokovsky, District Court of The Hague, decision of Mar. 20, 1998, in Informatierecht/AMI 1998, at 65–67.

<sup>235</sup> Guibault, *supra* note 5, at 205 (citing Clarisse Girot, *La validité des licences de logiciel sous plastique en droit français: les renseignements du droit comparé*, 1 DROIT DE L'INFORMATIQUE ET DES TELECOMS 7 (1998)).

<sup>236</sup> Derclaye, *supra* note 54, at 174.

<sup>237</sup> See, e.g., Grogan v. Robert Meredith Plant Hire, [1996] 15 Tr. L. R. 371 (A.C.); L'Estrange v. Graucob, Ltd., [1934] 2 K.B. 394; Parker v. S.E. Ry., [1877] 2 C.P.D. 416 (A.C.). (In essence, these cases state that standard form contracts are enforceable whether or not the purchaser effectively read the terms and conditions. It is sufficient (“reasonable notice”) that the purchaser had the opportunity to read them [for example, in case of a train ticket, on timetables], and that she had the possibility to return the ticket.)

<sup>238</sup> Derclaye, *supra* note 54, at 174.

<sup>239</sup> *Id.* at 180.

is confirmed by Article 9(1) of the E-commerce Directive,<sup>240</sup> and some European case law has upheld them.<sup>241</sup>

Finally, browse-wrap licenses, which are able to bind the user only by the fact of being available for consultation in the first page of the website or service, are held enforceable by some U.S. courts,<sup>242</sup> although some literature is highly sceptic about their validity.<sup>243</sup> In a seminal case on this matter, *Specht v. Netscape*,<sup>244</sup> a “terms of use” link at the bottom of a page was not considered binding for the user, with the argument that, for a contract to be binding, both parties need to know the terms of the contract and to agree to them.

However, subsequent case law (*Register.com*,<sup>245</sup> *eBay*<sup>246</sup>) refuted this argument. In *Register.com v. Verio* the fact that Verio did not indicate assent by clicking the “I agree” button was rejected. Moreover, in *eBay*, even a mining data robot from the eBay website was held capable of infringement; the judges argued that a person engaging an electronic agent “selected for making an authentication, performance, or agreement, including manifestation of assent, is bound by the operation of the electronic agent, even if no individual was aware of or reviewed the agent’s operations or the result of the operations.”<sup>247</sup> The fact that the infringer in these two cases was a commercial entity, though, might have heavily weighed on the decision. This may suggest that browse-wrap licences are normally enforceable against professional users and not enforceable against private consumers.<sup>248</sup> Rulings by European courts on similar circumstances are still to come.<sup>249</sup>

*b. The Terms of the Electronic Licences.* No empirical study has been undertaken on the real impact of shrink-wrap, click-wrap, or browse-wrap licences on copyright limits. They commonly implement different terms and

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<sup>240</sup> Council Directive 2000/31, 2000 O.J. (L 178) 1 (EC).

<sup>241</sup> See *Association Familles de France v. SA Père-Noël.fr*, Trib. de Grande Instance [T.G.I.] [court of first instance] Feb. 4 2003 (Fr.); *Netwise v. NTS Computers*, Rechtbank Rotterdam, 5 December 2002, in *Computerrecht* 2003/ 02, at 149.

<sup>242</sup> *Register.com, Inc. v. Verio Inc.*, 356 F.3d 393 (2d Cir. 2004); *but see Specht*, *infra* note 244.

<sup>243</sup> Lemley, *supra* note 162, at 464–65.

<sup>244</sup> 150 F. Supp. 2d 585 (S.D.N.Y. 2001).

<sup>245</sup> *Register.com*, 356 F.3d 393.

<sup>246</sup> *eBay v. Bidder’s Edge, Inc.*, 100 F. Supp. 2d 1058 (N.D. Cal. 2000).

<sup>247</sup> Uniform Computer Transactions Act (UCITA) § 107(d), *cited* H. Deveci, *Consent in Online Contracts: Old Wine in New Bottles*, 13 C.T.L.R. 223, 229 (2007).

<sup>248</sup> Lemley, *supra* note 162, at 464–65.

<sup>249</sup> A threatened action from the National Portrait Gallery (NPG) against Derrick Coetzee, an administrator of Wikipedia, for copying more than 3000 high resolution images from its database, could shed some light on the matter if brought to court. The NPG argued the application of U.K. law, and breach of a browse-wrap contract. For more information, see <http://www.francis-davey.co.uk/2009/07/national-portrait-gallery-photographs.html> and <http://www.technollama.co.uk/national-portrait-gallery-copyright-row>.

conditions, on the basis of the commercialised product and of the type of contract, and therefore they would need an analytic and systematic study in order to be correctly assessed.

However, a few commentators have analysed one or more of these standard form contracts as a case study or as “samples” of a growing phenomenon. iTunes, for example, has often been chosen as a case study.<sup>250</sup> The choice is not without justification; iTunes leads unchallenged the world market of music services, and the terms and conditions of its competitors cannot but be more permissive, if they want to gain a place in the market. However, iTunes presents some drawbacks as a case study. This service has peculiar characteristics that do not qualify it as an “average” service. It subjects the purchase of its products to the use of proprietary software, and it obliges its customers to buy specific hardware (e.g., Apple iPod) in order to use its products.<sup>251</sup> Other services instead offer single music tracks or albums to download, without the use of any specific software, relying on terms and conditions accessible from the front page of the service.<sup>252</sup> Their products are normally compatible with most music players.

iTunes and the other services analysed by the literature commonly include in their clauses statements like: “you shall not copy, distribute, publish, perform, modify, download, transmit, transfer, sell, license, reproduce, create derivative works from or based upon, distribute, post, publicly display, frame, link, or in any other way exploit any of the Site Content.” The commentators that have analysed these statements have found that they might pose problems with some copyright limits and exceptions (namely, fair use).<sup>253</sup>

Photographic stock services such as Corbis<sup>254</sup> and Getty,<sup>255</sup> which license online photographic material and footage, have not been studied like iTunes. However, a few passages of Corbis terms and conditions, for example, seem to indicate the same basis for concern. Passages in Corbis EULA terms include the following:

3(c) . . . “The rights granted under this Paragraph include the right to make the Royalty-Free Content available to ten (10) separate individuals (cumulatively over the Term) for the sole purpose of

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<sup>250</sup> Gasser, *supra* note 172; Lars Grondal, *DRM and Contract Terms*, 2 INDICARE MONITOR No. 12 (2006), available at [http://www.indicare.org/tiki-read\\_article.php?articleID=177](http://www.indicare.org/tiki-read_article.php?articleID=177).

<sup>251</sup> iTunes is currently launching DRM-free music tracks that can be played on all devices.

<sup>252</sup> This is true for music services, like Amazon (<http://www.amazon.com/MP3-Music-Download>), but not for video services, which normally, like iTunes, use proprietary software. See <http://www.netflix.com> and <http://www.cinemanow.com>.

<sup>253</sup> Gasser, *supra* note 172; Grondal, *supra* note 250; Bechtold, *supra* note 71.

<sup>254</sup> Corbis Images, <http://www.corbis.org>.

<sup>255</sup> Getty Images, <http://www.gettyimages.com>.

manipulating or otherwise using the Royalty-Free Content to create the End Use according to the terms provided herein ('Users'), in any and all media now known or hereafter devised.'

...

4 ... 'Any right, title or interest arising in any compilation or derivative work created using any Content shall not entitle You to use any Content except as permitted hereunder ...'<sup>256</sup>

According to the above, royalty-free pictures allow a limited private copy allowance (embedded into the fair use doctrine). On the other hand, transformative works are made difficult. However, royalty-free pictures are often not protected by copyright, and therefore any usage restriction on them could be interpreted as an abuse. Services like Corbis, in fact, have been questioned by copyright commentators because they license images that have fallen in the public domain.<sup>257</sup> Like the other similar services mentioned in this study, analytical research is needed to clarify how, and to what extent, these terms of use depart from copyright legislation.

In conclusion, while the above case studies clearly suggest the potential problems caused by overreaching terms and conditions to the entitlements of copyright works users, the real extent of such problems needs to be carefully measured by systematic empirical studies before identifying its policy implications.

2. *Libraries and Educational Institutions.* Among publicly-funded institutions, libraries are certainly the most affected by usage restrictions in copyright contracting. A recent empirical study carried out on the impact of DRM on the beneficiaries of copyright exceptions revealed that technological protection measures are not the main obstacle for libraries to access copyright works.<sup>258</sup>

In the course of this study, Benjamin White, the Publishing Licensing and Copyright Compliance Manager of the British Library, was interviewed by Patricia Akester, and declared that the biggest challenge faced by the British Library is not the technology but the licensing practices. He stated: "Most of the licences imposed on the [British Library] are more restrictive than copyright law, including restrictions around copying, such as, only copy one per cent, copy once, only copy in the same medium or no wholesale copying, which prevent archiving and interlibrary loans."<sup>259</sup>

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<sup>256</sup> Corbis Content License Agreement, [http://www.Corbisimages.com/Content/LicenseInfo/Certified\\_EULA\\_US.pdf](http://www.Corbisimages.com/Content/LicenseInfo/Certified_EULA_US.pdf).

<sup>257</sup> Grosheide, *supra* note 11, at 324.

<sup>258</sup> Akester, *supra* note 75.

<sup>259</sup> *Id.* at 36.

The British Library carried out an empirical study on contracts that have been proposed by the copyright industry.<sup>260</sup> They examined 100 contracts and found that 90% of them did not allow for at least one of the following: (1) archiving; (2) downloading and electronic copying; (3) fair dealing; (4) use by visually impaired; (5) inter-library loan. Moreover, they found that the contracts did not make reference to any exceptions from the U.K. copyright law or from another jurisdiction. In the conclusion of this study, the British Library required the U.K. government to take action against this practice of the copyright industry, in order to preserve the national literary patrimony.<sup>261</sup> They also submitted their position on copyright exceptions to the European Commission.<sup>262</sup>

No other empirical study on contracts with public libraries and university libraries has been carried out in the countries that this literature review examines. But interesting information can be drawn from a survey performed by the Australian Vice-Chancellors' Committee (AVCC).<sup>263</sup> This survey was drafted as a submission to the public consultation undertaken by the Australian Copyright Law Review Committee (CLRC), which carried out the most comprehensive study to date on copyright and contracts.<sup>264</sup>

The AVCC provided a number of examples of online licences, many of them coming from overseas (mostly the U.S.), and imposing several restrictions to users. The Committee reports that

[m]ost contracts give universities and their staff and students rights which are in many respects broader than those allowed for by the exceptions — as you would expect given the subscription or licence fees that are paid by universities. However, in most cases there will also be provisions which exclude or restrict uses and activities that would be allowed by copyright exceptions

They also provided examples of some worrisome restrictions:

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<sup>260</sup> See ANALYSIS OF 100 CONTRACTS OFFERED TO THE BRITISH LIBRARY, <http://www.bl.uk/ip/pdf/ipmatrix.pdf>.

<sup>261</sup> See the conclusion of this study on <http://www.bl.uk/>.

<sup>262</sup> See Response from the British Library to the Green Paper on the Infosoc Directive of 2008, at <http://www.bl.uk/ip/pdf/greenpaper.pdf>.

<sup>263</sup> The AVCC is an organization regrouping Australian universities. See <http://www.universiti.esaustralia.edu.au/>.

<sup>264</sup> Available at [http://www.ag.gov.au/www/agd/agd.nsf/Page/Copyright\\_CopyrightLawReviewCommittee\\_CLRCReports\\_CopyrightandContract\\_CopyrightandContract](http://www.ag.gov.au/www/agd/agd.nsf/Page/Copyright_CopyrightLawReviewCommittee_CLRCReports_CopyrightandContract_CopyrightandContract).

- restrictions on the ability of a university to copy, download or otherwise incorporate excerpts from the relevant copyright work into hard copy or electronic coursepacks,
- restrictions on the creation of an electronic reserve within a university by the copying or downloading of extracts from licensed copyright material. Such reserves may carry significant advantages in terms of convenience of search and access for students, and management of resources by universities.
- not allowing users who have access to licensed copyright material to print or download that material to the full extent that they would otherwise be allowed to in the exercise of their fair dealing rights
- restricting the extent to which non-authorised users can be granted access to material or allowed to make copies from that material. Often the definition of authorised users will be limited to enrolled students and staff of the relevant university or even faculty. Even where members of the public are entitled to access material, there will often be requirements that this is done on the premises of the licensed subscriber
- restrictions on copying or communication for the purpose of inter-library loans and on copying done on behalf of other universities<sup>265</sup>

Also, the Australian National Library, in the context of the same public consultation of the CLRC, carried out a similar study on electronic licences. On 218 titles of publications accessed from their reading room, they found:

- 8 titles (3 %) where downloading was not permitted; one where readers were not permitted to remove downloaded data from the library; and 82 (37%, mostly the Informit range of databases) where downloading was limited to “one copy of search output”;
- 11 titles (5%) that did not enable emailing of extracts; with some of these (the Pioneer Indexes), this is probably for technological reasons, but it is interesting to note here products such as the New Grove dictionary of music and musicians and Yearbook Australia;

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<sup>265</sup> See the complete study at <http://www.ag.gov.au/agd/www/Clrhome.nsf/Page/F5EDCD258D62B255CA256B3B007D8616>.

- 6 titles where printing is not permitted, two which allow a “single copy only,” and three others where printing is permitted “for personal or internal use of the organisation” or “only 1% of database material,” total 11 (5%);
- 26 titles (11%) (principally newspapers received as part of the Electric Library subscription) where interlibrary loan was not permitted; and
- 7 titles (3%) where reference staff were not permitted to use short extracts in answering email enquiries.<sup>266</sup>

Also, the Max Planck Institute for Intellectual Property, Competition and Tax Law participated in the debate on access to scientific information by the academic community. They submitted their conclusion to the EU Commission as a comment on the Green Paper on “Copyright in the Knowledge Economy.”<sup>267</sup> They propose to re-draft Article 5 of the Infosoc Directive<sup>268</sup> in a way to favour on the one hand users and right holders, and, on the other hand, the community of researchers, by distinguishing copyright exceptions on the basis of the category of user. In short, to address the scarce possibility of dissemination of scientific works, they propose a two-tier approach within copyright law, with exceptions and rules specifically designed for scientific research.

The Max Planck Institute, in its conclusion, makes a number of recommendations: (a) copyright exceptions should be based on the purpose of the use of the protected material; (b) there should be no restrictions for non-commercial uses; (c) the compensation system for right holders should be streamlined; (d) the exceptions should be mandatory; and (e) circumvention of copyright limits by contract or by technical locks should be sanctioned.<sup>269</sup>

Although the theoretical research and the examples of empirical evidence provided above do not have the value of a comprehensive study on the sector of the institutions benefitting from copyright limits, useful indications can be drawn from the problems that might be encountered by libraries dealing with electronic licensing. Moreover, the research examined suggests interesting questions. Although libraries and research institutions are professional users in the sense that they have the means to be correctly informed of their statutory rights and they have the bargaining power to negotiate their contracts at arms-

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<sup>266</sup> Available at <http://www.nla.gov.au/policy/clrccip.html>.

<sup>267</sup> *European Commission Green Paper on Copyright in the Knowledge Economy*, COM (2008) 466/3 Final (July 16, 2008).

<sup>268</sup> InfoSoc Directive, *supra* note 19.

<sup>269</sup> Comments of Max Planck Institute for Intellectual Property, Competition and Tax Law (2009), on the EC Green Paper: Copyright in the Knowledge Economy 2008, at 2.4.1.



length, they seem to be confronted by the copyright industry with standard form contracts, whose terms and conditions they have to accept. The reason why this happens is not clear from the above submissions. The licensing practices of the copyright industry vis-à-vis institutions benefitting from copyright exceptions, therefore, deserve a separate study in order to clarify this matter.

3. *Commercial Users.* Not all commercial users benefit from copyright exceptions. All of them, though, benefit from copyright limits and exclusions (for example, first sale, duration, idea-expression dichotomy). Examples of commercial users of protected copyright works are: broadcasting/webcasting institutions (TV and radio); businesses related to leisure activities (e.g., athletic clubs, dance classes, hotels or motels, eating and drinking establishments, night clubs, etc.), sound and audiovisual producers; and music services.

While the latter two categories interact directly with the rights holder for the licence of one (e.g., a song, a footage, or a picture) or more (up to millions of music tracks) copyright works, and therefore are able to negotiate at arms-length their terms and conditions, broadcasting organizations and leisure businesses pay blanket licenses to collecting societies. The licences vary according to the use the business makes of the copyrighted material, the size of the business and other factors.<sup>270</sup> Their general terms and conditions, and the amount of the remuneration, are negotiated by the associations representing each category. There is no margin for individual negotiation, especially in countries in which the system of collecting societies is centralised.<sup>271</sup> However, in general, commercial users seem to have the chance, directly or indirectly, to negotiate the usage restrictions of the copyright works for which they purchase a licence.

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The above review on the commercialization of copyrighted works suggests that standard form contracts prevail in the commercialization of information goods, although no empirical research assessed the exact share of the adoption of such contracts by the different industries (software, music, literary works, etc). Individual users, not surprisingly, seem to be more affected than corporate bodies by overly restrictive terms and conditions. But the real impact of the latter on users' entitlements stemming from copyright law and principles has not yet been systematically assessed. Also interesting is the position of public libraries and educational institutions, which in the studies reported above

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<sup>270</sup> See, e.g., RICHARD STIM, GETTING PERMISSION: HOW TO LICENSE AND CLEAR COPYRIGHTED MATERIALS ONLINE AND OFF 123 (3d ed. 2007).

<sup>271</sup> M. Ricolfi, Presentation at the Turin iLaw conference: Collective Rights Management in a Digital Environment (May 25, 2005).

lament licensing terms inconsistent with copyright law, but none of them report attempts to directly negotiate different terms with the copyright industry.

#### E. DOCTRINAL ANALYSIS OF CONTRACT LIMITS

Freedom of contract is an established principle both in the EU and the U.S. In Europe, some argue it is indirectly protected by fundamental human rights.<sup>272</sup> In the U.S., contracts enjoy rather extensive protection from constitutional principles. For example, Article 1, Section 10 of the Constitution forbids the states to pass legislation to impair the obligation of contracts without the consent of the Congress.<sup>273</sup> Moreover, the Fourteenth Amendment has been interpreted by case law as protecting the freedom of contract.<sup>274</sup>

Both in the EU and the U.S., most contract norms are default rules, which can be overridden by a different agreement between the parties.<sup>275</sup> In general, the interpretation of contract terms by courts is not literal, but is based on the presumed will of the parties, in view of the principle of good faith and of business practices.<sup>276</sup> The fairness of the contract, in short, is not investigated by courts of law. They do, however, inquire into the freedom of the will. In fact, common reasons to rescind a contract in both the U.S. and the EU include (a) mistake, (b) fraud, and (c) duress.<sup>277</sup>

We need to recall, however, that the above standard contract rules were conceived in the Nineteenth century, where most transactions were carried out at arms-length, by parties with equal bargaining power. This scenario radically changed with the Industrial Revolution and mass production. Nowadays, it is common practice to offer products to the public accompanied by standard form contracts. In these contracts, the seller sets the conditions of the agreement and proposes them to the purchaser for acceptance, on a take-it-or-leave-it basis.

In order to protect consumers, as the weaker party to this bargain, legislatures issued a number of statutory limits to contracts.<sup>278</sup> For example, unlike arms-length contracts, in relation to standard-form contracts, courts can

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<sup>272</sup> As, for example, Article 1 of the Protocol to the European Convention of Human Rights. See Guibault, *supra* note 5, at 115.

<sup>273</sup> *Id.* at 116.

<sup>274</sup> See *Allgeyer v. Louisiana*, 165 U.S. 578, 590 (1879).

<sup>275</sup> Guibault, *supra* note 5, at 116.

<sup>276</sup> See, e.g., CODE CIVIL [C. CIV.] art. 115464 (Fr.), translated at <http://195.83.177.9/code/liste.phtml?lang=uk&c=22>; Bürgerliches Gesetzbuch [BGB] [Civil Code] Aug. 18, 1896, Bundesgesetzblatt [BGBl.] 157, as amended, § 157, Title 3 (F.R.G.).

<sup>277</sup> Guibault, L. (2002), *Copyright Limitations and Contracts – An Analysis of the Contractual Overridability of Limitations on Copyright* (Kluwer Law International 2002), at 117.

<sup>278</sup> *Id.* at 118–19.

inquire into the fairness of the terms and conditions.<sup>279</sup> Moreover, contract law doctrines such as unconscionability and good faith are also used for consumer protection.

1. *Unconscionability and Good Faith.* In the U.S., contracts can be limited by the doctrine of unconscionability, stipulated by section 2-302 of the Uniform Commercial Code (UCC) and by section 111 of the UNIFORM COMPUTER INFORMATION TRANSACTIONS ACT (UCITA). Under this doctrine, a clause is not enforceable if there is a flaw in the bargaining process or if a term is unfair.<sup>280</sup> In general, this doctrine is more likely to be applied in defence of private consumers, rather than corporate bodies or cultural institutions. The latter, in fact, can hardly demonstrate that a term is “beyond reasonable expectations of an ordinary person or it causes an unfair surprise.”<sup>281</sup> However, according to some, this doctrine can fail to assist copyright works users. A term contradicting copyright law would not be automatically declared unconscionable. In practice, it is argued that every case would be judged by assessing what the reasonable expectations of the purchaser were in view of all the facts and circumstances.<sup>282</sup> Others add that this doctrine is of limited use for consumers of copyright works, because in order to pass the unconscionability test a contract has to be clearly one-sided in favour of the owner, and contracts overriding copyright limits would not necessarily appear one-sided to courts.<sup>283</sup>

In Europe, the principle of good faith corresponds to the doctrine of unconscionability. In general, the good faith principle sets forth a number of rules of correctness to follow before and during the transaction. Civil Law countries all implement a principle of good faith in contract law, although the details of each national provision are different.<sup>284</sup> Also, some common law countries reserve to the principle of good faith specific legal coverage. In the U.K., the Unfair Terms Regulation 1999 stipulates that a contract term is unenforceable if “contrary to the requirement of good faith, it causes a

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<sup>279</sup> See Council Directive 93/13, 1993 O.J. (L 95) 29 (EC); U.C.C. § 2-302 (2010); RESTATEMENT (SECOND) OF CONTRACTS § 208 (1981); U.C.I.T.A. § 111 (2000). See also Guibault, *supra* note 5, at 151.

<sup>280</sup> Guibault, *supra* note 5, at 261.

<sup>281</sup> *Id.* at 261, citing *Wilson Pharmacy, Inc. v. General Computer Corp.*, No. E2000-00733-COA-R3-CV, 2000 WL 1421561 (Tenn. Ct. App. Sept. 21, 2000).

<sup>282</sup> O’Rourke, *supra* note 191, at 70.

<sup>283</sup> De Werra, *supra* note 187, at 286.

<sup>284</sup> The doctrine of good faith is different from country to country. See Alberto M. Musy, *The Good Faith Principle in Contract Law and the Pre-contractual Duty to Disclose: Comparative Analysis of New Differences in Legal Cultures*, 1 GLOBAL JURIST ADVANCES 1 (2000), available at <http://www.bepress.com/gi/advances/vol1/iss1/art1>.

significant imbalance in the parties.”<sup>285</sup> While another related act, the Unfair Contract Terms Act, does not apply to intellectual property matters and is therefore of no help,<sup>286</sup> some other principles could be helpful. First of all, if a clause of a contract contains a particularly onerous or unusual condition, the party seeking to enforce that condition has to show that it had been brought fairly and reasonably to the attention of the other party; otherwise, the term does not apply.<sup>287</sup> Secondly, the doctrine of undue influence could also be helpful. This doctrine applies when a person in a position of dominance uses that position to obtain an unfair advantage for him or herself, and so influences the person relying on his authority or aid. It must be shown that there was a relationship where one party has a dominating influence over the other and the influence was used to bring about a manifestly disadvantageous transaction. So far, there is no decision applying this doctrine in relation to users’ contracts, but as we have seen, some case law exists in respect of creators’ contracts<sup>288</sup> (see paper 2).

Thirdly, the doctrine of restraint of trade could also be used in a few cases. Contracts should not restrict the right of a person to practice their trade. In *Schroeder Music Publishing v. Macaulay*,<sup>289</sup> the court held that a contract with an extended term with no obligation on the publisher to exploit the works of the creator was in restraint of trade. The effect of these two doctrines is to render the contract, or else the clause, unenforceable. However, these doctrines have only been applied in the most egregious cases and only in relation to creators’ contracts so that it is not immediately obvious that those doctrines would be as applicable in the field of users’ contracts. Indeed, few contracts will be entered into under undue influence—unless one could say that a party having a dominant position is akin to exercising undue influence. However, some user contracts may restrain the ability of the person to practice their trade. One can think of the case of a journalist or reviewer who relies on the criticism or review or news reporting exceptions for their trade. Their trade would be restricted if a contract were to override these exceptions. However, there is no literature on this case law which relates to its application of users’ contracts.

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<sup>285</sup> Unfair Terms in Consumer Contract Regulations, 1999, S.I. 1999/2053, § 5(1) (U.K.) (implementing Council Directive 93/13, 1993 O.J. (L. 95) 29 (EC)).

<sup>286</sup> See Unfair Contract Terms Act, 1977, c. 50 § 1–1(c) (Eng.). The UCTA can be applied to terms in IP contracts, but it does not apply to the terms that create or transfer a right or interest in intellectual property, or relate to the termination of any such right or interest, which are the relevant terms in most users’ contracts.

<sup>287</sup> *Interfoto Picture Library v. Stiletto Visual Programmes* [1989] Q.B. 433.

<sup>288</sup> *O’Sullivan v. Mgmt. Agency Music Ltd.*, [1985] QB 428; *Elton John v. James*, [1991] FSR 397.

<sup>289</sup> [1974] 1 W.L.R. 1308 [1974] 3 All ER 616 (H.L.).

Finally, common law equity plays a remedial role in contract law, which can also usefully be applied to user contracts. As far as we know, there is no case law specifically relating to users' contracts.

Another European doctrine impacting contracts is the *contra proferentem* rule.<sup>290</sup> According to this norm, in case of doubt, a clause of a contract is interpreted by courts in the sense less advantageous for the party that sets the clause. The rationale of this provision is underpinned by the aim to protect the weakest party of a contract.<sup>291</sup>

No case law has applied the principle of good faith or the *contra proferentem* rule to the interplay between contract and copyright limits. But the literature on this point highlights the fact that the potential outcome of practical case law is difficult to foresee. Even in countries fully applying the above principles to contracts, courts could take different stances on the matter. Guibault suggests that, for example, a contract would probably prevail on copyright exceptions in France, but it could have some of its clauses rejected as unfair in the Netherlands and Germany.<sup>292</sup>

Contract law principles, in conclusion, are of uncertain help for the case of users of copyrighted works restrained in their access and use of creative works from overreaching terms and conditions. However, as far as the U.K. is concerned, the lack of case law and doctrinal analysis on the issue probably shows another gap in the literature. A doctrinal study on the application of general English contract law to copyright may be considered useful.

2. *Limits to Contracts Set by Copyright Law: The Doctrine of Preemption.* As observed in Section A, in the U.S., copyright limits can, in principle, be overridden by contract. However, the interplay between contract law and copyright law is complicated in the U.S. by the federal structure of the country. Contract law is a matter for state legislation and copyright law falls under the jurisdiction of federal law. The latter, under certain circumstances, can preempt the former. This is the essence of the preemption doctrine.

Section 301(a) of the U.S. Copyright Act prevents states from granting protection equivalent to copyright.<sup>293</sup> Two questions need to be answered affirmatively for a state law to be preempted by federal law. The first is whether the subject matter protected by the state law in question is eligible for copyright protection under sections 102 and 103 of the Copyright Act (i.e., the state law must deal with a fixed work of authorship that comes within copyright subject

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<sup>290</sup> This principle has been codified in UNIDROIT PRINCIPLES OF INTERNATIONAL COMMERCIAL CONTRACTS, art. 4(6) (2004), available at <http://www.unidroit.org/english/principles/contracts/principles2004/blackletter2004.pdf>.

<sup>291</sup> Guibault, *supra* note 5, at 144.

<sup>292</sup> *Id.*

<sup>293</sup> 17 U.S.C. § 301 (2006).

matter). The second question is whether the rights granted by state law are equivalent to the exclusive rights provided under section 106 of the Copyright Act.<sup>294</sup>

This second part of the test is called the “extra element test.”<sup>295</sup> According to the “extra element test” a right provided by state law is equivalent to copyright, and therefore pre-empted by federal law, if it is infringed by the mere act of reproduction, adaptation, performance, distribution, or display of the work.<sup>296</sup> The legislative history of section 301 is muddled to the point that it is impossible to know with certainty whether misappropriation and contract laws are preempted.<sup>297</sup> This has caused some difficulties to courts when having to apply Section 301.

Preemption is similar to French unfair competition law. The latter provides that a fact or act distinct from infringement is necessary for the action against parasitism to succeed. Similarly, in the U.S., if the complained act is identical to copyright infringement, no misappropriation claim is possible; like in France, there must be an additional or different element. In other words, it is not possible to protect an uncopyrightable work with the misappropriation doctrine unless the allegedly unlawful behaviour involves an extra element other than mere copying.

A seminal case involving the tension between copyright limits and contract is *ProCD*.<sup>298</sup> ProCD commercialised a telephone directory on CD-ROM, incorporated in a database managed by proprietary software. The use of the software and of the telephone directory was limited by usage restrictions included in a licence agreement, which appeared on the computer screen at every access to the product. Zeidenberg bought the CD, copied the directory, and published it on his website. ProCD claimed both copyright infringement and breach of contract. The first claim was not upheld (in relation to the directory listing) for lack of originality. The second claim, on the contrary, was

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<sup>294</sup> See Howard B. Abrams, *Copyright, Misappropriation, and Preemption: Constitutional and Statutory Limits of State Law Protection*, 1983 S. Ct. Rev. 509, 548–49; Shane M. McGee, Casenote, *Cooling Off the Hot-News Exception: National Basketball Ass’n v. Motorola, Inc.*, 66 U. CIN. L. REV. 1019, 1038 (1998).

<sup>295</sup> For an in-depth analysis of the test see De Werra, *supra* note 187, at 264.

<sup>296</sup> 17 U.S.C. § 106; *Computer Assoc. Int’l, Inc. v. Altai, Inc.*, 982 F.2d 693, 716 (2d Cir. 1992); Guibault, *supra* note 5, at 231.

<sup>297</sup> For an explanation regarding misappropriation, see Jane C. Ginsburg, *No “Sweat”? Copyright and Other Protection of Works of Information after Feist v. Rural Telephone*, 92 COLUM. L. REV. 338 (1992). For an explanation regarding contracts, see Guibault, *supra* note 5, at 232.

<sup>298</sup> *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447 (7th Cir. 1996). See also Michael J. Madison, *LegalWare: Contract and Copyright in the Digital Age*, 67 FORDHAM L. REV. 1025 (1998).

upheld, although Zeidenberg claimed that he did not have the possibility of reading the terms of the licence.<sup>299</sup>

In the *ProCD* case, Judge Easterbrook rejected the preemption of the licence under section 301. He reasoned that a simple two-party contract is not “equivalent to any of the exclusive rights within the general scope of copyright” and therefore may be enforced.<sup>300</sup> The case has had wide coverage from copyright scholars, arguing either in favour or against Easterbrook’s construct.<sup>301</sup> Moreover, e-commerce U.S. legislation (the UCITA) following the *ProCD* case was underpinned by the same reasoning that inspired Judge Easterbrook.<sup>302</sup> The drafters of the UCITA specified that the preemption doctrine would “seldom apply to contracts.” In sum, the reasoning in both case law and legislation was essentially the following: federal copyright law cannot normally preempt state contract law because contracts are simply not equivalent to copyright.<sup>303</sup> This reasoning was resumed in subsequent case law.<sup>304</sup>

A previous ruling to *ProCD*, however, had expressed the opposite view. In the *Vault* case,<sup>305</sup> Vault manufactured a diskette with a copy protection device. Quaid circumvented the copy protection device to be able to copy the content of the diskette. He also studied the protection system, so when Vault upgraded his product, Quaid was ready with a new work-around. The court in *Vault* upheld the prevalence of federal copyright law over state law. Under the law of the state in question (the Louisiana Software License Enforcement Act) the unauthorised reproduction of protected material is not permitted.<sup>306</sup> The federal Copyright Act, on the contrary, allows archival copies and copies which

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<sup>299</sup> For a detailed analysis of *ProCD* and its impact on the interplay between copyright and contract, see De Werra, *supra* note 187, at 255–63.

<sup>300</sup> *ProCD*, 86 F.3d at 1455.

<sup>301</sup> See, e.g., Guibault, *supra* note 5; Elkin-Koren, *supra* note 161; De Werra, *supra* note 187, at 268.

<sup>302</sup> The same aim that inspired the outcome of *ProCD*, that is, not stifling online commerce, inspired also the U.S. government, which added Article 2B to the Uniform Commercial Code, upholding once and for all electronic licenses. This Article was the object of extensive debate among copyright commentators, and eventually flowed into the Uniform Computer Information Transactions Act (UCITA), which was also greatly criticised. See Dam, *supra* note 191; Cohen, *supra* note 9; Ginsburg, *supra* note 297; Jessica Litman, *The Tales That Article 2B Tells*, 13 BERKELEY TECH. L.J. 931, 935 (1998); Nimmer, *supra* note 181. For a summary of many of these positions, see Samuelson, *supra* note 172. The UCITA was adopted in only two states (Virginia and Maryland), and other states enacted specific legislation (Bomb Shelter) to avoid application of the UCITA via contractual clauses of ‘choice of forum.’ See <http://www.ucita.com/>.

<sup>303</sup> Guibault, *supra* note 5, at 233.

<sup>304</sup> *Bowers v. Baystate Technologies, Inc.*, 320 F.3d 1317 (Fed. Cir. 2005) (finding that the federal Copyright Act did not preempt the prohibition of reverse engineering embodied in Bowers’ shrink-wrap license).

<sup>305</sup> *Vault Corp. v. Quaid Software, Ltd.*, 847 F.2d 255 (5th Cir. 1988).

<sup>306</sup> *Id.* at 260.

are an essential step in the utilization of a computer program.<sup>307</sup> Moreover, in *Vault*, it was argued that the Louisiana Software License Enforcement Act grants unlimited protection to copyright material, while the federal Copyright Act grants a protection which has limits in terms of duration and originality. In conclusion, although the court did not expressly mention the preemption doctrine, *Vault's* claims were rejected.<sup>308</sup>

In *Bowers*, which followed the *ProCD* ruling, Justice Ryk dissented, recalling the reasoning in *Vault*.<sup>309</sup> He argued that only when a contract is negotiated at arms length is the extra element fulfilled and the preemption barred.<sup>310</sup> According to him, *Bowers* is different from *ProCD* because Baystate needed to reproduce part of the program to benefit from the fair use exemption.<sup>311</sup> State law prohibiting reverse engineering contrasts with federal law allowing it, and therefore the latter should preempt the former.<sup>312</sup> In conclusion, while cases like *Vault* may suggest that contracts cannot override copyright limits, cases like *ProCD*, which is still cited in the subsequent case law, indicate the opposite.

It is unclear whether contracts of adhesion, which provide rights holders with even more protection than negotiated contracts, are preempted under section 301 of the Copyright Act.<sup>313</sup> In line with the reasoning of Justice Ryk, who dissented in *Bowers*,<sup>314</sup> some argue that the preemption doctrine applies specifically to standard form contracts, and does not apply to arms-length contracts, because only the former offers a protection to rights holders that is equivalent to statute. In short, they think that the private ordering provided by standard-form contracts equates with copyright law, and therefore is preempted by federal law according to the second step of the preemption test.<sup>315</sup> In sum, courts seem to be divided on this issue, which makes contract law rather unreliable as a tool to override copyright limits.<sup>316</sup>

However, the preemption doctrine is not limited to the interface between state law and federal copyright law. Even if a state cause of action based on misappropriation or contract survives section 301 preemption, it can still be preempted on the basis of the Supremacy Clause of the Constitution.<sup>317</sup> Under

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<sup>307</sup> *Id.*

<sup>308</sup> *Id.* at 270.

<sup>309</sup> *Bowers*, 320 F.3d at 1337.

<sup>310</sup> *Id.*

<sup>311</sup> *Id.* at 1338.

<sup>312</sup> *Id.*

<sup>313</sup> Derclaye, *supra* note 54, at 183.

<sup>314</sup> *Bowers*, 320 F.3d at 1337.

<sup>315</sup> Dennis S. Karjala, *Federal Preemption of Shrinkwrap and Online Licenses*, 22 U. DAYTON L. REV. 511 (1997).

<sup>316</sup> De Werra, *supra* note 187, at 272.

<sup>317</sup> U.S. CONST. art. VI, § 2. De Werra, *supra* note 187, at 272.



this clause, a cause of action may be preempted if its enforcement would “stand as an obstacle to the accomplishment of the full purposes and objectives of Congress.”<sup>318</sup> In the *Feist* case, the last precedent on point, the Supreme Court seemed adamant that certain unfair competition claims survive to protect “sweat of the brow” efforts.<sup>319</sup> However, it is unclear on which conditions such claims would survive preemption.<sup>320</sup> In sum, absent a ruling of the Supreme Court on this issue, the law on this matter is uncertain. The constitutional preemption will be discussed below, in the subsection dedicated to constitutional limits to contract.

In Europe, the relationship between community law and national law is clearer. EU law prevails on national law.<sup>321</sup> Thus, national legislation overriding imperative copyright exceptions set by EU law<sup>322</sup> is not applicable, and clauses protected by such national law should be declared null and void. Cases such as *ProCD*, therefore, would be resolved by competition law legislation or the legislation protecting the *sui generis* right of database producers.<sup>323</sup> Regrettably, no such cases have been decided by European courts.

A threatened litigation between the National Portrait Gallery of London (NPG) and Derrick Coetzee (a Wikipedia administrator) has the potential to shed some light on the matter. The NPG threatened to sue Coetzee for database right violation, copyright violation, circumvention of TPMs, and breach of contract (a browse-wrap licence) because he copied more than 3,000 images from the NPG website and published them on Wikipedia.<sup>324</sup> The images are photographs of paintings that are no longer covered by copyright protection.

If U.K. law applies, and if the photographs are found unprotected by copyright, a ruling could finally clarify (a) whether browse-wrap licences are

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<sup>318</sup> *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 479 (1974).

<sup>319</sup> *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 354 (1991) (citing 1 M. NIMMER & D. NIMMER, COPYRIGHT § 3.04, at 3–23: “Protection for the fruits of [‘sweat of the brow’-type] research . . . may in certain circumstances be available under a theory of unfair competition”).

<sup>320</sup> See Rex Y. Fujichaku, *the Misappropriation Doctrine in Cyberspace: Protecting the Commercial Value of “Hot News” Information*, 20 HAWAII L. REV. 421 (1998); Katherine F. Hovarth, Case Comment, *NBA v. Motorola: A Case for Federal Preemption of Misappropriation?*, 73 NOTRE DAME L. REV. 461, 479 (1998). Both authors nevertheless believe that this reference in *Feist* implied that misappropriation is not preempted by the Copyright Act.

<sup>321</sup> See Case 6/64 *Costa v. ENEL*, [1964] ECR 585, 593.

<sup>322</sup> For example, see the exceptions stipulated by the Software Directive and the Database Directive.

<sup>323</sup> De Werra, *supra* note 187, at 263.

<sup>324</sup> Wikipedia is a global online encyclopedia, based in the United States, built up with voluntary contributions by users, available at <http://www.wikipedia.org>.

enforceable, and (b) whether a contractual clause that forbids the reproduction of a public domain work is unlawful because it overrides copyright limits.<sup>325</sup>

3. *The Doctrines of Misuse and Abuse of Rights.* Stemming from U.S. intellectual property principles, the doctrine of misuse of copyright is another instrument that can be used to limit contractual clauses attempting to expand copyright protection. Under copyright misuse doctrine, practices that preclude others from developing and creating new works under pretext of copyright protection are abusive.<sup>326</sup> Copyright misuse does not give the victim of misuse a right—and therefore it does not give her standing in a legal action—but only a defence against copyright infringement.<sup>327</sup> During the period the copyright is misused, the exclusive rights of the owner are suspended, thus excusing the acts of infringement.<sup>328</sup> Mostly, this doctrine is used in connection with antitrust claims, or it is considered together with claims of an economic nature.<sup>329</sup> It is, therefore, more likely to be employed between commercial entities than in favour of a private consumer.

The doctrine of misuse of intellectual property rights is not stipulated by statutes. It was first articulated in *Morton Salt Co. v. G.S. Suppiger Co.*<sup>330</sup> and then in *Lasercomb v. Reynolds*.<sup>331</sup> In the latter, it was declared that “[t]he question is not whether the copyright is being used in a manner violative of antitrust law . . . but whether the copyright is being used in a manner violative of the public policy embodied in the grant of a copyright.”<sup>332</sup> In other words, when copyright is used in a way to run afoul of the public policy rationale under which copyright is protected, there is a copyright misuse.

In most continental countries in Europe, the doctrine of abuse of right corresponds to the American doctrine of misuse. Abuse of right can be caused by: (a) fault, when a person does not adopt a reasonable and prudent behaviour; (b) intention to harm; and (c) exercise of the right for a different purpose from that for which it was conferred.<sup>333</sup> According to Guibault, this last occurrence shares with its American counterpart the underpinning on which it is based: the protection of public policy. It is in the interest of the community that the rights

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<sup>325</sup> However, this second point has not yet been addressed by the letters of the respective counsels. See the terms of the debate and the letters of NPG and Coetzee counsels at [http://commons.wikimedia.org/wiki/User:Dcoetzee/NPG\\_legal\\_threat](http://commons.wikimedia.org/wiki/User:Dcoetzee/NPG_legal_threat).

<sup>326</sup> Tom W. Bell, *Codifying Copyright's Misuse Defense*, 2007 UTAH L. REV. 573, 577 (2007).

<sup>327</sup> *Id.* at 578.

<sup>328</sup> *Id.*

<sup>329</sup> See Guibault, *supra* note 5, at 286; De Werra, *supra* note 187, at 278.

<sup>330</sup> 314 U.S. 488 (1942); Guibault, *supra* note 5, at 191.

<sup>331</sup> 911 F.2d 970, 979 (4th Cir. 1990).

<sup>332</sup> *Id.* at 978.

<sup>333</sup> Guibault, *supra* note 5, at 186–87.

granted by law are used coherently with the purpose for which they were conceded.<sup>334</sup>

Guibault argues that, given the public interest function of copyright, clauses violating statutory copyright law or fundamental copyright exceptions, like the exception for parody, would be abusive under the misuse doctrine.<sup>335</sup> However, clauses that do not impede innovation and creation, as, for example, the exception for copying from libraries and similar institutions, would not be considered a misuse. *A fortiori*, the same would apply for copyright exceptions justified by the elimination of transaction costs.<sup>336</sup> Guibault concludes that, in practice, in the U.S., the copyright misuse doctrine is rarely applied to protect copyright users. Moreover, in Europe, it would not be possible to resort to the doctrine of abuse of right in circumstances that in the U.S. would be protected by the misuse doctrine. This makes these doctrines of limited overall utility.<sup>337</sup>

A few commentators, reflecting on the copyright misuse doctrine, have argued in favour of its application to cases of contracts overriding copyright limits (namely fair use).<sup>338</sup> Some have also called for a modification of copyright statutes to introduce a formal copyright misuse doctrine, which could be used against overreaching contracts.<sup>339</sup> Thomas Bell went a step further by wording a new prospective article in the U.S. U.C.C. that codifies the doctrine of copyright misuse in the sense of outlawing contracts that limit non-infringing uses.<sup>340</sup> Importantly, in his case law review on the copyright misuse doctrine, he admits that current case law (wrongly, in his opinion) applies the misuse doctrine only in cases of copyright infringement, and not against contracts.<sup>341</sup>

In conclusion, on the one hand, the preemption doctrine, which is characteristic of the U.S. system, is unreliable as a tool to defend users of copyrighted works against overreaching contracts. On the other hand, while commentators on the misuse doctrine call for its modification in order to use it against terms and conditions overriding copyright limits (or at least the most

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<sup>334</sup> *Id.* at 194.

<sup>335</sup> *Id.* at 285, citing *Lasercomb America, Inc. v. Reynolds*, 911 F.2d at 978.

<sup>336</sup> Guibault, *supra* note 5, at 285–86.

<sup>337</sup> *Id.* at 194.

<sup>338</sup> See Bell, *supra* note 328, at 575 n.10 (citing commentators for the notions that use of copyright to deter fair use should constitute misuses, courts should follow a balancing test to determine whether misuse is being facilitated in deciding whether to uphold copyright licenses, and limitation by shrinkwrap or clickwrap of activity found to be a fair use should trigger a presumption of misuse).

<sup>339</sup> *Id.* at 577 (citing Kathryn Judge, Note, *Rethinking Copyright Misuse*, 57 STAN. L. REV. 901, 937 (2004)).

<sup>340</sup> Bell, *supra* note 328, at 573.

<sup>341</sup> *Id.* at 579.

fundamental among them), they also admit that current statutes and case law do not suggest the possibility of using the doctrine in this manner.

4. *Other Limits to Contracts: Public Policy.* Public policy considerations can also limit freedom of contract both in the U.S. and in the EU. In Europe, private agreements are due to respect public policy and good morals,<sup>342</sup> while in the U.S., contracts cannot run afoul of public policy.<sup>343</sup> According to a classification operated by Guibault, public policy considerations can be divided into: (a) economic public policy and (b) protective public policy. The first produces norms of competition law (rules of antitrust in the U.S., and rules of fair competition in the EU); the second creates norms of consumer protection.

In relation to competition law, Lucie Guibault analysed Article 81 (ex Art. 85 and 86) of the EC Treaty and title 15 sections 1–7 of the U.S. Sherman Act, which respectively address the abuse of the dominant position in the market and the acquisition or maintenance of monopolistic positions. In both cases, the condition for either of the two violations to exist is to have acted “with improper means.”

The survey of case law she carried out demonstrates that, in practice, it is very difficult to prove the unlawful behaviour.<sup>344</sup> Competition law therefore can be of limited utility where a contract overrides one or more copyright limits. Moreover, it is more likely to be used in relation to functional works (like patents) than copyright, because of the support to innovation that underscores competition law and antitrust policies.<sup>345</sup> However, the music and film industry probably represents an exception where the concentration of market power in the hands of a few companies can often raise competition issues.<sup>346</sup>

In the U.S., the essential facilities doctrine has been examined as a potential instrument to limit overreaching contracts. The doctrine of the essential facilities requires: (a) the possession of an essential facility by a monopolist, (b) the impossibility for the competitor to access that facility, (c) the denial of a licence by the owner, and (d) the viability of practical access to the facility.

In the famous antitrust case against Microsoft,<sup>347</sup> which was considered by copyright literature as a perfect opportunity for the application of the essential facilities doctrine,<sup>348</sup> this doctrine was not applied. In truth, Microsoft was

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<sup>342</sup> See C. CIV. art. 6 (Fr.); BGB art. 138 (F.R.G.).

<sup>343</sup> See RESTATEMENT (SECOND) OF CONTRACTS, § 178(1) (1981).

<sup>344</sup> Guibault, *supra* note 5, at 294.

<sup>345</sup> De Werra, *supra* note 187, at 287.

<sup>346</sup> *Id.* at 288.

<sup>347</sup> United States v. Microsoft Corp., 84 F. Supp. 2d 9 (D.D.C. 1999).

<sup>348</sup> See De Werra, *supra* note 187, at 290–91; Maureen O’Rourke, *Drawing the Boundary Between Copyright and Contract: Copyright Preemption of Software License Terms*, 45 DUKE L.J. 479, 546–48 (1995).

obliged to disclose features of its products to its competitors, but only under section 2 of the Sherman Act (abuse of dominant position). This clearly shows the difficulty of applying such doctrine to the interplay between copyright and contracts.

De Werra argues that, although useful to regulate abusive behaviours based on copyright protection, antitrust law alone cannot be relied upon to protect the interests of copyright users. Public policy as a limit to contracts overriding copyright limits can be difficult to apply. He warns that the legislation embodying public policy, which cannot be overridden by private agreement, has to be “crystal clear”; this is not necessarily easy in the copyright field, where fundamental concepts like fair use and the idea-expression dichotomy are defined by courts and not by law.<sup>349</sup> Copyright law and antitrust law, he concludes, should both be used to stem overreaching behaviours of those implementing technical protection measures and contracts.<sup>350</sup>

5. *Consumer Protection.* In the EU, a limit to national contract law resides in national and supra-national consumer protection legislation. The EU Directives providing for consumer contractual rights are:

- Directive on Contracts Negotiated Away from Business Premises;<sup>351</sup>
- Directive on Unfair Terms in Consumer Contracts (Unfair Terms Directive);<sup>352</sup>
- Directive on the protection of consumers in respect of Distance Contracts (Distance Contracts Directive);<sup>353</sup>
- Directive on Certain Aspects of the Sale of Consumer Goods and Associated Guarantees;<sup>354</sup>
- Directive on Electronic Commerce (E-commerce Directive).<sup>355</sup>

They generally set duties of correct behaviour for the seller of products, either commercialised online or through traditional means. A few of their provisions may apply also to consumers of copyright works.

According to Article 4 of the Distance Contracts Directive, for example, rights holders should disclose to the purchaser “the main characteristics of

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<sup>349</sup> De Werra, *supra* note 187, at 280.

<sup>350</sup> *Id.* at 293.

<sup>351</sup> Council Directive 85/577, 1985 O.J. (L 372) 31–33 (EEC).

<sup>352</sup> Council Directive 93/13, 1993 O.J. (L 95) 23–34 (EEC).

<sup>353</sup> Council Directive 97/7, 1997 O.J. (L 144) 19–27 (EC).

<sup>354</sup> Council Directive, 99/44, 1999 O.J. (L 171) 12–16 (EC).

<sup>355</sup> Council Directive, 2000/31, 2000 O.J. (L 178) 1–16 (EC).

goods and services.” When implementing TPMs on copyright works, therefore, the owner has the duty to inform the end-user before hand.<sup>356</sup> Moreover, for those digital copyright works that are considered goods—the statutes seem to suggest that on-demand downloadable works are services—the same directive stipulates, in Article 6(1), a right of withdrawal from the purchase, without penalty or justification. However, Article 6(3) excludes from its scope audio/video recordings and computer software.

The Unfair Terms Directive of 1993 outlaws contracts contrary to good faith, and lists a number of unfair clauses as examples. However, the overridability of copyright exceptions is not mentioned in the list, and it is therefore unclear whether a similar clause would be considered contrary to good faith by courts.<sup>357</sup>

It is worth noting that the above-mentioned directives on e-commerce and unfair terms are in the process of being modified by the Consumer Rights Directive, which was launched in 2008.<sup>358</sup> The proposal, among other things, replaces the indicative list of unfair terms with a black list of mandatory unfair terms and a grey list of presumed unfair terms. Neither of them, though, state that terms contrary to statutory law are unfair.<sup>359</sup>

In the U.K., consumer protection is covered by specific legislation, which also implements the above EU directives:

- Unfair Contract Terms Act 1977
- Sale of Goods Act 1979
- Consumer Protection Act 1987
- Unfair Terms in Consumer Contracts Regulations 1999
- Consumer Protection (Distance Selling) Regulations 2000
- Electronic Commerce Regulations 2002

The Unfair Terms Regulation of 1999 stipulates that a contract term is unenforceable if, “contrary to the requirement of good faith, it causes a significant imbalance in the parties.”<sup>360</sup> This provision of consumer law has

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<sup>356</sup> LUCIE GUIBAULT & NATALIE HELBERGER, UNIVERSITY OF AMSTERDAM INSTITUTE FOR INFORMATION LAW, COPYRIGHT LAW AND CONSUMER PROTECTION 12 (2005), available at <http://www.ivir.nl/publications/other/copyrightlawconsumerprotection.pdf>. See also generally ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT, REPORT ON DISCLOSURE ISSUES RELATED TO THE USE OF COPY CONTROL AND DIGITAL RIGHTS MANAGEMENT TECHNOLOGIES (2006) [hereinafter OECD], available at <http://www.oecd.org/dataoecd/47/31/36546422.pdf>.

<sup>357</sup> Guibault & Helberger, *supra* note 356, at 14.

<sup>358</sup> Proposal for a Directive of the European Parliament and of the Council on Consumer Rights, COM (2008) 614 final (Oct. 8, 2008).

<sup>359</sup> *Id.*

<sup>360</sup> Unfair Terms Directive, *supra* note 352, § 5(1).

been identified by copyright doctrine as the only one applicable to copyright users.<sup>361</sup>

In the U.S., section 2-302 of the U.C.C. (later section 111 of the UCITA) serves a comparable function by applying the unconscionability doctrine to consumer protection. As noted in the previous section, U.S. unconscionability doctrine seems to be more restrictive than the European good faith doctrine, and both appear to have a limited utility for the protection of consumers of copyrighted material.<sup>362</sup> Consumer protection, therefore, does not seem to add any particular protection to users of copyright works, beyond the already examined contract law doctrines. Specific legislation on consumers is rarely applicable to consumers of copyrighted works. In fact, copyright literature from both the EU and the U.S. criticises consumer legislation for not taking into account the peculiarity of the consumers of copyright information.<sup>363</sup>

6. *Constitutional Limits to Contracts.* Lucie Guibault has examined Constitutional principles and human rights as applicable to private relationships, and, therefore, liable to have an impact on copyright user protection against abusive contract terms.<sup>364</sup> Preliminarily, she addresses the vertical or horizontal application of constitutional principles.

Constitutional principles are traditionally invoked to protect citizens against the State (vertical action), but more recently, they have been used to protect citizens against other citizens (horizontal action). The horizontal action can be direct, as when a citizen brings to court another citizen for the breach of a constitutional principle, or indirect, as when a citizen acts against the State to obtain the application of a constitutional principle within a private litigation.

In Europe, the direct horizontal application of the constitutional principles is not obvious; the indirect action is, however, mostly recognised.<sup>365</sup> According to Guibault, this is confirmed by European literature and by the case law of the European Court of Human Rights.<sup>366</sup>

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<sup>361</sup> Guibault & Helberger, *supra* note 356, at 14.

<sup>362</sup> Guibault, *supra* note 5, at 261.

<sup>363</sup> For United States, *see, e.g.*, Elkin-Koren, *supra* note 180, at 1139 (arguing that the DMCA and consumer legislation should take into account the peculiar nature of the consumer of information goods); Benkler, *supra* note 194, at 568–72. For Europe, *see, e.g.*, Guibault, *supra* note 5 (questioning, seemingly, the ability of consumer legislation to protect copyright users); *but see* Mazziotti, *supra* note 28 (opining that consumer law, if correctly interpreted, has the potential to offer some protection).

<sup>364</sup> Guibault, *supra* note 5, at 152–75.

<sup>365</sup> *See id.* at 153–69 (reporting that, in France, there are two opposed doctrines on the direct horizontal working of constitutional rights, while in Germany the horizontal working is confirmed by Article 1 of the Constitution. Moreover, the case law mostly recognises the indirect horizontal working.).

<sup>366</sup> *See id.* at 158–59 (arguing that the case law of the ECHR points to an indirect application of constitutional rights to private relationships).

In the U.S., the Bill of Rights only protects citizens against the State. As a general principle, the U.S. Government tends not to intrude into private relationships. Therefore, the responsibility of the State in a case of violation of constitutional principles by a private citizen needs to be ascertained case-by-case.<sup>367</sup> However, consideration of the issue of the direct application of the Constitution between citizens needs to take into account the possibility that a person can waive her constitutional rights. In Europe, this is not possible. Only contractual arrangements that do not affect the essential content of constitutional rights are allowed. In the U.S., on the contrary, the waiver of constitutional principles is allowed in order to enable self-governance. But the courts in the case of waiver of fundamental rights subject the validity of the assent to a strict scrutiny.<sup>368</sup>

In the U.S., constitutional principles of copyright—including the fundamental justification for copyright protection and freedom of expression (underpinning some instances of fair use)—can be used to limit contracts on the basis of Supremacy Clause preemption.

Patterson and Lindberg, for example, maintain that copyright was invented principally to enhance the learning process of the community at large.<sup>369</sup> Copyright does so by promoting the circulation of culture and the transmission of knowledge.

Neil Netanel claims that copyright serves as a direct vehicle of democracy by boosting exchange of ideas and communication of thoughts.<sup>370</sup> All these authors maintain that, if copyright law were applied by courts in a way to uphold and guarantee these fundamental copyright underpinnings, the balance between owners and users would be achieved.<sup>371</sup>

Guibault argues on this basis that she would expect a contract clause overturning fundamental copyright principles, grounded on freedom of expression and the diffusion of culture, to be held null and void.<sup>372</sup> But the real potential and scope of the constitutional preemption is unclear, and the outcome of case law addressing the above issues would be uncertain both in Europe and in the U.S.<sup>373</sup> By examining case law on freedom of expression, Guibault concludes that the courts decide cases on the basis of whether the

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<sup>367</sup> *See id.* at 295.

<sup>368</sup> *Id.* at 173–84.

<sup>369</sup> Patterson & Lindberg, *supra* note 4.

<sup>370</sup> Netanel, *supra* note 15.

<sup>371</sup> *See* Derclaye, *supra* note 54, at 188–211 (arguing in essence, that a correct interpretation of existing copyright law and case law would provide an answer to the question of the overridability by contract of copyright exceptions).

<sup>372</sup> Guibault, *supra* note 5, at 270.

<sup>373</sup> *Id.*



restriction imposed by the owner is content-based or content neutral.<sup>374</sup> Content-based restrictions are very difficult to enforce, because they are more obviously in breach of freedom of expression. Content-neutral clauses, on the contrary, are upheld if they satisfy a “substantial governmental interest.”<sup>375</sup>

Finally, some commentators argue that, just like federal preemption, constitutional preemption applies only to standard-form contracts.<sup>376</sup> However, there is no case law confirming such an interpretation. In *Goldstein v. California*, the Supreme Court held that states cannot use legislation “to protect that which Congress intended to be free and free that which Congress had protected.”<sup>377</sup> The case at hand, though, refers to state legislation directly, and not to a contract.<sup>378</sup>

The above suggests that limiting contracts to protect the interests of copyright users can hardly be done effectively elsewhere than in copyright legislation.<sup>379</sup> The InfoSoc Directive may be modified as a result of consultations following the Green Paper on the “Copyright in the Knowledge Economy”<sup>380</sup> and the moment is timely to introduce some provisions that would guarantee such result. Some of the questions in the Green Paper include: should there be encouragement or guidelines for contractual arrangements between rights holders and users for the implementation of copyright exceptions and should some limits be made imperative?

Many academics and institutions have responded by suggesting the introduction of new provisions protecting at least fundamental copyright limits

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<sup>374</sup> See Netanel, *supra* note 177 (arguing that in the case of content-based restrictions, copyright legislation (including both exclusive rights and exceptions) impacts works in which the content is the reason for the claiming of rights). This normally occurs in cases where parody or criticism is called into play. In this case, Netanel argues, the scrutiny must be strict in the light of freedom of expression. This means that freedom of expression also can be identified beyond the boundaries of copyright limits. In the case of content-neutral restrictions, copyright entitlements are claimed irrespective of the content of the work. One example could be the exception for private copying. In the case of content-neutral claims, Netanel claims it is not necessarily “a strict scrutiny” on the compliance with freedom of expression. This means that, in this second case, copyright exceptions have to be interpreted narrowly; e.g., that construction should not go beyond their boundaries. Strowel and Tulkens add that all issues regarding access are content-neutral, and therefore only require intermediate scrutiny. This means that the built-in safety valves of copyright provide enough scrutiny for freedom of expression. See Strowel & Tulkens, *supra* note 116.

<sup>375</sup> Guibault, *supra* note 5, at 296.

<sup>376</sup> See, e.g., *supra* note 315, at 271.

<sup>377</sup> De Werra, *supra* note 187, at 271–72 (quoting *Goldstein v. California*, 412 U.S. 546, 559 (1973)).

<sup>378</sup> *Id.* at 272.

<sup>379</sup> Derclaye, *supra* note 54, at 167–211.

<sup>380</sup> *Green Paper*, *supra* note 267.

from contracts and TPMs.<sup>381</sup> It remains to be seen to what extent the EU legislature will listen to the calls from the commentators.

Hitherto, we have analysed the interplay between contracts and copyright exceptions. However, it is worth noting that electronic licences are typically directed towards millions of end-users, who are very difficult to track down and to bring to justice in case of infringement. The difficulty of enforcing electronic licences would limit, in practice, the threat posed by contracts to copyright limits. However, the implementation of technological protection measures provides unprecedented possibilities for effective self-enforcement.

## VI. DIGITAL RIGHTS MANAGEMENT (DRM) AND THE ENFORCEMENT OF CONTRACTS

### A. THE DANGERS OF DIGITAL LOCK-UP

DRM consists of licensing agreements and technological protection measures (TPMs), which set access and usage restrictions on information works. DRM reduces dramatically the costs of negotiation between owners and users of copyright works, as well as the costs of enforcement of copyright law (transaction costs). Often the acronyms DRM and TPM are used interchangeably to indicate the latter. This is because the technological part of DRM (i.e., the TPM), by self-enforcing—in other words unilaterally as opposed to bilaterally as with contracts—the rules of the contract, raises the most significant issues in terms of copyright users' protection.

With the advent of the digital era, where the reproduction of copyrighted works is easy and perfect, many legal commentators envisaged scenarios of substantial change in copyright legislation. Most of them foresaw an increase in copyright protection, in line with the trend of recent decades.<sup>382</sup> Opposite positions, forecasting a reduction in copyright protection, are rather isolated.<sup>383</sup>

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<sup>381</sup> See the Comments to the Green Paper at [http://circa.europa.eu/Public/irc/markt/markt\\_consultations/library?l=/copyright\\_neighbouring/legislation\\_copyright&vm=detailed&sb=Title](http://circa.europa.eu/Public/irc/markt/markt_consultations/library?l=/copyright_neighbouring/legislation_copyright&vm=detailed&sb=Title). In particular, see the comments from the IViR center in Amsterdam, the MaxPlanck Institute in Munich, and the British Library.

<sup>382</sup> Apik Minassian, *The Death of Copyright: Enforceability of Shrinkwrap Licensing Agreements*, 45 UCLA L. REV. 567, 606–07 (1997) (stating that the diffusion of shrinkwrap licensing in the computer software field will lead to the end of copyright regulations, at least for digital goods, the protection of which will become increasingly contract-based).

<sup>383</sup> Martin Kretschmer, for example, hypothesizes a radical subversion of copyright law within a generation. He argues that the current legislation (American, European and international) is counterproductive and ineffective because it hinders the diffusion of culture and information where it should enhance it—and indeed repeatedly claims to do so in its declaration of intents. The author puts forward his vision:

Some commentators salute new technologies such as DRM as the way to fix the imperfections of the market (market failures), which are worsened by the digital environment. Therefore, for some commentators the expansion of copyright through the protection of DRM represents the way ahead.<sup>384</sup>

At the opposite end of the spectrum, there are other copyright commentators who fear that DRM and the protection of DRM are damaging users' traditional rights. They argue that this trend is dangerous for the public interest, because it dispels traditional allowances for the public to access copyrighted works.<sup>385</sup> Some of them advocate radical changes to copyright law in order to resist this trend.<sup>386</sup> For example, self-enforcing tools should be provided to the user as they have been provided to the owner.<sup>387</sup> Others argue that a simple transposition of the traditional copyright principles to the digital environment could be sufficient. This would need to ensure that the same balance of rights and exceptions guaranteed by copyright law is re-created in the digital world.<sup>388</sup>

Against the detractors of DRM, it has been argued that the technology in itself is neutral, and the use or misuse of it is the only circumstance liable to create problems with copyright law. The study of Patricia Akester mentioned in SECTION 3 has revealed that DRM developers are able to fine-tune the technology to meet the needs of the users.<sup>389</sup> But they do not fine-tune it,

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Within a generation . . . [c]opyright laws will change, so as to be unrecognisable. There will be [a] short burst of exclusivity, encouraging fast exploitation, followed by a remuneration right for the [lifetime] of the creator. Criminal law will retreat to the traditional domain of unauthorised or deceptive commercial exploitation. As we reflect, digital copyright at the turn of the millennium will have marked the end of an era.

Kretschmer, *supra* note 178, at 341.

<sup>384</sup> Among these is self-declared "copyright optimist" Paul Goldstein. See Paul Goldstein, *Summary of Discussion*, in *THE FUTURE OF COPYRIGHT IN A DIGITAL ENVIRONMENT* 241 (P. Bernt Hugenholtz ed., 1996); see also Bell, *supra* note 191, at 580.

<sup>385</sup> See, e.g., Patterson & Lindberg, *supra* note 4.

<sup>386</sup> See, e.g., P. Bernt Hugenholtz, *De databankrichtlijn eindelijk aanvaard: een zeer kritisch commentaar [The Database Directive is Finally Adopted: a Highly Critical Commentary]*, 1996(4) *COMPUTERRECHT* 131; Paul Edward Geller, *Toward an Overriding Norm in Copyright: Sign Wealth*, 159 *REVUE INTERNATIONALE DU DROIT D'AUTEUR* 3 (1994) (arguing that in the digital environment, adaptation of old principles is not enough—radical revision of copyright is needed).

<sup>387</sup> See Jerome H. Reichman et al., *A Reverse Notice and Takedown Regime to Enable Public Interest Uses of Technically Protected Works*, 22 *BERKELEY TECH. L.J.* 981 (2007); Heide, *supra* note 64.

<sup>388</sup> See Netanel, *supra* note 177. See also Thomas Dreier, *Contracting Out of Copyright in the Information Society: the Impact on Freedom of Expression*, in *COPYRIGHT AND FREE SPEECH: COMPARATIVE AND INTERNATIONAL ANALYSES* 385 (Jonathan Griffiths & Uma Suthersanen eds., 2005).

<sup>389</sup> See also Dean S. Marks & Bruce H. Turnbull, *Technical Protection Measures: The Intersection of Technology, Law and Commercial Licenses*, [2000] *EUR. INTELL. PROP. REV.* 198 (2000).

because they are not asked to do so by the owner. On the contrary, sometimes users' allowances created by some DRM developers are not utilised. For example, researchers investigating the respect of the exception for disabled people (namely, visually impaired people) have found that technical allowances implemented on digital products for the benefit of disabled people are deactivated upon request of rights holders. They state:

Microsoft and Adobe, which have implemented the use of TTS [text-to-speech synthesizer] in their eBook reading systems, have heard from publishers that the audio rights to their eBooks may have been sold. Therefore a feature has been added that allows the use of TTS to be turned off. This means that at the time of creation, a decision can be made by the publisher to disable the use of TTS for this particular eBook.<sup>390</sup>

Technology therefore does not seem to be the main problem.<sup>391</sup> Rather, it is the use that copyright owners make of the technology on their products that raises concerns. Some suggest that such overreaching behaviour is allowed by law, and in particular, by the InfoSoc Directive in Europe and by the Digital Millennium Copyright Act (DMCA) in the U.S. This legislation seems to have created an expanded copyright protection in the digital environment, allowing right holders to control every use and access of copyrighted works. In sum, they argue, a new right has been created for the owner: a "right of access."<sup>392</sup>

Also, in Europe, the copyright literature detected in the last decades an expansion of the prerogatives of copyright owners, which in practice give birth to an enhanced access control on copyrighted works. They argue that the reproduction right<sup>393</sup> and the communication right<sup>394</sup> as drafted in the InfoSoc

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<sup>390</sup> See George Kerscher & Jim Fruchterman, *The Soundproof Book: Exploration of Rights Conflict and Access to Commercial eBooks for People with Disabilities* (2002), [http://www.idpf.org/doc\\_library/informationaldocs/soundproof/soundproof.htm](http://www.idpf.org/doc_library/informationaldocs/soundproof/soundproof.htm); Stefan Bechtold, *The Present and Future of Digital Rights Management — Musings on Emerging Legal Problems*, in DIGITAL RIGHTS MANAGEMENT — TECHNOLOGICAL, ECONOMIC, LEGAL AND POLITICAL ASPECTS 597 (Becker Eberhard et al. eds., 2003).

<sup>391</sup> Bechtold, *supra* note 390 (stating that DRM is an instrument sufficiently flexible to adapt to the new digital environment); Dam, *supra* note 191 (arguing that DRM is an ideal instrument to ensure copyright compliance and greater efficiency in protecting copyright in the digital environment); *contra*, see Dan L. Burk, *Legal and Technical Standards in Digital Rights Management Technology*, 74 *FORDHAM L. REV.* 537 (2005).

<sup>392</sup> See SIVA VAIDHYANATHAN, *COPYRIGHTS AND COPYWRONGS: THE RISE OF INTELLECTUAL PROPERTY AND HOW IT THREATENS CREATIVITY* 160 (2001). See generally LAWRENCE LESSIG, *CODE: AND OTHER LAWS OF CYBERSPACE* (1999).

<sup>393</sup> Thomas Heide, *Copyright in the EU and U.S.: What "Access-Right"?*, 48 *J. COPYRIGHT SOC'Y U.S.* 363 (2001); Dusollier, *supra* note 222; Westkamp, *supra* note 179.

Directive, broadly interpreted, can grant access-control prerogatives to copyright owners. However, a narrow interpretation of these exclusive rights, which in the view of the same literature is the correct one, would outlaw only infringing reproduction and communication to the public, and would not unduly expand the privilege of the owner.<sup>395</sup> Other commentators argue that access privileges are guaranteed by the anti-circumvention provisions of the InfoSoc Directive,<sup>396</sup> and are de facto empowered by TPMs.<sup>397</sup> For some, this is a natural effect of the transition from the analogue to the digital world,<sup>398</sup> while for others, this transition unduly creates new privileges.<sup>399</sup> Also, these authors agree that TPMs should not expand the exclusive rights of the owner, and they should respect copyright limits.<sup>400</sup>

However, concerns of legal commentators picturing an evolution of DRM towards technical standards<sup>401</sup> that do not take into account the entitlements of the user are somewhat contradicted by some recent trends in the music industry. Recently, music service providers are offering their products DRM-free. Initially, these DRM-free business models only interested independent labels.<sup>402</sup> Currently, the major music labels (the first was EMI<sup>403</sup>) have also agreed to license DRM-free products for mass distribution. Nowadays, several music services offer either their whole catalogue in DRM-free version,<sup>404</sup> or they price-differentiate DRM-free products and DRM-protected ones.<sup>405</sup>

This DRM-free feature, however, seems to be limited to inter-operability. This means that the above DRM-free products can be played on different rendering devices. But some of them (e.g., iTunes files) can still be copied only on a limited number of hardware devices. These usage restrictions, set in the

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<sup>394</sup> See Dusollier, *supra* note 182; Westkamp, *supra* note 179.

<sup>395</sup> Dusollier, *supra* note 222, at 202; Westkamp, *supra* note 179, at 1098, 1103; Dusollier, *supra* note 182, at 39; Heide, *supra* note 393, at 368.

<sup>396</sup> InfoSoc Directive, *supra* note 19, art. 6. See Kamiel Koelman, *A Hard Nut to Crack: The Protection of Technological Measures*, 22 EUR. INTELL. PROP. REV. 272, 276 (2000).

<sup>397</sup> Dusollier, *supra* note 10, at 109.

<sup>398</sup> See generally Jane C. Ginsburg, *From Having Copies to Experiencing Works: The Development of an Access Right in U.S. Copyright Law*, 50 J. COPYRIGHT SOC'Y U.S. 113 (2003).

<sup>399</sup> Heide, T. (2001), 'Copyright in the EU and U.S.: What 'Access-Right?' J. *Copyright Soc. USA* 48 at 378–79.

<sup>400</sup> Ginsburg, *supra* note 398, at 131; Heide, *supra* note 394, at 381–82.

<sup>401</sup> Burk, *supra* note 391.

<sup>402</sup> See, e.g., eMusic at <http://www.emusic.com>, which started off by offering music from independent labels.

<sup>403</sup> See Peter Eckersley, *EMI Begins Licensing DRM-Free Music Downloads*, DEEPLINKS BLOG, Apr. 2, 2007, <http://www.eff.org/deeplinks/2007/04/emi-begins-licensing-drm-free-music-downloads>.

<sup>404</sup> See, e.g., Amazon; see <http://www.amazon.com>.

<sup>405</sup> See, e.g., iTunes; see <http://www.itunes.com>.

licensing agreement,<sup>406</sup> are still likely to be guaranteed by the implementation of TPMs. Empirical data on this issue are missing, but further research on these new DRM-free business models could shed some light on many issues. First, it could determine to what extent the possibility of enforcing licensing agreements has changed with the introduction of DRM-free products, and what the impact of this new trend on owners and users is. Second, it could clarify whether fine-tuning rather than eliminating DRM systems could meet the needs of users of copyright works, as has been suggested by some theoretical research.<sup>407</sup>

#### B. REMEDIES FOR USERS AGAINST “UNFAIR” DRM

Remedies available for beneficiaries of copyright exceptions in cases of DRM impeding permitted acts are different, both between the U.S. and the EU and within the EU. The reason for this latter difference is that the EU legislation on this matter did not take a clear position, and left ample leeway to Member States.

The InfoSoc Directive, in fact, in Article 6(4), enjoins rights holders to take “voluntary measures” in order to comply with a selected number of copyright exceptions. Failure to do so, according to the Directive, should lead Member States to take “appropriate measures” to make sure that rights holders comply with the listed copyright exceptions. Further clarification of both “appropriate measures” and “voluntary measures” is provided by Recital 51 of the InfoSoc Directive. On “voluntary measures” the Recital offers the example of agreements between rights holders and other parties concerned,<sup>408</sup> clearly showing its preference for self-regulation. If self-regulation fails, Member States have to take “appropriate measures,” which are also specified in Recital 51, and which can involve “modifying an implemented technological measure” or “other means.”<sup>409</sup>

Such loose wording induced Member States to take different positions on this matter. A synoptic table below provides the solutions adopted by all countries studied in this literature review.

Exceptions protected against DRM per country	System ensuring that DRMs comply with copyright exceptions	Remedies for overreaching DRM
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<sup>406</sup> In fact, a survey showed that these DRM-free products are licensed under the usual restrictive terms. *See* IViR, *supra* note 66, at 139.

<sup>407</sup> *See* Favale, *supra* note 179.

<sup>408</sup> InfoSoc Directive, *supra* note 19, Recital 51, ¶ 2.

<sup>409</sup> *Id.* at Recital 51, ¶ 3.

<p>Belgium</p> <ul style="list-style-type: none"> <li>- Reprography</li> <li>- Teaching</li> <li>- Libraries, etc.</li> <li>- Radio broadcasting</li> <li>- Handicapped people</li> </ul>	<p>Art. 79bis, § 2 of the Copyright Act obliges right holders to take adequate voluntary measures, in a reasonable time-frame, to allow users to benefit from certain copyright exceptions:</p> <p>Art. 79 bis, § 4 , moreover, stipulates that technical protection measures cannot prevent a lawful user from utilising the work in conformity with its destination.</p>	<p>Art. 87bis of the Copyright Act provides that a legal action before the president of the court of first instance or of the commercial court can be undertaken both by the interested person or by recognised associations.</p>
<p>Ireland</p> <p>All Exceptions</p>	<p>SI No. 16/2004 5 (2) "Where the beneficiary is legally entitled to access the protected work or subject-matter concerned, the rights holder shall make available to the beneficiary the means of benefiting from the permitted act</p>	<p>SI No. 16/2004 5 (3) "In the event of a dispute arising, the beneficiary may apply to the High Court for an order requiring a person to do or to refrain from doing anything the doing or refraining from doing of which is necessary to ensure compliance by that person with the provisions of this section"</p>
<p>Portugal</p> <p>Almost all those with relevance for the digital environment<sup>410</sup></p>	<p>Art. 221 of Code of Author's Rights stipulates that the owner shall make a legal deposit of "the means to access the work" that beneficiaries of copyright exceptions can ask to access</p>	<p>Conflicts are solved by the Mediation and Arbitrage Board established by the law n. 83 of the 3rd of Aug. 2001</p>
<p>United Kingdom</p> <ul style="list-style-type: none"> <li>- Private copying for time-shifting</li> <li>- Libraries, etc.</li> <li>- Ephemeral broadcasting</li> <li>- Teaching/Research</li> <li>- News reporting</li> <li>- Quotation/Criticism</li> <li>- Public security/Administration</li> </ul>	<p>(Inferred from § 296ZE CDPA)</p> <p>Owners have to take voluntary measures to allow beneficiaries access to copyright works</p>	<p>§ 296ZE Copyright Act</p> <p>Users can send a Notice of Complaint to the Secretary of State</p>

<sup>410</sup> Private photocopying (not music scores); use in public libraries, museums etc.; partial reproduction for teaching; use by disabled people; use for the purposes of public security and administrative/judicial proceedings; broadcasting by social institutions; architecture or sculpture in public places; incidental inclusion; demonstration or repair of equipment; buildings or their drawings or plans; private use; scientific or academic purposes; temporary fixation by broadcasting organizations; use for archival purpose; private copying, with respect of the three step test, and the copies not communicated to the public nor commercialised; fixation of broadcasts for archival purposes in certain cases.

United States – Libraries, archives, etc. – Public security, administrative/ judicial purposes – Reverse engineering (software) – Research in cryptography – Security testing (software) – Minors protection – Privacy	17 U.S.C. 1201(f)(1) (2000). Circumvention of TPMs is permitted only for decompilation to reach inter- operability of software, where this is allowed under copyright law	Every three years, the Copyright Office rules to determine whether certain classes of copyrighted works should be exempted from the USC. § 1201 prohibition against circumventing TPMs. Users can appeal to the office to suggest the addition of new instances of fair use to the list of the above exemptions. <sup>411</sup>
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The above shows that the remedies available to beneficiaries of copyright exceptions are very different from country to country. Some of them have also been criticised by the literature for their lack of efficiency or for the excessive burden they place on the user.<sup>412</sup> The discussion on the effectiveness of the remedies against an “unfair DRM” is outside of the scope of the present study; however, what is relevant to our discourse is that none of these measures seem to be directed towards contractual abuses from rights holders.

### C. INTERPLAY BETWEEN DRM AND CONTRACT

Copyright mass licensing is a by-product of the Internet revolution. Copyright owners license their works not only to institutions and businesses, but also to end users. However, in the case of copyright infringement, an end user is extremely difficult to sue. A solution to this problem has been provided by technology: the digital product itself bears features that enforce the rights of the owner. These are the TPMs, which impede every access and use not authorized by the rights holder. Normally, authorized acts are stipulated by the licensing agreement; the contract sets the rules, and the TPMs force users to respect them.<sup>413</sup>

DRM is a composite system formed by licensing agreements and TPMs, which has the objective of setting usage restrictions on digital copyright works. These usage restrictions should normally be limited by the boundaries of copyright protection. In other words, copyright owners should implement

<sup>411</sup> See, e.g., *Harvard Team Advocates for DRM Exemption at Copyright Office DMCA Hearing*, BERKMAN CENTER FOR INTERNET & SOCIETY AT HARVARD UNIVERSITY, May 7, 2009, <http://cyber.law.harvard.edu/node/5349>.

<sup>412</sup> Ian Brown, *Implementing the European Copyright Directive*, FOUNDATION FOR INFORMATION POLICY RESEARCH, <http://www.fipr.org/copyright/guide/eucd-guide.pdf>.

<sup>413</sup> See DeWerra, *supra* note 187, at 250. (Without the TPMs, users would not respect the terms and conditions set by contracts.)



TPMs only to the extent that they enforce their exclusive rights provided by copyright law. Contracts (the licences) and technical locks (the TPMs) work in synergy to guarantee the enforcement of exclusive rights in the digital environment, where traditional enforcement tools, like a lawsuit, are not effective.

Moreover, among the rules set by the contract, there is often a clause that protects TPMs. The clause might state, for example, that it is forbidden to circumvent, to hinder, or to remove the technological lock. Circumvention of TPMs, therefore, is not only sanctioned by law, both in the US and the EU,<sup>414</sup> but also, sometimes, by contract. This creates a circular protection between contracts and TPMs.<sup>415</sup>

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In conclusion, the strict inter-relation between contract and TPMs may suggest that contracts are akin to TPMs. Both are part of the product,<sup>416</sup> and both set usage rules that, in the views of many, go beyond the exclusive rights of the owner. Furthermore, some point out that licensing agreements and DRM licences are often formulated in a similar fashion.<sup>417</sup> However, the literature overview in the previous subsection suggests that the only relevant similarity between licences and TPMs consists of the ability to set norms of private ordering that might run afoul of copyright doctrine. Surely, TPMs and contracts are indissolubly intertwined. They work together and, according to the prevailing literature, they should be designed to comply with copyright law—that is, to protect only the exclusive rights of the owner within its boundaries.

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<sup>414</sup> See 17 U.S.C. § 1201 (2006); InfoSoc Directive, *supra* note 19, art. 6; CDPA 1988, *supra* note 96, § 296ZA.

<sup>415</sup> See IViR, *supra* note 66, at 153-149.

<sup>416</sup> See *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1453 (stating that “Terms of use are no less a part of ‘the product’ than are the size of the database and the speed with which the software compiles listings”); see also David Friedman, *In Defense of Private Orderings: Comments on Julie Cohen’s “Copyright and the Jurisprudence of Self-help,”* 13 BERKELEY TECH L.J. 1151, 1159 (1998) (arguing that TPMs are a feature of the product, as part of its design. However, he specifies that TPMs are not the contract.).

<sup>417</sup> Bechtold, *supra* note 71, at 339 (reporting, in a study on a few music services, that the terms of use of DRM licences show a similar pattern as the usage rules of the service), *cited in* Derclaye, *supra* note 6, at 175.

## VII. EMPIRICAL AND COMPARATIVE STUDIES OF USER CONTRACTS AND DRM

### A. PROPORTION OF COPYRIGHT MATERIAL DIFFUSED ELECTRONICALLY

The first data of interest to this literature review are provided by the International Federation of Phonographic Industry (IFPI) and by the EU Commission, both in 2009. They are relevant to the diffusion of electronic licences and the products on which they are implemented. The IFPI reports that the market share of digital products is growing every year. Figures relative to 2008 reported a share of 35% for games, 20% for recorded music, 4% for newspapers, 4% for films, and 1% for magazines.<sup>418</sup> The 2009 EU Commission Report on e-commerce, discusses the penetration of e-commerce in the EU Internal Market. The data interesting to our discourse is that, on average, (in the twenty-seven EU Member States) 30% to 40% of copyright goods are sold online. More “mature” markets like the U.K., France, and Germany reach 70%.<sup>419</sup> All material commercialised online potentially implements electronic contracts or end-user licence agreements. However, specific data on the type of contracts (e.g., shrink-wrap, click-wrap, or browse-wrap) or the media on which they are diffused (e.g., web pages or booklets) are missing.

1. *Contracts.* The most comprehensive theoretical study on copyright and contracts in Europe has been performed by Lucie Guibault of the IViR centre in Amsterdam. Her analysis focuses on the U.S., France, Germany, and the Netherlands. In essence, Guibault concludes that the limits on freedom of contract, including consumer protection law, competition law, constitutional principles, and copyright law, appear insufficient to ensure that the legitimate interests of users of copyright works are respected by copyright licensing agreements.<sup>420</sup>

Since 2002, when Guibault published her comprehensive study, new literature, case law, and legislation has been produced, impacting the relationship between contract and copyright law. None of this, though, seems to bring substantial changes to the general scenario outlined by Guibault. However, her conclusions regarding potential overridability of copyright limits by contract are still waiting to be confirmed by systematic empirical studies. The theoretical debate about the tension between copyright exceptions and contract continues to engross the copyright doctrine. Some authors believe, as Guibault does, that copyright law should offer enhanced shelter to beneficiaries of copyright exceptions against contracts. Some others, conversely, believe that

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<sup>418</sup> See Kennedy, *supra* note 209.

<sup>419</sup> *Report on Cross-border E-commerce in the EU*, *supra* note 209.

<sup>420</sup> Guibault, *supra* note 56, at 302–04.

the balance between copyright and contract does not need to be touched. For others, contracts are even more efficient than copyright in protecting the exclusive rights of the owner in the digital environment.

No comprehensive supra-national survey seems to have been performed on the interplay between contracts and copyright exceptions.<sup>421</sup> At the national level, outside our area of reference, the most interesting and in-depth theoretical and empirical study has been carried out by the Australian Copyright Law Review Committee.<sup>422</sup>

The theoretical part of the study provides a literature and statute review including Australia, the U.S. and the EU. They also examined potential limits to contract stemming from—or out of—contract law, as Guibault did. Similar conclusions were reached: remedies outside copyright law are scarcely effective.<sup>423</sup>

The data utilised in the empirical part of the study are focused on Australian sources, and were gathered from a public consultation process and an open forum which involved several rights holders, users' associations, libraries, and academic institutions.<sup>424</sup> An Issues Paper was distributed among the stakeholders illustrating the terms of reference and posing a number of questions instrumental to determine the interplay between copyright limits and contracts.<sup>425</sup> While the representatives of the rights holders generally reported that they did not detect any use of licences overriding copyright limits, a few libraries and universities produced examples of contracts hindering copyright exceptions.<sup>426</sup>

The Australian study concludes that [l]ibrary and user interests generally identified a problem regarding the use of online licences to modify the exceptions and wanted legislative or other intervention. Owner interests variously asserted that contract law and the market can and should regulate the situation or that

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<sup>421</sup> See OECD, *supra* note 356, at 34 (confirming that empirical studies and measurement of the practices in the distribution of digital content, through systematic collection and analysis of data are missing).

<sup>422</sup> AUSTRALIAN GOVERNMENT ATTORNEY-GENERAL'S DEPARTMENT COPYRIGHT LAW REVIEW COMMITTEE, COPYRIGHT AND CONTRACT (2001), [http://www.ag.gov.au/www/agd/agd.nsf/Page/Copyright\\_CopyrightLawReviewCommittee\\_CLRCReports\\_CopyrightandContract\\_CopyrightandContract](http://www.ag.gov.au/www/agd/agd.nsf/Page/Copyright_CopyrightLawReviewCommittee_CLRCReports_CopyrightandContract_CopyrightandContract). (Austl.) [hereinafter CLRC].

<sup>423</sup> Copyright and Contract Report, CLRC at Chapter 1, 2.09.

<sup>424</sup> COPYRIGHT AND CONTRACT-Submissions, CLRC, *supra* note 423.

<sup>425</sup> See COPYRIGHT AND CONTRACT Issues Paper, CLRC, *supra* note 423.

<sup>426</sup> See, e.g., CLRC Report, *supra* note 422, Chapter 4, Part II.

although the situation is uncertain, it is too early to take corrective action.<sup>427</sup>

The Australian report also highlighted the fact that licensing agreements subject to the analysis are more and more likely to be governed by foreign law; therefore, national solutions could be of limited relevance.<sup>428</sup>

An empirical study on digital media and consumer issues, in relation to electronic licences has been performed in Germany by the local branch of the BEUC (the European Consumer Organization).<sup>429</sup> The study detected legal uncertainties in Germany regarding the application of the exhaustion principle (related to physical copies of digital works, CDs, DVDs, etc.) and cross-border licensing. The legal wording of the licences was also found difficult and detrimental for consumers. Another interesting finding for our analysis is that legal entitlements of copyright users, such as the possibility to make a back-up copy of a computer program, were also often impaired.<sup>430</sup>

Case studies have also been performed in the U.S. and Norway on iTunes, the largest online retail music seller, and some other similar services. They all revealed that the terms and conditions of the service could run afoul of copyright limits—such as the fair use doctrine—beyond negatively affecting consumer statutory rights.<sup>431</sup>

In the U.K., the British Library carried on an examination of one hundred licensing agreements that were offered to them.<sup>432</sup> They questioned whether the licences at hand allowed the following operations (or accommodated the following needs, or even only mentioned them): archiving; printing; downloading and electronic copying; fair dealing; visually impaired; inter-library loans; exceptions. The British Library found that 90% of these licences did not respect these copyright exceptions and limitations.<sup>433</sup> They elaborate, therefore,

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<sup>427</sup> COPYRIGHT AND CONTRACT Discussion Paper, CLRC, *supra* note 423.

<sup>428</sup> *Id.*; see also DeWerra, *supra* note 187 (arguing for a supranational solution).

<sup>429</sup> See <http://www.verbraucherzentrale.de/>.

<sup>430</sup> Consumer Protection in Digital Media: Summary of the Study, [http://www.vzbv.de/mediapics/consumer\\_protection\\_in\\_digital\\_media\\_2006.pdf](http://www.vzbv.de/mediapics/consumer_protection_in_digital_media_2006.pdf). The study is available (in German) at <http://www.vzbv.de/go/dokumente/545/5/24/index.html>.

<sup>431</sup> See Gasser, *supra* note 172; Grondal, *supra* note 249; Bechtold, *supra* note 71.

<sup>432</sup> See ANALYSIS OF 100 CONTRACTS OFFERED TO THE BRITISH LIBRARY, *supra* note 260 (explaining methodological approach: “The study of 100 contracts comprises a randomly selected collection of agreements offered to the British Library. Given the complexities of licensing and copyright exceptions, being able to map accurately provisions in a licence over to the intent provided for by exceptions law is a complex procedure and one open to debate. The study was carried out in good faith and is intended to be no more than broadly representative.”).

<sup>433</sup> See *id.*

a position on copyright exceptions, which includes a number of principles that, according to the British Library, should inform U.K. copyright policy.<sup>434</sup>

Also, the National Consumer Council carried on a survey on End User Licence Agreements on computer software,<sup>435</sup> and found that most of the licences examined infringe consumer protection legislation. Unfortunately, the study did not address copyright issues, but it suggested that the Office of Fair Trading undertake a systematic survey on the practice of electronic licensing to detect potential incongruence with the current legislation.

2. *DRM.* On the issue of DRM, empirical studies seeking to identify the impact of DRM on beneficiaries of copyright exceptions have been carried out by Intrallect Ltd.<sup>436</sup> and by CIPIL.<sup>437</sup> Intrallect adapted the “use cases” approach, which is a method born in the field of software engineering, to the relation between DRM and education and research communities in the U.K.<sup>438</sup> Their study examines a broad number of practical situations affecting researchers, teachers, students, and libraries while interacting with DRM. Their purpose is to suggest to the Joint Information Systems Committee (JISC)<sup>439</sup> the best approach and practice to adopt in relation with DRM.

Their method consisted of organising a number of workshops, six in total, to which they invited a relevant number of representatives of stakeholders, in total forty-seven participants.<sup>440</sup> The workshop participants, after an introduction to DRM, were invited to work on their own to produce two case summaries each (“short descriptions of a primary actor and her goals, usually no more than one or two sentences”). The workshop produced 125 case

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<sup>434</sup> *See id.*

<sup>435</sup> *See* Belgrove, *supra* note 212. The study involved standard questionnaires to users of computer software.

<sup>436</sup> INTRALLECT, LTD. ON BEHALF OF JOINT INFORMATION SYSTEMS COMMITTEE [JISC], DIGITAL RIGHTS MANAGEMENT: FINAL REPORT (2004), available at [http://www.intrallect.com/index.php/intrallect/knowledge\\_base/general\\_articles](http://www.intrallect.com/index.php/intrallect/knowledge_base/general_articles) (follow “JISC DRM Study – 2004” hyperlink).

<sup>437</sup> *See* Centre for Intellectual Property and Information Law of Cambridge University, U.K., <http://www.cipil.law.cam.ac.uk>.

<sup>438</sup> *See* JISC, *supra* note 436, at 23 (“The methodology is based on identifying the key participants (sometimes called ‘actors’) and their goals. For each primary actor and goal, one use scenario (or ‘use case’) is developed in detail and is examined to consider all possible alternatives to that scenario. A set of use cases is complete when use cases have been developed for the goals of all the primary participants. These use cases are described in terms of the user’s actions and make no assumptions about underlying technology. The use cases are then used to define the requirements for a system that will support these scenarios.” In short, as the authors of the report state, “[t]he use cases are simply a way of defining what people want to achieve.”).

<sup>439</sup> The Joint Information Systems Committee, <http://www.jisc.ac.uk>.

<sup>440</sup> *See* JISC, *supra* note 436, at 23.

summaries in total. Afterwards, the participants were invited to work in pairs to expand on one of their case summaries to develop a use case.<sup>441</sup>

As a key finding, they identify the needs of the mentioned categories (researchers, teachers, students, and libraries) and suggest an alternative right expression language (REL)<sup>442</sup> compatible with these needs. They show, therefore that, TPMs are neither good nor bad. They should be fine-tuned in order to accommodate users' needs.

Patricia Akester from CIPIL carried out another survey on the impact of DRM on selected beneficiaries of copyright exceptions. Nine standardized questionnaires were submitted to representatives of the following copyright players: (1) libraries, (2) the visually impaired and partially sighted, (3) private users, (4) lecturers, (5) students/researchers, (6) DRM developers, (7) content owners, (8) the European Commission, and (9) the U.K. Intellectual Property Office.<sup>443</sup> The questionnaires were partly open (allowing a free answer from the interviewee) and partly closed (with multiple-choice answers).<sup>444</sup>

She concluded that some beneficiaries of copyright exceptions are being adversely affected by the use of DRM. She therefore suggested a number of legal solutions, involving the modification of article 6(4) of the InfoSoc Directive and the involvement of third parties that would guarantee to beneficiaries of copyright exceptions lawful access to copyright works.<sup>445</sup> Similar solutions have already been proposed by some in the literature.<sup>446</sup> However, it has been submitted that solutions in a complex field such as DRM, in order to be effective, should involve both technological and legal solutions at the same time, coordinated between them.<sup>447</sup>

The OECD issued a Background Report on Empowering E-consumers in December 2009, to serve in the conference on the same topic.<sup>448</sup> The

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<sup>441</sup> *Id.* at 24.

<sup>442</sup> Rights Expression Language or REL is a machine-processable language used for Digital Rights Management. For an overview of REL, see <http://www.loc.gov/standards/rel/report.pdf>.

<sup>443</sup> Akester, *Technological*, *supra* note 75, at 31.

<sup>444</sup> *Id.* at 31. (The reason for this choice was the hope “to combine the need for rigour with the need to understand how respondents themselves describe the issue, in their own language.”)

<sup>445</sup> *Id.* at 2. (Proposes to modify Article 6(4) by clarifying the expression “appropriate measures” that Member States have to take in order to have TPMs comply with copyright exceptions, in the sense of creating standardized “access to works portals.” These would function through a DRM deposit system “according to which the means to enable beneficiaries of privileged exceptions to benefit from them would be deposited and made available through access to works portals, in specified circumstances.”)

<sup>446</sup> John S. Erickson, *Fair Use, DRM, and Trusted Computing*, 46(4) COMMUNICATIONS OF THE ACM 34; Burk, *supra* note 391.

<sup>447</sup> Marcella Favale, *Access to Copyright Works: Fine-tuning DRM to Balance the Rights of Owners and Users*, UNIVERSITY OF NOTTINGHAM Ph.D. dissertation (2007).

<sup>448</sup> See DSTI/CP(2009)20/FINAL, available at <http://www.oecd.org/dataoecd/44/13/440475>

conference and the report, together with other OECD publications, will be instrumental to the second edition of the OECD Guidelines for Consumer Protection in the Context of Electronic Commerce, to be released in 2010. The protection of consumers of digital products from restrictive Terms of Use or DRM are raised. The duty of disclosure of the right owner, the dangers for consumer privacy, and other consumer-related issues are discussed, but there is no specific focus on the issue of contracts overriding copyright exceptions.

### VIII. CONCLUSIONS

The analysis of the legislation, the case law, and the literature of the targeted countries so far reveals a substantial body of literature and case law on the interplay between copyright and contract in the United States. The European Union follows, with substantial legislation and literature, but not much relevant case law. Among the individual Member States examined, the U.K. and Belgium provided the richest doctrinal contribution to the present study, while hardly any case law or literature was found in relation to Ireland and Portugal.

On the basis of the above data, potential research gaps have been identified. These gaps can be seen as new research questions that may provide the basis of subsequent research in support of copyright policy development. It also details the approaches and methodologies that could be used in answering such questions.

#### SECTION 1

Except for a few notable exceptions,<sup>449</sup> hardly any literature and case law has discussed the impact that imperative copyright exceptions had on contracting licences, in those countries that stipulate mandatory exceptions. Moreover, the difference between countries implementing imperative exceptions and countries where freedom of contract prevails has not been the subject of a comparative empirical study.

#### SECTION 2

Against overreaching licence agreements the examined literature proposed self-regulatory solutions, to be enacted through model licences and codes of conduct.<sup>450</sup> A study on the feasibility of such solutions could be interesting for policy makers.

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83.pdf; Conference documents are available at <http://www.oecd.org/icr/econsumerconference>.

<sup>449</sup> Dusollier, *supra* note 10; Dubuisson, *supra* note 124.

<sup>450</sup> See Green paper on Copyright in the Knowledge Economy, *supra* note 267; the Australian

## SECTION 3

The sector of the commercialization of digital copyright works seems to be most in need of empirical evidence. First of all, no comprehensive research has been done to determine the exact proportion of works commercialised online to further determine the pervasiveness of the problem of the overridability of both copyright limits by contracts and TPMs/DRMs.<sup>451</sup> In addition, specific data on the type of contracts (e.g., shrink-wrap; click-wrap or browse-wrap) or the media on which they are diffused (e.g., web pages or booklets) are missing. No systematic cross-border study has been carried out specifically on the compliance of licensing agreements with copyright exceptions. The lawfulness of end-user licence agreements vis-à-vis consumer statutory rights has been taken into consideration in a few countries, as we mentioned above in this conclusion. But they hardly refer to any copyright issue, except indirectly. In this sector, sweeping techniques<sup>452</sup> could be usefully implemented to systematically gather data online, while social quantitative research methods would be necessary to examine shrink-wrap licences on material carriers (CDs, etc.).

An interesting research gap has been identified in the licence purchasing practices of public libraries and educational institutions. Their needs in terms of copyright allowances, as well as their ability to negotiate clauses allowing them, need to be explored.

## SECTION 4

At present, studies on the limits of contract and copyright, such as those carried out by Guibault, appear sufficiently exhaustive. Subsequent research should address practical solutions to accommodate the needs of copyright owners and users. This may include, for example, concrete proposals for normative action, or, alternatively, for the adoption of model licences or codes of conduct.

Incidentally, the exclusion of digital copyright works from a number of users' privileges, as in Article 6(4) of the InfoSoc Directive, is underpinned by their status as services rather than goods. Both their status and their exclusion from copyright exceptions (despite the fact that they are copyright works under every respect) could be usefully addressed by theoretical research.

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CLRC Study, *supra* note 264; Garnett 2006, Hugenholtz, *supra* note 187.

<sup>451</sup> See IFPI, *supra* note 209; EU Commission Report, *supra* note 209.

<sup>452</sup> These involve exploring the Internet in search of relevant material. This method is particularly interesting also for its relatively contained costs.



## SECTION 5

Many theoretical and technological solutions have been proposed in the field of DRMs. The CIPIL study revealed that technical solutions for TPMs compliant with copyright exceptions are already available.<sup>453</sup> Nonetheless, the enjoyment of copyright exceptions is sometimes hindered by DRM. It is therefore a matter for policy makers to implement the correct solutions.

However, recent business models emerging in the copyright industry should be included in the picture. The impact on users of copyright works of emerging DRM-free business models (in terms of acceptability) and their impact on right holders (in terms of benefits) should be assessed and analysed both theoretically (by economists) and verified empirically.

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<sup>453</sup> Akester, *supra* note 75, at 70.