

Session 6B

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Emily C. & John E. Hansen Intellectual Property Institute

**TWENTY-SEVENTH ANNUAL CONFERENCE
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LAW & POLICY**

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**SESSION 6: COMPETITION AND COPYRIGHT LAW
6B. *International Copyright***

Moderator:

Michael S. Shapiro

U.S. Patent and Trademark Office, Washington, D.C.

Speakers:

Mihály Ficsor

Hungarian Copyright Council, Budapest

***No “Online Exhaustion” of the Rights of Making Available to the Public and
Reproduction (and Not Real “E-lending” Either): Analysis of the Relevant
International and EU Norms in the Advent of the Tom Kabinet Judgment***

Jerker Rydén

National Library of Sweden, Stockholm

***Copyright – Progression or Regression? Does the Existing Copyright Regime
Provide the Incentive for a Diverse and Sustainable Culture and Strike an
Adequate Balance Between the Exclusive Right and Exceptions and
Limitations?***

Joel Smith

Herbert Smith Freehills LLP, London

***Can you Copyright a Smell or a Taste? EU Position on Protecting
Unconventional Copyright***

Yoshiaki Shibata

Tokyo District Court, 46th Division, Tokyo

Linking Under the Japanese Copyright Act

Panelists:

Silke von Lewinski

Max Planck Institute for Innovation and Competition, Munich

Ted Shapiro

Wiggin LLP, London

Marcus von Welser

Vossius & Partner, Munich

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MR. M. SHAPIRO: Good morning, all. My name is Michael Shapiro. I work at the United States Patent and Trademark Office, where I primarily specialize in international copyright issues. It's an absolute pleasure to serve as moderator for this panel on international copyright.

Let me begin by introducing our distinguished speakers and panelists: Joel Smith from Herbert Smith Freehills LLP in London; Jerker Rydén, Senior Legal Advisor, National Library of Sweden in Stockholm; Mihály Ficsor, President of the Hungarian Copyright Council in Budapest and former Assistant Director-General at WIPO; The Honorable Yoshiaki Shibata from the Tokyo District Court, 46th Division; Silke von Lewinski, with the Max Planck Institute for Innovation and Competition in Munich; my namesake, Ted Shapiro from Wiggin LLP, London; and Marcus von Welser from Vossius & Partner in Germany.

As you can see, we have a very distinguished panel and a very rich menu of topics.

The initial title for this session was "International Copyright Potpourri." I see somewhere along the line Hugh changed the title of the panel. You'll be able to make the decision by the end of the panel whether it is in fact a "potpourri" of miscellaneous topics or whether perhaps we can find a coherent thread to bring these disparate topics all under the umbrella of international copyright.

I would now like to turn the floor over to Mihály Ficsor, who is going to give us a brief seven-minute presentation on the topic of "online exhaustion," particularly with reference to the rights of making available to the public and reproduction in the European Union.

MR. FICSOR: Good afternoon, ladies and gentlemen.

When I registered for the Conference, I uploaded to the Conference website a forty-five-page-long paper under the same title as this.¹ My presentation contains twenty slides, but, because the time is very short, actually I have to proceed now to the conclusion. [Laughter]

I'm going to show only two slides, the very first one and the last substantive one.

The very first one in a way sums up what I presented in forty-five pages and here in twenty pages, and what otherwise the Association Littéraire Artistique Internationale (ALAI), the oldest and still very active NGO in the field of authors' rights, presented in an opinion which is available on ALAI's website (www.alai.org) about the *Tom Kabinet* case.² I'm going to show the rest possibly at the speed that you can see advertisements at the side of the highway when you drive a car at the speed of 140 km/hr.

¹ See Dr. Mihály J. Ficsor, *Tom Kabinet: there is no "online exhaustion" of the right of making available to the public even if it is characterized as distribution (as there is no real "e-lending" either)*, COPYRIGHT SEESAW (Aug. 20, 2018), <http://www.copyrightseesaw.net/en/papers>.

² Case C-263/18, *Nederlands Uitgeversverbond and Grp. Algemene Uitgevers v. Tom Kabinet Internet*, BVECLI:EU:C:2019:1111 (Dec. 19, 2019).

In *Tom Kabinet*, which is a case in front of the Court of Justice of the European Union, a Dutch court asked not less than whether or not when a used e-book is uploaded to the website Tom Kabinet, which is actually an online virtual second-hand bookshop, and then from there it is made available to the public and somebody downloads it, all this is covered by the principle of exhaustion.

I refer to the ALAI opinion I have just mentioned, the preparation of which I also participated in and Silke von Lewinski, sitting in front of me, also very much participated too. The answer to the *Tom Kabinet* court's question by ALAI, rightly enough, was: no, there is no exhaustion, because in such a case what takes place are at least three things: when an e-book is uploaded to the website, it is a reproduction; it merges into the making-available-to-public right; and when it is downloaded it is a reproduction again; and none of these rights are covered by the principle of exhaustion.

The ALAI opinion also dealt with the argument of those who are in favor of online exhaustion; namely, that there is equivalence between the online making available of works when they are downloaded in a permanent way and distribution of copies.

Yes, there is equivalence. This equivalence was fully taken into account when we adopted the two WIPO Treaties in 1996, and the answer was: no matter whether you can characterize this as distribution or communication to the public, the streaming or downloading is covered by the exclusive right of making available to the public.

If you characterize this as distribution and you add that, because you characterize that as distribution, you also apply exhaustion, you are in conflict with the international treaties and also with the *acquis communautaire*³ because, both in an Agreed Statement to Article 6 of the WIPO Copyright Treaty (WCT)⁴ and in Article 3(3)⁵ of the EU Information Society Directive, it is clarified that only tangible copies are covered by the right of distribution and, therefore, they are exhausted only with their first sale.

The second argument of the supporters of online exhaustion was: okay, the right of distribution only applies for tangible copies; but if you also extend the right to intangible copies, you increase the level of protection. Yes, you may. But if you add that the right characterized in this way exhausts too, you go down brutally under the level of protection which is required.

The opinion of ALAI didn't deal in substance with the Court of Justice judgments in *UsedSoft*⁶ and *VOB*.⁷ There is a dangerous opinion that we shouldn't care about *UsedSoft* and *VOB* because *UsedSoft* only applies to software online exhaustion and *VOB* only for e-lending of books and they do not apply to e-rental and so on. In my paper, I analyze the reasons for which those two judgments are in an unfriendly relationship with the relevant international and EU norms and why the *Allposters*⁸ judgment of the Court of Justice and the *ReDigi* judgment of the Second Circuit⁹ have gone in the right direction.

³ This refers to the accumulated body of European Union law and obligations from 1958 to the present day.

⁴ See WIPO Copyright Treaty art. 6, Dec. 20, 1996, 36 I.L.M. 65 (1997).

⁵ Directive 2001/29/EC. Article 3 of the EU Information Society Directive states that "The rights referred to in paragraphs 1 and 2 shall not be exhausted by any act of communication to the public or making available to the public as set out in this Article."

⁶ Case C-128/11, *UsedSoft GmbH v. Oracle Int'l Corp.*, 2012 E.C.R. I-0000.

⁷ Case C-174/15, *Vereniging Openbare Bibliotheken v. Stichting Leenrecht*, ECLI:EU:C:2016:856 (Nov. 10, 2016).

⁸ Case C-419/13, *Art & Allposters Int'l BV v. Stichting Pictoright*, ECLI:EU:C:2015:27 (Jan. 22, 2015).

⁹ *Capitol Records LLC v. ReDigi, Inc.*, 910 F.3d 649 (2d Cir. 2018).

Nevertheless, in my paper I point out that, unfortunately, it is understandable that the *Tom Kabinet* Court has been of the view that, if the arguments in the *UsedSoft* and *VOB* decisions of the Court of Justice might work, then they might work also in this case too.

My proposal is that we should apply another solution. The legal-political objectives that the Court of Justice wanted to achieve in *UsedSoft* and *VOB* may be achieved also in accordance with the existing international norms and the *acquis communautaire*. The objective may be achieved also through possible exceptions to the rights of reproduction and interactive making available to the public on the basis of the three-step test provided in Article 9(2) of the Berne Convention and Article 10 of the WCT.¹⁰

The schema above is intended to show what kinds of criteria should be taken into account for the application of the three-step test in order to establish whether or not we may speak about a special case and whether or not there is a conflict with a normal exploitation of the works and/or unreasonable prejudice to the legitimate interests of the rightsholders.

This is a schema; it is not a mathematical equation, but it shows the different criteria which should be taken into account when considering possible exceptions to the rights of reproduction and making available to the public. There are many, many criteria.

(*q*) means quality. Of course, a basic argument for why the exhaustion principle should not be applied for online exhaustion is that the quality of the copies is perfect; it doesn't degrade with the subsequent transmissions.

But the second key element is the three criteria — (*s*), (*e*) and (*c*) — in parentheses above the line, which were taken actually from the excellent paper published by the United States Copyright Office on the implementation of the Digital Millennium Copyright Act¹¹. These criteria are the highly increased speed (*s*) of subsequent transfers of property of perfect copies, the ease (*e*) with which this may take place; you do not have to go to a second-hand bookshop with your copy, and the reduced cost (*c*) which is nearly zero, since it just consists of clicking on your keyboard to upload your copy to be transferred. It's not like when you go to a second-hand bookshop to sell your copy of the book, and somebody comes a couple of weeks later and buys it. No; it may be read immediately. In my view, these are the decisive criteria which may serve as a key argument against widespread unconditional exceptions even if we presume — without well-founded reasons — that no retention copy is withheld when the original copy is uploaded in a system like *UsedSoft* or *Tom Kabinet*.

The criteria under the line are also important from the viewpoint of applicability of exceptions — the genre (*g*), the function (*f*), and the purpose (*p*) of the copies transmitted. The genre (*g*) of the works is quite relevant. For example, the impact is specific in the case of software. It is like a tool. If you really delete the original copy — but there is a big, big question about that — and a member of the public downloads a copy of the program made available on the system's servers, he or she will start using that tool, and the original owner of the copy simply cannot use it anymore. But an audiovisual work or an e-book is different: their use is consumptive. You can read an excellent thriller in one day, you just push a button, it goes up, and somebody else may read it immediately. The impact on the exploitation of works and rights is fundamentally different.

And, of course, the function (*f*) and purpose (*p*) of the use are also to be taken into account. So-called “e-lending” of books, for example, for educational or research purposes on the basis of an exception to the rights of reproduction and making available to the public

¹⁰ Article 10 concerns “Limitations and Exceptions.”

¹¹ U.S. COPY. OFF., DMCA SECTION 104 REPORT, at xi. (2001).

may be justified, but for other kinds of e-publications, such as fiction books, it may not, because it could undermine the market for those works.

Last, on the other side of the schema, there is circumvention (*c*) of the system by retaining a copy in an external memory. It is doubtful that, when the entire process begins, there is no retention copy, as it has been emphasized by the appeals court in *ReDigi*. However, as I stressed, even if there were perfect guarantees against retention copies, it would not be decisive alone. The other factors indicated in the schema — in particular the “*s + e + c*” triptych — would exclude the applicability of a sweeping exception going beyond what the three factors mentioned under the line – *g + f + p* – might justify.

Thank you very much.

MR. M. SHAPIRO: Thank you very much, Mihály. I think you’ve given us a great deal to think about.

We’ve got five minutes for discussion on this topic that includes speakers, panelists, and members of the audience. Let me just canvass our panelists.

Silke, you’ve got an observation?

MS. VON LEWINSKI: Yes. Thank you very much.

It is no surprise that in substance I fully agree with what Mihály has said, all the more since also the German courts, even after the *UsedSoft* decision, have consistently held, in respect of audio books that had been offered online for download, that it was clear that this was an act of making available the audio books to the public and that the distribution right with its exhaustion would not apply.

They made a proper analysis *de lege artis*¹² — according to the art of statutory interpretation — and, based on the fundamental distinction in the law between acts of exploitation in non-tangible and in tangible form, came to the clear and unequivocal conclusion: yes, of course, it is the making available right which applies to the (non-tangible) online offer and transmission of works and this right is not subject to exhaustion. So, there was even no need to submit a question (on the application of the distribution right and its exhaustion) to the Court of Justice. But we have this question now from the Netherlands before the Court of Justice, unfortunately. Maybe one should have avoided referring the question, which should — if the law is properly interpreted — not be a question at all.

Well, nobody has a crystal ball as regards the Court of Justice, but at least I would like to mention one statement of the Court itself in the “e-lending” case, *VOB v. Stichting Leenrecht*, where it referred to the WIPO Copyright Treaty (WCT) in respect of the rental right. It acknowledged that the Agreed Statement to the article on rental rights clearly sets out that rental as well as distribution only refers to copies, and copies by definition are tangible objects, so there would not be any exhaustion.

That is, the Court recognized this Agreed Statement and its outcome for the rental right, so maybe it would also recognize it for the distribution right, to which the same Agreed Statement applies, although the Court would then have to admit that it had made a mistake in the *UsedSoft* case.

I don’t want to take too much time so I leave it at that.

MR. M. SHAPIRO: Thanks so much for that, Silke. I think that adds quite a bit.

Ted?

MR. T. SHAPIRO: Picking up on that and what the Court of Justice might do in this case, I am pessimistic. I was at the hearing. I can see two other people in the room who were also at the hearing, and maybe they are less pessimistic than I am.

¹² Latin phrase meaning “skillfully according to the laws.”

But there is language in the *UsedSoft* case where the Court talks about how sale converts a making available into distribution. The Dutch court did not even find that making available was relevant, but the Court of Justice posed a question to the parties about this, and they referred to “sale” and they referred to “on a permanent basis,” which made me think that they were considering this language from *UsedSoft*.

At the hearing they were asking a lot of questions around that, and they were asking a lot of questions about deletion — does this work and could Tom Kabinet do it? — and it was really ridiculous.

So I am a little bit pessimistic because of that, that we could find ourselves in a place where the subscription models and online “rental” models are not subject to exhaustion but anything that is “sell-through” is, and then people will have to make business decisions about how they deal with that.

MR. M. SHAPIRO: Thanks for that, Ted. Since you noted the importance of “deletion” technologies in the *Tom Kabinet* case, I thought I would mention the 2001 Copyright Office DMCA Section 104 Report, which considered the first-sale doctrine in the digital age, noted that “forward-and-delete” technology, which could be used to support a digital first-sale doctrine, was not then available in the marketplace and probably in any case would not be a “silver bullet.”

Eighteen years later in the United States, I think it is fair to say that we are still wrestling with many of the issues discussed in the 2001 Section 104 report. In the closely watched *Capitol Records v. ReDigi* case, which might be considered more or less the *Tom Kabinet* case of the United States, the U.S. Supreme Court may weigh in on those issues if it accepts ReDigi’s cert. petition, which is expected to be filed in the near future.

But I didn’t mean to preempt audience participation. Please.

QUESTION [Anne Bergman-Tahon, Federation of European Publishers]: It’s our Dutch members who introduced the case. I was at the hearing, and I concur with Ted.

For us, the main concern, apart from the legal aspects, is the only one who will be able to make sure that a link has been deleted are those vendors who do it in a “walled garden,” a sort of “un-zone,” and therefore the minute you will have finished reading a book on Amazon, they will knock at your virtual door and say, “Would you like to resell it?” again and again and again, and neither the authors nor the publishers will gain anything.

I think that this is going to disrupt, if the decision of the Court of Justice goes in the way I’m afraid it may go, that would really reinforce the anticompetitive position of some of the big players that have walled gardens.

MR. T. SHAPIRO: Don’t they already have a patent for forward-and-delete?

QUESTIONER [Ms. Bergman-Tahon]: Yes, they do. Amazon has a patent for reselling secondhand e-books, whatever “secondhand e-books” may mean.

MR. FICSOR: Very quickly, I’d like to stress again something about what I presented as a schema. Irrespective of whether there is complete deletion of a copy by a forward-and-delete system or not, because a retention copy already exists, a so-called online-exhaustion — which would be truly an exception to the rights of reproduction and making available to public — still may not be applicable. As a result the speed, ease, and the very low cost of online transmissions of, let’s say, e-books, thrillers, and also audiovisual works, it really would get into competition with normal exploitation of the works and, therefore, in conflict with the three-step test.

MR. T. SHAPIRO: You’re so right.

MR. M. SHAPIRO: I’m sure that we could spend the entire session on this, but we really do have to turn to Jerker Rydén, who has a presentation with the intriguing title “Copyright: Progression or Regression?”

MR. RYDÉN: Thank you, Michael.

Does the existing copyright regime provide the incentive for a diverse and sustainable culture and strike an adequate balance between the exclusive right and exceptions and limitations?

Copyright has excelled in producing a diverse and sustainable culture but the information technology of the 21st century has created a challenge, how to facilitate the communication of copyright protected works with the respect of the exclusive right and at the same time striking a balance between the exclusive right and the interest of the society on the whole of access to copyright protected works — i.e. how to maintain a sustainable copyright regime.

The challenge I address in my speech is universal. Even so, WIPO has not addressed it in a concrete way. In the European Union, it has been addressed although not in whole and a proper analysis is lacking.

Article 17 of the DSM Directive¹³ provides the evidence of a dysfunctional marketplace and a copyright regime, which is to some extent in free-fall. Neither the users nor the creative industry or the creators themselves are content with the result.

In the same EU Directive another challenge is addressed, i.e. the aim to make it possible for culture heritage institutions to make their collections available on the Internet. Why do I mention this approach at all?

I perceive YouTube and cultural heritage institutions both to be aggregators. What do I mean by an aggregator? Both YouTube and a cultural heritage institution make use of copyright-protected works and make such works available to the public on the Internet. Neither YouTube nor a cultural heritage institution owns the copyright to the works in question.

Is there in essence a difference between YouTube as an aggregator and cultural heritage institutions, which motivate the legislator to treat them differently? Both entities make copyright-protected works available on a mass scale, they are both confronted with the same challenge — works whose right holder cannot be identified, and thus the rights cannot be cleared. Such a “filter effect” is addressed in Article 8–11 and could also be solved using the licensing mechanism referred to in Article 12 – Extended Collective Licensing and is already in practice in the European Union as far as mass communication (SatCab Directive)¹⁴. So why cannot the licensing mechanism in Article 12 be considered to solve the so-called filter effect the critics of Article 17 so often refer to?

Considering what I have said so far one could possibly take one of the following positions:

- (1) No change is needed.
- (2) A tax/levy should be introduced to compensate right holders and WIPO should be engaged and a convention introduced to strike a balance and introduce a global limitation and right holders to be remunerated — a global level playing field to match a global market.
- (3) Article 17 of the DSM Directive is the solution and should be introduced in all countries, or a global treaty or the alike.
- (4) For those situations where direct licensing or traditional collective licensing is not feasible, a contract, which is by law extended to non-represented right holders (compare

¹³ Directive (EU) 2019/790 of the European Parliament and of the Council of 17 April 2019 on copyright and related rights in the Digital Single Market and amending Directives 96/9/EC and 2001/29/EC.

¹⁴ Council Directive 93/83/EEC of 27 September 1993 on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission.

DSM Directive Article 12), would still fulfil the purpose of a contract — a flexible instrument to set a price on a market — and at the same time solve the challenge addressing how to clear rights of works whose right holder cannot be identified.

It is obvious the existing copyright regime is no good.

Exception/limitation in combination with a tax/levy can never be flexible enough to enable the supply of copyright-protected works to meet the demand for such works on a dynamic marketplace.

A contract, on the other hand, can do so and for those instances pure traditional licensing (direct or collective) cannot be employed due to non-represented right holders, a contractual solution can still be established, if, e.g., a collective licence is extended by law to non-represented right holders.

Furthermore, a price is set on a market (the contract). A tax/levy on the other hand is decided arbitrarily and is thus not representing the marketplace but a personal view on the value of a copyright protected work.

It has been argued that ECL¹⁵ cannot be applied outside the Nordic countries. With the DSM Directive Article 12 it is introduced on EU level.

It has also been said ECL cannot be applied outside of the Nordic countries due to the ECL regime being a Nordic concept which requires the mind-set of a Nordic. This is not true. The National Library of Sweden entered into a cross-border ECL agreement with Malawi in 2018. This cross border ECL agreement is construed as a traditional collective licensing based on reciprocal agreements and national ECL provisions extending the effect of the collective license to non-represented right holders along the ideas elaborated on in the Opinion presented on September 14, 2016 by ALAI.

I see four possible approaches to overcome the conundrum on a global level for those situations where direct licensing or traditional collective licensing is not feasible; a contract, which is by law extended to non-represented right holders (compare DSM Directive Article 12):

(1) No copyright relevant action takes place outside the country of origin (compare DSM Directive Art. 5 and 8)

(2) If objections were to be raised that copyright relevant actions are taking place a compulsory exception for temporary copies such as Article 5.1 Infosoc Directive could be introduced.

(3) A third solution could be as referred to in the ALAI Opinion and put into practice in the Swedish cross-border pilots with Finland and Malawi, i.e. a traditional collective licensing based on reciprocal agreements and national ECL provisions extending the effect of the collective license to non-represented right holders.

(4) A fourth solution could be as referred to in the ALAI Opinion through a bilateral or multilateral arrangement between states, or by a specific provision in an international treaty.

Thus, several options are available and given the nature of different “aggregators” different solutions may be considered.¹⁶

A question which I haven’t raised is the issue of business models and global business models, which may have an enormous impact on cultures — that is, national culture is not represented by those entities like in iTunes music, for example. That’s another

¹⁵ Extended Collective Licensing.

question, and for that reason I mentioned culture heritage institutions. I'll come back when we have the panel discussion as to why that is so important.

Thank you so much.

MR. M. SHAPIRO: Thank you, Jerker. You've given us quite a few ideas to think about. I'm sure your presentation will spark a spirited discussion.

Once again, we have five minutes allocated with speakers, panelists, and the audience.

Let me look around on the panel at first to see if there are any initial reactions. Ted?

MR. T. SHAPIRO: I've been won over by the Malawi argument, and I now believe that extended collective licensing can cure cancer. [Laughter]

MR. RYDÉN: I didn't mention it. I'm sorry.

MR. T. SHAPIRO: I'm sorry that it cannot be a panacea to dealing with issues across the board. I can see ECL having a role in certain narrow areas, as it does now.

I disagree with the analysis. The Member States that pushed for what is now Article 12 felt that they needed it because of the *Soulier and Doke*¹⁷ decision; and I am concerned that it will be used to introduce a lot of ECLs in countries where they have no tradition of doing it; and I am concerned that opt-out, even in the Nordic region, doesn't always work; and that the notion that an ECL contract has any reflection on the marketplace is ridiculous; and that when I license my content at arm's length with the licensee, that is the market rate; and if there's an ECL price on the market, I'm not going to be able to do better anymore.

So the notion that copyright is in free-fall online — when you look at all the amazing services available, the best way to deal with this issue, apart from enforcing against rogues, is to get online licensing. And that's what's happening. Look at all the services out there.

MR. M. SHAPIRO: Thank you, Ted.

I think Mihály has a comment, and Jerker is next.

MR. FICSOR: It is very important that ECL must only be applied where it is really justified, where collective management is practically the only possible or only practical way of exercising a right — of course, necessarily with a realistic, easy possibility of opting out by those who still don't want collective management. If it is really a necessary way of exercising rights, there is no opting out.

Second, of course the organization should be appropriately established.

Third, as it is now stated also in Articles 8(1)(a) and 12(3)(a) of the new Directive on Copyright in the Digital Single Market, that organization should be duly representative. This criterion is useful to avoid the misuse of extended collective management and is applied appropriately.

In the countries where I work on behalf of WIPO and also the European Union frequently, extended collective management is misused. In Russia, for example, before the new Civil Code was adopted with all the IP rights being covered, it was possible that three young people could come together, for example, in Novosibirsk and Ivan could say, "Alyosha and Boris, if you are free in the afternoon, we should establish a collective management organization with extended effect management. We will give a license to use the entire world repertoire of audiovisual works, we will collect a lot; time and again we may pay something to the rightsholders, but we will be rich." It was settled — at least, at the level of legal norms — in the Civil Code by reducing the applicability of extended collective management to certain rights where it is indispensable and by prescribing certain

¹⁷ Case C-301/15, *Marc Soulier and Sara Doke v. Premier ministre and Ministre de la Culture et de la Communication*, ECLI:EU:C:2016:878 (Nov. 16, 2016).

criteria, for example, a realistic option for opting out from the system. In Ukraine, ECL was also a solution. Just for music, musical performing rights, there were nineteen organizations, and only some of them had repertoires. In agreement with the interested international NGOs, including the International Federation of the Phonographic Industry (IFPI) which doesn't very much like extended collective management, the solution was to establish extended collective management, along with appropriate criteria, only in those cases where it is truly necessary.

MR. M. SHAPIRO: Jerker.

MR. RYDÉN: I said "free-fall" because we recognize that content (e.g. audio-visual) is illegally uploaded on YouTube. Is the right holder remunerated? No. That's what I mean by "free-fall." The major problem is that content which is in demand is not made available through legal means.

The problem is to identify every single right holder. Take music as an example. A song could have six or more songwriters. In the United States such works are called "stranded" works and the solution is a compulsory license because it is viewed that you cannot make them available using traditional direct licensing.

So I think it is obvious there is a need for a solution, even for an entity such as YouTube.

MR. M. SHAPIRO: Thanks, Jerker, for that.

Do we have a comment from the audience?

QUESTIONER [Fiona Phillips, Fiona Phillips Law, Sydney]: When you talk about ECL, you talk about the Nordic countries, but New Zealand is actually an interesting example where they have a limited form of extended collective licensing. As an Australian lawyer, in my observation it actually can work better than our statutory licensing regime, which is highly regulated, because it offers more flexibility.

MR. M. SHAPIRO: We have two more signals. On the other hand, we're already into the next session, so perhaps we can just take one of those.

The gentleman in the back because I don't think he has spoken yet. Dueling is okay to resolve this issue.

QUESTION [Lauri Rechart, International Federation of the Phonographic Industry, London]: Really just to set the record straight regarding music and direct licensing, direct licensing in the recording industry definitely is the norm, and there are now available 45 million tracks and counting. So anyone who claims that direct licensing doesn't work doesn't really know what he is talking about.

The other point is I would be very, very concerned if ECL or statutory licensing was used when licenses were not available because it could also be that the right owner just does not want to license the product or service for good reasons. We are still speaking about intellectual property here, and property rights are exclusive rights.

MR. M. SHAPIRO: Thanks so much.

We do need to turn to our next presentation, so from cultural institutions and extended collective licensing we move to a topic of potential new subject matter for copyright in Joel Smith's presentation, "Can you Copyright a Smell or a Taste?" It takes us into interesting issues of perception, an area that I've come to think of as "sensational copyright."

MR. SMITH: Thank you, Michael.

MR. T. SHAPIRO: That stinks.

MR. SMITH: My mission is to look, firstly, at the results of some conflicting national decisions on copyright protection for scents, and the Court of Justice is looking at protection for taste, another unconventional work, in *Levola Hengelo BV v. Smilde Foods*

BV.¹⁸ I'm going to look at the application of general principles: what is a "work" under EU law and what needs to be "an expression of authors' own intellectual creation?" Should copyright law seek to offer protection, or should we leave it to other forms of IP? And, does the existing regime for copyright offer flexibility and should new types of work fit the existing criteria? I may not get through all that, but we can have some more debate.

We're going to start by looking at smell and taste. It's worth remembering, of course, that there are many other areas which you could cover potentially with unconventional copyright. I've just listed a few here — i.e., tattoos, yoga, graffiti, DJ sets, magic tricks, typefaces and jokes — some of which may fall into the bucket of unconventional copyright; some may not. But, as humans continue to innovate, I think potentially the types of "work" which may be copyrightable and protectable in that way are likely to continue to expand, and we will see that.

Turning to issues with unconventional copyright, I want to mention upfront Article 2(1) of the Berne Convention: "Protection is for literary and artistic works including every production in the literary, scientific, and artistic domain, whatever the mode or form of its expression it might be." Similarly, Article 2 of the WIPO Copyright Treaty and Article 9(2) of TRIPs: "Copyright protection may be granted to expressions but not to ideas, procedures, methods of operation, or mathematical concepts."

There are some issues to consider. Can an unconventional copyright work be classified as a "work?" Does it fit into one of the usual categories of works? If we are talking about smell or taste, can they be expressed in the way that can enable copyright protection? Does the possible instability or subjective nature of them preclude copyright protection? At the back of this really is the question: Is the hard work that might go into the creation of an original smell or taste really that different from the creation of a literary or artistic work?

Let's look at *Levola v. Smilde*, a Court of Justice judgment of November 13, 2018. This was a case in the Netherlands between two cheese manufacturers. Levola took the view that the production of a competing cheese-flavored dip by Smilde infringed the copyright in the taste of its own product, and it brought proceedings against Smilde before the Dutch district court, seeking an injunction.

Smilde very strongly argued that the copyright in the taste referred to the overall impression on the sense of taste caused by consumption, including the sensation in the mouth and the sense of touch. Smilde took the rather traditional view that protection of taste is not consistent with the copyright system, which is only intended to cover visual or auditory creations, and also took issue with the instability of a food product and the subjective nature of taste.

The Dutch Court referred a number of questions to the Court of Justice, including: Is Article 2(1) of Berne relevant? Is it an indicative factor that the examples in Berne all concern creations that can be perceived by sight and hearing? And there are a number of questions around instability. The Dutch Court also asked the question whether the system of exclusive rights and restrictions which are set out in Article 2(4) and 2(5) of the Information Society Directive preclude the copyright protection of the taste of a food product. It then went on to ask some other questions: If protection was possible, what requirements are there for evidence; how should a court approach infringement?

In terms of the decision, Article 2(4) of the Directive states that Member States are to provide a set of exclusive rights relating to works, and Article 2(5) sets out a series of

¹⁸ Case C-310/17, *Levola Hengelo BV v. Smilde Foods BV*, ECLI:EU:C:2018:899 (Nov. 13, 2018).

exceptions and limitations. It follows that the taste of a work can only be protected if it can be classified as a “work” within that Directive.

There are two cumulative conditions the Court set out, drawing together existing jurisprudence: (1) the subject matter concerned must be original, in the sense that it is its author’s own intellectual creation; and (2) only something that is an expression of that author’s own intellectual creation may be classified as a “work.” Accordingly, the Directive must be interpreted that the taste of a food product is precluded from being protected by copyright under the Directive and, similarly, national legislation must be interpreted that way.

In particular, the Court of Justice looked at “work” and what must be expressed, and it said that it must be “identifiable with sufficient precision and objectivity, even though that expression is not necessarily in a permanent form.” You can see the rationale for that, both in terms of ensuring that authorities, individuals, and businesses know the subject matter of protection by third parties. But also you can see it from a legal certainty perspective, to avoid subjective judgments.

In particular, on the taste of a food product, they very much emphasized that taste is subjective and variable “since they depend on factors particular to the person tasting such as age, food preferences and consumption habits, as well as on the environment or context in which the product is consumed”; and also that “Science has not yet developed a technical way to distinguish between tastes of the same kind of product.” Hence, the Court held that the taste of a food product cannot be classified as a “work” and cannot be protected by copyright.

I want to mention two other conflicting decisions in the scent field, which is one of the reasons why the Court of Justice felt it needed to look at it in the taste context. The Supreme Court of the Netherlands back in 2006 accepted in principle that there might be copyright protection in the scent of a perfume.¹⁸ There was a very robust rejection of that in 2013 by the Court of Cassation in France in a similar perfume case.¹⁹

I want to draw this together in some closing thoughts.

Why is this important? Well, obviously, there are a lot of high-value luxury goods where taste, smell, and other factors may well be important factors and where people would like to have protection under copyright.

We also have olfactory trademark protection, although, even with the trademark reforms removing the graphic representation, the criteria still there in the Recital are quite restrictive in that the representation must be “clear, precise, self-contained, easily accessible, intelligible, durable, and objective.” Difficult criteria.

Science may change in the future as well. We may be able to actually distinguish between scents and tastes using chromatology or smelling screens or other technical means.

At the back of this — and we may talk about this — is the legal test itself: Is the EU definition of “work” too narrow? Some jurisdictions, like the United Kingdom, have an exhaustive list; is that compliant as well? Maybe the answer is that there is an open-ended list and, provided you fulfill these criteria, there could be new forms of copyright in the future.

Thank you.

MR. M. SHAPIRO: Thank you, Joel. You’ve given us a lot to think about and a lot to discuss.

Let me take a look around the panel initially. We have got once again five minutes. Any signals? Mihály and Marcus, and then we’ll perhaps turn to the audience.

¹⁸ HR, June 16, 2006, LJN AU8940, Kecofa/Lancôme.

¹⁹ CdC, Arrêt No.1006, June 13, 2006, Nejla X c. Soc. Haarmann & Reimer.

MR. FICSOR: I would like to present a virtual PowerPoint presentation. You should look at the first one: “Is it a joke?” There is another slide: “Of course, it may be only a kind of joke.” Anybody at the level of, let’s say, usual newspaper and website readers, must know the answer: “Of course, these are not works protected by copyright.”

MR. M. SHAPIRO: Marcus?

MR. VON WELSER: Just a short remark. In my opinion, even if the taste was identifiable, questions concerning the scope of protection would remain. What should the scope of protection of a taste be? Should alterations also be covered? Is it really worth protecting the taste for seventy years after the death of the taste’s author or composer? It would raise a lot of questions which are difficult to solve.

I think the correct answer of the CJEU should have been, “We are not competent to decide this issue because there is no entire harmonization of the required level of creativity yet. Until now only the required level of originality for photos, computer programs and databases has been harmonized.” For those types of works intellectual creation is necessary.

On the other hand, for example, there is no harmonization for design. The Design Directive explicitly said that it is up to the Member States to define the precondition of “works of applied art.”

Therefore, I think the case in some way also represents a violation of the principle of separation of powers, not only between the EU judicial body and legislative body, but also between the Member States and the European Union. If Member States have decided not to regulate or harmonize a certain legal question, then it is not up to the CJEU to go forward with defining what a “work” is.

MR. T. SHAPIRO: It has never stopped them before.

MR. M. SHAPIRO: Thanks, Marcus.

QUESTION [Massimo Sterpi, Gianni, Origoni, Grippo, Cappelli & Partners, Rome]: Actually I’m working with an artist who creates perfumes as artworks. How can I explain to her that, as she was working before with paintings and now she is working with perfumes, the previous creativity was covered by copyright but the new one is not? Honestly, it’s not easy.

As a practitioner, we get questions and requests for protection like this every day. Clearly, there is a growing trend of trying to protect any kind of ideas that have some sort of concrete output, and probably, as our society is going to be much more based on the creativity of humans — because most of the things that can be done by machines will be done by machines — I think that this trend will grow.

MR. M. SHAPIRO: Thanks for that.

I think we have some comments on this side of the room.

QUESTION [Jan Bernd Nordemann, Boehmert & Boehmert, Berlin]: Just one remark on the *Levola v. Smilde* decision. I leave aside the really interesting question of whether you can protect a smell. I think that’s not the major part of the decision, and Marcus has pointed that out very well, and Joel as well.

I think the decision is a landmark decision because it establishes the European principle of originality. Previously, we only had a line of cases that was not very explicit about it, but this new case clearly sets a European standard for what you can protect as copyrighted subject matter. It defines the standard as “mere originality,” so I think after this decision the Member States’ courts are no longer allowed to apply a different standard of originality.

The reason for this — Marcus has already referred to this — is that the term “work” is used in the directives, and so the CJEU said, “Well, we have to know what a ‘work’ is, and it’s a European term, and that’s why there needs to be a European interpretation of it.”

I think that's the importance of the case and not the protection of smell, yes or no, which is interesting.

I want to hear maybe your thoughts. Am I completely mistaken about this or do you share this view?

MR. SMITH: I do share that view that they have come up with an autonomous concept that now will apply across the European Union. Speaking from the U.K. perspective, I am very interested in that. Whether we are in or outside the European Union, we will hopefully have that clarity. From that perspective, it is quite surprising that such an important concept comes from what is a very thin and short judgment, and hopefully it will be expanded.

MR. FICSOR: Only a modicum of creativity, intellectual creation, is sufficient in the European Union. It has been clarified, first in the Software Directive and the Database Directive, and concerning photographic works, in the Terms Directive, and then, in a general manner, in the *Infopaq* judgment of the Court of Justice.²⁰ It is good that in the judgment you have mentioned on scents and as Jan Bernd also mentioned, the other basic criterion is confirmed, although it was already very clear now under the international and European law; namely, that the productions should be made in the literary and artistic domains.

MR. M. SHAPIRO: I think we have time for one quick question or comment, and then we probably need to move on.

QUESTION [Emilie Anthonis, Motion Picture Association]: I don't know the details of this case, but I was just wondering if you could capture a scent or a smell in a written recipe, could you then argue that the smell itself or the scent is actually a derivation of that work?

MR. SMITH: You could obviously have protection of the recipe as a written-down literary work.

QUESTIONER [Ms. Anthonis]: Yes, that's what I mean.

MR. SMITH: Then, the question is, would another scent be an infringement of that description, which is a very difficult ask, I think.

MR. M. SHAPIRO: A fascinating area, and I'm sure we'll be exploring this for years to come.

Now, let's move on to our final presenter, Judge Shibata, who is going to discuss a recent linking case in Japan.

JUDGE SHIBATA: Today I would like to introduce the Japanese judgment by the IP High Court last year that dealt with the issue of linking under the Japanese Copyright Act.

First, I mention the relevant provisions of the Japanese Copyright Act. The Japanese Copyright Act stipulates the right to transmit to the public. Article 23 says: "The author of a work has the exclusive right to transmit to the public that work (this includes the right to make the work available for transmission, if the work is to be transmitted to the public via automatic transmission)."

"Automatic public transmission" means a transmission to a member of the public that is made automatically in response to a request from the member of the public.

"Making available for transmission" (ix-5) means making it ready to be transmitted via automatic public transmission, through either of the following actions: (a) recording data onto a recording medium which (b) an automatic public transmission server uses for transmission to the public.

²⁰ Case C-302/10, *Infopaq International A/S v. Danske Dagblades Forening*, ECLI:EU:C:2012:16 (Jan. 17, 2012).

Last year's judgment by the IP High Court of Japan in this case (2016(Ne)10101/Apr./25/2018): "The photograph was used without the copyright holder's permission by *A* in his timeline of the tweet as a profile image. The data of the photograph was uploaded and saved in the server, and that image appeared on *A*'s timeline." The photograph was used, uploaded, and saved in *Server A* and that photograph was used as a profile image in the timeline of *A*'s tweet. In this case, both parties agreed that the act of setting a profile image and the act of posting the tweet by *A* constitute infringement of the right to transmit to the public.

Then, *B* re-tweeted *A*'s tweet, and the image of the photograph appeared on *B*'s timeline. *B* re-tweeted his tweet, and the original photograph appeared on *B*'s timeline. I took this photo. There the question is, did *B* infringe the right to transmit to the public by re-tweeting?

According to the court, "The re-tweeting by *B* resulted in an online link to the URL of the image information in the URL of *B*'s re-tweet timeline, and image file data would be transmitted directly from the server of the target website to users' personal computers, and the image of the photograph will be displayed on users' computers." Therefore, the re-tweeting by *B* resulted in a direct link to the URL that made information in the URL of *B*'s re-tweet timeline so the image file data would be transmitted directly from *Server A* to the users' personal computers and the image of the photograph would be displayed in the users' computers.

Data of photographs displayed on the users' personal computers by the re-tweeting was transmitted and displayed at the request of the users. The Court stated it constituted an automatic public transmission. The photograph data is present only in the target server, *Server A*, and the image data was only transmitted from the URL of the information of the image data. The court held: "An automatic public transmission of the photograph data should be considered to have been done by the one who opened the URL with the information of the image — that is *A* — not by the one re-tweeted it."

The court continues: "The re-tweeting results in the photograph image being displayed on the personal computers; however, pursuant to the interpretation of the Japanese Copyright Act, such an increase does not provide grounds for perceiving *B* as primary actor of the public transmission."

The court continues: "It is hard to say that the re-tweeting made the above-mentioned act of automatic public transmission easier, so *B* cannot be considered to be an aider. In this case users can see the image of a photograph on *B*'s timeline, but that image appeared on the users' computers by so-called 'indirect means,' and the data was a photograph while only on *Server A* and the data was directly transmitted from *Server A*."

In this judgment the right to transmit to the public is considered from the technical viewpoint. The judgment focused on the technical flow of the data, and in this judgment's view the person who sets the link may not be the primary actor of a transmission to the public in principle. This view limits the liability of the one who sets a link in one sense: this interpretation secures the freedom of the link in this Internet world.

The case was appealed to the Supreme Court of Japan. It is not clear whether the Supreme Court will deliver judgment on this issue. Many cases are dismissed for rather simple reasons. If the Supreme Court picks up this issue, it may be an important case.

MR. M. SHAPIRO: Thanks, Yoshiaki. That was quite interesting, and I'm sure there are observations perhaps from around the world, maybe perhaps beginning in the European Union from a comparative perspective. Silke?

MS. VON LEWINSKI: Thank you, Michael. I will not comment on the Japanese situation but on a framing case. Actually, I would like to share with you a brand-new piece

of information. Yesterday, the German Federal Court submitted to the Court of Justice another question related to framing, at least indirectly.

You may remember, at least those who are from Europe, that the Court had already decided earlier on framing, and also on linking, stating that linking and framing are not acts of communication to the public because there is a lack of a “new public,” because in those cases the same technical means are used (i.e., the Internet). This means that there may be a “new public” (and a communication to the public), according to the Court, if the right owner expresses that he only wants to reach a restricted public, and he might do that by applying technical protection measures.

Now the Federal Court — to go directly to the question — in a nutshell is asking the Court of Justice whether the embedding of a work that had been freely made accessible to the public on a website with the right owner’s consent on a third party’s website by framing is an act of making available if the right owner has applied technical protection measures against framing and someone would circumvent these technical protection measures.

The Federal Court really wants to test, I think, this element of “new public” in respect of the use of technical protection measures. It had already disagreed with the later resolution of the Court of Justice on framing in the *BestWater* case,²¹ where the German court had suggested to the Court that framing is different from linking and that it is an act of making available.

The setting of the new case (which is a made-up case) is quite interesting because it actually shows the negative consequences of the restrictive interpretation of the making available right in the framing case by the Court of Justice: in fact, it may have as a consequence that right owners have to restrict access by technical protection measures in order to safeguard their rights on the Internet.

In the case at hand, the German Digital Library wanted to have a license to show on its website thumbnails of paintings, which are stored on the websites of other libraries to which it set up links. The competent collective management organization (CMO) for artworks wanted to grant a license. You may know that under German law the CMOs, which are *de facto* monopolies, are under an obligation in principle to grant licenses under adequate terms and conditions. So they are not obliged to grant licenses at any price, any condition, but under adequate conditions.

Now the CMO argued that, due to the framing case law of the Court of Justice, if it just granted the license without any further condition, it would mean that its right owners will lose their communication rights in the entire Internet for all framing purposes, and this would not be appropriate. CMOs have an obligation to take care of the rights and to safeguard the rights of their members as far as possible. So it wanted to oblige the Digital Library in the proposed license agreement to apply technical protection measures so as to safeguard rights against framing by third parties.

The Digital Library rejected that obligation and argued that this condition was not fair, and the CMO would have to grant it a license anyway.

The referring court argued that such condition might be appropriate if at all the Court of Justice would consider the framing through circumvention of technical protection measures in the given situation as an infringement of the communication right.

This is the background of the case.

MR. M. SHAPIRO: Thanks, Silke. It can be truly said that we’re quite up to date here at Fordham.

²¹ Case C-348/13, *BestWater Int’l GmbH v Michael Mebes and Stefan Potsch*, ECLI:EU:C:2014:2315 (Oct. 21, 2014).

MR. FICSOR: If I understand correctly, one of the questions is whether in order to maintain the applicability of the rights you need technological protection measures or some other machine-readable means.

I don't like these elements of the provisions on text and digital mining which have a little smell of formality. Nevertheless, there is a possible positive side of that too. It may have an influence on the practice of the Court of Justice concerning the rights of communication and interactive making available to the public.

I refer to the finding in the *Svensson* judgment²² according to which the right of making available to the public may only be maintained — and not exhausted — if the rightholders restrict access to their works made available online. It seems that this only meant restricting access by means of technological protection measures. This finding of the Court had been based on the erroneous “new public” theory. Later, however, it seems that, through the *GSMedia*²³ and *Soulier and Doke* tandem of judgments, an alternative legal basis has emerged; namely, the joint application of the implied license doctrine and the innocent infringement defense.²⁴ This was particularly clearly presented in paragraph 36 of the *Soulier and Doke* judgment. A new explanation — other than the unfortunate “new public” theory — was offered for *Svensson* (not the explanation that, without restricted access, the Internet population remains the same public and, thus, the right of making available to the public is *de facto* exhausted): “The Court [in *Svensson*] held that, in a situation in which an author had given prior, explicit and unreserved authorisation to the publication of his articles on the website [of a newspaper publisher], without making use of technological measures restricting access to those works from other websites, that author could be regarded, in essence, as having authorised the communication of those works to the general internet public.”

This is an implied licence language: if the author does not apply technological measures, he or she could be regarded as having authorized the communication of those works online. However, if this is the case, the justified question emerges — and this undermines the legal construction in *Svensson* — what about a case where, in view of the given circumstances, it is obvious — for example, due to a clear statement on the rightholder's website inevitably visible for any potential users — that no downloading of works are allowed without authorization?

Is it possible to make this clear also without technological measures? Of course, it is, and now the new Digital Single Market Directive states this in Recital (18) in an unmistakable way (this is the positive side I have mentioned which might help the “new public” theory fall into oblivion).

Article 4(3) of the Directive on an exception or limitation for data and text mining reads as follows: “The exception or limitation provided for in paragraph 1 *shall apply on condition that the use of works and other subject matter referred to in that paragraph has not been expressly reserved by their rightholders in an appropriate manner, such as machine-readable means* in the case of content made publicly available online.” The words

²² Case C-466/12, Nils Svensson v. Retriever Sverige AB, ECLI:EU:C:2014:76 (Feb. 13, 2014).

²³ Case C-160/15, GS Media BV v. Sanoma Media, ECLI:EU:C:2016:644 (Sept. 8, 2016).

²⁴ See Mihály Ficsor, *GS Media and Soulier — may the hyperlink conundrum be solved and the ‘new public,’ ‘specific technical means’ and “restricted access” theories be neutralized through the application of the implied licence doctrine and the innocent infringement defense?*, COPYRIGHT SEESAW (Aug. 4, 2018), <http://www.copyrightseesaw.net/en/papers>.

“such as” indicate that using machine-readable means is not the only possible “appropriate manner” to reserve rights.

In the Recital, it is admitted that “it can be appropriate to reserve the rights by other means, such as contractual agreements or a unilateral declaration.” It would be a copyright nightmare at the level of total absurdity to presume that any EU authority in any branch — legislative, administrative or judicial — might try to declare that, although a right would have to be reserved in an appropriate way (which, as a formality of protection, is in itself problematic), not any appropriate way would be acceptable to make it clear, but only which is in machine-readable format.

What about this? If this applies in the case of text and data mining exceptions or limitations, it must apply also for other online uses, including those foreseen in *Svensson*.

MR. T. SHAPIRO: It’s quite possible, Mihály, that parts of the text and data mining exception on steroids is influenced by *Svensson* and the case law that has developed about it.

I’m trying to understand, to make a comparison between the situation with EU law in this area, which of course has gone down the road, as Silke points out, of creating this crazy “new public” element and then putting in these things about technical measures or a legal source. We keep on having new questions come up because of it. We’ve gone down this rabbit hole.

But to make the comparison to Japanese law, I was wondering, Your Honor, was the content placed in the first instance with authorization or without?

JUDGE SHIBATA: Without.

MR. T. SHAPIRO: Without. So it was illegal content to begin with.

JUDGE SHIBATA: Yes.

MR. T. SHAPIRO: Thank you.

MR. M. SHAPIRO: We perhaps have time for one or two comments from the audience. If not, I am sure you’re all looking forward to lunch, and we won’t hold you up if there are no further comments.

We do have one comment.

QUESTIONER [Anne Bergman-Tahon, Federation of European Publishers]: Thank you. Silke, is the reasoning of the library that it would be too expensive to have to do the framing, or is it just because they want the pictures then to be reusable on the Internet afterward?

MS. VON LEWINSKI: The main argument is indeed that it is very costly to employ these technological protection measures, all the more, as it was said, since it seems that the library for some reason would have to apply them to all works they have in the collection, although it would only show on the Internet a smaller part of them. So, yes, this case really shows the negative consequences of the Court of Justice’s judgments.

MR. M. SHAPIRO: Thanks for the question, and thanks for the response. We are out of time.

I just want to take a moment to thank the presenters and the panelists and the audience. I think we had a terrific session.

I will leave unresolved the question of whether the title should remain “International Copyright” or “International Copyright Potpourri.” You’ll need to come to Fordham 2020 for the answer!

Thank you all.