

Péter Mezei

COPYRIGHT LAW POLICY – NATIONAL AND INTERNATIONAL

Textbook

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Faculty of Law

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TABLE OF CONTENTS

ABOUT THE AUTHOR	2
TABLE OF CONTENTS	3
INTRODUCTION	
Péter Mezei: <i>How to use the book?</i>	5
CHAPTER I – Selected articles of international and regional copyright norms	
Berne Convention (1971)	7
Rome Convention (1961)	12
Trade Related Aspects of Intellectual Property Rights (TRIPS Agreement) (1994)	15
WIPO Copyright Treaty (1996)	18
WIPO Phonograms and Performances Treaty (1996)	21
Beijing Treaty on Audiovisual Performances (2012)	26
Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled (2013)	30
Council Regulation (EC) No. 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters	34
Regulation (EC) No. 864/2007 of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations (Rome II)	34
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	35
Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases	38
Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society (InfoSoc Directive)	40
Directive 2001/84/EC of the European Parliament and of the Council of 27 September 2001 on the resale right for the benefit of the author of an original work of art	44
Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights	45
Directive 2006/115/EC of the European Parliament and of the Council of 12 December 2006 on rental right and lending right and on certain rights related to copyright in the field of intellectual property (codified version)	50
Directive 2006/116/EC of the European Parliament and of the Council of 12 December 2006 on the term of protection of copyright and certain related rights (codified version) (Copyright Term Directive)	53
Directive 2009/24/EC of the European Parliament and of the Council of 23 April 2009 on the legal protection of computer programs (Codified version)	55
Directive 2011/77/EU of the European Parliament and of the Council of 27 September 2011 amending Directive 2006/116/EC on the term of protection of copyright and certain related rights (Copyright Term Directive)	57
Directive 2012/28/EU of the European Parliament and of the Council of 25 October 2012 on certain permitted uses of orphan works	58
Directive 2014/26/EU of the European Parliament and of the Council of 26 February 2014 on collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online use in the internal market Text with EEA relevance	60
CHAPTER II – Selected Case Law and Readings	
Subafilms, Ltd. v. MGM-Pathe Communications Co., 24 F.3d 1088 (1994)	75
Case C-170/12 - Peter Pinckney v. KDG Mediatech AG, Judgment of the Court (Fourth Chamber), 3 October 2013	80

<i>Joined cases C-92/92 and C-326/92 - Phil Collins v Imtrat Handelsgesellschaft mbH and Patricia Im- und Export Verwaltungsgesellschaft mbH and Leif Emanuel Kraul v EMI Electrola GmbH</i> , Judgment of the Court, 20 October 1993	84
London Film Productions Ltd. v. Intercontinental Communications, Inc., 580 <i>F.Supp.</i> 47 (1984)	88
Itar-Tass Russian News Agency v. Russian Kurier, Inc., 153 <i>F.3d</i> 82 (1998)	89
<i>Case C-5/08 - Infopaq International A/S v Danske Dagblades Forening</i> , Judgment of the Court (Fourth Chamber), 16 July 2009	94
<i>Case C-604/10 - Football Dataco Ltd., et al. v. Yahoo! UK Ltd., et al.</i> , Judgment of the Court (Third Chamber), 1 March 2012	102
Nichols v. Universal Pictures Corporation et al., 45 <i>F.2d</i> 119 (1930)	108
Feist Publications, Inc. v. Rural Telephone Service Co., Inc., 111 <i>S.Ct.</i> 1282	112
CCH Canadian Ltd. v. Law Society of Upper Canada, [2004] 1 <i>S.C.R.</i> 339 (excerpt)	120
<i>Case C-306/05 - Sociedad General de Autores y Editores de España (SGAE) v. Rafael Hoteles SA</i> , Judgment of the Court (Third Chamber), 7 December 2006	126
<i>Case C-607/11 - ITV Broadcasting Ltd. v. TVCatchup Ltd.</i> , Judgment of the Court (Fourth Chamber), 7 March 2013	132
American Broadcasting Companies, Inc., et al. v. Aereo, Inc., 134 <i>S.Ct.</i> 2498	177
CCH Canadian Ltd. v. Law Society of Upper Canada, [2004] 1 <i>S.C.R.</i> 339 (excerpt)	143
Péter Mezei: <i>Digital First Sale Doctrine Ante Portas - Exhaustion in the Online Environment</i> (excerpt)	145
Supap Kirtsaeng v. John Wiley & Sons, Inc., 133 <i>S.Ct.</i> 1351 (2013)	157
<i>Case C 128/11 - UsedSoft GmbH v. Oracle International Corp.</i> , Court of Justice of the European Union, Judgment of the Court (Grand Chamber), 3 July 2012	168
Capitol Records, LLC, v. Redigi Inc., 934 <i>F.Supp.2d</i> 640 (S.D.N.Y. 2013)	179
<i>Case C-467/08 - Padawan SL v. Sociedad General de Autores y Editores de España (SGAE)</i> , Judgment of the Court (Third Chamber), 21 October 2010	187
<i>Case C-435/12 - ACI Adam BV and Others v. Stichting de ThuisKopie</i> , Judgment of the Court (Fourth Chamber), 10 April 2014	195
Sony Corporations of America, et al., v. Universal City Studios, Inc., et al., 104 <i>S.Ct.</i> 774	202
CCH Canadian Ltd. v. Law Society of Upper Canada, [2004] 1 <i>S.C.R.</i> 339 (excerpt)	210
Luther R. Campbell, et al., v. Acuff-Rose Music, Inc., 510 <i>U.S.</i> 569 (1994)	216
<i>Case C-201/13 - Johan Deckmyn and Others v. Helena Vandersteen and Others</i> , Judgment of the Court (Grand Chamber), September 2014	222
Terry Gilliam et al., v. American Broadcasting Companies, Inc., 538 <i>F.2d</i> 14 (1976)	226

TEST QUESTIONS

233

INTRODUCTION

How to use the book?

Péter Mezei

When the first copyright statute was signed by Stuart Anne, Queen of England, in 1709, nobody expected that this fresh territory of statute law will develop into such an economically and socially important, enormous topic in the 21st century. The *Statute of Anne* tried to reach consensus between the interests of printers, booksellers and the authors. Three hundred years later such purpose might be treated as the most important task of the copyright statutes yet. Striking a fair balance between the interests of the different actors of this field of law seems to be, however, much harder nowadays. Recently, stakeholders include painters, sculpturers, sound recording producers, radio and television companies, database producers, performers (for example singers, dancers etc.) as well. Similarly, the protected subject matter expanded from literary works (writings) to musical compositions, sculptures, paintings and other fine art works, motion pictures and other audiovisual works, database, software, performances and many more. Authors were originally granted protection against illegal reproduction or performance of their works. Nowadays the list of their exclusive rights is longer, including moral rights as well. Notwithstanding the above these rights are controlled through many ways, including notable limitations and exceptions, like free uses, collective rights management, territorial and term restrictions, just to mention a few of these. Finally, due to globalization, stakeholders from all across the globe are present in almost every country of the world, and try to enforce the territorial copyrights granted to them by the respective states.

The broadening of copyright regulation has always been due to different factors since the appearance of Gutenberg's printing press in the middle of the 15th century. Amongst these factors the technological innovation and the constant changes of the needs of copyright holders as well as members of the society have been the most notable ones. The first two centuries of copyright law might be characterized as an age of slow development. Contrary to this the importance of copyright regulation has extremely expanded in the last half century. The invention of photocopying machines and audio and video tape recorders that are capable for multiple reproduction of protected subject matter (mainly literary works, sound recordings and audiovisual contents), further the emergence of new subject matters, like software or database has speeded up disputes between the different stakeholders. It has therefore become urgent to settle the emerging economic, social and legal disputes.

Such disputes have involved international aspects from the earliest times. The protection of foreigners by domestic copyright statutes has, however, become reality only under bi- or multilateral agreements. Countries started to conclude sporadically such agreements from the middle of the nineteenth century. Such agreements were generally based upon the principle of reciprocity. Viewed from our days, those days seem to be a fascinating period of developing copyright regimes in different countries. The agreements were, however, the outcome of serious negotiations between governments that were mainly interested in providing the best available solution for their own nationals. As such, the first international agreements represented the minimum standards that the contracting parties did accept as binding upon themselves. Through these provisions they ultimately reduced the scope of protection granted to the domestic creators and opened up the doors for the protection of foreigners. Still, bilateral agreements provided only partial solutions for the legal and social challenges. This is why more countries ultimately opted for the acceptance of multilateral agreements, based under a new principle, called national treatment.

Since 1886, when the first copyright treaty, the Berne Union Convention was signed by ten countries, the international aspects of this field of law has gone through enormous development. It can be measured in the number of the treaties, agreements etc., as well as their scope and the number of their signatories. We might clearly conclude that there are several standards of copyright law that are treated in the similar way by most of the countries of the world. The list of such commonly regulated topics is, however, quite short yet. Countries still treat the regulation of different complicated matters as domestic issues. This ultimately leads us the very subject of the course that the present textbook

serves: the introduction and analysis of different domestic policies with respect to issues like economic rights, moral rights, term of protection, limitations and exceptions etc.

The list of the sources for such analysis is necessarily selective. The main purpose of the selection was to comply with the needs of a course offered for Chinese students, “Erasmus” students from different European countries, as well as Hungarian students of the Faculty of Law, University of Szeged. Through the topics covered by the book students will get familiarized with major copyright policies and practices of the European Union and the United States of America, as well as their international background.

Readings include chapters discussing the problems through comparative method, analysing statutory sources and case law from multiple jurisdictions. These theoretical, analytical readings are supplemented by court decisions. The latter are edited where necessary, leaving only the most important elements of the – sometimes really long – judgments for discussion and debate. Decisions will be analysed through the „IRAC” method used especially by U.S. law schools.

The term „IRAC” is the abbreviation of the process through which the case is dissected into four parts. „I” is for issue, „R” is for the rules, „A” is for the arguments and finally „C” is for conclusion. The *issue* includes all the relevant facts of the case. The correct understanding of these facts is the cornerstone of a further proper analysis of any decision. This requires the accurate knowledge of both basic legal definitions and – in case of digital copyright disputes – the skill to correctly categorize technological features of the quarrels. *Rules* include both statutes (and other regulations) and precedents. As students will experience, referring to former court decisions has become general both in the Anglo-Saxon countries (like the United States and the United Kingdom) and more recently in the case law of the Court of Justice of the European Union. *Arguments* cover both the statements and evidences of parties and the reasoning used by judges in reaching the final conclusion. Law students are the lawyers of the future and they might face similar legal troubles during their career. It is really important for students to properly understand these arguments. Studying how parties succeeded or failed to win a case is extremely useful to improve students’ personal skills of argumentation. Similarly, learning how judges reach a specific conclusion is inevitable to acquire the ability to effectively predict future court decisions. And finally *conclusion* is the heart of the judgment: material facts, binding rules and relevant arguments mixed into sentences that sum up precisely how the judge solves the whole debate.

The author of this book is convinced that participants of the planned course will get familiarized with the practice-oriented, analytical aspect on the hot topics mentioned above. The comparative legal aspect allows the students to understand the major differences between the common law and the continental legal systems to be able to study or criticize the different legal solutions. This approach will help the students to use European, American and international copyright law rules in their future career at law firms or at courts, and to undertake independent research on the subject, using both traditional and internet resources.

Finally, those, who might be interested in deeper analysis of the covered topics, shall consult such great textbooks that were written by the icons for the author of the present textbook. See especially Silke von Lewinski’s *International Copyright Law and Policy* (Oxford University Press, New York, 2008), Paul Goldstein’s and Bernt Hugenholtz’s *International Copyright - Principles, Law and Practice* (Second Edition, Oxford University Press, New York, 2010), Paul Goldstein’s and Marketa Trimble Landova’s *International Intellectual Property Law - Cases and Materials* (Third Edition, Foundation Press, New York, 2012), Jørgen Blomqvist’s *Primer on International Copyright and Related Rights* (Edgar Elgar, Cheltenham, 2014) and finally Jane C. Ginsburg’s and Edouard Treppoz’s *International Copyright Law – U.S. and E.U. Perspectives, Text and Cases* (Edgar Elgar, Cheltenham, 2015).

The Author
Szeged, September 2015

CHAPTER I
Selected articles of international and regional copyright norms

BERNE CONVENTION FOR THE PROTECTION OF LITERARY AND ARTISTIC WORKS (Text 1979)

Article 2

(1) The expression “literary and artistic works” shall include every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression, such as books, pamphlets and other writings; lectures, addresses, sermons and other works of the same nature; dramatic or dramatico-musical works; choreographic works and entertainments in dumb show; musical compositions with or without words; cinematographic works to which are assimilated works expressed by a process analogous to cinematography; works of drawing, painting, architecture, sculpture, engraving and lithography; photographic works to which are assimilated works expressed by a process analogous to photography; works of applied art; illustrations, maps, plans, sketches and three-dimensional works relative to geography, topography, architecture or science.

(2) It shall, however, be a matter for legislation in the countries of the Union to prescribe that works in general or any specified categories of works shall not be protected unless they have been fixed in some material form.

(3) Translations, adaptations, arrangements of music and other alterations of a literary or artistic work shall be protected as original works without prejudice to the copyright in the original work.

(4) It shall be a matter for legislation in the countries of the Union to determine the protection to be granted to official texts of a legislative, administrative and legal nature, and to official translations of such texts.

(5) Collections of literary or artistic works such as encyclopaedias and anthologies which, by reason of the selection and arrangement of their contents, constitute intellectual creations shall be protected as such, without prejudice to the copyright in each of the works forming part of such collections.

(6) The works mentioned in this Article shall enjoy protection in all countries of the Union. This protection shall operate for the benefit of the author and his successors in title.

(7) Subject to the provisions of Article 7(4) of this Convention, it shall be a matter for legislation in the countries of the Union to determine the extent of the application of their laws to works of applied art and industrial designs and models, as well as the conditions under which such works, designs and models shall be protected. Works protected in the country of origin solely as designs and models shall be entitled in another country of the Union only to such special protection as is granted in that country to designs and models; however, if no such special protection is granted in that country, such works shall be protected as artistic works.

(8) The protection of this Convention shall not apply to news of the day or to miscellaneous facts having the character of mere items of press information.

Article 2bis

(1) It shall be a matter for legislation in the countries of the Union to exclude, wholly or in part, from the protection provided by the preceding Article political speeches and speeches delivered in the course of legal proceedings.

(2) It shall also be a matter for legislation in the countries of the Union to determine the conditions under which lectures, addresses and other works of the same nature which are delivered in public may be reproduced by the press, broadcast, communicated to the public by wire and made the subject of public communication as envisaged in Article 11^{bis}(1) of this Convention, when such use is justified by the informatory purpose.

(3) Nevertheless, the author shall enjoy the exclusive right of making a collection of his works mentioned in the preceding paragraphs.

Article 3

(1) The protection of this Convention shall apply to:

(a) authors who are nationals of one of the countries of the Union, for their works, whether published or not;

(b) authors who are not nationals of one of the countries of the Union, for their works first published in one of those countries, or simultaneously in a country outside the Union and in a country of the Union.

(2) Authors who are not nationals of one of the countries of the Union but who have their habitual residence in one of them shall, for the purposes of this Convention, be assimilated to nationals of that country.

(3) The expression “published works” means works published with the consent of their authors, whatever may be the means of manufacture of the copies, provided that the availability of such copies has been such as to satisfy the reasonable requirements of the public, having regard to the nature of the work. The performance of a dramatic, dramatico-musical, cinematographic or musical work, the public recitation of a literary work, the communication by wire or the broadcasting of literary or artistic works, the exhibition of a work of art and the construction of a work of architecture shall not constitute publication.

(4) A work shall be considered as having been published simultaneously in several countries if it has been published in two or more countries within thirty days of its first publication.

Article 4

The protection of this Convention shall apply, even if the conditions of Article 3 are not fulfilled, to:

(a) authors of cinematographic works the maker of which has his headquarters or habitual residence in one of the countries of the Union;

(b) authors of works of architecture erected in a country of the Union or of other artistic works incorporated in a building or other structure located in a country of the Union.

Article 5

(1) Authors shall enjoy, in respect of works for which they are protected under this Convention, in countries of the Union other than the country of origin, the rights which their respective laws do now or may hereafter grant to their nationals, as well as the rights specially granted by this Convention.

(2) The enjoyment and the exercise of these rights shall not be subject to any formality; such enjoyment and such exercise shall be independent of the existence of protection in the country of origin of the work. Consequently, apart from the provisions of this Convention, the extent of protection, as well as the means of redress afforded to the author to protect his rights, shall be governed exclusively by the laws of the country where protection is claimed.

(3) Protection in the country of origin is governed by domestic law. However, when the author is not a national of the country of origin of the work for which he is protected under this Convention, he shall enjoy in that country the same rights as national authors.

(4) The country of origin shall be considered to be:

(a) in the case of works first published in a country of the Union, that country; in the case of works published simultaneously in several countries of the Union which grant different terms of protection, the country whose legislation grants the shortest term of protection;

(b) in the case of works published simultaneously in a country outside the Union and in a country of the Union, the latter country;

(c) in the case of unpublished works or of works first published in a country outside the Union, without simultaneous publication in a country of the Union, the country of the Union of which the author is a national, provided that:

(i) when these are cinematographic works the maker of which has his headquarters or his habitual residence in a country of the Union, the country of origin shall be that country, and

(ii) when these are works of architecture erected in a country of the Union or other artistic works incorporated in a building or other structure located in a country of the Union, the country of origin shall be that country.

Article 6

(1) Where any country outside the Union fails to protect in an adequate manner the works of authors who are nationals of one of the countries of the Union, the latter country may restrict the protection given to the works of authors who are, at the date of the first publication thereof, nationals of the other country and are not habitually resident in one of the countries of the Union. If the country of first publication avails itself of this right, the other countries of the Union shall not be required to grant to works thus subjected to special treatment a wider protection than that granted to them in the country of first publication.

(2) No restrictions introduced by virtue of the preceding paragraph shall affect the rights which an author may have acquired in respect of a work published in a country of the Union before such restrictions were put into force.

(3) The countries of the Union which restrict the grant of copyright in accordance with this Article shall give notice thereof to the Director General of the World Intellectual Property Organization (hereinafter designated as "the Director General") by a written declaration specifying the countries in regard to which protection is restricted, and the restrictions to which rights of authors who are nationals of those countries are subjected. The Director General shall immediately communicate this declaration to all the countries of the Union.

Article 6bis

(1) Independently of the author's economic rights, and even after the transfer of the said rights, the author shall have the right to claim authorship of the work and to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to his honor or reputation.

(2) The rights granted to the author in accordance with the preceding paragraph shall, after his death, be maintained, at least until the expiry of the economic rights, and shall be exercisable by the persons or institutions authorized by the legislation of the country where protection is claimed. However, those countries whose legislation, at the moment of their ratification of or accession to this Act, does not provide for the protection after the death of the author of all the rights set out in the preceding paragraph may provide that some of these rights may, after his death, cease to be maintained.

(3) The means of redress for safeguarding the rights granted by this Article shall be governed by the legislation of the country where protection is claimed.

Article 7

(1) The term of protection granted by this Convention shall be the life of the author and fifty years after his death.

(2) However, in the case of cinematographic works, the countries of the Union may provide that the term of protection shall expire fifty years after the work has been made available to the public with the consent of the author, or, failing such an event within fifty years from the making of such a work, fifty years after the making.

(3) In the case of anonymous or pseudonymous works, the term of protection granted by this Convention shall expire fifty years after the work has been lawfully made available to the public. However, when the pseudonym adopted by the author leaves no doubt as to his identity, the term of protection shall be that provided in paragraph (1). If the author of an anonymous or pseudonymous work discloses his identity during the above-mentioned period, the term of protection applicable shall be that provided in paragraph (1). The countries of the Union shall not be required to protect anonymous or pseudonymous works in respect of which it is reasonable to presume that their author has been dead for fifty years.

(4) It shall be a matter for legislation in the countries of the Union to determine the term of protection of photographic works and that of works of applied art in so far as they are protected as artistic works; however, this term shall last at least until the end of a period of twenty-five years from the making of such a work.

(5) The term of protection subsequent to the death of the author and the terms provided by paragraphs (2), (3) and (4) shall run from the date of death or of the event referred to in those paragraphs, but such terms shall always be deemed to begin on the first of January of the year following the death or such event.

(6) The countries of the Union may grant a term of protection in excess of those provided by the preceding paragraphs.

(7) Those countries of the Union bound by the Rome Act of this Convention which grant, in their national legislation in force at the time of signature of the present Act, shorter terms of protection than those provided for in the preceding paragraphs shall have the right to maintain such terms when ratifying or acceding to the present Act.

(8) In any case, the term shall be governed by the legislation of the country where protection is claimed; however, unless the legislation of that country otherwise provides, the term shall not exceed the term fixed in the country of origin of the work.

Article 7bis

The provisions of the preceding Article shall also apply in the case of a work of joint authorship, provided that the terms measured from the death of the author shall be calculated from the death of the last surviving author.

Article 8

Authors of literary and artistic works protected by this Convention shall enjoy the exclusive right of making and of authorizing the translation of their works throughout the term of protection of their rights in the original works.

Article 9

(1) Authors of literary and artistic works protected by this Convention shall have the exclusive right of authorizing the reproduction of these works, in any manner or form.

(2) 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.

(3) Any sound or visual recording shall be considered as a reproduction for the purposes of this Convention.

Article 10

(1) It shall be permissible to make quotations from a work which has already been lawfully made available to the public, provided that their making is compatible with fair practice, and their extent does not exceed that justified by the purpose, including quotations from newspaper articles and periodicals in the form of press summaries.

(2) It shall be a matter for legislation in the countries of the Union, and for special agreements existing or to be concluded between them, to permit the utilization, to the extent justified by the purpose, of literary or artistic works by way of illustration in publications, broadcasts or sound or visual recordings for teaching, provided such utilization is compatible with fair practice.

(3) Where use is made of works in accordance with the preceding paragraphs of this Article, mention shall be made of the source, and of the name of the author if it appears thereon.

Article 10bis

(1) It shall be a matter for legislation in the countries of the Union to permit the reproduction by the press, the broadcasting or the communication to the public by wire of articles published in newspapers or periodicals on current economic, political or religious topics, and of broadcast works of the same character, in cases in which the reproduction, broadcasting or such communication thereof is not expressly reserved. Nevertheless, the source must always be clearly indicated; the legal consequences of a breach of this obligation shall be determined by the legislation of the country where protection is claimed.

(2) It shall also be a matter for legislation in the countries of the Union to determine the conditions under which, for the purpose of reporting current events by means of photography, cinematography, broadcasting or communication to the public by wire, literary or artistic works seen or heard in the course of the event may, to the extent justified by the informatory purpose, be reproduced and made available to the public.

Article 11

(1) Authors of dramatic, dramatico-musical and musical works shall enjoy the exclusive right of authorizing:

- (i) the public performance of their works, including such public performance by any means or process;
- (ii) any communication to the public of the performance of their works.

(2) Authors of dramatic or dramatico-musical works shall enjoy, during the full term of their rights in the original works, the same rights with respect to translations thereof.

Article 11bis

(1) Authors of literary and artistic works shall enjoy the exclusive right of authorizing:

- (i) the broadcasting of their works or the communication thereof to the public by any other means of wireless diffusion of signs, sounds or images;

(ii) any communication to the public by wire or by rebroadcasting of the broadcast of the work, when this communication is made by an organization other than the original one;

(iii) the public communication by loudspeaker or any other analogous instrument transmitting, by signs, sounds or images, the broadcast of the work.

(2) It shall be a matter for legislation in the countries of the Union to determine the conditions under which the rights mentioned in the preceding paragraph may be exercised, but these conditions shall apply only in the countries where they have been prescribed. They shall not in any circumstances be prejudicial to the moral rights of the author, nor to his right to obtain equitable remuneration which, in the absence of agreement, shall be fixed by competent authority.

(3) In the absence of any contrary stipulation, permission granted in accordance with paragraph (1) of this Article shall not imply permission to record, by means of instruments recording sounds or images, the work broadcast. It shall, however, be a matter for legislation in the countries of the Union to determine the regulations for ephemeral recordings made by a broadcasting organization by means of its own facilities and used for its own broadcasts. The preservation of these recordings in official archives may, on the ground of their exceptional documentary character, be authorized by such legislation.

Article 11ter

(1) Authors of literary works shall enjoy the exclusive right of authorizing:

(i) the public recitation of their works, including such public recitation by any means or process;

(ii) any communication to the public of the recitation of their works.

(2) Authors of literary works shall enjoy, during the full term of their rights in the original works, the same rights with respect to translations thereof.

Article 12

Authors of literary or artistic works shall enjoy the exclusive right of authorizing adaptations, arrangements and other alterations of their works.

Article 13

(1) Each country of the Union may impose for itself reservations and conditions on the exclusive right granted to the author of a musical work and to the author of any words, the recording of which together with the musical work has already been authorized by the latter, to authorize the sound recording of that musical work, together with such words, if any; but all such reservations and conditions shall apply only in the countries which have imposed them and shall not, in any circumstances, be prejudicial to the rights of these authors to obtain equitable remuneration which, in the absence of agreement, shall be fixed by competent authority.

(2) Recordings of musical works made in a country of the Union in accordance with Article 13(3) of the Conventions signed at Rome on June 2, 1928, and at Brussels on June 26, 1948, may be reproduced in that country without the permission of the author of the musical work until a date two years after that country becomes bound by this Act.

(3) Recordings made in accordance with paragraphs (1) and (2) of this Article and imported without permission from the parties concerned into a country where they are treated as infringing recordings shall be liable to seizure.

Article 14

(1) Authors of literary or artistic works shall have the exclusive right of authorizing:

(i) the cinematographic adaptation and reproduction of these works, and the distribution of the works thus adapted or reproduced;

(ii) the public performance and communication to the public by wire of the works thus adapted or reproduced.

(2) The adaptation into any other artistic form of a cinematographic production derived from literary or artistic works shall, without prejudice to the authorization of the author of the cinematographic production, remain subject to the authorization of the authors of the original works.

(3) The provisions of Article 13(1) shall not apply.

Article 14bis

(1) Without prejudice to the copyright in any work which may have been adapted or reproduced, a cinematographic work shall be protected as an original work. The owner of copyright in a cinematographic work shall enjoy the same rights as the author of an original work, including the rights referred to in the preceding Article.

(2) (a) Ownership of copyright in a cinematographic work shall be a matter for legislation in the country where protection is claimed.

(b) However, in the countries of the Union which, by legislation, include among the owners of copyright in a cinematographic work authors who have brought contributions to the making of the work, such authors, if they have undertaken to bring such contributions, may not, in the absence of any contrary or special stipulation, object to the reproduction, distribution, public performance, communication to the public by wire, broadcasting or any other communication to the public, or to the subtitling or dubbing of texts, of the work.

(c) The question whether or not the form of the undertaking referred to above should, for the application of the preceding subparagraph (b), be in a written agreement or a written act of the same effect shall be a matter for the legislation of the country where the maker of the cinematographic work has his headquarters or habitual residence. However, it shall be a matter for the legislation of the country of the Union where protection is claimed to provide that the said undertaking shall be in a written agreement or a written act of the same effect. The countries whose legislation so provides shall notify the Director General by means of a written declaration, which will be immediately communicated by him to all the other countries of the Union.

(d) By "contrary or special stipulation" is meant any restrictive condition which is relevant to the aforesaid undertaking.

(3) Unless the national legislation provides to the contrary, the provisions of paragraph (2)(b) above shall not be applicable to authors of scenarios, dialogues and musical works created for the making of the cinematographic work, or to the principal director thereof. However, those countries of the Union whose legislation does not contain rules providing for the application of the said paragraph (2)(b) to such director shall notify the Director General by means of a written declaration, which will be immediately communicated by him to all the other countries of the Union.

Article 14ter

(1) The author, or after his death the persons or institutions authorized by national legislation, shall, with respect to original works of art and original manuscripts of writers and composers, enjoy the inalienable right to an interest in any sale of the work subsequent to the first transfer by the author of the work.

(2) The protection provided by the preceding paragraph may be claimed in a country of the Union only if legislation in the country to which the author belongs so permits, and to the extent permitted by the country where this protection is claimed.

(3) The procedure for collection and the amounts shall be matters for determination by national legislation.

ROME CONVENTION FOR THE PROTECTION OF PERFORMERS, PRODUCERS OF PHONOGRAMS AND BROADCASTING ORGANIZATIONS (1961)

Article 1

Protection granted under this Convention shall leave intact and shall in no way affect the protection of copyright in literary and artistic works. Consequently, no provision of this Convention may be interpreted as prejudicing such protection.

Article 2

1. For the purposes of this Convention, national treatment shall mean the treatment accorded by the domestic law of the Contracting State in which protection is claimed:

(a) to performers who are its nationals, as regards performances taking place, broadcast, or first fixed, on its territory;

(b) to producers of phonograms who are its nationals, as regards phonograms first fixed or first published on its territory;

(c) to broadcasting organisations which have their headquarters on its territory, as regards broadcasts transmitted from transmitters situated on its territory.

2. National treatment shall be subject to the protection specifically guaranteed, and the limitations specifically provided for, in this Convention.

Article 3

For the purposes of this Convention:

- (a) “performers” means actors, singers, musicians, dancers, and other persons who act, sing, deliver, declaim, play in, or otherwise perform literary or artistic works;
- (b) “phonogram” means any exclusively aural fixation of sounds of a performance or of other sounds;
- (c) “producer of phonograms” means the person who, or the legal entity which, first fixes the sounds of a performance or other sounds;
- (d) “publication” means the offering of copies of a phonogram to the public in reasonable quantity;
- (e) “reproduction” means the making of a copy or copies of a fixation;
- (f) “broadcasting” means the transmission by wireless means for public reception of sounds or of images and sounds;
- (g) “rebroadcasting” means the simultaneous broadcasting by one broadcasting organisation of the broadcast of another broadcasting organisation.

Article 4

Each Contracting State shall grant national treatment to performers if any of the following conditions is met:

- (a) the performance takes place in another Contracting State;
- (b) the performance is incorporated in a phonogram which is protected under Article 5 of this Convention;
- (c) the performance, not being fixed on a phonogram, is carried by a broadcast which is protected by Article 6 of this Convention.

Article 5

1. Each Contracting State shall grant national treatment to producers of phonograms if any of the following conditions is met:

- (a) the producer of the phonogram is a national of another Contracting State (criterion of nationality);
- (b) the first fixation of the sound was made in another Contracting State (criterion of fixation);
- (c) the phonogram was first published in another Contracting State (criterion of publication).

2. If a phonogram was first published in a non-contracting State but if it was also published, within thirty days of its first publication, in a Contracting State (simultaneous publication), it shall be considered as first published in the Contracting State.

3. By means of a notification deposited with the Secretary-General of the United Nations, any Contracting State may declare that it will not apply the criterion of publication or, alternatively, the criterion of fixation. Such notification may be deposited at the time of ratification, acceptance or accession, or at any time thereafter; in the last case, it shall become effective six months after it has been deposited.

Article 6

1. Each Contracting State shall grant national treatment to broadcasting organisations if either of the following conditions is met:

- (a) the headquarters of the broadcasting organisation is situated in another Contracting State;
- (b) the broadcast was transmitted from a transmitter situated in another Contracting State.

2. By means of a notification deposited with the Secretary-General of the United Nations, any Contracting State may declare that it will protect broadcasts only if the headquarters of the broadcasting organisation is situated in another Contracting State and the broadcast was transmitted from a transmitter situated in the same Contracting State. Such notification may be deposited at the time of ratification, acceptance or accession, or at any time thereafter; in the last case, it shall become effective six months after it has been deposited.

Article 7

1. The protection provided for performers by this Convention shall include the possibility of preventing:

(a) the broadcasting and the communication to the public, without their consent, of their performance, except where the performance used in the broadcasting or the public communication is itself already a broadcast performance or is made from a fixation;

(b) the fixation, without their consent, of their unfixed performance;

(c) the reproduction, without their consent, of a fixation of their performance:

(i) if the original fixation itself was made without their consent;

(ii) if the reproduction is made for purposes different from those for which the performers gave their consent;

(iii) if the original fixation was made in accordance with the provisions of Article 15, and the reproduction is made for purposes different from those referred to in those provisions.

2. (1) If broadcasting was consented to by the performers, it shall be a matter for the domestic law of the Contracting State where protection is claimed to regulate the protection against rebroadcasting, fixation for broadcasting purposes and the reproduction of such fixation for broadcasting purposes.

(2) The terms and conditions governing the use by broadcasting organisations of fixations made for broadcasting purposes shall be determined in accordance with the domestic law of the Contracting State where protection is claimed.

(3) However, the domestic law referred to in sub-paragraphs (1) and (2) of this paragraph shall not operate to deprive performers of the ability to control, by contract, their relations with broadcasting organisations.

Article 8

Any Contracting State may, by its domestic laws and regulations, specify the manner in which performers will be represented in connection with the exercise of their rights if several of them participate in the same performance.

Article 9

Any Contracting State may, by its domestic laws and regulations, extend the protection provided for in this Convention to artists who do not perform literary or artistic works.

Article 10

Producers of phonograms shall enjoy the right to authorize or prohibit the direct or indirect reproduction of their phonograms.

Article 11

If, as a condition of protecting the rights of producers of phonograms, or of performers, or both, in relation to phonograms, a Contracting State, under its domestic law, requires compliance with formalities, these shall be considered as fulfilled if all the copies in commerce of the published phonogram or their containers bear a notice consisting of the symbol (P), accompanied by the year date of the first publication, placed in such a manner as to give reasonable notice of claim of protection; and if the copies or their containers do not identify the producer or the licensee of the producer (by carrying his name, trade mark or other appropriate designation), the notice shall also include the name of the owner of the rights of the producer; and, furthermore, if the copies or their containers do not identify the principal performers, the notice shall also include the name of the person who, in the country in which the fixation was effected, owns the rights of such performers.

Article 12

If a phonogram published for commercial purposes, or a reproduction of such phonogram, is used directly for broadcasting or for any communication to the public, a single equitable remuneration shall be paid by the user to the performers, or to the producers of the phonograms, or to both. Domestic law may, in the absence of agreement between these parties, lay down the conditions as to the sharing of this remuneration.

Article 13

Broadcasting organisations shall enjoy the right to authorize or prohibit:

- (a) the rebroadcasting of their broadcasts;
- (b) the fixation of their broadcasts;
- (c) the reproduction:
 - (i) of fixations, made without their consent, of their broadcasts;
 - (ii) of fixations, made in accordance with the provisions of Article 15, of their broadcasts, if the reproduction is made for purposes different from those referred to in those provisions;
- (d) the communication to the public of their television broadcasts if such communication is made in places accessible to the public against payment of an entrance fee; it shall be a matter for the domestic law of the State where protection of this right is claimed to determine the conditions under which it may be exercised.

Article 14

The term of protection to be granted under this Convention shall last at least until the end of a period of twenty years computed from the end of the year in which:

- (a) the fixation was made—for phonograms and for performances incorporated therein;
- (b) the performance took place—for performances not incorporated in phonograms;
- (c) the broadcast took place—for broadcasts.

Article 15

1. Any Contracting State may, in its domestic laws and regulations, provide for exceptions to the protection guaranteed by this Convention as regards:

- (a) private use;
- (b) use of short excerpts in connection with the reporting of current events;
- (c) ephemeral fixation by a broadcasting organisation by means of its own facilities and for its own broadcasts;
- (d) use solely for the purposes of teaching or scientific research.

2. Irrespective of paragraph 1 of this Article, any Contracting State may, in its domestic laws and regulations, provide for the same kinds of limitations with regard to the protection of performers, producers of phonograms and broadcasting organisations, as it provides for, in its domestic laws and regulations, in connection with the protection of copyright in literary and artistic works. However, compulsory licences may be provided for only to the extent to which they are compatible with this Convention.

TRADE RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS (TRIPS AGREEMENT) (1994)

Article 1

1. Members shall give effect to the provisions of this Agreement. Members may, but shall not be obliged to, implement in their law more extensive protection than is required by this Agreement, provided that such protection does not contravene the provisions of this Agreement. Members shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice.

2. For the purposes of this Agreement, the term “intellectual property” refers to all categories of intellectual property that are the subject of Sections 1 through 7 of Part II.

3. Members shall accord the treatment provided for in this Agreement to the nationals of other Members. (1) In respect of the relevant intellectual property right, the nationals of other Members shall be understood as those natural or legal persons that would meet the criteria for eligibility for protection provided for in the Paris Convention (1967), the Berne Convention (1971), the Rome Convention and the Treaty on Intellectual Property in Respect of Integrated Circuits, were all Members of the WTO members of those conventions. (2) Any Member availing itself of the possibilities provided in paragraph 3 of Article 5 or paragraph 2 of Article 6 of the Rome Convention shall make a notification as foreseen in those provisions to the Council for Trade-Related Aspects of Intellectual Property Rights (the “Council for TRIPS”).

Article 2

1. In respect of Parts II, III and IV of this Agreement, Members shall comply with Articles 1 through 12, and Article 19, of the Paris Convention (1967).

2. Nothing in Parts I to IV of this Agreement shall derogate from existing obligations that Members may have to each other under the Paris Convention, the Berne Convention, the Rome Convention and the Treaty on Intellectual Property in Respect of Integrated Circuits.

Article 3

1. Each Member shall accord to the nationals of other Members treatment no less favourable than that it accords to its own nationals with regard to the protection (3) of intellectual property, subject to the exceptions already provided in, respectively, the Paris Convention (1967), the Berne Convention (1971), the Rome Convention or the Treaty on Intellectual Property in Respect of Integrated Circuits. In respect of performers, producers of phonograms and broadcasting organizations, this obligation only applies in respect of the rights provided under this Agreement. Any Member availing itself of the possibilities provided in Article 6 of the Berne Convention (1971) or paragraph 1(b) of Article 16 of the Rome Convention shall make a notification as foreseen in those provisions to the Council for TRIPS.

2. Members may avail themselves of the exceptions permitted under paragraph 1 in relation to judicial and administrative procedures, including the designation of an address for service or the appointment of an agent within the jurisdiction of a Member, only where such exceptions are necessary to secure compliance with laws and regulations which are not inconsistent with the provisions of this Agreement and where such practices are not applied in a manner which would constitute a disguised restriction on trade.

Article 4

With regard to the protection of intellectual property, any advantage, favour, privilege or immunity granted by a Member to the nationals of any other country shall be accorded immediately and unconditionally to the nationals of all other Members. Exempted from this obligation are any advantage, favour, privilege or immunity accorded by a Member:

- (a) deriving from international agreements on judicial assistance or law enforcement of a general nature and not particularly confined to the protection of intellectual property;
- (b) granted in accordance with the provisions of the Berne Convention (1971) or the Rome Convention authorizing that the treatment accorded be a function not of national treatment but of the treatment accorded in another country;
- (c) in respect of the rights of performers, producers of phonograms and broadcasting organizations not provided under this Agreement;
- (d) deriving from international agreements related to the protection of intellectual property which entered into force prior to the entry into force of the WTO Agreement, provided that such agreements are notified to the Council for TRIPS and do not constitute an arbitrary or unjustifiable discrimination against nationals of other Members.

Article 5

The obligations under Articles 3 and 4 do not apply to procedures provided in multilateral agreements concluded under the auspices of WIPO relating to the acquisition or maintenance of intellectual property rights.

Article 6

For the purposes of dispute settlement under this Agreement, subject to the provisions of Articles 3 and 4 nothing in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights.

Article 7

The protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations.

Article 8

1. Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to

their socio-economic and technological development, provided that such measures are consistent with the provisions of this Agreement.

2. Appropriate measures, provided that they are consistent with the provisions of this Agreement, may be needed to prevent the abuse of intellectual property rights by right holders or the resort to practices which unreasonably restrain trade or adversely affect the international transfer of technology.

Article 9

1. Members shall comply with Articles 1 through 21 of the Berne Convention (1971) and the Appendix thereto. However, Members shall not have rights or obligations under this Agreement in respect of the rights conferred under Article 6bis of that Convention or of the rights derived therefrom.

2. Copyright protection shall extend to expressions and not to ideas, procedures, methods of operation or mathematical concepts as such.

Article 10

1. Computer programs, whether in source or object code, shall be protected as literary works under the Berne Convention (1971).

2. Compilations of data or other material, whether in machine readable or other form, which by reason of the selection or arrangement of their contents constitute intellectual creations shall be protected as such. Such protection, which shall not extend to the data or material itself, shall be without prejudice to any copyright subsisting in the data or material itself.

Article 11

In respect of at least computer programs and cinematographic works, a Member shall provide authors and their successors in title the right to authorize or to prohibit the commercial rental to the public of originals or copies of their copyright works. A Member shall be excepted from this obligation in respect of cinematographic works unless such rental has led to widespread copying of such works which is materially impairing the exclusive right of reproduction conferred in that Member on authors and their successors in title. In respect of computer programs, this obligation does not apply to rentals where the program itself is not the essential object of the rental.

Article 12

Whenever the term of protection of a work, other than a photographic work or a work of applied art, is calculated on a basis other than the life of a natural person, such term shall be no less than 50 years from the end of the calendar year of authorized publication, or, failing such authorized publication within 50 years from the making of the work, 50 years from the end of the calendar year of making.

Article 13

Members shall confine limitations or exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder.

Article 14

1. In respect of a fixation of their performance on a phonogram, performers shall have the possibility of preventing the following acts when undertaken without their authorization: the fixation of their unfixed performance and the reproduction of such fixation. Performers shall also have the possibility of preventing the following acts when undertaken without their authorization: the broadcasting by wireless means and the communication to the public of their live performance.

2. Producers of phonograms shall enjoy the right to authorize or prohibit the direct or indirect reproduction of their phonograms.

3. Broadcasting organizations shall have the right to prohibit the following acts when undertaken without their authorization: the fixation, the reproduction of fixations, and the rebroadcasting by wireless means of broadcasts, as well as the communication to the public of television broadcasts of the same. Where Members do not grant such rights to broadcasting organizations, they shall provide owners of copyright in the subject matter of broadcasts with the possibility of preventing the above acts, subject to the provisions of the Berne Convention (1971).

4. The provisions of Article 11 in respect of computer programs shall apply mutatis mutandis to producers of phonograms and any other right holders in phonograms as determined in a Member's law.

If on 15 April 1994 a Member has in force a system of equitable remuneration of right holders in respect of the rental of phonograms, it may maintain such system provided that the commercial rental of phonograms is not giving rise to the material impairment of the exclusive rights of reproduction of right holders.

5. The term of the protection available under this Agreement to performers and producers of phonograms shall last at least until the end of a period of 50 years computed from the end of the calendar year in which the fixation was made or the performance took place. The term of protection granted pursuant to paragraph 3 shall last for at least 20 years from the end of the calendar year in which the broadcast took place.

6. Any Member may, in relation to the rights conferred under paragraphs 1, 2 and 3, provide for conditions, limitations, exceptions and reservations to the extent permitted by the Rome Convention. However, the provisions of Article 18 of the Berne Convention (1971) shall also apply, *mutatis mutandis*, to the rights of performers and producers of phonograms in phonograms.

WIPO COPYRIGHT TREATY (1996)

Article 1

(1) This Treaty is a special agreement within the meaning of Article 20 of the Berne Convention for the Protection of Literary and Artistic Works, as regards Contracting Parties that are countries of the Union established by that Convention. This Treaty shall not have any connection with treaties other than the Berne Convention, nor shall it prejudice any rights and obligations under any other treaties.

(2) Nothing in this Treaty shall derogate from existing obligations that Contracting Parties have to each other under the Berne Convention for the Protection of Literary and Artistic Works.

(3) Hereinafter, "Berne Convention" shall refer to the Paris Act of July 24, 1971 of the Berne Convention for the Protection of Literary and Artistic Works.

(4) Contracting Parties shall comply with Articles 1 to 21 and the Appendix of the Berne Convention.

Agreed statements concerning Article 1(4): The reproduction right, as set out in Article 9 of the Berne Convention, and the exceptions permitted thereunder, fully apply in the digital environment, in particular to the use of works in digital form. It is understood that the storage of a protected work in digital form in an electronic medium constitutes a reproduction within the meaning of Article 9 of the Berne Convention.

Article 2

Copyright protection extends to expressions and not to ideas, procedures, methods of operation or mathematical concepts as such.

Article 3

Contracting Parties shall apply *mutatis mutandis* the provisions of Articles 2 to 6 of the Berne Convention in respect of the protection provided for in this Treaty.

Agreed statements concerning Article 3 : It is understood that in applying Article 3 of this Treaty, the expression "country of the Union" in Articles 2 to 6 of the Berne Convention will be read as if it were a reference to a Contracting Party to this Treaty, in the application of those Berne Articles in respect of protection provided for in this Treaty. It is also understood that the expression "country outside the Union" in those Articles in the Berne Convention will, in the same circumstances, be read as if it were a reference to a country that is not a Contracting Party to this Treaty, and that "this Convention" in Articles 2(8) , 2bis(2) , 3 , 4 and 5 of the Berne Convention will be read as if it were a reference to the Berne Convention and this Treaty. Finally, it is understood that a reference in Articles 3 to 6 of the Berne Convention to a "national of one of the countries of the Union" will, when these Articles are applied to this Treaty, mean, in regard to an intergovernmental organization that is a Contracting Party to this Treaty, a national of one of the countries that is member of that organization.

Article 4

Computer programs are protected as literary works within the meaning of Article 2 of the Berne Convention. Such protection applies to computer programs, whatever may be the mode or form of their expression.

Agreed statements concerning Article 4: The scope of protection for computer programs under Article 4 of this Treaty, read with Article 2, is consistent with Article 2 of the Berne Convention and on a par with the relevant provisions of the TRIPS Agreement.

Article 5

Compilations of data or other material, in any form, which by reason of the selection or arrangement of their contents constitute intellectual creations, are protected as such. This protection does not extend to the data or the material itself and is without prejudice to any copyright subsisting in the data or material contained in the compilation.

Agreed statements concerning Article 5: The scope of protection for compilations of data (databases) under Article 5 of this Treaty, read with Article 2, is consistent with Article 2 of the Berne Convention and on a par with the relevant provisions of the TRIPS Agreement.

Article 6

(1) Authors of literary and artistic works shall enjoy the exclusive right of authorizing the making available to the public of the original and copies of their works through sale or other transfer of ownership.

(2) Nothing in this Treaty shall affect the freedom of Contracting Parties to determine the conditions, if any, under which the exhaustion of the right in paragraph (1) applies after the first sale or other transfer of ownership of the original or a copy of the work with the authorization of the author.

Agreed statements concerning Articles 6 and 7: As used in these Articles, the expressions "copies" and "original and copies," being subject to the right of distribution and the right of rental under the said Articles, refer exclusively to fixed copies that can be put into circulation as tangible objects.

Article 7

(1) Authors of

(i) computer programs;

(ii) cinematographic works; and

(iii) works embodied in phonograms, as determined in the national law of Contracting Parties,

shall enjoy the exclusive right of authorizing commercial rental to the public of the originals or copies of their works.

(2) Paragraph (1) shall not apply

(i) in the case of computer programs, where the program itself is not the essential object of the rental; and

(ii) in the case of cinematographic works, unless such commercial rental has led to widespread copying of such works materially impairing the exclusive right of reproduction.

(3) Notwithstanding the provisions of paragraph (1), a Contracting Party that, on April 15, 1994, had and continues to have in force a system of equitable remuneration of authors for the rental of copies of their works embodied in phonograms may maintain that system provided that the commercial rental of works embodied in phonograms is not giving rise to the material impairment of the exclusive right of reproduction of authors.

Agreed statements concerning Articles 6 and 7: As used in these Articles, the expressions "copies" and "original and copies," being subject to the right of distribution and the right of rental under the said Articles, refer exclusively to fixed copies that can be put into circulation as tangible objects.

Article 8

Without prejudice to the provisions of Articles 11(1)(ii), 11bis(1)(i) and (ii), 11ter(1)(ii), 14(1)(ii) and 14bis(1) of the Berne Convention, authors of literary and artistic works shall enjoy the exclusive right of authorizing any communication to the public of their works, by wire or wireless means, including the making available to the public of their works in such a way that members of the public may access these works from a place and at a time individually chosen by them.

Agreed statements concerning Article 8 : It is understood that the mere provision of physical facilities for enabling or making a communication does not in itself amount to communication within the meaning of this Treaty or the Berne Convention. It is further understood that nothing in Article 8 precludes a Contracting Party from applying Article 11bis(2) .

Article 9

In respect of photographic works, the Contracting Parties shall not apply the provisions of Article 7(4) of the Berne Convention.

Article 10

(1) Contracting Parties may, in their national legislation, provide for limitations of or exceptions to the rights granted to authors of literary and artistic works under this Treaty in certain special cases that do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the author.

(2) Contracting Parties shall, when applying the Berne Convention, confine any limitations of or exceptions to rights provided for therein to certain special cases that do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the author.

Agreed statement concerning Article 10: It is understood that the provisions of Article 10 permit Contracting Parties to carry forward and appropriately extend into the digital environment limitations and exceptions in their national laws which have been considered acceptable under the Berne Convention. Similarly, these provisions should be understood to permit Contracting Parties to devise new exceptions and limitations that are appropriate in the digital network environment.

It is also understood that Article 10(2) neither reduces nor extends the scope of applicability of the limitations and exceptions permitted by the Berne Convention.

Article 11

Contracting Parties shall provide adequate legal protection and effective legal remedies against the circumvention of effective technological measures that are used by authors in connection with the exercise of their rights under this Treaty or the Berne Convention and that restrict acts, in respect of their works, which are not authorized by the authors concerned or permitted by law.

Article 12

(1) Contracting Parties shall provide adequate and effective legal remedies against any person knowingly performing any of the following acts knowing, or with respect to civil remedies having reasonable grounds to know, that it will induce, enable, facilitate or conceal an infringement of any right covered by this Treaty or the Berne Convention:

(i) to remove or alter any electronic rights management information without authority;

(ii) to distribute, import for distribution, broadcast or communicate to the public, without authority, works or copies of works knowing that electronic rights management information has been removed or altered without authority.

(2) As used in this Article, “rights management information” means information which identifies the work, the author of the work, the owner of any right in the work, or information about the terms and conditions of use of the work, and any numbers or codes that represent such information, when any of these items of information is attached to a copy of a work or appears in connection with the communication of a work to the public.

Agreed statements concerning Article 12: It is understood that the reference to “infringement of any right covered by this Treaty or the Berne Convention” includes both exclusive rights and rights of remuneration.

It is further understood that Contracting Parties will not rely on this Article to devise or implement rights management systems that would have the effect of imposing formalities which are not permitted under the Berne Convention or this Treaty, prohibiting the free movement of goods or impeding the enjoyment of rights under this Treaty.

Article 13

Contracting Parties shall apply the provisions of Article 18 of the Berne Convention to all protection provided for in this Treaty.

Article 14

(1) Contracting Parties undertake to adopt, in accordance with their legal systems, the measures necessary to ensure the application of this Treaty.

(2) Contracting Parties shall ensure that enforcement procedures are available under their law so as to permit effective action against any act of infringement of rights covered by this Treaty, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements.

Article 1

(1) Nothing in this Treaty shall derogate from existing obligations that Contracting Parties have to each other under the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations done in Rome, October 26, 1961 (hereinafter the “Rome Convention”).

(2) Protection granted under this Treaty shall leave intact and shall in no way affect the protection of copyright in literary and artistic works. Consequently, no provision of this Treaty may be interpreted as prejudicing such protection.

(3) This Treaty shall not have any connection with, nor shall it prejudice any rights and obligations under, any other treaties.

Agreed statement concerning Article 1(2): It is understood that Article 1(2) clarifies the relationship between rights in phonograms under this Treaty and copyright in works embodied in the phonograms. In cases where authorization is needed from both the author of a work embodied in the phonogram and a performer or producer owning rights in the phonogram, the need for the authorization of the author does not cease to exist because the authorization of the performer or producer is also required, and vice versa. It is further understood that nothing in Article 1(2) precludes a Contracting Party from providing exclusive rights to a performer or producer of phonograms beyond those required to be provided under this Treaty.

Article 2

For the purposes of this Treaty:

(a) “performers” are actors, singers, musicians, dancers, and other persons who act, sing, deliver, declaim, play in, interpret, or otherwise perform literary or artistic works or expressions of folklore;

(b) “phonogram” means the fixation of the sounds of a performance or of other sounds, or of a representation of sounds, other than in the form of a fixation incorporated in a cinematographic or other audiovisual work;

(c) “fixation” means the embodiment of sounds, or of the representations thereof, from which they can be perceived, reproduced or communicated through a device;

(d) “producer of a phonogram” means the person, or the legal entity, who or which takes the initiative and has the responsibility for the first fixation of the sounds of a performance or other sounds, or the representations of sounds;

(e) “publication” of a fixed performance or a phonogram means the offering of copies of the fixed performance or the phonogram to the public, with the consent of the rightholder, and provided that copies are offered to the public in reasonable quantity;

(f) “broadcasting” means the transmission by wireless means for public reception of sounds or of images and sounds or of the representations thereof; such transmission by satellite is also “broadcasting”; transmission of encrypted signals is “broadcasting” where the means for decrypting are provided to the public by the broadcasting organization or with its consent;

(g) “communication to the public” of a performance or a phonogram means the transmission to the public by any medium, otherwise than by broadcasting, of sounds of a performance or the sounds or the representations of sounds fixed in a phonogram. For the purposes of Article 15, “communication to the public” includes making the sounds or representations of sounds fixed in a phonogram audible to the public.

Agreed statement concerning Article 2(b): It is understood that the definition of phonogram provided in Article 2(b) does not suggest that rights in the phonogram are in any way affected through their incorporation into a cinematographic or other audiovisual work.

Agreed statement concerning Articles 2(e), 8, 9, 12, and 13: As used in these Articles, the expressions “copies” and “original and copies,” being subject to the right of distribution and the right of rental under the said Articles, refer exclusively to fixed copies that can be put into circulation as tangible objects.

Article 3

(1) Contracting Parties shall accord the protection provided under this Treaty to the performers and producers of phonograms who are nationals of other Contracting Parties.

(2) The nationals of other Contracting Parties shall be understood to be those performers or producers of phonograms who would meet the criteria for eligibility for protection provided under the Rome

Convention, were all the Contracting Parties to this Treaty Contracting States of that Convention. In respect of these criteria of eligibility, Contracting Parties shall apply the relevant definitions in Article 2 of this Treaty.

(3) Any Contracting Party availing itself of the possibilities provided in Article 5(3) of the Rome Convention or, for the purposes of Article 5 of the same Convention, Article 17 thereof shall make a notification as foreseen in those provisions to the Director General of the World Intellectual Property Organization (WIPO).

Agreed statement concerning Article 3: It is understood that the reference in Articles 5(a) and 16(a)(iv) of the Rome Convention to “national of another Contracting State” will, when applied to this Treaty, mean, in regard to an intergovernmental organization that is a Contracting Party to this Treaty, a national of one of the countries that is a member of that organization.

Agreed statement concerning Article 3(2): For the application of Article 3(2), it is understood that fixation means the finalization of the master tape (“bande-mère”).

Article 4

(1) Each Contracting Party shall accord to nationals of other Contracting Parties, as defined in Article 3(2), the treatment it accords to its own nationals with regard to the exclusive rights specifically granted in this Treaty, and to the right to equitable remuneration provided for in Article 15 of this Treaty.

(2) The obligation provided for in paragraph (1) does not apply to the extent that another Contracting Party makes use of the reservations permitted by Article 15(3) of this Treaty.

Article 5

(1) Independently of a performer’s economic rights, and even after the transfer of those rights, the performer shall, as regards his live aural performances or performances fixed in phonograms, have the right to claim to be identified as the performer of his performances, except where omission is dictated by the manner of the use of the performance, and to object to any distortion, mutilation or other modification of his performances that would be prejudicial to his reputation.

(2) The rights granted to a performer in accordance with paragraph (1) shall, after his death, be maintained, at least until the expiry of the economic rights, and shall be exercisable by the persons or institutions authorized by the legislation of the Contracting Party where protection is claimed. However, those Contracting Parties whose legislation, at the moment of their ratification of or accession to this Treaty, does not provide for protection after the death of the performer of all rights set out in the preceding paragraph may provide that some of these rights will, after his death, cease to be maintained.

(3) The means of redress for safeguarding the rights granted under this Article shall be governed by the legislation of the Contracting Party where protection is claimed.

Article 6

Performers shall enjoy the exclusive right of authorizing, as regards their performances:

(i) the broadcasting and communication to the public of their unfixed performances except where the performance is already a broadcast performance; and

(ii) the fixation of their unfixed performances.

Article 7

Performers shall enjoy the exclusive right of authorizing the direct or indirect reproduction of their performances fixed in phonograms, in any manner or form.

Agreed statement concerning Articles 7, 11 and 16: The reproduction right, as set out in Articles 7 and 11, and the exceptions permitted thereunder through Article 16, fully apply in the digital environment, in particular to the use of performances and phonograms in digital form. It is understood that the storage of a protected performance or phonogram in digital form in an electronic medium constitutes a reproduction within the meaning of these Articles.

Article 8

(1) Performers shall enjoy the exclusive right of authorizing the making available to the public of the original and copies of their performances fixed in phonograms through sale or other transfer of ownership.

(2) Nothing in this Treaty shall affect the freedom of Contracting Parties to determine the conditions, if any, under which the exhaustion of the right in paragraph (1) applies after the first sale or other transfer of ownership of the original or a copy of the fixed performance with the authorization of the performer.

Agreed statement concerning Articles 2(e), 8, 9, 12, and 13: As used in these Articles, the expressions "copies" and "original and copies," being subject to the right of distribution and the right of rental under the said Articles, refer exclusively to fixed copies that can be put into circulation as tangible objects.

Article 9

(1) Performers shall enjoy the exclusive right of authorizing the commercial rental to the public of the original and copies of their performances fixed in phonograms as determined in the national law of Contracting Parties, even after distribution of them by, or pursuant to, authorization by the performer.

(2) Notwithstanding the provisions of paragraph (1), a Contracting Party that, on April 15, 1994, had and continues to have in force a system of equitable remuneration of performers for the rental of copies of their performances fixed in phonograms, may maintain that system provided that the commercial rental of phonograms is not giving rise to the material impairment of the exclusive right of reproduction of performers.

Agreed statement concerning Articles 2(e), 8, 9, 12, and 13: As used in these Articles, the expressions "copies" and "original and copies," being subject to the right of distribution and the right of rental under the said Articles, refer exclusively to fixed copies that can be put into circulation as tangible objects.

Article 10

Performers shall enjoy the exclusive right of authorizing the making available to the public of their performances fixed in phonograms, by wire or wireless means, in such a way that members of the public may access them from a place and at a time individually chosen by them.

Article 11

Producers of phonograms shall enjoy the exclusive right of authorizing the direct or indirect reproduction of their phonograms, in any manner or form.

Agreed statement concerning Articles 7, 11 and 16: The reproduction right, as set out in Articles 7 and 11, and the exceptions permitted thereunder through Article 16, fully apply in the digital environment, in particular to the use of performances and phonograms in digital form. It is understood that the storage of a protected performance or phonogram in digital form in an electronic medium constitutes a reproduction within the meaning of these Articles.

Article 12

(1) Producers of phonograms shall enjoy the exclusive right of authorizing the making available to the public of the original and copies of their phonograms through sale or other transfer of ownership.

(2) Nothing in this Treaty shall affect the freedom of Contracting Parties to determine the conditions, if any, under which the exhaustion of the right in paragraph (1) applies after the first sale or other transfer of ownership of the original or a copy of the phonogram with the authorization of the producer of the phonogram.

Agreed statement concerning Articles 2(e), 8, 9, 12, and 13: As used in these Articles, the expressions "copies" and "original and copies," being subject to the right of distribution and the right of rental under the said Articles, refer exclusively to fixed copies that can be put into circulation as tangible objects.

Article 13

(1) Producers of phonograms shall enjoy the exclusive right of authorizing the commercial rental to the public of the original and copies of their phonograms, even after distribution of them, by or pursuant to, authorization by the producer.

(2) Notwithstanding the provisions of paragraph (1), a Contracting Party that, on April 15, 1994, had and continues to have in force a system of equitable remuneration of producers of phonograms for the rental of copies of their phonograms, may maintain that system provided that the commercial rental of phonograms is not giving rise to the material impairment of the exclusive rights of reproduction of producers of phonograms.

Agreed statement concerning Articles 2(e), 8, 9, 12, and 13: As used in these Articles, the expressions “copies” and “original and copies,” being subject to the right of distribution and the right of rental under the said Articles, refer exclusively to fixed copies that can be put into circulation as tangible objects.

Article 14

Producers of phonograms shall enjoy the exclusive right of authorizing the making available to the public of their phonograms, by wire or wireless means, in such a way that members of the public may access them from a place and at a time individually chosen by them.

Article 15

(1) Performers and producers of phonograms shall enjoy the right to a single equitable remuneration for the direct or indirect use of phonograms published for commercial purposes for broadcasting or for any communication to the public.

(2) Contracting Parties may establish in their national legislation that the single equitable remuneration shall be claimed from the user by the performer or by the producer of a phonogram or by both. Contracting Parties may enact national legislation that, in the absence of an agreement between the performer and the producer of a phonogram, sets the terms according to which performers and producers of phonograms shall share the single equitable remuneration.

(3) Any Contracting Party may, in a notification deposited with the Director General of WIPO, declare that it will apply the provisions of paragraph (1) only in respect of certain uses, or that it will limit their application in some other way, or that it will not apply these provisions at all.

(4) For the purposes of this Article, phonograms made available to the public by wire or wireless means in such a way that members of the public may access them from a place and at a time individually chosen by them shall be considered as if they had been published for commercial purposes.

Agreed statement concerning Article 15: It is understood that Article 15 does not represent a complete resolution of the level of rights of broadcasting and communication to the public that should be enjoyed by performers and phonogram producers in the digital age. Delegations were unable to achieve consensus on differing proposals for aspects of exclusivity to be provided in certain circumstances or for rights to be provided without the possibility of reservations, and have therefore left the issue to future resolution.

Agreed statement concerning Article 15: It is understood that Article 15 does not prevent the granting of the right conferred by this Article to performers of folklore and producers of phonograms recording folklore where such phonograms have not been published for commercial gain.

Article 16

(1) Contracting Parties may, in their national legislation, provide for the same kinds of limitations or exceptions with regard to the protection of performers and producers of phonograms as they provide for, in their national legislation, in connection with the protection of copyright in literary and artistic works.

(2) Contracting Parties shall confine any limitations of or exceptions to rights provided for in this Treaty to certain special cases which do not conflict with a normal exploitation of the performance or phonogram and do not unreasonably prejudice the legitimate interests of the performer or of the producer of the phonogram.

Agreed statement concerning Articles 7, 11 and 16: The reproduction right, as set out in Articles 7 and 11, and the exceptions permitted thereunder through Article 16, fully apply in the digital environment, in particular to the use of performances and phonograms in digital form. It is understood that the storage of a protected performance or phonogram in digital form in an electronic medium constitutes a reproduction within the meaning of these Articles.

Agreed statement concerning Article 16: The agreed statement concerning Article 10 (on Limitations and Exceptions) of the WIPO Copyright Treaty is applicable mutatis mutandis also to Article 16 (on Limitations and Exceptions) of the WIPO Performances and Phonograms Treaty.

Article 17

(1) The term of protection to be granted to performers under this Treaty shall last, at least, until the end of a period of 50 years computed from the end of the year in which the performance was fixed in a phonogram.

(2) The term of protection to be granted to producers of phonograms under this Treaty shall last, at least, until the end of a period of 50 years computed from the end of the year in which the phonogram was published, or failing such publication within 50 years from fixation of the phonogram, 50 years from the end of the year in which the fixation was made.

Article 18

Contracting Parties shall provide adequate legal protection and effective legal remedies against the circumvention of effective technological measures that are used by performers or producers of phonograms in connection with the exercise of their rights under this Treaty and that restrict acts, in respect of their performances or phonograms, which are not authorized by the performers or the producers of phonograms concerned or permitted by law.

Article 19

(1) Contracting Parties shall provide adequate and effective legal remedies against any person knowingly performing any of the following acts knowing, or with respect to civil remedies having reasonable grounds to know, that it will induce, enable, facilitate or conceal an infringement of any right covered by this Treaty:

(i) to remove or alter any electronic rights management information without authority;

(ii) to distribute, import for distribution, broadcast, communicate or make available to the public, without authority, performances, copies of fixed performances or phonograms knowing that electronic rights management information has been removed or altered without authority.

(2) As used in this Article, “rights management information” means information which identifies the performer, the performance of the performer, the producer of the phonogram, the phonogram, the owner of any right in the performance or phonogram, or information about the terms and conditions of use of the performance or phonogram, and any numbers or codes that represent such information, when any of these items of information is attached to a copy of a fixed performance or a phonogram or appears in connection with the communication or making available of a fixed performance or a phonogram to the public.

Agreed statement concerning Article 19: The agreed statement concerning Article 12 (on Obligations concerning Rights Management Information) of the WIPO Copyright Treaty is applicable mutatis mutandis also to Article 19 (on Obligations concerning Rights Management Information) of the WIPO Performances and Phonograms Treaty.

Article 20

The enjoyment and exercise of the rights provided for in this Treaty shall not be subject to any formality.

Article 21

Subject to the provisions of Article 15(3), no reservations to this Treaty shall be permitted.

Article 22

(1) Contracting Parties shall apply the provisions of Article 18 of the Berne Convention, mutatis mutandis, to the rights of performers and producers of phonograms provided for in this Treaty.

(2) Notwithstanding paragraph (1), a Contracting Party may limit the application of Article 5 of this Treaty to performances which occurred after the entry into force of this Treaty for that Party.

Article 23

(1) Contracting Parties undertake to adopt, in accordance with their legal systems, the measures necessary to ensure the application of this Treaty.

(2) Contracting Parties shall ensure that enforcement procedures are available under their law so as to permit effective action against any act of infringement of rights covered by this Treaty, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements.

Article 1

(1) Nothing in this Treaty shall derogate from existing obligations that Contracting Parties have to each other under the WPPT or the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations done in Rome on October 26, 1961.

(2) Protection granted under this Treaty shall leave intact and shall in no way affect the protection of copyright in literary and artistic works. Consequently, no provision of this Treaty may be interpreted as prejudicing such protection.

(3) This Treaty shall not have any connection with treaties other than the WPPT, nor shall it prejudice any rights and obligations under any other treaties.

Agreed statement concerning Article 1: It is understood that nothing in this Treaty affects any rights or obligations under the WIPO Performances and Phonograms Treaty (WPPT) or their interpretation and it is further understood that paragraph 3 does not create any obligations for a Contracting Party to this Treaty to ratify or accede to the WPPT or to comply with any of its provisions.

Agreed statement concerning Article 1(3): It is understood that Contracting Parties who are members of the World Trade Organization (WTO) acknowledge all the principles and objectives of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) and understand that nothing in this Treaty affects the provisions of the TRIPS Agreement, including, but not limited to, the provisions relating to anti-competitive practices.

Article 2

For the purposes of this Treaty:

(a) "performers" are actors, singers, musicians, dancers, and other persons who act, sing, deliver, declaim, play in, interpret, or otherwise perform literary or artistic works or expressions of folklore;

(b) "audiovisual fixation" means the embodiment of moving images, whether or not accompanied by sounds or by the representations thereof, from which they can be perceived, reproduced or communicated through a device.

(c) "broadcasting" means the transmission by wireless means for public reception of sounds or of images or of images and sounds or of the representations thereof; such transmission by satellite is also "broadcasting"; transmission of encrypted signals is "broadcasting" where the means for decrypting are provided to the public by the broadcasting organization or with its consent;

(d) "communication to the public" of a performance means the transmission to the public by any medium, otherwise than by broadcasting, of an unfixed performance, or of a performance fixed in an audiovisual fixation. For the purposes of Article 11, "communication to the public" includes making a performance fixed in an audiovisual fixation audible or visible or audible and visible to the public.

Agreed statement concerning Article 2(a): It is understood that the definition of "performers" includes those who perform a literary or artistic work that is created or first fixed in the course of a performance.

Agreed statement concerning Article 2(b): It is hereby confirmed that the definition of "audiovisual fixation" contained in Article 2(b) is without prejudice to Article 2(c) of the WPPT.

Article 3

(1) Contracting Parties shall accord the protection granted under this Treaty to performers who are nationals of other Contracting Parties.

(2) Performers who are not nationals of one of the Contracting Parties but who have their habitual residence in one of them shall, for the purposes of this Treaty, be assimilated to nationals of that Contracting Party.

Article 4

(1) Each Contracting Party shall accord to nationals of other Contracting Parties the treatment it accords to its own nationals with regard to the exclusive rights specifically granted in this Treaty and the right to equitable remuneration provided for in Article 11 of this Treaty.

(2) A Contracting Party shall be entitled to limit the extent and term of the protection accorded to nationals of another Contracting Party under paragraph (1), with respect to the rights granted in Article 11(1) and 11(2) of this Treaty, to those rights that its own nationals enjoy in that other Contracting Party.

(3) The obligation provided for in paragraph (1) does not apply to a Contracting Party to the extent that another Contracting Party makes use of the reservations permitted by Article 11(3) of this Treaty, nor does it apply to a Contracting Party, to the extent that it has made such reservation.

Article 5

(1) Independently of a performer's economic rights, and even after the transfer of those rights, the performer shall, as regards his live performances or performances fixed in audiovisual fixations, have the right:

(i) to claim to be identified as the performer of his performances, except where omission is dictated by the manner of the use of the performance; and

(ii) to object to any distortion, mutilation or other modification of his performances that would be prejudicial to his reputation, taking due account of the nature of audiovisual fixations.

(2) The rights granted to a performer in accordance with paragraph (1) shall, after his death, be maintained, at least until the expiry of the economic rights, and shall be exercisable by the persons or institutions authorized by the legislation of the Contracting Party where protection is claimed. However, those Contracting Parties whose legislation, at the moment of their ratification of or accession to this Treaty, does not provide for protection after the death of the performer of all rights set out in the preceding paragraph may provide that some of these rights will, after his death, cease to be maintained.

(3) The means of redress for safeguarding the rights granted under this Article shall be governed by the legislation of the Contracting Party where protection is claimed .

Agreed statement concerning Article 5: For the purposes of this Treaty and without prejudice to any other treaty, it is understood that, considering the nature of audiovisual fixations and their production and distribution, modifications of a performance that are made in the normal course of exploitation of the performance, such as editing, compression, dubbing, or formatting, in existing or new media or formats, and that are made in the course of a use authorized by the performer, would not in themselves amount to modifications within the meaning of Article 5(1)(ii). Rights under Article 5(1)(ii) are concerned only with changes that are objectively prejudicial to the performer's reputation in a substantial way. It is also understood that the mere use of new or changed technology or media, as such, does not amount to modification within the meaning of Article 5(1)(ii).

Article 6

Performers shall enjoy the exclusive right of authorizing, as regards their performances:

(i) the broadcasting and communication to the public of their unfixed performances except where the performance is already a broadcast performance; and

(ii) the fixation of their unfixed performances.

Article 7

Performers shall enjoy the exclusive right of authorizing the direct or indirect reproduction of their performances fixed in audiovisual fixations, in any manner or form.

Agreed statement concerning Article 7: The reproduction right, as set out in Article 7, and the exceptions permitted thereunder through Article 13, fully apply in the digital environment, in particular to the use of performances in digital form. It is understood that the storage of a protected performance in digital form in an electronic medium constitutes a reproduction within the meaning of this Article.

Article 8

(1) Performers shall enjoy the exclusive right of authorizing the making available to the public of the original and copies of their performances fixed in audiovisual fixations through sale or other transfer of ownership.

(2) Nothing in this Treaty shall affect the freedom of Contracting Parties to determine the conditions, if any, under which the exhaustion of the right in paragraph (1) applies after the first sale or other transfer of ownership of the original or a copy of the fixed performance with the authorization of the performer.

Agreed statement concerning Articles 8 and 9: As used in these Articles, the expression "original and copies," being subject to the right of distribution and the right of rental under the said Articles, refers exclusively to fixed copies that can be put into circulation as tangible objects.

Article 9

(1) Performers shall enjoy the exclusive right of authorizing the commercial rental to the public of the original and copies of their performances fixed in audiovisual fixations as determined in the national law of Contracting Parties, even after distribution of them by, or pursuant to, authorization by the performer.

(2) Contracting Parties are exempt from the obligation of paragraph (1) unless the commercial rental has led to widespread copying of such fixations materially impairing the exclusive right of reproduction of performers.

Agreed statement concerning Articles 8 and 9: As used in these Articles, the expression "original and copies," being subject to the right of distribution and the right of rental under the said Articles, refers exclusively to fixed copies that can be put into circulation as tangible objects.

Article 10

Performers shall enjoy the exclusive right of authorizing the making available to the public of their performances fixed in audiovisual fixations, by wire or wireless means, in such a way that members of the public may access them from a place and at a time individually chosen by them.

Article 11

(1) Performers shall enjoy the exclusive right of authorizing the broadcasting and communication to the public of their performances fixed in audiovisual fixations.

(2) Contracting Parties may in a notification deposited with the Director General of WIPO declare that, instead of the right of authorization provided for in paragraph (1), they will establish a right to equitable remuneration for the direct or indirect use of performances fixed in audiovisual fixations for broadcasting or for communication to the public. Contracting Parties may also declare that they will set conditions in their legislation for the exercise of the right to equitable remuneration.

(3) Any Contracting Party may declare that it will apply the provisions of paragraphs (1) or (2) only in respect of certain uses, or that it will limit their application in some other way, or that it will not apply the provisions of paragraphs (1) and (2) at all.

Article 12

(1) A Contracting Party may provide in its national law that once a performer has consented to fixation of his or her performance in an audiovisual fixation, the exclusive rights of authorization provided for in Articles 7 to 11 of this Treaty shall be owned or exercised by or transferred to the producer of such audiovisual fixation subject to any contract to the contrary between the performer and the producer of the audiovisual fixation as determined by the national law.

(2) A Contracting Party may require with respect to audiovisual fixations produced under its national law that such consent or contract be in writing and signed by both parties to the contract or by their duly authorized representatives.

(3) Independent of the transfer of exclusive rights described above, national laws or individual, collective or other agreements may provide the performer with the right to receive royalties or equitable remuneration for any use of the performance, as provided for under this Treaty including as regards Articles 10 and 11.

Article 13

(1) Contracting Parties may, in their national legislation, provide for the same kinds of limitations or exceptions with regard to the protection of performers as they provide for, in their national legislation, in connection with the protection of copyright in literary and artistic works.

(2) Contracting Parties shall confine any limitations of or exceptions to rights provided for in this Treaty to certain special cases which do not conflict with a normal exploitation of the performance and do not unreasonably prejudice the legitimate interests of the performer.

Agreed statement concerning Article 13: The Agreed statement concerning Article 10 (on Limitations and Exceptions) of the WIPO Copyright Treaty (WCT) is applicable mutatis mutandis also to Article 13 (on Limitations and Exceptions) of the Treaty.

Article 14

The term of protection to be granted to performers under this Treaty shall last, at least, until the end of a period of 50 years computed from the end of the year in which the performance was fixed.

Article 15

Contracting Parties shall provide adequate legal protection and effective legal remedies against the circumvention of effective technological measures that are used by performers in connection with the exercise of their rights under this Treaty and that restrict acts, in respect of their performances, which are not authorized by the performers concerned or permitted by law.

Agreed statement concerning Article 15 as it relates to Article 13: It is understood that nothing in this Article prevents a Contracting Party from adopting effective and necessary measures to ensure that a beneficiary may enjoy limitations and exceptions provided in that Contracting Party's national law, in accordance with Article 13, where technological measures have been applied to an audiovisual performance and the beneficiary has legal access to that performance, in circumstances such as where appropriate and effective measures have not been taken by rights holders in relation to that performance to enable the beneficiary to enjoy the limitations and exceptions under that Contracting Party's national law. Without prejudice to the legal protection of an audiovisual work in which a performance is fixed, it is further understood that the obligations under Article 15 are not applicable to performances unprotected or no longer protected under the national law giving effect to this Treaty.

Agreed statement concerning Article 15: The expression "technological measures used by performers" should, as this is the case regarding the WPPT, be construed broadly, referring also to those acting on behalf of performers, including their representatives, licensees or assignees, including producers, service providers, and persons engaged in communication or broadcasting using performances on the basis of due authorization.

Article 16

(1) Contracting Parties shall provide adequate and effective legal remedies against any person knowingly performing any of the following acts knowing, or with respect to civil remedies having reasonable grounds to know, that it will induce, enable, facilitate, or conceal an infringement of any right covered by this Treaty:

(i) to remove or alter any electronic rights management information without authority;

(ii) to distribute, import for distribution, broadcast, communicate or make available to the public, without authority, performances or copies of performances fixed in audiovisual fixations knowing that electronic rights management information has been removed or altered without authority.

(2) As used in this Article, "rights management information" means information which identifies the performer, the performance of the performer, or the owner of any right in the performance, or information about the terms and conditions of use of the performance, and any numbers or codes that represent such information, when any of these items of information is attached to a performance fixed in an audiovisual fixation.

Agreed statement concerning Article 16: The Agreed statement concerning Article 12 (on Obligations concerning Rights Management Information) of the WCT is applicable mutatis mutandis also to Article 16 (on Obligations concerning Rights Management Information) of the Treaty.

Article 17

The enjoyment and exercise of the rights provided for in this Treaty shall not be subject to any formality.

Article 18

(1) Subject to provisions of Article 11(3), no reservations to this Treaty shall be permitted.

(2) Any notification under Article 11(2) or 19(2) may be made in instruments of ratification or accession, and the effective date of the notification shall be the same as the date of entry into force of this Treaty with respect to the Contracting Party having made the notification. Any such notification may also be made later, in which case the notification shall have effect three months after its receipt by the Director General of WIPO or at any later date indicated in the notification.

Article 19

(1) Contracting Parties shall accord the protection granted under this Treaty to fixed performances that exist at the moment of the entry into force of this Treaty and to all performances that occur after the entry into force of this Treaty for each Contracting Party.

(2) Notwithstanding the provisions of paragraph (1), a Contracting Party may declare in a notification deposited with the Director General of WIPO that it will not apply the provisions of Articles 7 to 11 of

this Treaty, or any one or more of those, to fixed performances that existed at the moment of the entry into force of this Treaty for each Contracting Party. In respect of such Contracting Party, other Contracting Parties may limit the application of the said Articles to performances that occurred after the entry into force of this Treaty for that Contracting Party.

(3) The protection provided for in this Treaty shall be without prejudice to any acts committed, agreements concluded or rights acquired before the entry into force of this Treaty for each Contracting Party.

(4) Contracting Parties may in their legislation establish transitional provisions under which any person who, prior to the entry into force of this Treaty, engaged in lawful acts with respect to a performance, may undertake with respect to the same performance acts within the scope of the rights provided for in Articles 5 and 7 to 11 after the entry into force of this Treaty for the respective Contracting Parties.

Article 20

(1) Contracting Parties undertake to adopt, in accordance with their legal systems, the measures necessary to ensure the application of this Treaty.

(2) Contracting Parties shall ensure that enforcement procedures are available under their law so as to permit effective action against any act of infringement of rights covered by this Treaty, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements.

MARRAKESH TREATY TO FACILITATE ACCESS TO PUBLISHED WORKS FOR PERSONS WHO ARE BLIND, VISUALLY IMPAIRED OR OTHERWISE PRINT DISABLED (2013)

Article 1

Nothing in this Treaty shall derogate from any obligations that Contracting Parties have to each other under any other treaties, nor shall it prejudice any rights that a Contracting Party has under any other treaties.

Article 2

For the purposes of this Treaty:

(a) "works" means literary and artistic works within the meaning of Article 2(1) of the Berne Convention for the Protection of Literary and Artistic Works, in the form of text, notation and/or related illustrations, whether published or otherwise made publicly available in any media;

(b) "accessible format copy" means a copy of a work in an alternative manner or form which gives a beneficiary person access to the work, including to permit the person to have access as feasibly and comfortably as a person without visual impairment or other print disability. The accessible format copy is used exclusively by beneficiary persons and it must respect the integrity of the original work, taking due consideration of the changes needed to make the work accessible in the alternative format and of the accessibility needs of the beneficiary persons;

(c) "authorized entity" means an entity that is authorized or recognized by the government to provide education, instructional training, adaptive reading or information access to beneficiary persons on a non-profit basis. It also includes a government institution or non-profit organization that provides the same services to beneficiary persons as one of its primary activities or institutional obligations.

An authorized entity establishes and follows its own practices:

(i) to establish that the persons it serves are beneficiary persons;

(ii) to limit to beneficiary persons and/or authorized entities its distribution and making available of accessible format copies;

(iii) to discourage the reproduction, distribution and making available of unauthorized copies; and

(iv) to maintain due care in, and records of, its handling of copies of works, while respecting the privacy of beneficiary persons in accordance with Article 8.

Agreed statement concerning Article 2(a): For the purposes of this Treaty, it is understood that this definition includes such works in audio form, such as audiobooks.

Agreed statement concerning Article 2(c): For the purposes of this Treaty, it is understood that "entities recognized by the government" may include entities receiving financial support from the government to

provide education, instructional training, adaptive reading or information access to beneficiary persons on a non-profit basis.

Article 3

A beneficiary person is a person who:

- (a) is blind;
 - (b) has a visual impairment or a perceptual or reading disability which cannot be improved to give visual function substantially equivalent to that of a person who has no such impairment or disability and so is unable to read printed works to substantially the same degree as a person without an impairment or disability; or
 - (c) is otherwise unable, through physical disability, to hold or manipulate a book or to focus or move the eyes to the extent that would be normally acceptable for reading;
- regardless of any other disabilities.

Agreed statement concerning Article 3(b): Nothing in this language implies that "cannot be improved" requires the use of all possible medical diagnostic procedures and treatments.

Article 4

1. (a) Contracting Parties shall provide in their national copyright laws for a limitation or exception to the right of reproduction, the right of distribution, and the right of making available to the public as provided by the WIPO Copyright Treaty (WCT), to facilitate the availability of works in accessible format copies for beneficiary persons. The limitation or exception provided in national law should permit changes needed to make the work accessible in the alternative format.

(b) Contracting Parties may also provide a limitation or exception to the right of public performance to facilitate access to works for beneficiary persons.

2. A Contracting Party may fulfill Article 4(1) for all rights identified therein by providing a limitation or exception in its national copyright law such that:

(a) Authorized entities shall be permitted, without the authorization of the copyright rightholder, to make an accessible format copy of a work, obtain from another authorized entity an accessible format copy, and supply those copies to beneficiary persons by any means, including by non-commercial lending or by electronic communication by wire or wireless means, and undertake any intermediate steps to achieve those objectives, when all of the following conditions are met:

(i) the authorized entity wishing to undertake said activity has lawful access to that work or a copy of that work;

(ii) the work is converted to an accessible format copy, which may include any means needed to navigate information in the accessible format, but does not introduce changes other than those needed to make the work accessible to the beneficiary person;

(iii) such accessible format copies are supplied exclusively to be used by beneficiary persons; and

(iv) the activity is undertaken on a non-profit basis;

and

(b) A beneficiary person, or someone acting on his or her behalf including a primary caretaker or caregiver, may make an accessible format copy of a work for the personal use of the beneficiary person or otherwise may assist the beneficiary person to make and use accessible format copies where the beneficiary person has lawful access to that work or a copy of that work.

3. A Contracting Party may fulfill Article 4(1) by providing other limitations or exceptions in its national copyright law pursuant to Articles 10 and 11.

4. A Contracting Party may confine limitations or exceptions under this Article to works which, in the particular accessible format, cannot be obtained commercially under reasonable terms for beneficiary persons in that market. Any Contracting Party availing itself of this possibility shall so declare in a notification deposited with the Director General of WIPO at the time of ratification of, acceptance of or accession to this Treaty or at any time thereafter.

5. It shall be a matter for national law to determine whether limitations or exceptions under this Article are subject to remuneration.

Agreed statement concerning Article 4(3): It is understood that this paragraph neither reduces nor extends the scope of applicability of limitations and exceptions permitted under the Berne Convention, as regards the right of translation, with respect to persons with visual impairments or with other print disabilities.

Agreed statement concerning Article 4(4): It is understood that a commercial availability requirement does not prejudice whether or not a limitation or exception under this Article is consistent with the three-step test.

Article 5

1. Contracting Parties shall provide that if an accessible format copy is made under a limitation or exception or pursuant to operation of law, that accessible format copy may be distributed or made available by an authorized entity to a beneficiary person or an authorized entity in another Contracting Party.

2. A Contracting Party may fulfill Article 5(1) by providing a limitation or exception in its national copyright law such that:

(a) authorized entities shall be permitted, without the authorization of the rightholder, to distribute or make available for the exclusive use of beneficiary persons accessible format copies to an authorized entity in another Contracting Party; and

(b) authorized entities shall be permitted, without the authorization of the rightholder and pursuant to Article 2(c), to distribute or make available accessible format copies to a beneficiary person in another Contracting Party;

provided that prior to the distribution or making available the originating authorized entity did not know or have reasonable grounds to know that the accessible format copy would be used for other than beneficiary persons.

3. A Contracting Party may fulfill Article 5(1) by providing other limitations or exceptions in its national copyright law pursuant to Articles 5(4), 10 and 11.

4. (a) When an authorized entity in a Contracting Party receives accessible format copies pursuant to Article 5(1) and that Contracting Party does not have obligations under Article 9 of the Berne Convention, it will ensure, consistent with its own legal system and practices, that the accessible format copies are only reproduced, distributed or made available for the benefit of beneficiary persons in that Contracting Party's jurisdiction.

(b) The distribution and making available of accessible format copies by an authorized entity pursuant to Article 5(1) shall be limited to that jurisdiction unless the Contracting Party is a Party to the WIPO Copyright Treaty or otherwise limits limitations and exceptions implementing this Treaty to the right of distribution and the right of making available to the public to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the rightholder.

(c) Nothing in this Article affects the determination of what constitutes an act of distribution or an act of making available to the public.

5. Nothing in this Treaty shall be used to address the issue of exhaustion of rights.

Agreed statement concerning Article 5(1): It is further understood that nothing in this Treaty reduces or extends the scope of exclusive rights under any other treaty.

Agreed statement concerning Article 5(2): It is understood that, to distribute or make available accessible format copies directly to a beneficiary person in another Contracting Party, it may be appropriate for an authorized entity to apply further measures to confirm that the person it is serving is a beneficiary person and to follow its own practices as described in Article 2(c).

Agreed statement concerning Article 5(4)(b): It is understood that nothing in this Treaty requires or implies that a Contracting Party adopt or apply the three-step test beyond its obligations under this instrument or under other international treaties.

Agreed statement concerning Article 5(4)(b): It is understood that nothing in this Treaty creates any obligations for a Contracting Party to ratify or accede to the WCT or to comply with any of its provisions and nothing in this Treaty prejudices any rights, limitations and exceptions contained in the WCT.

Article 6

To the extent that the national law of a Contracting Party would permit a beneficiary person, someone acting on his or her behalf, or an authorized entity, to make an accessible format copy of a work, the national law of that Contracting Party shall also permit them to import an accessible format copy for the benefit of beneficiary persons, without the authorization of the rightholder.

Agreed statement concerning Article 6: It is understood that the Contracting Parties have the same flexibilities set out in Article 4 when implementing their obligations under Article 6.

Article 7

Contracting Parties shall take appropriate measures, as necessary, to ensure that when they provide adequate legal protection and effective legal remedies against the circumvention of effective technological measures, this legal protection does not prevent beneficiary persons from enjoying the limitations and exceptions provided for in this Treaty.

Agreed statement concerning Article 7: It is understood that authorized entities, in various circumstances, choose to apply technological measures in the making, distribution and making available of accessible format copies and nothing herein disturbs such practices when in accordance with national law.

Article 8

In the implementation of the limitations and exceptions provided for in this Treaty, Contracting Parties shall endeavor to protect the privacy of beneficiary persons on an equal basis with others.

Article 9

1. Contracting Parties shall endeavor to foster the cross-border exchange of accessible format copies by encouraging the voluntary sharing of information to assist authorized entities in identifying one another. The International Bureau of WIPO shall establish an information access point for this purpose.

2. Contracting Parties undertake to assist their authorized entities engaged in activities under Article 5 to make information available regarding their practices pursuant to Article 2(c), both through the sharing of information among authorized entities, and through making available information on their policies and practices, including related to cross-border exchange of accessible format copies, to interested parties and members of the public as appropriate.

3. The International Bureau of WIPO is invited to share information, where available, about the functioning of this Treaty.

4. Contracting Parties recognize the importance of international cooperation and its promotion, in support of national efforts for realization of the purpose and objectives of this Treaty.

Agreed statement concerning Article 9: It is understood that Article 9 does not imply mandatory registration for authorized entities nor does it constitute a precondition for authorized entities to engage in activities recognized under this Treaty; but it provides for a possibility for sharing information to facilitate the cross-border exchange of accessible format copies.

Article 10

1. Contracting Parties undertake to adopt the measures necessary to ensure the application of this Treaty.

2. Nothing shall prevent Contracting Parties from determining the appropriate method of implementing the provisions of this Treaty within their own legal system and practice.

3. Contracting Parties may fulfill their rights and obligations under this Treaty through limitations or exceptions specifically for the benefit of beneficiary persons, other limitations or exceptions, or a combination thereof, within their national legal system and practice. These may include judicial, administrative or regulatory determinations for the benefit of beneficiary persons as to fair practices, dealings or uses to meet their needs consistent with the Contracting Parties' rights and obligations under the Berne Convention, other international treaties, and Article 11.

Agreed statement concerning Article 10(2): It is understood that when a work qualifies as a work under Article 2(a), including such works in audio form, the limitations and exceptions provided for by this Treaty apply mutatis mutandis to related rights as necessary to make the accessible format copy, to distribute it and to make it available to beneficiary persons.

Article 11

In adopting measures necessary to ensure the application of this Treaty, a Contracting Party may exercise the rights and shall comply with the obligations that that Contracting Party has under the Berne Convention, the Agreement on Trade-Related Aspects of Intellectual Property Rights and the WIPO Copyright Treaty, including their interpretative agreements so that:

(a) in accordance with Article 9(2) of the Berne Convention, a Contracting Party may permit the reproduction of 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;

(b) in accordance with Article 13 of the Agreement on Trade-Related Aspects of Intellectual Property Rights, a Contracting Party shall confine limitations or exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the rightholder;

(c) in accordance with Article 10(1) of the WIPO Copyright Treaty, a Contracting Party may provide for limitations of or exceptions to the rights granted to authors under the WCT in certain special cases, that do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the author;

(d) in accordance with Article 10(2) of the WIPO Copyright Treaty, a Contracting Party shall confine, when applying the Berne Convention, any limitations of or exceptions to rights to certain special cases that do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the author.

Article 12

1. Contracting Parties recognize that a Contracting Party may implement in its national law other copyright limitations and exceptions for the benefit of beneficiary persons than are provided by this Treaty having regard to that Contracting Party's economic situation, and its social and cultural needs, in conformity with that Contracting Party's international rights and obligations, and in the case of a least-developed country taking into account its special needs and its particular international rights and obligations and flexibilities thereof.

2. This Treaty is without prejudice to other limitations and exceptions for persons with disabilities provided by national law.

COUNCIL REGULATION (EC) No. 44/2001 OF 22 DECEMBER 2000 ON JURISDICTION AND THE RECOGNITION AND ENFORCEMENT OF JUDGMENTS IN CIVIL AND COMMERCIAL MATTERS

Article 2

1. Subject to this Regulation, persons domiciled in a Member State shall, whatever their nationality, be sued in the courts of that Member State.

2. Persons who are not nationals of the Member State in which they are domiciled shall be governed by the rules of jurisdiction applicable to nationals of that State.

Article 3

1. Persons domiciled in a Member State may be sued in the courts of another Member State only by virtue of the rules set out in Sections 2 to 7 of this Chapter.

Article 5

A person domiciled in a Member State may, in another Member State, be sued: (...)

3. in matters relating to tort, delict or quasi-delict, in the courts for the place where the harmful event occurred or may occur;

Article 6

A person domiciled in a Member State may also be sued:

1. where he is one of a number of defendants, in the courts for the place where any one of them is domiciled, provided the claims are so closely connected that it is expedient to hear and determine them together to avoid the risk of irreconcilable judgments resulting from separate proceedings; (...)

REGULATION (EC) No. 864/2007 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 11 JULY 2007 ON THE LAW APPLICABLE TO NON-CONTRACTUAL OBLIGATIONS (ROME II)

Recital (26)

Regarding infringements of intellectual property rights, the universally acknowledged principle of the *lex loci protectionis* should be preserved. For the purposes of this Regulation, the term 'intellectual

property rights' should be interpreted as meaning, for instance, copyright, related rights, the sui generis right for the protection of databases and industrial property rights.

Article 8

1. The law applicable to a non-contractual obligation arising from an infringement of an intellectual property right shall be the law of the country for which protection is claimed.
2. In the case of a non-contractual obligation arising from an infringement of a unitary Community intellectual property right, the law applicable shall, for any question that is not governed by the relevant Community instrument, be the law of the country in which the act of infringement was committed.
3. The law applicable under this Article may not be derogated from by an agreement pursuant to Article 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

Article 1

1. For the purpose of this Directive, 'satellite' means any satellite operating on frequency bands which, under telecommunications law, are reserved for the broadcast of signals for reception by the public or which are reserved for closed, point-to-point communication. In the latter case, however, the circumstances in which individual reception of the signals takes place must be comparable to those which apply in the first case.
2. (a) For the purpose of this Directive, 'communication to the public by satellite' means the act of introducing, under the control and responsibility of the broadcasting organization, the programme-carrying signals intended for reception by the public into an uninterrupted chain of communication leading to the satellite and down towards the earth.
(b) The act of communication to the public by satellite occurs solely in the Member State where, under the control and responsibility of the broadcasting organization, the programme-carrying signals are introduced into an uninterrupted chain of communication leading to the satellite and down towards the earth.
(c) If the programme-carrying signals are encrypted, then there is communication to the public by satellite on condition that the means for decrypting the broadcast are provided to the public by the broadcasting organization or with its consent.
(d) Where an act of communication to the public by satellite occurs in a non-Community State which does not provide the level of protection provided for under Chapter II,
(i) if the programme-carrying signals are transmitted to the satellite from an uplink situation situated in a Member State, that act of communication to the public by satellite shall be deemed to have occurred in that Member State and the rights provided for under Chapter II shall be exercisable against the person operating the uplink station; or
(ii) if there is no use of an uplink station situated in a Member State but a broadcasting organization established in a Member State has commissioned the act of communication to the public by satellite, that act shall be deemed to have occurred in the Member State in which the broadcasting organization has its principal establishment in the Community and the rights provided for under Chapter II shall be exercisable against the broadcasting organization.
3. For the purposes of this Directive, 'cable retransmission' means the simultaneous, unaltered and unabridged retransmission by a cable or microwave system for reception by the public of an initial transmission from another Member State, by wire or over the air, including that by satellite, of television or radio programmes intended for reception by the public.
4. For the purposes of this Directive 'collecting society' means any organization which manages or administers copyright or rights related to copyright as its sole purpose or as one of its main purposes.
5. For the purposes of this Directive, the principal director of a cinematographic or audiovisual work shall be considered as its author or one of its authors. Member States may provide for others to be considered as its co-authors.

Article 2

Broadcasting right Member States shall provide an exclusive right for the author to authorize the communication to the public by satellite of copyright works, subject to the provisions set out in this chapter.

Article 3

1. Member States shall ensure that the authorization referred to in Article 2 may be acquired only by agreement.
2. A Member State may provide that a collective agreement between a collecting society and a broadcasting organization concerning a given category of works may be extended to rightholders of the same category who are not represented by the collecting society, provided that:
 - the communication to the public by satellite simulcasts a terrestrial broadcast by the same broadcaster, and
 - the unrepresented rightholder shall, at any time, have the possibility of excluding the extension of the collective agreement to his works and of exercising his rights either individually or collectively.
3. Paragraph 2 shall not apply to cinematographic works, including works created by a process analogous to cinematography.
4. Where the law of a Member State provides for the extension of a collective agreement in accordance with the provisions of paragraph 2, that Member States shall inform the Commission which broadcasting organizations are entitled to avail themselves of that law. The Commission shall publish this information in the Official Journal of the European Communities (C series).

Article 4

1. For the purposes of communication to the public by satellite, the rights of performers, phonogram producers and broadcasting organizations shall be protected in accordance with the provisions of Articles 6, 7, 8 and 10 of Directive 92/100/EEC.
2. For the purposes of paragraph 1, 'broadcasting by wireless means' in Directive 92/100/EEC shall be understood as including communication to the public by satellite.
3. With regard to the exercise of the rights referred to in paragraph 1, Articles 2 (7) and 12 of Directive 92/100/EEC shall apply.

Article 5

Relation between copyright and related rights Protection of copyright-related rights under this Directive shall leave intact and shall in no way affect the protection of copyright.

Article 6

1. Member States may provide for more far-reaching protection for holders of rights related to copyright than that required by Article 8 of Directive 92/100/EEC.
2. In applying paragraph 1 Member States shall observe the definitions contained in Article 1 (1) and (2).

Article 7

1. With regard to the application in time of the rights referred to in Article 4 (1) of this Directive, Article 13 (1), (2), (6) and (7) of Directive 92/100/EEC shall apply. Article 13 (4) and (5) of Directive 92/100/EEC shall apply *mutatis mutandis*.
2. Agreements concerning the exploitation of works and other protected subject matter which are in force on the date mentioned in Article 14 (1) shall be subject to the provisions of Articles 1 (2), 2 and 3 as from 1 January 2000 if they expire after that date.
3. When an international co-production agreement concluded before the date mentioned in Article 14 (1) between a co-producer from a Member State and one or more co-producers from other Member States or third countries expressly provides for a system of division of exploitation rights between the co-producers by geographical areas for all means of communication to the public, without distinguishing the arrangement applicable to communication to the public by satellite from the provisions applicable to the other means of communication, and where communication to the public by satellite of the co-production would prejudice the exclusivity, in particular the language exclusivity, of one of the co-producers or his assignees in a given territory, the authorization by one of the co-

producers or his assignees for a communication to the public by satellite shall require the prior consent of the holder of that exclusivity, whether co-producer or assignee.

Article 8

1. Member States shall ensure that when programmes from other Member States are retransmitted by cable in their territory the applicable copyright and related rights are observed and that such retransmission takes place on the basis of individual or collective contractual agreements between copyright owners, holders of related rights and cable operators.
2. Notwithstanding paragraph 1, Member States may retain until 31 December 1997 such statutory licence systems which are in operation or expressly provided for by national law on 31 July 1991.

Article 9

1. Member States shall ensure that the right of copyright owners and holders or related rights to grant or refuse authorization to a cable operator for a cable retransmission may be exercised only through a collecting society.
2. Where a rightholder has not transferred the management of his rights to a collecting society, the collecting society which manages rights of the same category shall be deemed to be mandated to manage his rights. Where more than one collecting society manages rights of that category, the rightholder shall be free to choose which of those collecting societies is deemed to be mandated to manage his rights. A rightholder referred to in this paragraph shall have the same rights and obligations resulting from the agreement between the cable operator and the collecting society which is deemed to be mandated to manage his rights as the rightholders who have mandated that collecting society and he shall be able to claim those rights within a period, to be fixed by the Member State concerned, which shall not be shorter than three years from the date of the cable retransmission which includes his work or other protected subject matter.
3. A Member State may provide that, when a rightholder authorizes the initial transmission within its territory of a work or other protected subject matter, he shall be deemed to have agreed not to exercise his cable retransmission rights on an individual basis but to exercise them in accordance with the provisions of this Directive.

Article 10

Exercise of the cable retransmission right by broadcasting organizations Member States shall ensure that Article 9 does not apply to the rights exercised by a broadcasting organization in respect of its own transmission, irrespective of whether the rights concerned are its own or have been transferred to it by other copyright owners and/or holders of related rights.

Article 11

1. Where no agreement is concluded regarding authorization of the cable retransmission of a broadcast. Member States shall ensure that either party may call upon the assistance of one or more mediators.
2. The task of the mediators shall be to provide assistance with negotiation. They may also submit proposals to the parties.
3. It shall be assumed that all the parties accept a proposal as referred to in paragraph 2 if none of them expresses its opposition within a period of three months. Notice of the proposal and of any opposition thereto shall be served on the parties concerned in accordance with the applicable rules concerning the service of legal documents.
4. The mediators shall be so selected that their independence and impartiality are beyond reasonable doubt.

Article 12

1. Member States shall ensure by means of civil or administrative law, as appropriate, that the parties enter and conduct negotiations regarding authorization for cable retransmission in good faith and do not prevent or hinder negotiation without valid justification.
2. A Member State which, on the date mentioned in Article 14 (1), has a body with jurisdiction in its territory over cases where the right to retransmit a programme by cable to the public in that Member State has been unreasonably refused or offered on unreasonable terms by a broadcasting organization may retain that body.

3. Paragraph 2 shall apply for a transitional period of eight years from the date mentioned in Article 14 (1).

DIRECTIVE 96/9/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 11 MARCH 1996 ON THE LEGAL PROTECTION OF DATABASES

Article 1

1. This Directive concerns the legal protection of databases in any form.
2. For the purposes of this Directive, 'database' shall mean a collection of independent works, data or other materials arranged in a systematic or methodical way and individually accessible by electronic or other means.
3. Protection under this Directive shall not apply to computer programs used in the making or operation of databases accessible by electronic means.

Article 2

This Directive shall apply without prejudice to Community provisions relating to:

- (a) the legal protection of computer programs;
- (b) rental right, lending right and certain rights related to copyright in the field of intellectual property;
- (c) the term of protection of copyright and certain related rights.

Article 3

1. In accordance with this Directive, databases which, by reason of the selection or arrangement of their contents, constitute the author's own intellectual creation shall be protected as such by copyright. No other criteria shall be applied to determine their eligibility for that protection.
2. The copyright protection of databases provided for by this Directive shall not extend to their contents and shall be without prejudice to any rights subsisting in those contents themselves.

Article 4

1. The author of a database shall be the natural person or group of natural persons who created the base or, where the legislation of the Member States so permits, the legal person designated as the rightholder by that legislation.
2. Where collective works are recognized by the legislation of a Member State, the economic rights shall be owned by the person holding the copyright.
3. In respect of a database created by a group of natural persons jointly, the exclusive rights shall be owned jointly.

Article 5

In respect of the expression of the database which is protectable by copyright, the author of a database shall have the exclusive right to carry out or to authorize:

- (a) temporary or permanent reproduction by any means and in any form, in whole or in part;
- (b) translation, adaptation, arrangement and any other alteration;
- (c) any form of distribution to the public of the database or of copies thereof. The first sale in the Community of a copy of the database by the rightholder or with his consent shall exhaust the right to control resale of that copy within the Community;
- (d) any communication, display or performance to the public;
- (e) any reproduction, distribution, communication, display or performance to the public of the results of the acts referred to in (b).

Article 6

1. 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 authorization of the author of the database. Where the lawful user is authorized to use only part of the database, this provision shall apply only to that part.
2. Member States shall have the option of providing for limitations on the rights set out in Article 5 in the following cases:

- (a) in the case of reproduction for private purposes of a non-electronic database;
 - (b) where there is use for the sole purpose of illustration for teaching or scientific research, as long as the source is indicated and to the extent justified by the non-commercial purpose to be achieved;
 - (c) where there is use for the purposes of public security or for the purposes of an administrative or judicial procedure;
 - (d) where other exceptions to copyright which are traditionally authorized under national law are involved, without prejudice to points (a), (b) and (c).
3. In accordance with the Berne Convention for the protection of Literary and Artistic Works, this Article may not be interpreted in such a way as to allow its application to be used in a manner which unreasonably prejudices the rightholder's legitimate interests or conflicts with normal exploitation of the database.

Article 7

1. Member States shall provide for a right for the maker of a database which shows that there has been qualitatively and/or quantitatively a substantial investment in either the obtaining, verification or presentation of the contents to prevent extraction and/or re-utilization of the whole or of a substantial part, evaluated qualitatively and/or quantitatively, of the contents of that database.
2. For the purposes of this Chapter:
- (a) 'extraction' shall mean the permanent or temporary transfer of all or a substantial part of the contents of a database to another medium by any means or in any form;
 - (b) 're-utilization' shall mean any form of making available to the public all or a substantial part of the contents of a database by the distribution of copies, by renting, by on-line or other forms of transmission. The first sale of a copy of a database within the Community by the rightholder or with his consent shall exhaust the right to control resale of that copy within the Community; Public lending is not an act of extraction or re-utilization.
3. The right referred to in paragraph 1 may be transferred, assigned or granted under contractual licence.
4. The right provided for in paragraph 1 shall apply irrespective of the eligibility of that database for protection by copyright or by other rights. Moreover, it shall apply irrespective of eligibility of the contents of that database for protection by copyright or by other rights. Protection of databases under the right provided for in paragraph 1 shall be without prejudice to rights existing in respect of their contents.
5. The repeated and systematic extraction and/or re-utilization of insubstantial parts of the contents of the database implying acts which conflict with a normal exploitation of that database or which unreasonably prejudice the legitimate interests of the maker of the database shall not be permitted.

Article 8

1. The maker of a database which is made available to the public in whatever manner may not prevent a lawful user of the database from extracting and/or re-utilizing insubstantial parts of its contents, evaluated qualitatively and/or quantitatively, for any purposes whatsoever. Where the lawful user is authorized to extract and/or re-utilize only part of the database, this paragraph shall apply only to that part.
2. A lawful user of a database which is made available to the public in whatever manner may not perform acts which conflict with normal exploitation of the database or unreasonably prejudice the legitimate interests of the maker of the database.
3. A lawful user of a database which is made available to the public in any manner may not cause prejudice to the holder of a copyright or related right in respect of the works or subject matter contained in the database.

Article 9

- Member States may stipulate that lawful users of a database which is made available to the public in whatever manner may, without the authorization of its maker, extract or re-utilize a substantial part of its contents:
- (a) in the case of extraction for private purposes of the contents of a non-electronic database;
 - (b) in the case of extraction for the purposes of illustration for teaching or scientific research, as long as the source is indicated and to the extent justified by the non-commercial purpose to be achieved;

(c) in the case of extraction and/or re-utilization for the purposes of public security or an administrative or judicial procedure.

Article 10

1. The right provided for in Article 7 shall run from the date of completion of the making of the database. It shall expire fifteen years from the first of January of the year following the date of completion.

2. In the case of a database which is made available to the public in whatever manner before expiry of the period provided for in paragraph 1, the term of protection by that right shall expire fifteen years from the first of January of the year following the date when the database was first made available to the public.

3. Any substantial change, evaluated qualitatively or quantitatively, to the contents of a database, including any substantial change resulting from the accumulation of successive additions, deletions or alterations, which would result in the database being considered to be a substantial new investment, evaluated qualitatively or quantitatively, shall qualify the database resulting from that investment for its own term of protection.

Article 11

1. The right provided for in Article 7 shall apply to database whose makers or rightholders are nationals of a Member State or who have their habitual residence in the territory of the Community.

2. Paragraph 1 shall also apply to companies and firms formed in accordance with the law of a Member State and having their registered office, central administration or principal place of business within the Community; however, where such a company or firm has only its registered office in the territory of the Community, its operations must be genuinely linked on an ongoing basis with the economy of a Member State.

3. Agreements extending the right provided for in Article 7 to databases made in third countries and falling outside the provisions of paragraphs 1 and 2 shall be concluded by the Council acting on a proposal from the Commission. The term of any protection extended to databases by virtue of that procedure shall not exceed that available pursuant to Article 10.

Article 12

Member States shall provide appropriate remedies in respect of infringements of the rights provided for in this Directive.

DIRECTIVE 2001/29/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 22 MAY 2001 ON THE HARMONISATION OF CERTAIN ASPECTS OF COPYRIGHT AND RELATED RIGHTS IN THE INFORMATION SOCIETY (INFOSOC DIRECTIVE)

Article 1

1. This Directive concerns the legal protection of copyright and related rights in the framework of the internal market, with particular emphasis on the information society.

2. Except in the cases referred to in Article 11, this Directive shall leave intact and shall in no way affect existing Community provisions relating to:

- (a) the legal protection of computer programs;
- (b) rental right, lending right and certain rights related to copyright in the field of intellectual property;
- (c) copyright and related rights applicable to broadcasting of programmes by satellite and cable retransmission;
- (d) the term of protection of copyright and certain related rights;
- (e) the legal protection of databases.

Article 2

Member States shall provide for the exclusive right to authorise or prohibit direct or indirect, temporary or permanent reproduction by any means and in any form, in whole or in part:

- (a) for authors, of their works;
- (b) for performers, of fixations of their performances;
- (c) for phonogram producers, of their phonograms;

- (d) for the producers of the first fixations of films, in respect of the original and copies of their films;
- (e) for broadcasting organisations, of fixations of their broadcasts, whether those broadcasts are transmitted by wire or over the air, including by cable or satellite.

Article 3

1. Member States shall provide authors with the exclusive right to authorise or prohibit any communication to the public of their works, by wire or wireless means, including the making available to the public of their works in such a way that members of the public may access them from a place and at a time individually chosen by them.
2. Member States shall provide for the exclusive right to authorise or prohibit the making available to the public, by wire or wireless means, in such a way that members of the public may access them from a place and at a time individually chosen by them:
 - (a) for performers, of fixations of their performances;
 - (b) for phonogram producers, of their phonograms;
 - (c) for the producers of the first fixations of films, of the original and copies of their films;
 - (d) for broadcasting organisations, of fixations of their broadcasts, whether these broadcasts are transmitted by wire or over the air, including by cable or satellite.
3. 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.

Article 4

1. Member States shall provide for authors, in respect of the original of their works or of copies thereof, the exclusive right to authorise or prohibit any form of distribution to the public by sale or otherwise.
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.

Article 5

1. Temporary acts of reproduction referred to in Article 2, which are transient or incidental [and] an integral and essential part of a technological process and whose sole purpose is to enable:
 - (a) a transmission in a network between third parties by an intermediary, or
 - (b) a lawful useof a work or other subject-matter to be made, and which have no independent economic significance, shall be exempted from the reproduction right provided for in Article 2.
2. Member States may provide for exceptions or limitations to the reproduction right provided for in Article 2 in the following cases:
 - (a) in respect of reproductions on paper or any similar medium, effected by the use of any kind of photographic technique or by some other process having similar effects, with the exception of sheet music, provided that the rightholders receive fair compensation;
 - (b) in respect of reproductions on any medium made by a natural person for private use and for ends that are neither directly nor indirectly commercial, on condition that the rightholders receive fair compensation which takes account of the application or non-application of technological measures referred to in Article 6 to the work or subject-matter concerned;
 - (c) in respect of specific acts of reproduction made by publicly accessible libraries, educational establishments or museums, or by archives, which are not for direct or indirect economic or commercial advantage;
 - (d) in respect of ephemeral recordings of works made by broadcasting organisations by means of their own facilities and for their own broadcasts; the preservation of these recordings in official archives may, on the grounds of their exceptional documentary character, be permitted;
 - (e) in respect of reproductions of broadcasts made by social institutions pursuing non-commercial purposes, such as hospitals or prisons, on condition that the rightholders receive fair compensation.
3. Member States may provide for exceptions or limitations to the rights provided for in Articles 2 and 3 in the following cases:

- (a) use for the sole purpose of illustration for teaching or scientific research, as long as the source, including the author's name, is indicated, unless this turns out to be impossible and to the extent justified by the non-commercial purpose to be achieved;
- (b) uses, for the benefit of people with a disability, which are directly related to the disability and of a non-commercial nature, to the extent required by the specific disability;
- (c) reproduction by the press, communication to the public or making available of published articles on current economic, political or religious topics or of broadcast works or other subject-matter of the same character, in cases where such use is not expressly reserved, and as long as the source, including the author's name, is indicated, or use of works or other subject-matter in connection with the reporting of current events, to the extent justified by the informatory purpose and as long as the source, including the author's name, is indicated, unless this turns out to be impossible;
- (d) quotations for purposes such as criticism or review, provided that they relate to a work or other subject-matter which has already been lawfully made available to the public, that, unless this turns out to be impossible, the source, including the author's name, is indicated, and that their use is in accordance with fair practice, and to the extent required by the specific purpose;
- (e) use for the purposes of public security or to ensure the proper performance or reporting of administrative, parliamentary or judicial proceedings;
- (f) use of political speeches as well as extracts of public lectures or similar works or subject-matter to the extent justified by the informatory purpose and provided that the source, including the author's name, is indicated, except where this turns out to be impossible;
- (g) use during religious celebrations or official celebrations organised by a public authority;
- (h) use of works, such as works of architecture or sculpture, made to be located permanently in public places;
- (i) incidental inclusion of a work or other subject-matter in other material;
- (j) use for the purpose of advertising the public exhibition or sale of artistic works, to the extent necessary to promote the event, excluding any other commercial use;
- (k) use for the purpose of caricature, parody or pastiche;
- (l) use in connection with the demonstration or repair of equipment;
- (m) use of an artistic work in the form of a building or a drawing or plan of a building for the purposes of reconstructing the building;
- (n) use by communication or making available, for the purpose of research or private study, to individual members of the public by dedicated terminals on the premises of establishments referred to in paragraph 2(c) of works and other subject-matter not subject to purchase or licensing terms which are contained in their collections;
- (o) use in certain other cases of minor importance where exceptions or limitations already exist under national law, provided that they only concern analogue uses and do not affect the free circulation of goods and services within the Community, without prejudice to the other exceptions and limitations contained in this Article.

4. Where the Member States may provide for an exception or limitation to the right of reproduction pursuant to paragraphs 2 and 3, they may provide similarly for an exception or limitation to the right of distribution as referred to in Article 4 to the extent justified by the purpose of the authorised act of reproduction.

5. The exceptions and limitations provided for in paragraphs 1, 2, 3 and 4 shall only be applied in certain special cases which do not conflict with a normal exploitation of the work or other subject-matter and do not unreasonably prejudice the legitimate interests of the rightholder.

Article 6

1. Member States shall provide adequate legal protection against the circumvention of any effective technological measures, which the person concerned carries out in the knowledge, or with reasonable grounds to know, that he or she is pursuing that objective.

2. Member States shall provide adequate legal protection against the manufacture, import, distribution, sale, rental, advertisement for sale or rental, or possession for commercial purposes of devices, products or components or the provision of services which:

- (a) are promoted, advertised or marketed for the purpose of circumvention of, or
- (b) have only a limited commercially significant purpose or use other than to circumvent, or
- (c) are primarily designed, produced, adapted or performed for the purpose of enabling or facilitating the circumvention of,

any effective technological measures.

3. For the purposes of this Directive, the expression "technological measures" means any technology, device or component that, in the normal course of its operation, is designed to prevent or restrict acts, in respect of works or other subject-matter, which are not authorised by the rightholder of any copyright or any right related to copyright as provided for by law or the sui generis right provided for in Chapter III of Directive 96/9/EC. Technological measures shall be deemed "effective" where the use of a protected work or other subject-matter is controlled by the rightholders through application of an access control or protection process, such as encryption, scrambling or other transformation of the work or other subject-matter or a copy control mechanism, which achieves the protection objective.

4. Notwithstanding the legal protection provided for in paragraph 1, in the absence of voluntary measures taken by rightholders, including agreements between rightholders and other parties concerned, Member States shall take appropriate measures to ensure that rightholders make available to the beneficiary of an exception or limitation provided for in national law in accordance with Article 5(2)(a), (2)(c), (2)(d), (2)(e), (3)(a), (3)(b) or (3)(e) the means of benefiting from that exception or limitation, to the extent necessary to benefit from that exception or limitation and where that beneficiary has legal access to the protected work or subject-matter concerned.

A Member State may also take such measures in respect of a beneficiary of an exception or limitation provided for in accordance with Article 5(2)(b), unless reproduction for private use has already been made possible by rightholders to the extent necessary to benefit from the exception or limitation concerned and in accordance with the provisions of Article 5(2)(b) and (5), without preventing rightholders from adopting adequate measures regarding the number of reproductions in accordance with these provisions.

The technological measures applied voluntarily by rightholders, including those applied in implementation of voluntary agreements, and technological measures applied in implementation of the measures taken by Member States, shall enjoy the legal protection provided for in paragraph 1.

The provisions of the first and second subparagraphs shall not apply to works or other subject-matter 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.

When this Article is applied in the context of Directives 92/100/EEC and 96/9/EC, this paragraph shall apply *mutatis mutandis*.

Article 7

1. Member States shall provide for adequate legal protection against any person knowingly performing without authority any of the following acts:

- (a) the removal or alteration of any electronic rights-management information;
- (b) the distribution, importation for distribution, broadcasting, communication or making available to the public of works or other subject-matter protected under this Directive or under Chapter III of Directive 96/9/EC from which electronic rights-management information has been removed or altered without authority,

if such person knows, or has reasonable grounds to know, that by so doing he is inducing, enabling, facilitating or concealing an infringement of any copyright or any rights related to copyright as provided by law, or of the sui generis right provided for in Chapter III of Directive 96/9/EC.

2. For the purposes of this Directive, the expression "rights-management information" means any information provided by rightholders which identifies the work or other subject-matter referred to in this Directive or covered by the sui generis right provided for in Chapter III of Directive 96/9/EC, the author or any other rightholder, or information about the terms and conditions of use of the work or other subject-matter, and any numbers or codes that represent such information.

The first subparagraph shall apply when any of these items of information is associated with a copy of, or appears in connection with the communication to the public of, a work or other subjectmatter referred to in this Directive or covered by the sui generis right provided for in Chapter III of Directive 96/9/EC.

Article 8

1. Member States shall provide appropriate sanctions and remedies in respect of infringements of the rights and obligations set out in this Directive and shall take all the measures necessary to ensure that those sanctions and remedies are applied. The sanctions thus provided for shall be effective, proportionate and dissuasive.

2. Each Member State shall take the measures necessary to ensure that rightholders whose interests are affected by an infringing activity carried out on its territory can bring an action for damages and/or apply for an injunction and, where appropriate, for the seizure of infringing material as well as of devices, products or components referred to in Article 6(2).

3. Member States shall ensure that rightholders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe a copyright or related right.

DIRECTIVE 2001/84/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 27 SEPTEMBER 2001 ON THE REVERSE RIGHT FOR THE BENEFIT OF THE AUTHOR OF AN ORIGINAL WORK OF ART

Article 1

1. Member States shall provide, for the benefit of the author of an original work of art, a resale right, to be defined as an inalienable right, which cannot be waived, even in advance, to receive a royalty based on the sale price obtained for any resale of the work, subsequent to the first transfer of the work by the author.

2. The right referred to in paragraph 1 shall apply to all acts of resale involving as sellers, buyers or intermediaries art market professionals, such as salesrooms, art galleries and, in general, any dealers in works of art.

3. Member States may provide that the right referred to in paragraph 1 shall not apply to acts of resale where the seller has acquired the work directly from the author less than three years before that resale and where the resale price does not exceed EUR 10000.

4. The royalty shall be payable by the seller. Member States may provide that one of the natural or legal persons referred to in paragraph 2 other than the seller shall alone be liable or shall share liability with the seller for payment of the royalty.

Article 2

1. For the purposes of this Directive, "original work of art" means works of graphic or plastic art such as pictures, collages, paintings, drawings, engravings, prints, lithographs, sculptures, tapestries, ceramics, glassware and photographs, provided they are made by the artist himself or are copies considered to be original works of art.

2. Copies of works of art covered by this Directive, which have been made in limited numbers by the artist himself or under his authority, shall be considered to be original works of art for the purposes of this Directive. Such copies will normally have been numbered, signed or otherwise duly authorised by the artist.

Article 3

1. It shall be for the Member States to set a minimum sale price from which the sales referred to in Article 1 shall be subject to resale right.

2. This minimum sale price may not under any circumstances exceed EUR 3000.

Article 4

1. The royalty provided for in Article 1 shall be set at the following rates:

(a) 4 % for the portion of the sale price up to EUR 50000;

(b) 3 % for the portion of the sale price from EUR 50000,01 to EUR 200000;

(c) 1 % for the portion of the sale price from EUR 200000,01 to EUR 350000;

(d) 0,5 % for the portion of the sale price from EUR 350000,01 to EUR 500000;

(e) 0,25 % for the portion of the sale price exceeding EUR 500000.

However, the total amount of the royalty may not exceed EUR 12500.

2. By way of derogation from paragraph 1, Member States may apply a rate of 5 % for the portion of the sale price referred to in paragraph 1(a).

3. If the minimum sale price set should be lower than EUR 3000, the Member State shall also determine the rate applicable to the portion of the sale price up to EUR 3000; this rate may not be lower than 4 %.

Article 5

The sale prices referred to in Articles 3 and 4 are net of tax.

Article 6

1. The royalty provided for under Article 1 shall be payable to the author of the work and, subject to Article 8(2), after his death to those entitled under him/her.
2. Member States may provide for compulsory or optional collective management of the royalty provided for under Article 1.

Article 7

1. Member States shall provide that authors who are nationals of third countries and, subject to Article 8(2), their successors in title shall enjoy the resale right in accordance with this Directive and the legislation of the Member State concerned only if legislation in the country of which the author or his/her successor in title is a national permits resale right protection in that country for authors from the Member States and their successors in title.
2. On the basis of information provided by the Member States, the Commission shall publish as soon as possible an indicative list of those third countries which fulfil the condition set out in paragraph 1. This list shall be kept up to date.
3. Any Member State may treat authors who are not nationals of a Member State but who have their habitual residence in that Member State in the same way as its own nationals for the purpose of resale right protection.

Article 8

1. The term of protection of the resale right shall correspond to that laid down in Article 1 of Directive 93/98/EEC.
2. By way of derogation from paragraph 1, those Member States which do not apply the resale right on (the entry into force date referred to in Article 13), shall not be required, for a period expiring not later than 1 January 2010, to apply the resale right for the benefit of those entitled under the artist after his/her death.
3. A Member State to which paragraph 2 applies may have up to two more years, if necessary to enable the economic operators in that Member State to adapt gradually to the resale right system while maintaining their economic viability, before it is required to apply the resale right for the benefit of those entitled under the artist after his/her death. At least 12 months before the end of the period referred to in paragraph 2, the Member State concerned shall inform the Commission giving its reasons, so that the Commission can give an opinion, after appropriate consultations, within three months following the receipt of such information. If the Member State does not follow the opinion of the Commission, it shall within one month inform the Commission and justify its decision. The notification and justification of the Member State and the opinion of the Commission shall be published in the Official Journal of the European Communities and forwarded to the European Parliament.
4. In the event of the successful conclusion, within the periods referred to in Article 8(2) and (3), of international negotiations aimed at extending the resale right at international level, the Commission shall submit appropriate proposals.

Article 9

The Member States shall provide that for a period of three years after the resale, the persons entitled under Article 6 may require from any art market professional mentioned in Article 1(2) to furnish any information that may be necessary in order to secure payment of royalties in respect of the resale.

DIRECTIVE 2004/48/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 29 APRIL 2004 ON THE ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS

Article 1

This Directive concerns the measures, procedures and remedies necessary to ensure the enforcement of intellectual property rights. For the purposes of this Directive, the term 'intellectual property rights' includes industrial property rights.

Article 2

1. Without prejudice to the means which are or may be provided for in Community or national legislation, in so far as those means may be more favourable for rightholders, the measures, procedures and remedies provided for by this Directive shall apply, in accordance with Article 3, to any infringement of intellectual property rights as provided for by Community law and/or by the national law of the Member State concerned.

2. This Directive shall be without prejudice to the specific provisions on the enforcement of rights and on exceptions contained in Community legislation concerning copyright and rights related to copyright, notably those found in Directive 91/250/EEC and, in particular, Article 7 thereof or in Directive 2001/29/EC and, in particular, Articles 2 to 6 and Article 8 thereof.

3. This Directive shall not affect:

(a) the Community provisions governing the substantive law on intellectual property, Directive 95/46/EC, Directive 1999/93/EC or Directive 2000/31/EC, in general, and Articles 12 to 15 of Directive 2000/31/EC in particular;

(b) Member States' international obligations and notably the TRIPS Agreement, including those relating to criminal procedures and penalties;

(c) any national provisions in Member States relating to criminal procedures or penalties in respect of infringement of intellectual property rights.

Article 3

1. Member States shall provide for the measures, procedures and remedies necessary to ensure the enforcement of the intellectual property rights covered by this Directive. Those measures, procedures and remedies shall be fair and equitable and shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays.

2. Those measures, procedures and remedies shall also be effective, proportionate and dissuasive and shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.

Article 4

Member States shall recognise as persons entitled to seek application of the measures, procedures and remedies referred to in this chapter:

(a) the holders of intellectual property rights, in accordance with the provisions of the applicable law;

(b) all other persons authorised to use those rights, in particular licensees, in so far as permitted by and in accordance with the provisions of the applicable law;

(c) intellectual property collective rights-management bodies which are regularly recognised as having a right to represent holders of intellectual property rights, in so far as permitted by and in accordance with the provisions of the applicable law;

(d) professional defence bodies which are regularly recognised as having a right to represent holders of intellectual property rights, in so far as permitted by and in accordance with the provisions of the applicable law.

Article 5

For the purposes of applying the measures, procedures and remedies provided for in this Directive,

(a) for the author of a literary or artistic work, in the absence of proof to the contrary, to be regarded as such, and consequently to be entitled to institute infringement proceedings, it shall be sufficient for his/her name to appear on the work in the usual manner;

(b) the provision under (a) shall apply *mutatis mutandis* to the holders of rights related to copyright with regard to their protected subject matter.

Article 6

1. Member States shall ensure that, on application by a party which has presented reasonably available evidence sufficient to support its claims, and has, in substantiating those claims, specified evidence which lies in the control of the opposing party, the competent judicial authorities may order that such evidence be presented by the opposing party, subject to the protection of confidential information. For the purposes of this paragraph, Member States may provide that a reasonable sample of a substantial

number of copies of a work or any other protected object be considered by the competent judicial authorities to constitute reasonable evidence.

2. Under the same conditions, in the case of an infringement committed on a commercial scale Member States shall take such measures as are necessary to enable the competent judicial authorities to order, where appropriate, on application by a party, the communication of banking, financial or commercial documents under the control of the opposing party, subject to the protection of confidential information.

Article 7

1. Member States shall ensure that, even before the commencement of proceedings on the merits of the case, the competent judicial authorities may, on application by a party who has presented reasonably available evidence to support his/her claims that his/her intellectual property right has been infringed or is about to be infringed, order prompt and effective provisional measures to preserve relevant evidence in respect of the alleged infringement, subject to the protection of confidential information. Such measures may include the detailed description, with or without the taking of samples, or the physical seizure of the infringing goods, and, in appropriate cases, the materials and implements used in the production and/or distribution of these goods and the documents relating thereto. Those measures shall be taken, if necessary without the other party having been heard, in particular where any delay is likely to cause irreparable harm to the rightholder or where there is a demonstrable risk of evidence being destroyed.

Where measures to preserve evidence are adopted without the other party having been heard, the parties affected shall be given notice, without delay after the execution of the measures at the latest. A review, including a right to be heard, shall take place upon request of the parties affected with a view to deciding, within a reasonable period after the notification of the measures, whether the measures shall be modified, revoked or confirmed.

2. Member States shall ensure that the measures to preserve evidence may be subject to the lodging by the applicant of adequate security or an equivalent assurance intended to ensure compensation for any prejudice suffered by the defendant as provided for in paragraph 4.

3. Member States shall ensure that the measures to preserve evidence are revoked or otherwise cease to have effect, upon request of the defendant, without prejudice to the damages which may be claimed, if the applicant does not institute, within a reasonable period, proceedings leading to a decision on the merits of the case before the competent judicial authority, the period to be determined by the judicial authority ordering the measures where the law of a Member State so permits or, in the absence of such determination, within a period not exceeding 20 working days or 31 calendar days, whichever is the longer.

4. Where the measures to preserve evidence are revoked, or where they lapse due to any act or omission by the applicant, or where it is subsequently found that there has been no infringement or threat of infringement of an intellectual property right, the judicial authorities shall have the authority to order the applicant, upon request of the defendant, to provide the defendant appropriate compensation for any injury caused by those measures.

5. Member States may take measures to protect witnesses' identity.

Article 8

1. Member States shall ensure that, in the context of proceedings concerning an infringement of an intellectual property right and in response to a justified and proportionate request of the claimant, the competent judicial authorities may order that information on the origin and distribution networks of the goods or services which infringe an intellectual property right be provided by the infringer and/or any other person who:

- (a) was found in possession of the infringing goods on a commercial scale;
- (b) was found to be using the infringing services on a commercial scale;
- (c) was found to be providing on a commercial scale services used in infringing activities;

or

(d) was indicated by the person referred to in point (a), (b) or (c) as being involved in the production, manufacture or distribution of the goods or the provision of the services.

2. The information referred to in paragraph 1 shall, as appropriate, comprise:

(a) the names and addresses of the producers, manufacturers, distributors, suppliers and other previous holders of the goods or services, as well as the intended wholesalers and retailers;

(b) information on the quantities produced, manufactured, delivered, received or ordered, as well as the price obtained for the goods or services in question.

3. Paragraphs 1 and 2 shall apply without prejudice to other statutory provisions which:

(a) grant the rightholder rights to receive fuller information;

(b) govern the use in civil or criminal proceedings of the information communicated pursuant to this Article;

(c) govern responsibility for misuse of the right of information;

or

(d) afford an opportunity for refusing to provide information which would force the person referred to in paragraph 1 to admit to his/her own participation or that of his/her close relatives in an infringement of an intellectual property right;

or

(e) govern the protection of confidentiality of information sources or the processing of personal data.

Article 9

1. Member States shall ensure that the judicial authorities may, at the request of the applicant:

(a) issue against the alleged infringer an interlocutory injunction intended to prevent any imminent infringement of an intellectual property right, or to forbid, on a provisional basis and subject, where appropriate, to a recurring penalty payment where provided for by national law, the continuation of the alleged infringements of that right, or to make such continuation subject to the lodging of guarantees intended to ensure the compensation of the rightholder; an interlocutory injunction may also be issued, under the same conditions, against an intermediary whose services are being used by a third party to infringe an intellectual property right; injunctions against intermediaries whose services are used by a third party to infringe a copyright or a related right are covered by Directive 2001/29/EC;

(b) order the seizure or delivery up of the goods suspected of infringing an intellectual property right so as to prevent their entry into or movement within the channels of commerce.

2. In the case of an infringement committed on a commercial scale, the Member States shall ensure that, if the injured party demonstrates circumstances likely to endanger the recovery of damages, the judicial authorities may order the precautionary seizure of the movable and immovable property of the alleged infringer, including the blocking of his/her bank accounts and other assets. To that end, the competent authorities may order the communication of bank, financial or commercial documents, or appropriate access to the relevant information.

3. The judicial authorities shall, in respect of the measures referred to in paragraphs 1 and 2, have the authority to require the applicant to provide any reasonably available evidence in order to satisfy themselves with a sufficient degree of certainty that the applicant is the rightholder and that the applicant's right is being infringed, or that such infringement is imminent.

4. Member States shall ensure that the provisional measures referred to in paragraphs 1 and 2 may, in appropriate cases, be taken without the defendant having been heard, in particular where any delay would cause irreparable harm to the rightholder. In that event, the parties shall be so informed without delay after the execution of the measures at the latest.

A review, including a right to be heard, shall take place upon request of the defendant with a view to deciding, within a reasonable time after notification of the measures, whether those measures shall be modified, revoked or confirmed.

5. Member States shall ensure that the provisional measures referred to in paragraphs 1 and 2 are revoked or otherwise cease to have effect, upon request of the defendant, if the applicant does not institute, within a reasonable period, proceedings leading to a decision on the merits of the case before the competent judicial authority, the period to be determined by the judicial authority ordering the measures where the law of a Member State so permits or, in the absence of such determination, within a period not exceeding 20 working days or 31 calendar days, whichever is the longer.

6. The competent judicial authorities may make the provisional measures referred to in paragraphs 1 and 2 subject to the lodging by the applicant of adequate security or an equivalent assurance intended to ensure compensation for any prejudice suffered by the defendant as provided for in paragraph 7.

7. Where the provisional measures are revoked or where they lapse due to any act or omission by the applicant, or where it is subsequently found that there has been no infringement or threat of infringement of an intellectual property right, the judicial authorities shall have the authority to order the applicant, upon request of the defendant, to provide the defendant appropriate compensation for any injury caused by those measures.

Article 10

1. Without prejudice to any damages due to the rightholder by reason of the infringement, and without compensation of any sort, Member States shall ensure that the competent judicial authorities may order, at the request of the applicant, that appropriate measures be taken with regard to goods that they have found to be infringing an intellectual property right and, in appropriate cases, with regard to materials and implements principally used in the creation or manufacture of those goods. Such measures shall include:

- (a) recall from the channels of commerce;
 - (b) definitive removal from the channels of commerce;
- or
- (c) destruction.

2. The judicial authorities shall order that those measures be carried out at the expense of the infringer, unless particular reasons are invoked for not doing so.

3. In considering a request for corrective measures, the need for proportionality between the seriousness of the infringement and the remedies ordered as well as the interests of third parties shall be taken into account.

Article 11

Member States shall ensure that, where a judicial decision is taken finding an infringement of an intellectual property right, the judicial authorities may issue against the infringer an injunction aimed at prohibiting the continuation of the infringement. Where provided for by national law, non-compliance with an injunction shall, where appropriate, be subject to a recurring penalty payment, with a view to ensuring compliance. Member States shall also ensure that rightholders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe an intellectual property right, without prejudice to Article 8(3) of Directive 2001/29/EC.

Article 12

Member States may provide that, in appropriate cases and at the request of the person liable to be subject to the measures provided for in this section, the competent judicial authorities may order pecuniary compensation to be paid to the injured party instead of applying the measures provided for in this section if that person acted unintentionally and without negligence, if execution of the measures in question would cause him/her disproportionate harm and if pecuniary compensation to the injured party appears reasonably satisfactory.

Article 13

1. Member States shall ensure that the competent judicial authorities, on application of the injured party, order the infringer who knowingly, or with reasonable grounds to know, engaged in an infringing activity, to pay the rightholder damages appropriate to the actual prejudice suffered by him/her as a result of the infringement.

When the judicial authorities set the damages:

(a) they shall take into account all appropriate aspects, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused to the rightholder by the infringement;

or

(b) as an alternative to (a), they may, in appropriate cases, set the damages as a lump sum on the basis of elements such as at least the amount of royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question.

2. Where the infringer did not knowingly, or with reasonable grounds know, engage in infringing activity, Member States may lay down that the judicial authorities may order the recovery of profits or the payment of damages, which may be pre-established.

Article 14

Member States shall ensure that reasonable and proportionate legal costs and other expenses incurred by the successful party shall, as a general rule, be borne by the unsuccessful party, unless equity does not allow this.

Article 15

Member States shall ensure that, in legal proceedings instituted for infringement of an intellectual property right, the judicial authorities may order, at the request of the applicant and at the expense of the infringer, appropriate measures for the dissemination of the information concerning the decision, including displaying the decision and publishing it in full or in part. Member States may provide for other additional publicity measures which are appropriate to the particular circumstances, including prominent advertising.

Article 16

Without prejudice to the civil and administrative measures, procedures and remedies laid down by this Directive, Member States may apply other appropriate sanctions in cases where intellectual property rights have been infringed.

Article 17

Member States shall encourage:

- (a) the development by trade or professional associations or organisations of codes of conduct at Community level aimed at contributing towards the enforcement of the intellectual property rights, particularly by recommending the use on optical discs of a code enabling the identification of the origin of their manufacture;
- (b) the submission to the Commission of draft codes of conduct at national and Community level and of any evaluations of the application of these codes of conduct.

Article 18

1. Three years after the date laid down in Article 20(1), each Member State shall submit to the Commission a report on the implementation of this Directive.

On the basis of those reports, the Commission shall draw up a report on the application of this Directive, including an assessment of the effectiveness of the measures taken, as well as an evaluation of its impact on innovation and the development of the information society. That report shall then be transmitted to the European Parliament, the Council and the European Economic and Social Committee. It shall be accompanied, if necessary and in the light of developments in the Community legal order, by proposals for amendments to this Directive.

2. Member States shall provide the Commission with all the aid and assistance it may need when drawing up the report referred to in the second subparagraph of paragraph 1.

Article 19

For the purpose of promoting cooperation, including the exchange of information, among Member States and between Member States and the Commission, each Member State shall designate one or more national correspondents for any question relating to the implementation of the measures provided for by this Directive. It shall communicate the details of the national correspondent(s) to the other Member States and to the Commission.

DIRECTIVE 2006/115/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 12 DECEMBER 2006 ON RENTAL RIGHT AND LENDING RIGHT AND ON CERTAIN RIGHTS RELATED TO COPYRIGHT IN THE FIELD OF INTELLECTUAL PROPERTY (CODIFIED VERSION)

[Directive 92/100/EEC has been repealed and replaced by Directive 2006/115/EC, without prejudice to the obligations of the Member States relating to the time-limits for transposition into national law of the Directives]

Article 1

1. In accordance with the provisions of this Chapter, Member States shall provide, subject to Article 6, a right to authorise or prohibit the rental and lending of originals and copies of copyright works, and other subject matter as set out in Article 3(1).

2. The rights referred to in paragraph 1 shall not be exhausted by any sale or other act of distribution of originals and copies of copyright works and other subject matter as set out in Article 3(1).

Article 2

1. For the purposes of this Directive the following definitions shall apply:

- (a) 'rental' means making available for use, for a limited period of time and for direct or indirect economic or commercial advantage;
- (b) 'lending' means making available for use, for a limited period of time and not for direct or indirect economic or commercial advantage, when it is made through establishments which are accessible to the public;
- (c) 'film' means a cinematographic or audiovisual work or moving images, whether or not accompanied by sound.

2. The principal director of a cinematographic or audiovisual work shall be considered as its author or one of its authors. Member States may provide for others to be considered as its co-authors.

Article 3

1. The exclusive right to authorise or prohibit rental and lending shall belong to the following:

- (a) the author in respect of the original and copies of his work;
- (b) the performer in respect of fixations of his performance;
- (c) the phonogram producer in respect of his phonograms;
- (d) the producer of the first fixation of a film in respect of the original and copies of his film.

2. This Directive shall not cover rental and lending rights in relation to buildings and to works of applied art.

3. The rights referred to in paragraph 1 may be transferred, assigned or subject to the granting of contractual licences.

4. Without prejudice to paragraph 6, when a contract concerning film production is concluded, individually or collectively, by performers with a film producer, the performer covered by this contract shall be presumed, subject to contractual clauses to the contrary, to have transferred his rental right, subject to Article 5.

5. Member States may provide for a similar presumption as set out in paragraph 4 with respect to authors.

6. Member States may provide that the signing of a contract concluded between a performer and a film producer concerning the production of a film has the effect of authorising rental, provided that such contract provides for an equitable remuneration within the meaning of Article 5. Member States may also provide that this paragraph shall apply *mutatis mutandis* to the rights included in Chapter II.

Article 4

This Directive shall be without prejudice to Article 4(c) of Council Directive 91/250/EEC of 14 May 1991 on the legal protection of computer programs (5).

Article 5

1. Where an author or performer has transferred or assigned his rental right concerning a phonogram or an original or copy of a film to a phonogram or film producer, that author or performer shall retain the right to obtain an equitable remuneration for the rental.

2. The right to obtain an equitable remuneration for rental cannot be waived by authors or performers.

3. The administration of this right to obtain an equitable remuneration may be entrusted to collecting societies representing authors or performers.

4. Member States may regulate whether and to what extent administration by collecting societies of the right to obtain an equitable remuneration may be imposed, as well as the question from whom this remuneration may be claimed or collected.

Article 6

1. Member States may derogate from the exclusive right provided for in Article 1 in respect of public lending, provided that at least authors obtain a remuneration for such lending. Member States shall be free to determine this remuneration taking account of their cultural promotion objectives.

2. Where Member States do not apply the exclusive lending right provided for in Article 1 as regards phonograms, films and computer programs, they shall introduce, at least for authors, a remuneration.

3. Member States may exempt certain categories of establishments from the payment of the remuneration referred to in paragraphs 1 and 2.

Article 7

1. Member States shall provide for performers the exclusive right to authorise or prohibit the fixation of their performances.
2. Member States shall provide for broadcasting organisations the exclusive right to authorise or prohibit the fixation of their broadcasts, whether these broadcasts are transmitted by wire or over the air, including by cable or satellite.
3. A cable distributor shall not have the right provided for in paragraph 2 where it merely retransmits by cable the broadcasts of broadcasting organisations.

Article 8

1. Member States shall provide for performers the exclusive right to authorise or prohibit the broadcasting by wireless means and the communication to the public of their performances, except where the performance is itself already a broadcast performance or is made from a fixation.
2. Member States shall provide a right in order to ensure that a single equitable remuneration is paid by the user, if a phonogram published for commercial purposes, or a reproduction of such phonogram, is used for broadcasting by wireless means or for any communication to the public, and to ensure that this remuneration is shared between the relevant performers and phonogram producers. Member States may, in the absence of agreement between the performers and phonogram producers, lay down the conditions as to the sharing of this remuneration between them.
3. Member States shall provide for broadcasting organisations the exclusive right to authorise or prohibit the rebroadcasting of their broadcasts by wireless means, as well as the communication to the public of their broadcasts if such communication is made in places accessible to the public against payment of an entrance fee.

Article 9

1. Member States shall provide the exclusive right to make available to the public, by sale or otherwise, the objects indicated in points (a) to (d), including copies thereof, hereinafter 'the distribution right':
 - (a) for performers, in respect of fixations of their performances;
 - (b) for phonogram producers, in respect of their phonograms;
 - (c) for producers of the first fixations of films, in respect of the original and copies of their films;
 - (d) for broadcasting organisations, in respect of fixations of their broadcasts as set out in Article 7(2).
2. The distribution right shall not be exhausted within the Community in respect of an object as referred to in paragraph 1, except where the first sale in the Community of that object is made by the rightholder or with his consent.
3. The distribution right shall be without prejudice to the specific provisions of Chapter I, in particular Article 1(2).
4. The distribution right may be transferred, assigned or subject to the granting of contractual licences.

Article 10

1. Member States may provide for limitations to the rights referred to in this Chapter in respect of:
 - (a) private use;
 - (b) use of short excerpts in connection with the reporting of current events;
 - (c) ephemeral fixation by a broadcasting organisation by means of its own facilities and for its own broadcasts;
 - (d) use solely for the purposes of teaching or scientific research.
2. Irrespective of paragraph 1, any Member State may provide for the same kinds of limitations with regard to the protection of performers, producers of phonograms, broadcasting organisations and of producers of the first fixations of films, as it provides for in connection with the protection of copyright in literary and artistic works.

However, compulsory licences may be provided for only to the extent to which they are compatible with the Rome Convention.
3. The limitations referred to in paragraphs 1 and 2 shall be applied only in certain special cases which do not conflict with a normal exploitation of the subject matter and do not unreasonably prejudice the legitimate interests of the rightholder.

Article 11

1. This Directive shall apply in respect of all copyright works, performances, phonograms, broadcasts and first fixations of films referred to in this Directive which were, on 1 July 1994, still protected by the legislation of the Member States in the field of copyright and related rights or which met the criteria for protection under this Directive on that date.
2. This Directive shall apply without prejudice to any acts of exploitation performed before 1 July 1994.
3. Member States may provide that the rightholders are deemed to have given their authorisation to the rental or lending of an object referred to in points (a) to (d) of Article 3(1) which is proven to have been made available to third parties for this purpose or to have been acquired before 1 July 1994. However, in particular where such an object is a digital recording, Member States may provide that rightholders shall have a right to obtain an adequate remuneration for the rental or lending of that object.
4. Member States need not apply the provisions of Article 2(2) to cinematographic or audiovisual works created before 1 July 1994.
5. This Directive shall, without prejudice to paragraph 3 and subject to paragraph 7, not affect any contracts concluded before 19 November 1992.
6. Member States may provide, subject to the provisions of paragraph 7, that when rightholders who acquire new rights under the national provisions adopted in implementation of this Directive have, before 1 July 1994, given their consent for exploitation, they shall be presumed to have transferred the new exclusive rights.
7. For contracts concluded before 1 July 1994, the unwaivable right to an equitable remuneration provided for in Article 5 shall apply only where authors or performers or those representing them have submitted a request to that effect before 1 January 1997. In the absence of agreement between rightholders concerning the level of remuneration, Member States may fix the level of equitable remuneration.

Article 12

Protection of copyright-related rights under this Directive shall leave intact and shall in no way affect the protection of copyright.

DIRECTIVE 2006/116/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 12 DECEMBER 2006 ON THE TERM OF PROTECTION OF COPYRIGHT AND CERTAIN RELATED RIGHTS (CODIFIED VERSION)

Article 1

1. The rights of an author of a literary or artistic work within the meaning of Article 2 of the Berne Convention shall run for the life of the author and for 70 years after his death, irrespective of the date when the work is lawfully made available to the public.
2. In the case of a work of joint authorship, the term referred to in paragraph 1 shall be calculated from the death of the last surviving author.
3. In the case of anonymous or pseudonymous works, the term of protection shall run for 70 years after the work is lawfully made available to the public. However, when the pseudonym adopted by the author leaves no doubt as to his identity, or if the author discloses his identity during the period referred to in the first sentence, the term of protection applicable shall be that laid down in paragraph 1.
4. Where a Member State provides for particular provisions on copyright in respect of collective works or for a legal person to be designated as the rightholder, the term of protection shall be calculated according to the provisions of paragraph 3, except if the natural persons who have created the work are identified as such in the versions of the work which are made available to the public. This paragraph is without prejudice to the rights of identified authors whose identifiable contributions are included in such works, to which contributions paragraph 1 or 2 shall apply.
5. Where a work is published in volumes, parts, instalments, issues or episodes and the term of protection runs from the time when the work was lawfully made available to the public, the term of protection shall run for each such item separately.

6. In the case of works for which the term of protection is not calculated from the death of the author or authors and which have not been lawfully made available to the public within 70 years from their creation, the protection shall terminate.

Article 2

1. The principal director of a cinematographic or audiovisual work shall be considered as its author or one of its authors. Member States shall be free to designate other co-authors.

2. The term of protection of cinematographic or audiovisual works shall expire 70 years after the death of the last of the following persons to survive, whether or not these persons are designated as co-authors: the principal director, the author of the screenplay, the author of the dialogue and the composer of music specifically created for use in the cinematographic or audiovisual work.

Article 3

1. The rights of performers shall expire 50 years after the date of the performance. However, if a fixation of the performance is lawfully published or lawfully communicated to the public within this period, the rights shall expire 50 years from the date of the first such publication or the first such communication to the public, whichever is the earlier.

2. The rights of producers of phonograms shall expire 50 years after the fixation is made. However, if the phonogram has been lawfully published within this period, the said rights shall expire 50 years from the date of the first lawful publication. If no lawful publication has taken place within the period mentioned in the first sentence, and if the phonogram has been lawfully communicated to the public within this period, the said rights shall expire 50 years from the date of the first lawful communication to the public.

However, this paragraph shall not have the effect of protecting anew the rights of producers of phonograms where, through the expiry of the term of protection granted them pursuant to Article 3(2) of Directive 93/98/EEC in its version before amendment by Directive 2001/29/EEC, they were no longer protected on 22 December 2002.

3. The rights of producers of the first fixation of a film shall expire 50 years after the fixation is made. However, if the film is lawfully published or lawfully communicated to the public during this period, the rights shall expire 50 years from the date of the first such publication or the first such communication to the public, whichever is the earlier. The term 'film' shall designate a cinematographic or audiovisual work or moving images, whether or not accompanied by sound.

4. The rights of broadcasting organisations shall expire 50 years after the first transmission of a broadcast, whether this broadcast is transmitted by wire or over the air, including by cable or satellite.

Article 4

Any person who, after the expiry of copyright protection, for the first time lawfully publishes or lawfully communicates to the public a previously unpublished work, shall benefit from a protection equivalent to the economic rights of the author. The term of protection of such rights shall be 25 years from the time when the work was first lawfully published or lawfully communicated to the public.

Article 5

Member States may protect critical and scientific publications of works which have come into the public domain. The maximum term of protection of such rights shall be 30 years from the time when the publication was first lawfully published.

Article 6

Photographs which are original in the sense that they are the author's own intellectual creation shall be protected in accordance with Article 1. No other criteria shall be applied to determine their eligibility for protection. Member States may provide for the protection of other photographs.

Article 7

1. Where the country of origin of a work, within the meaning of the Berne Convention, is a third country, and the author of the work is not a Community national, the term of protection granted by the Member States shall expire on the date of expiry of the protection granted in the country of origin of the work, but may not exceed the term laid down in Article 1.

2. The terms of protection laid down in Article 3 shall also apply in the case of rightholders who are not Community nationals, provided Member States grant them protection. However, without prejudice to the international obligations of the Member States, the term of protection granted by Member States shall expire no later than the date of expiry of the protection granted in the country of which the rightholder is a national and may not exceed the term laid down in Article 3.

3. Member States which, on 29 October 1993, in particular pursuant to their international obligations, granted a longer term of protection than that which would result from the provisions of paragraphs 1 and 2 may maintain this protection until the conclusion of international agreements on the term of protection of copyright or related rights.

Article 8

The terms laid down in this Directive shall be calculated from the first day of January of the year following the event which gives rise to them.

Article 9

This Directive shall be without prejudice to the provisions of the Member States regulating moral rights.

DIRECTIVE 2009/24/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 23 APRIL 2009 ON THE LEGAL PROTECTION OF COMPUTER PROGRAMS (CODIFIED VERSION)

[Directive 91/250/EEC has been repealed and replaced by Directive 2009/24/EC, without prejudice to the obligations of the Member States relating to the time-limits for transposition into national law of the Directives]

Article 1

1. In accordance with the provisions of this Directive, Member States shall protect computer programs, by copyright, as literary works within the meaning of the Berne Convention for the Protection of Literary and Artistic Works. For the purposes of this Directive, the term 'computer programs' shall include their preparatory design material.

2. Protection in accordance with this Directive shall apply to the expression in any form of a computer program. Ideas and principles which underlie any element of a computer program, including those which underlie its interfaces, are not protected by copyright under this Directive.

3. A computer program shall be protected if it is original in the sense that it is the author's own intellectual creation. No other criteria shall be applied to determine its eligibility for protection.

4. The provisions of this Directive shall apply also to programs created before 1 January 1993, without prejudice to any acts concluded and rights acquired before that date.

Article 2

1. The author of a computer program shall be the natural person or group of natural persons who has created the program or, where the legislation of the Member State permits, the legal person designated as the rightholder by that legislation.

Where collective works are recognised by the legislation of a Member State, the person considered by the legislation of the Member State to have created the work shall be deemed to be its author.

2. In respect of a computer program created by a group of natural persons jointly, the exclusive rights shall be owned jointly.

3. Where a computer program is created by an employee in the execution of his duties or following the instructions given by his employer, the employer exclusively shall be entitled to exercise all economic rights in the program so created, unless otherwise provided by contract.

Article 3

Protection shall be granted to all natural or legal persons eligible under national copyright legislation as applied to literary works.

Article 4

1. Subject to the provisions of Articles 5 and 6, the exclusive rights of the rightholder within the meaning of Article 2 shall include the right to do or to authorise:

- (a) the permanent or temporary reproduction of a computer program by any means and in any form, in part or in whole; in so far as loading, displaying, running, transmission or storage of the computer program necessitate such reproduction, such acts shall be subject to authorisation by the rightholder;
 - (b) the translation, adaptation, arrangement and any other alteration of a computer program and the reproduction of the results thereof, without prejudice to the rights of the person who alters the program;
 - (c) any form of distribution to the public, including the rental, of the original computer program or of copies thereof.
2. The first sale in the Community of a copy of a program by the rightholder or with his consent shall exhaust the distribution right within the Community of that copy, with the exception of the right to control further rental of the program or a copy thereof.

Article 5

1. In the absence of specific contractual provisions, the acts referred to in points (a) and (b) of Article 4(1) shall not require authorisation by the rightholder where they are necessary for the use of the computer program by the lawful acquirer in accordance with its intended purpose, including for error correction.
2. The making of a back-up copy by a person having a right to use the computer program may not be prevented by contract in so far as it is necessary for that use.
3. The person having a right to use a copy of a computer program shall be entitled, without the authorisation of the rightholder, to observe, study or test the functioning of the program in order to determine the ideas and principles which underlie any element of the program if he does so while performing any of the acts of loading, displaying, running, transmitting or storing the program which he is entitled to do.

Article 6

1. The authorisation of the rightholder shall not be required where reproduction of the code and translation of its form within the meaning of points (a) and (b) of Article 4(1) are indispensable to obtain the information necessary to achieve the interoperability of an independently created computer program with other programs, provided that the following conditions are met:
- (a) those acts are performed by the licensee or by another person having a right to use a copy of a program, or on their behalf by a person authorised to do so;
 - (b) the information necessary to achieve interoperability has not previously been readily available to the persons referred to in point (a); and
 - (c) those acts are confined to the parts of the original program which are necessary in order to achieve interoperability.
2. The provisions of paragraph 1 shall not permit the information obtained through its application:
- (a) to be used for goals other than to achieve the interoperability of the independently created computer program;
 - (b) to be given to others, except when necessary for the interoperability of the independently created computer program; or
 - (c) to be used for the development, production or marketing of a computer program substantially similar in its expression, or for any other act which infringes copyright.
3. In accordance with the provisions of the Berne Convention for the protection of Literary and Artistic Works, the provisions of this Article may not be interpreted in such a way as to allow its application to be used in a manner which unreasonably prejudices the rightholder's legitimate interests or conflicts with a normal exploitation of the computer program.

Article 7

1. Without prejudice to the provisions of Articles 4, 5 and 6, Member States shall provide, in accordance with their national legislation, appropriate remedies against a person committing any of the following acts:
- (a) any act of putting into circulation a copy of a computer program knowing, or having reason to believe, that it is an infringing copy;
 - (b) the possession, for commercial purposes, of a copy of a computer program knowing, or having reason to believe, that it is an infringing copy;

(c) any act of putting into circulation, or the possession for commercial purposes of, any means the sole intended purpose of which is to facilitate the unauthorised removal or circumvention of any technical device which may have been applied to protect a computer program.

2. Any infringing copy of a computer program shall be liable to seizure in accordance with the legislation of the Member State concerned.

3. Member States may provide for the seizure of any means referred to in point (c) of paragraph 1.

DIRECTIVE 2011/77/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 27 SEPTEMBER 2011 AMENDING DIRECTIVE 2006/116/EC ON THE TERM OF PROTECTION OF COPYRIGHT AND CERTAIN RELATED RIGHTS (COPYRIGHT TERM DIRECTIVE)

Article 1

(1) The following paragraph shall be added to Article 1:

‘7. The term of protection of a musical composition with words shall expire 70 years after the death of the last of the following persons to survive, whether or not those persons are designated as co-authors: the author of the lyrics and the composer of the musical composition, provided that both contributions were specifically created for the respective musical composition with words.’.

(2) Article 3 shall be amended as follows:

(a) in paragraph 1, the second sentence shall be replaced by the following:

‘However,

— if a fixation of the performance otherwise than in a phonogram is lawfully published or lawfully communicated to the public within this period, the rights shall expire 50 years from the date of the first such publication or the first such communication to the public, whichever is the earlier,

— if a fixation of the performance in a phonogram is lawfully published or lawfully communicated to the public within this period, the rights shall expire 70 years from the date of the first such publication or the first such communication to the public, whichever is the earlier.’;

(b) in the second and third sentences of paragraph 2, the number ‘50’ shall be replaced by ‘70’;

(c) the following paragraphs shall be inserted:

‘2a. If, 50 years after the phonogram was lawfully published or, failing such publication, 50 years after it was lawfully communicated to the public, the phonogram producer does not offer copies of the phonogram for sale in sufficient quantity or does not make it available to the public, by wire or wireless means, in such a way that members of the public may access it from a place and at a time individually chosen by them, the performer may terminate the contract by which the performer has transferred or assigned his rights in the fixation of his performance to a phonogram producer (hereinafter a “contract on transfer or assignment”). The right to terminate the contract on transfer or assignment may be exercised if the producer, within a year from the notification by the performer of his intention to terminate the contract on transfer or assignment pursuant to the previous sentence, fails to carry out both of the acts of exploitation referred to in that sentence. This right to terminate may not be waived by the performer. Where a phonogram contains the fixation of the performances of a plurality of performers, they may terminate their contracts on transfer or assignment in accordance with applicable national law. If the contract on transfer or assignment is terminated pursuant to this paragraph, the rights of the phonogram producer in the phonogram shall expire.

2b. Where a contract on transfer or assignment gives the performer a right to claim a non-recurring remuneration, the performer shall have the right to obtain an annual supplementary remuneration from the phonogram producer for each full year immediately following the 50th year after the phonogram was lawfully published or, failing such publication, the 50th year after it was lawfully communicated to the public. The right to obtain such annual supplementary remuneration may not be waived by the performer.

2c. The overall amount to be set aside by a phonogram producer for payment of the annual supplementary remuneration referred to in paragraph 2b shall correspond to 20 % of the revenue which the phonogram producer has derived, during the year preceding that for which the said remuneration is paid, from the reproduction, distribution and making available of the

phonogram in question, following the 50th year after it was lawfully published or, failing such publication, the 50th year after it was lawfully communicated to the public.

Member States shall ensure that phonogram producers are required on request to provide to performers who are entitled to the annual supplementary remuneration referred to in paragraph 2b any information which may be necessary in order to secure payment of that remuneration.

2d. Member States shall ensure that the right to obtain an annual supplementary remuneration as referred to in paragraph 2b is administered by collecting societies.

2e. Where a performer is entitled to recurring payments, neither advance payments nor any contractually defined deductions shall be deducted from the payments made to the performer following the 50th year after the phonogram was lawfully published or, failing such publication, the 50th year after it was lawfully communicated to the public.’

(3) The following paragraphs shall be added to Article 10:

‘5. Article 3(1) to (2e) in the version thereof in force on 31 October 2011 shall apply to fixations of performances and phonograms in regard to which the performer and the phonogram producer are still protected, by virtue of those provisions in the version thereof in force on 30 October 2011, as at 1 November 2013 and to fixations of performances and phonograms which come into being after that date.

6. Article 1(7) shall apply to musical compositions with words of which at least the musical composition or the lyrics are protected in at least one Member State on 1 November 2013, and to musical compositions with words which come into being after that date.

The first subparagraph of this paragraph shall be without prejudice to any acts of exploitation performed before 1 November 2013. Member States shall adopt the necessary provisions to protect, in particular, acquired rights of third parties.’

(4) The following Article shall be inserted:

‘Article 10a

Transitional measures

1. In the absence of clear contractual indications to the contrary, a contract on transfer or assignment concluded before 1 November 2013 shall be deemed to continue to produce its effects beyond the moment at which, by virtue of Article 3(1) in the version thereof in force on 30 October 2011, the performer would no longer be protected.

2. Member States may provide that contracts on transfer or assignment which entitle a performer to recurring payments and which are concluded before 1 November 2013 can be modified following the 50th year after the phonogram was lawfully published or, failing such publication, the 50th year after it was lawfully communicated to the public.’

DIRECTIVE 2012/28/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 25 OCTOBER 2012 ON CERTAIN PERMITTED USES OF ORPHAN WORKS

Article 1

1. This Directive concerns certain uses made of orphan works by publicly accessible libraries, educational establishments and museums, as well as by archives, film or audio heritage institutions and public-service broadcasting organisations, established in the Member States, in order to achieve aims related to their public-interest missions.

2. This Directive applies to:

(a) works published in the form of books, journals, newspapers, magazines or other writings contained in the collections of publicly accessible libraries, educational establishments or museums as well as in the collections of archives or of film or audio heritage institutions;

(b) cinematographic or audiovisual works and phonograms contained in the collections of publicly accessible libraries, educational establishments or museums as well as in the collections of archives or of film or audio heritage institutions; and

(c) cinematographic or audiovisual works and phonograms produced by public-service broadcasting organisations up to and including 31 December 2002 and contained in their archives; which are protected by copyright or related rights and which are first published in a Member State or, in the absence of publication, first broadcast in a Member State.

3. This Directive also applies to works and phonograms referred to in paragraph 2 which have never been published or broadcast but which have been made publicly accessible by the organisations

referred to in paragraph 1 with the consent of the rightholders, provided that it is reasonable to assume that the rightholders would not oppose the uses referred to in Article 6. Member States may limit the application of this paragraph to works and phonograms which have been deposited with those organisations before 29 October 2014.

4. This Directive shall also apply to works and other protected subject-matter that are embedded or incorporated in, or constitute an integral part of, the works or phonograms referred to in paragraphs 2 and 3.

5. This Directive does not interfere with any arrangements concerning the management of rights at national level.

Article 2

1. A work or a phonogram shall be considered an orphan work if none of the rightholders in that work or phonogram is identified or, even if one or more of them is identified, none is located despite a diligent search for the rightholders having been carried out and recorded in accordance with Article 3.

2. Where there is more than one rightholder in a work or phonogram, and not all of them have been identified or, even if identified, located after a diligent search has been carried out and recorded in accordance with Article 3, the work or phonogram may be used in accordance with this Directive provided that the rightholders that have been identified and located have, in relation to the rights they hold, authorised the organisations referred to in Article 1(1) to carry out the acts of reproduction and making available to the public covered respectively by Articles 2 and 3 of Directive 2001/29/EC.

3. Paragraph 2 shall be without prejudice to the rights in the work or phonogram of rightholders that have been identified and located.

4. Article 5 shall apply mutatis mutandis to the rightholders that have not been identified and located in the works referred to in paragraph 2.

5. This Directive shall be without prejudice to national provisions on anonymous or pseudonymous works.

Article 3

1. For the purposes of establishing whether a work or phonogram is an orphan work, the organisations referred to in Article 1(1) shall ensure that a diligent search is carried out in good faith in respect of each work or other protected subject-matter, by consulting the appropriate sources for the category of works and other protected subject-matter in question. The diligent search shall be carried out prior to the use of the work or phonogram.

2. The sources that are appropriate for each category of works or phonogram in question shall be determined by each Member State, in consultation with rightholders and users, and shall include at least the relevant sources listed in the Annex.

3. A diligent search shall be carried out in the Member State of first publication or, in the absence of publication, first broadcast, except in the case of cinematographic or audiovisual works the producer of which has his headquarters or habitual residence in a Member State, in which case the diligent search shall be carried out in the Member State of his headquarters or habitual residence.

In the case referred to in Article 1(3), the diligent search shall be carried out in the Member State where the organisation that made the work or phonogram publicly accessible with the consent of the rightholder is established.

4. If there is evidence to suggest that relevant information on rightholders is to be found in other countries, sources of information available in those other countries shall also be consulted.

5. Member States shall ensure that the organisations referred to in Article 1(1) maintain records of their diligent searches and that those organisations provide the following information to the competent national authorities:

(a) the results of the diligent searches that the organisations have carried out and which have led to the conclusion that a work or a phonogram is considered an orphan work;

(b) the use that the organisations make of orphan works in accordance with this Directive;

(c) any change, pursuant to Article 5, of the orphan work status of works and phonograms that the organisations use;

(d) the relevant contact information of the organisation concerned.

6. Member States shall take the necessary measures to ensure that the information referred to in paragraph 5 is recorded in a single publicly accessible online database established and managed by the Office for Harmonization in the Internal Market (the Office) in accordance with Regulation (EU) No

386/2012. To that end, they shall forward that information to the Office without delay upon receiving it from the organisations referred to in Article 1(1).

Article 4

A work or phonogram which is considered an orphan work according to Article 2 in a Member State shall be considered an orphan work in all Member States. That work or phonogram may be used and accessed in accordance with this Directive in all Member States. This also applies to works and phonograms referred to in Article 2(2) in so far as the rights of the non-identified or non-located rightholders are concerned.

Article 5

Member States shall ensure that a rightholder in a work or phonogram considered to be an orphan work has, at any time, the possibility of putting an end to the orphan work status in so far as his rights are concerned.

Article 6

1. Member States shall provide for an exception or limitation to the right of reproduction and the right of making available to the public provided for respectively in Articles 2 and 3 of Directive 2001/29/EC to ensure that the organisations referred to in Article 1(1) are permitted to use orphan works contained in their collections in the following ways:

(a) by making the orphan work available to the public, within the meaning of Article 3 of Directive 2001/29/EC;

(b) by acts of reproduction, within the meaning of Article 2 of Directive 2001/29/EC, for the purposes of digitisation, making available, indexing, cataloguing, preservation or restoration.

2. The organisations referred to in Article 1(1) shall use an orphan work in accordance with paragraph 1 of this Article only in order to achieve aims related to their public-interest missions, in particular the preservation of, the restoration of, and the provision of cultural and educational access to, works and phonograms contained in their collection. The organisations may generate revenues in the course of such uses, for the exclusive purpose of covering their costs of digitising orphan works and making them available to the public.

3. Member States shall ensure that the organisations referred to in Article 1(1) indicate the name of identified authors and other rightholders in any use of an orphan work.

4. This Directive is without prejudice to the freedom of contract of such organisations in the pursuit of their public-interest missions, particularly in respect of public-private partnership agreements.

5. Member States shall provide that a fair compensation is due to rightholders that put an end to the orphan work status of their works or other protected subject-matter for the use that has been made by the organisations referred to in Article 1(1) of such works and other protected subject-matter in accordance with paragraph 1 of this Article. Member States shall be free to determine the circumstances under which the payment of such compensation may be organised. The level of the compensation shall be determined, within the limits imposed by Union law, by the law of the Member State in which the organisation which uses the orphan work in question is established.

DIRECTIVE 2014/26/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 26 FEBRUARY 2014 ON COLLECTIVE MANAGEMENT OF COPYRIGHT AND RELATED RIGHTS AND MULTI-TERRITORIAL LICENSING OF RIGHTS IN MUSICAL WORKS FOR ONLINE USE IN THE INTERNAL MARKET TEXT WITH EEA RELEVANCE

Article 1

This Directive lays down requirements necessary to ensure the proper functioning of the management of copyright and related rights by collective management organisations. It also lays down requirements for multi-territorial licensing by collective management organisations of authors' rights in musical works for online use.

Article 2

1. Titles I, II, IV and V with the exception of Article 34(2) and Article 38 apply to all collective management organisations established in the Union.

2. Title III and Article 34(2) and Article 38 apply to collective management organisations established in the Union managing authors' rights in musical works for online use on a multi-territorial basis.
3. The relevant provisions of this Directive apply to entities directly or indirectly owned or controlled, wholly or in part, by a collective management organisation, provided that such entities carry out an activity which, if carried out by the collective management organisation, would be subject to the provisions of this Directive.
4. Article 16(1), Articles 18 and 20, points (a), (b), (c), (e), (f) and (g) of Article 21(1) and Articles 36 and 42 apply to all independent management entities established in the Union.

Article 3

For the purposes of this Directive, the following definitions shall apply:

- (a) 'collective management organisation' means any organisation which is authorised by law or by way of assignment, licence or any other contractual arrangement to manage copyright or rights related to copyright on behalf of more than one rightholder, for the collective benefit of those rightholders, as its sole or main purpose, and which fulfils one or both of the following criteria:
 - (i) it is owned or controlled by its members;
 - (ii) it is organised on a not-for-profit basis;
- (b) 'independent management entity' means any organisation which is authorised by law or by way of assignment, licence or any other contractual arrangement to manage copyright or rights related to copyright on behalf of more than one rightholder, for the collective benefit of those rightholders, as its sole or main purpose, and which is:
 - (i) neither owned nor controlled, directly or indirectly, wholly or in part, by rightholders; and
 - (ii) organised on a for-profit basis;
- (c) 'rightholder' means any person or entity, other than a collective management organisation, that holds a copyright or related right or, under an agreement for the exploitation of rights or by law, is entitled to a share of the rights revenue;
- (d) 'member' means a rightholder or an entity representing rightholders, including other collective management organisations and associations of rightholders, fulfilling the membership requirements of the collective management organisation and admitted by it;
- (e) 'statute' means the memorandum and articles of association, the statute, the rules or documents of constitution of a collective management organisation;
- (f) 'general assembly of members' means the body in the collective management organisation wherein members participate and exercise their voting rights, regardless of the legal form of the organisation;
- (g) 'director' means:
 - (i) where national law or the statute of the collective management organisation provides for a unitary board, any member of the administrative board;
 - (ii) where national law or the statute of the collective management organisation provides for a dual board, any member of the management board or the supervisory board;
- (h) 'rights revenue' means income collected by a collective management organisation on behalf of rightholders, whether deriving from an exclusive right, a right to remuneration or a right to compensation;
- (i) 'management fees' means the amounts charged, deducted or offset by a collective management organisation from rights revenue or from any income arising from the investment of rights revenue in order to cover the costs of its management of copyright or related rights;
- (j) 'representation agreement' means any agreement between collective management organisations whereby one collective management organisation mandates another collective management organisation to manage the rights it represents, including an agreement concluded under Articles 29 and 30;
- (k) 'user' means any person or entity that is carrying out acts subject to the authorisation of rightholders, remuneration of rightholders or payment of compensation to rightholders and is not acting in the capacity of a consumer;
- (l) 'repertoire' means the works in respect of which a collective management organisation manages rights;
- (m) 'multi-territorial licence' means a licence which covers the territory of more than one Member State;

(n) ‘online rights in musical works’ means any of the rights of an author in a musical work provided for under Articles 2 and 3 of Directive 2001/29/EC which are required for the provision of an online service.

Article 4

Member States shall ensure that collective management organisations act in the best interests of the rightholders whose rights they represent and that they do not impose on them any obligations which are not objectively necessary for the protection of their rights and interests or for the effective management of their rights.

Article 5

1. Member States shall ensure that rightholders have the rights laid down in paragraphs 2 to 8 and that those rights are set out in the statute or membership terms of the collective management organisation.

2. Rightholders shall have the right to authorise a collective management organisation of their choice to manage the rights, categories of rights or types of works and other subject-matter of their choice, for the territories of their choice, irrespective of the Member State of nationality, residence or establishment of either the collective management organisation or the rightholder. Unless the collective management organisation has objectively justified reasons to refuse management, it shall be obliged to manage such rights, categories of rights or types of works and other subject-matter, provided that their management falls within the scope of its activity.

3. Rightholders shall have the right to grant licences for non-commercial uses of any rights, categories of rights or types of works and other subject-matter that they may choose.

4. Rightholders shall have the right to terminate the authorisation to manage rights, categories of rights or types of works and other subject-matter granted by them to a collective management organisation or to withdraw from a collective management organisation any of the rights, categories of rights or types of works and other subject-matter of their choice, as determined pursuant to paragraph 2, for the territories of their choice, upon serving reasonable notice not exceeding six months. The collective management organisation may decide that such termination or withdrawal is to take effect only at the end of the financial year.

5. If there are amounts due to a rightholder for acts of exploitation which occurred before the termination of the authorisation or the withdrawal of rights took effect, or under a licence granted before such termination or withdrawal took effect, the rightholder shall retain his rights under Articles 12, 13, 18, 20, 28 and 33.

6. A collective management organisation shall not restrict the exercise of rights provided for under paragraphs 4 and 5 by requiring, as a condition for the exercise of those rights, that the management of rights or categories of rights or types of works and other subject-matter which are subject to the termination or the withdrawal be entrusted to another collective management organisation.

7. In cases where a rightholder authorises a collective management organisation to manage his rights, he shall give consent specifically for each right or category of rights or type of works and other subject-matter which he authorises the collective management organisation to manage. Any such consent shall be evidenced in documentary form.

8. A collective management organisation shall inform rightholders of their rights under paragraphs 1 to 7, as well as of any conditions attached to the right set out in paragraph 3, before obtaining their consent to its managing any right or category of rights or type of works and other subject-matter.

A collective management organisation shall inform those rightholders who have already authorised it of their rights under paragraphs 1 to 7, as well as of any conditions attached to the right set out in paragraph 3, by 10 October 2016.

Article 6

1. Member States shall ensure that collective management organisations comply with the rules laid down in paragraphs 2 to 5.

2. A collective management organisation shall accept rightholders and entities representing rightholders, including other collective management organisations and associations of rightholders, as members if they fulfil the membership requirements, which shall be based on objective, transparent and non-discriminatory criteria. Those membership requirements shall be included in the statute or membership terms of the collective management organisation and shall be made publicly available. In

cases where a collective management organisation refuses to accept a request for membership, it shall provide the rightholder with a clear explanation of the reasons for its decision.

3. The statute of a collective management organisation shall provide for appropriate and effective mechanisms for the participation of its members in the organisation's decision-making process. The representation of the different categories of members in the decision-making process shall be fair and balanced.

4. A collective management organisation shall allow its members to communicate with it by electronic means, including for the purposes of exercising members' rights.

5. A collective management organisation shall keep records of its members and shall regularly update those records.

Article 7

1. Member States shall ensure that collective management organisations comply with the rules laid down in Article 6(4), Article 20, Article 29(2) and Article 33 in respect of rightholders who have a direct legal relationship by law or by way of assignment, licence or any other contractual arrangement with them but are not their members.

2. Member States may apply other provisions of this Directive to the rightholders referred to in paragraph 1.

Article 8

1. Member States shall ensure that the general assembly of members is organised in accordance with the rules laid down in paragraphs 2 to 10.

2. A general assembly of members shall be convened at least once a year.

3. The general assembly of members shall decide on any amendments to the statute and to the membership terms of the collective management organisation, where those terms are not regulated by the statute.

4. The general assembly of members shall decide on the appointment or dismissal of the directors, review their general performance and approve their remuneration and other benefits such as monetary and non-monetary benefits, pension awards and entitlements, rights to other awards and rights to severance pay.

In a collective management organisation with a dual board system, the general assembly of members shall not decide on the appointment or dismissal of members of the management board or approve their remuneration and other benefits where the power to take such decisions is delegated to the supervisory board.

5. In accordance with the provisions laid down in Chapter 2 of Title II, the general assembly of members shall decide at least on the following issues:

(a) the general policy on the distribution of amounts due to rightholders;

(b) the general policy on the use of non-distributable amounts;

(c) the general investment policy with regard to rights revenue and to any income arising from the investment of rights revenue;

(d) the general policy on deductions from rights revenue and from any income arising from the investment of rights revenue;

(e) the use of non-distributable amounts;

(f) the risk management policy;

(g) the approval of any acquisition, sale or hypothecation of immovable property;

(h) the approval of mergers and alliances, the setting-up of subsidiaries, and the acquisition of other entities or shares or rights in other entities;

(i) the approval of taking out loans, granting loans or providing security for loans.

6. The general assembly of members may delegate the powers listed in points (f), (g), (h) and (i) of paragraph 5, by a resolution or by a provision in the statute, to the body exercising the supervisory function.

7. For the purposes of points (a) to (d) of paragraph 5, Member States may require the general assembly of members to determine more detailed conditions for the use of the rights revenue and the income arising from the investment of rights revenue.

8. The general assembly of members shall control the activities of the collective management organisation by, at least, deciding on the appointment and removal of the auditor and approving the annual transparency report referred to in Article 22.

Member States may allow alternative systems or modalities for the appointment and removal of the auditor, provided that those systems or modalities are designed to ensure the independence of the auditor from the persons who manage the business of the collective management organisation.

9. All members of the collective management organisation shall have the right to participate in, and the right to vote at, the general assembly of members. However, Member States may allow for restrictions on the right of the members of the collective management organisation to participate in, and to exercise voting rights at, the general assembly of members, on the basis of one or both of the following criteria:

(a) duration of membership;

(b) amounts received or due to a member,

provided that such criteria are determined and applied in a manner that is fair and proportionate.

The criteria laid down in points (a) and (b) of the first subparagraph shall be included in the statute or the membership terms of the collective management organisation and shall be made publicly available in accordance with Articles 19 and 21.

10. Every member of a collective management organisation shall have the right to appoint any other person or entity as a proxy holder to participate in, and vote at, the general assembly of members on his behalf, provided that such appointment does not result in a conflict of interest which might occur, for example, where the appointing member and the proxy holder belong to different categories of rightholders within the collective management organisation.

However, Member States may provide for restrictions concerning the appointment of proxy holders and the exercise of the voting rights of the members they represent if such restrictions do not prejudice the appropriate and effective participation of members in the decision-making process of a collective management organisation.

Each proxy shall be valid for a single general assembly of members. The proxy holder shall enjoy the same rights in the general assembly of members as those to which the appointing member would be entitled. The proxy holder shall cast votes in accordance with the instructions issued by the appointing member.

11. Member States may decide that the powers of the general assembly of members may be exercised by an assembly of delegates elected at least every four years by the members of the collective management organisation, provided that:

(a) appropriate and effective participation of members in the collective management organisation's decision-making process is ensured; and

(b) the representation of the different categories of members in the assembly of delegates is fair and balanced.

The rules laid down in paragraphs 2 to 10 shall apply to the assembly of delegates *mutatis mutandis*.

12. Member States may decide that where a collective management organisation, by reason of its legal form, does not have a general assembly of members, the powers of that assembly are to be exercised by the body exercising the supervisory function. The rules laid down in paragraphs 2 to 5, 7 and 8 shall apply *mutatis mutandis* to such body exercising the supervisory function.

13. Member States may decide that where a collective management organisation has members who are entities representing rightholders, all or some of the powers of the general assembly of members are to be exercised by an assembly of those rightholders. The rules laid down in paragraphs 2 to 10 shall apply *mutatis mutandis* to the assembly of rightholders.

Article 9

1. Member States shall ensure that each collective management organisation has in place a supervisory function for continuously monitoring the activities and the performance of the duties of the persons who manage the business of the organisation.

2. There shall be fair and balanced representation of the different categories of members of the collective management organisation in the body exercising the supervisory function.

3. Each person exercising the supervisory function shall make an annual individual statement on conflicts of interest, containing the information referred to in the second subparagraph of Article 10(2), to the general assembly of members.

4. The body exercising the supervisory function shall meet regularly and shall have at least the following powers:

(a) to exercise the powers delegated to it by the general assembly of members, including under Article 8(4) and (6);

(b) to monitor the activities and the performance of the duties of the persons referred to in Article 10, including the implementation of the decisions of the general assembly of members and, in particular, of the general policies listed in points (a) to (d) of Article 8(5).

5. The body exercising the supervisory function shall report on the exercise of its powers to the general assembly of members at least once a year.

Article 10

1. Member States shall ensure that each collective management organisation takes all necessary measures so that the persons who manage its business do so in a sound, prudent and appropriate manner, using sound administrative and accounting procedures and internal control mechanisms.

2. Member States shall ensure that collective management organisations put in place and apply procedures to avoid conflicts of interest, and where such conflicts cannot be avoided, to identify, manage, monitor and disclose actual or potential conflicts of interest in such a way as to prevent them from adversely affecting the collective interests of the rightholders whom the organisation represents. The procedures referred to in the first subparagraph shall include an annual individual statement by each of the persons referred to in paragraph 1 to the general assembly of members, containing the following information:

(a) any interests in the collective management organisation;

(b) any remuneration received in the preceding financial year from the collective management organisation, including in the form of pension schemes, benefits in kind and other types of benefits;

(c) any amounts received in the preceding financial year as a rightholder from the collective management organisation;

(d) a declaration concerning any actual or potential conflict between any personal interests and those of the collective management organisation or between any obligations owed to the collective management organisation and any duty owed to any other natural or legal person.

Article 11

1. Member States shall ensure that collective management organisations comply with the rules laid down in paragraphs 2 to 5.

2. A collective management organisation shall be diligent in the collection and management of rights revenue.

3. A collective management organisation shall keep separate in its accounts:

(a) rights revenue and any income arising from the investment of rights revenue; and

(b) any own assets it may have and income arising from such assets, from management fees or from other activities.

4. A collective management organisation shall not be permitted to use rights revenue or any income arising from the investment of rights revenue for purposes other than distribution to rightholders, except where it is allowed to deduct or offset its management fees in compliance with a decision taken in accordance with point (d) of Article 8(5) or to use the rights revenue or any income arising from the investment of rights revenue in compliance with a decision taken in accordance with Article 8(5).

5. Where a collective management organisation invests rights revenue or any income arising from the investment of rights revenue, it shall do so in the best interests of the rightholders whose rights it represents, in accordance with the general investment and risk management policy referred to in points (c) and (f) of Article 8(5) and having regard to the following rules:

(a) where there is any potential conflict of interest, the collective management organisation shall ensure that the investment is made in the sole interest of those rightholders;

(b) the assets shall be invested in order to ensure the security, quality, liquidity and profitability of the portfolio as a whole;

(c) the assets shall be properly diversified in order to avoid excessive reliance on any particular asset and accumulations of risks in the portfolio as a whole.

Article 12

1. Member States shall ensure that where a rightholder authorises a collective management organisation to manage his rights, the collective management organisation is required to provide the rightholder with information on management fees and other deductions from the rights revenue and from any income arising from the investment of rights revenue, before obtaining his consent to its managing his rights.

2. Deductions shall be reasonable in relation to the services provided by the collective management organisation to rightholders, including, where appropriate, the services referred to in paragraph 4, and shall be established on the basis of objective criteria.

3. Management fees shall not exceed the justified and documented costs incurred by the collective management organisation in managing copyright and related rights.

Member States shall ensure that the requirements applicable to the use and the transparency of the use of amounts deducted or offset in respect of management fees apply to any other deductions made in order to cover the costs of managing copyright and related rights.

4. Where a collective management organisation provides social, cultural or educational services funded through deductions from rights revenue or from any income arising from the investment of rights revenue, such services shall be provided on the basis of fair criteria, in particular as regards access to, and the extent of, those services.

Article 13

1. Without prejudice to Article 15(3) and Article 28, Member States shall ensure that each collective management organisation regularly, diligently and accurately distributes and pays amounts due to rightholders in accordance with the general policy on distribution referred to in point (a) of Article 8(5).

Member States shall also ensure that collective management organisations or their members who are entities representing rightholders distribute and pay those amounts to rightholders as soon as possible but no later than nine months from the end of the financial year in which the rights revenue was collected, unless objective reasons relating in particular to reporting by users, identification of rights, rightholders or matching of information on works and other subject-matter with rightholders prevent the collective management organisation or, where applicable, its members from meeting that deadline.

2. Where the amounts due to rightholders cannot be distributed within the deadline set in paragraph 1 because the relevant rightholders cannot be identified or located and the exception to that deadline does not apply, those amounts shall be kept separate in the accounts of the collective management organisation.

3. The collective management organisation shall take all necessary measures, consistent with paragraph 1, to identify and locate the rightholders. In particular, at the latest three months after the expiry of the deadline set in paragraph 1, the collective management organisation shall make available information on works and other subject-matter for which one or more rightholders have not been identified or located to:

(a) the rightholders that it represents or the entities representing rightholders, where such entities are members of the collective management organisation; and

(b) all collective management organisations with which it has concluded representation agreements.

The information referred to in the first subparagraph shall include, where available, the following:

(a) the title of the work or other subject-matter;

(b) the name of the rightholder;

(c) the name of the relevant publisher or producer; and

(d) any other relevant information available which could assist in identifying the rightholder.

The collective management organisation shall also verify the records referred to in Article 6(5) and other readily available records. If the abovementioned measures fail to produce results, the collective management organisation shall make that information available to the public at the latest one year after the expiry of the three-month period.

4. Where the amounts due to rightholders cannot be distributed after three years from the end of the financial year in which the collection of the rights revenue occurred, and provided that the collective management organisation has taken all necessary measures to identify and locate the rightholders referred to in paragraph 3, those amounts shall be deemed non-distributable.

5. The general assembly of members of a collective management organisation shall decide on the use of the non-distributable amounts in accordance with point (b) of Article 8(5), without prejudice to the right of rightholders to claim such amounts from the collective management organisation in accordance with the laws of the Member States on the statute of limitations of claims.

6. Member States may limit or determine the permitted uses of non-distributable amounts, inter alia, by ensuring that such amounts are used in a separate and independent way in order to fund social, cultural and educational activities for the benefit of rightholders.

Article 14

Member States shall ensure that a collective management organisation does not discriminate against any rightholder whose rights it manages under a representation agreement, in particular with respect to applicable tariffs, management fees, and the conditions for the collection of the rights revenue and distribution of amounts due to rightholders.

Article 15

1. Member States shall ensure that a collective management organisation does not make deductions, other than in respect of management fees, from the rights revenue derived from the rights it manages on the basis of a representation agreement, or from any income arising from the investment of that rights revenue, unless the other collective management organisation that is party to the representation agreement expressly consents to such deductions.

2. The collective management organisation shall regularly, diligently and accurately distribute and pay amounts due to other collective management organisations.

3. The collective management organisation shall carry out such distribution and payments to the other collective management organisation as soon as possible but no later than nine months from the end of the financial year in which the rights revenue was collected, unless objective reasons relating in particular to reporting by users, identification of rights, rightholders or matching of information on works and other subject-matter with rightholders prevent the collective management organisation from meeting that deadline.

The other collective management organisation, or, where it has as members entities representing rightholders, those members, shall distribute and pay the amounts due to rightholders as soon as possible but no later than six months from receipt of those amounts, unless objective reasons relating in particular to reporting by users, identification of rights, rightholders or matching of information on works and other subject-matter with rightholders prevent the collective management organisation or, where applicable, its members from meeting that deadline.

Article 16

1. Member States shall ensure that collective management organisations and users conduct negotiations for the licensing of rights in good faith. Collective management organisations and users shall provide each other with all necessary information.

2. Licensing terms shall be based on objective and non-discriminatory criteria. When licensing rights, collective management organisations shall not be required to use, as a precedent for other online services, licensing terms agreed with a user where the user is providing a new type of online service which has been available to the public in the Union for less than three years.

Rightholders shall receive appropriate remuneration for the use of their rights. Tariffs for exclusive rights and rights to remuneration shall be reasonable in relation to, inter alia, the economic value of the use of the rights in trade, taking into account the nature and scope of the use of the work and other subject-matter, as well as in relation to the economic value of the service provided by the collective management organisation. Collective management organisations shall inform the user concerned of the criteria used for the setting of those tariffs.

3. Collective management organisations shall reply without undue delay to requests from users, indicating, inter alia, the information needed in order for the collective management organisation to offer a licence.

Upon receipt of all relevant information, the collective management organisation shall, without undue delay, either offer a licence or provide the user with a reasoned statement explaining why it does not intend to license a particular service.

4. A collective management organisation shall allow users to communicate with it by electronic means, including, where appropriate, for the purpose of reporting on the use of the licence.

Article 17

Member States shall adopt provisions to ensure that users provide a collective management organisation, within an agreed or pre-established time and in an agreed or pre-established format, with such relevant information at their disposal on the use of the rights represented by the collective management organisation as is necessary for the collection of rights revenue and for the distribution and payment of amounts due to rightholders. When deciding on the format for the provision of such

information, collective management organisations and users shall take into account, as far as possible, voluntary industry standards.

Article 18

1. Without prejudice to paragraph 2 of this Article and Article 19 and Article 28(2), Member States shall ensure that a collective management organisation makes available, not less than once a year, to each rightholder to whom it has attributed rights revenue or made payments in the period to which the information relates, at least the following information:

- (a) any contact details which the rightholder has authorised the collective management organisation to use in order to identify and locate the rightholder;
- (b) the rights revenue attributed to the rightholder;
- (c) the amounts paid by the collective management organisation to the rightholder per category of rights managed and per type of use;
- (d) the period during which the use took place for which amounts were attributed and paid to the rightholder, unless objective reasons relating to reporting by users prevent the collective management organisation from providing this information;
- (e) deductions made in respect of management fees;
- (f) deductions made for any purpose other than in respect of management fees, including those that may be required by national law for the provision of any social, cultural or educational services;
- (g) any rights revenue attributed to the rightholder which is outstanding for any period.

2. Where a collective management organisation attributes rights revenue and has as members entities which are responsible for the distribution of rights revenue to rightholders, the collective management organisation shall provide the information listed in paragraph 1 to those entities, provided that they do not have that information in their possession. Member States shall ensure that the entities make at least the information listed in paragraph 1 available, not less than once a year, to each rightholder to whom they have attributed rights revenue or made payments in the period to which the information relates.

Article 19

Member States shall ensure that a collective management organisation makes at least the following information available, not less than once a year and by electronic means, to collective management organisations on whose behalf it manages rights under a representation agreement, for the period to which the information relates:

- (a) the rights revenue attributed, the amounts paid by the collective management organisation per category of rights managed, and per type of use, for the rights it manages under the representation agreement, and any rights revenue attributed which is outstanding for any period;
- (b) deductions made in respect of management fees;
- (c) deductions made for any purpose other than in respect of management fees as referred to in Article 15;
- (d) information on any licences granted or refused with regard to works and other subject-matter covered by the representation agreement;
- (e) resolutions adopted by the general assembly of members in so far as those resolutions are relevant to the management of the rights under the representation agreement.

Article 20

Without prejudice to Article 25, Member States shall ensure that, in response to a duly justified request, a collective management organisation makes at least the following information available by electronic means and without undue delay to any collective management organisation on whose behalf it manages rights under a representation agreement or to any rightholder or to any user:

- (a) the works or other subject-matter it represents, the rights it manages, directly or under representation agreements, and the territories covered; or
- (b) where, due to the scope of activity of the collective management organisation, such works or other subject-matter cannot be determined, the types of works or of other subject-matter it represents, the rights it manages and the territories covered.

Article 21

1. Member States shall ensure that a collective management organisation makes public at least the following information:

- (a) its statute;
 - (b) its membership terms and the terms of termination of authorisation to manage rights, if these are not included in the statute;
 - (c) standard licensing contracts and standard applicable tariffs, including discounts;
 - (d) the list of the persons referred to in Article 10;
 - (e) its general policy on distribution of amounts due to rightholders;
 - (f) its general policy on management fees;
 - (g) its general policy on deductions, other than in respect of management fees, from rights revenue and from any income arising from the investment of rights revenue, including deductions for the purposes of social, cultural and educational services;
 - (h) a list of the representation agreements it has entered into, and the names of the collective management organisations with which those representation agreements have been concluded;
 - (i) the general policy on the use of non-distributable amounts;
 - (j) the complaint handling and dispute resolution procedures available in accordance with Articles 33, 34 and 35.
2. The collective management organisation shall publish, and keep up to date, on its public website the information referred to in paragraph 1.

Article 22

1. Member States shall ensure that a collective management organisation, irrespective of its legal form under national law, draws up and makes public an annual transparency report, including the special report referred to in paragraph 3, for each financial year no later than eight months following the end of that financial year.

The collective management organisation shall publish on its website the annual transparency report, which shall remain available to the public on that website for at least five years.

2. The annual transparency report shall contain at least the information set out in the Annex.

3. A special report shall address the use of the amounts deducted for the purposes of social, cultural and educational services and shall contain at least the information set out in point 3 of the Annex.

4. The accounting information included in the annual transparency report shall be audited by one or more persons empowered by law to audit accounts in accordance with Directive 2006/43/EC of the European Parliament and of the Council (9).

The audit report, including any qualifications thereto, shall be reproduced in full in the annual transparency report.

For the purposes of this paragraph, accounting information shall comprise the financial statements referred to in point 1(a) of the Annex and any financial information referred to in points (g) and (h) of point 1 and in point 2 of the Annex.

Article 23

Member States shall ensure that collective management organisations established in their territory comply with the requirements of this Title when granting multi-territorial licences for online rights in musical works.

Article 24

1. Member States shall ensure that a collective management organisation which grants multi-territorial licences for online rights in musical works has sufficient capacity to process electronically, in an efficient and transparent manner, data needed for the administration of such licences, including for the purposes of identifying the repertoire and monitoring its use, invoicing users, collecting rights revenue and distributing amounts due to rightholders.

2. For the purposes of paragraph 1, a collective management organisation shall comply, at least, with the following conditions:

- (a) to have the ability to identify accurately the musical works, wholly or in part, which the collective management organisation is authorised to represent;
- (b) to have the ability to identify accurately, wholly or in part, with respect to each relevant territory, the rights and their corresponding rightholders for each musical work or share therein which the collective management organisation is authorised to represent;

(c) to make use of unique identifiers in order to identify rightholders and musical works, taking into account, as far as possible, voluntary industry standards and practices developed at international or Union level;

(d) to make use of adequate means in order to identify and resolve in a timely and effective manner inconsistencies in data held by other collective management organisations granting multi-territorial licences for online rights in musical works.

Article 25

1. Member States shall ensure that a collective management organisation which grants multi-territorial licences for online rights in musical works provides to online service providers, to rightholders whose rights it represents and to other collective management organisations, by electronic means, in response to a duly justified request, up-to-date information allowing the identification of the online music repertoire it represents. This shall include:

- (a) the musical works represented;
- (b) the rights represented wholly or in part; and
- (c) the territories covered.

2. The collective management organisation may take reasonable measures, where necessary, to protect the accuracy and integrity of the data, to control their reuse and to protect commercially sensitive information.

Article 26

1. Member States shall ensure that a collective management organisation which grants multi-territorial licences for online rights in musical works has in place arrangements to enable rightholders, other collective management organisations and online service providers to request a correction of the data referred to in the list of conditions under Article 24(2) or the information provided under Article 25, where such rightholders, collective management organisations and online service providers, on the basis of reasonable evidence, believe that the data or the information are inaccurate in respect of their online rights in musical works. Where the claims are sufficiently substantiated, the collective management organisation shall ensure that the data or the information are corrected without undue delay.

2. The collective management organisation shall provide rightholders whose musical works are included in its own music repertoire and rightholders who have entrusted the management of their online rights in musical works to it in accordance with Article 31 with the means of submitting to it in electronic form information concerning their musical works, their rights in those works and the territories in respect of which the rightholders authorise the organisation. When doing so, the collective management organisation and the rightholders shall take into account, as far as possible, voluntary industry standards or practices regarding the exchange of data developed at international or Union level, allowing rightholders to specify the musical work, wholly or in part, the online rights, wholly or in part, and the territories in respect of which they authorise the organisation.

3. Where a collective management organisation mandates another collective management organisation to grant multi-territorial licences for the online rights in musical works under Articles 29 and 30, the mandated collective management organisation shall also apply paragraph 2 of this Article with respect to the rightholders whose musical works are included in the repertoire of the mandating collective management organisation, unless the collective management organisations agree otherwise.

Article 27

1. Member States shall ensure that a collective management organisation monitors the use of online rights in musical works which it represents, wholly or in part, by online service providers to which it has granted a multi-territorial licence for those rights.

2. The collective management organisation shall offer online service providers the possibility of reporting by electronic means the actual use of online rights in musical works and online service providers shall accurately report the actual use of those works. The collective management organisation shall offer the use of a least one method of reporting which takes into account voluntary industry standards or practices developed at international or Union level for the electronic exchange of such data. The collective management organisation may refuse to accept reporting by the online service provider in a proprietary format if the organisation allows for reporting using an industry standard for the electronic exchange of data.

3. The collective management organisation shall invoice the online service provider by electronic means. The collective management organisation shall offer the use of a least one format which takes into account voluntary industry standards or practices developed at international or Union level. The invoice shall identify the works and rights which are licensed, wholly or in part, on the basis of the data referred to in the list of conditions under Article 24(2), and the corresponding actual uses, to the extent that this is possible on the basis of the information provided by the online service provider and the format used to provide that information. The online service provider may not refuse to accept the invoice because of its format if the collective management organisation is using an industry standard.
4. The collective management organisation shall invoice the online service provider accurately and without delay after the actual use of the online rights in that musical work is reported, except where this is not possible for reasons attributable to the online service provider.
5. The collective management organisation shall have in place adequate arrangements enabling the online service provider to challenge the accuracy of the invoice, including when the online service provider receives invoices from one or more collective management organisations for the same online rights in the same musical work.

Article 28

1. Without prejudice to paragraph 3, Member States shall ensure that a collective management organisation which grants multi-territorial licences for online rights in musical works distributes amounts due to rightholders accruing from such licences accurately and without delay after the actual use of the work is reported, except where this is not possible for reasons attributable to the online service provider.
2. Without prejudice to paragraph 3, the collective management organisation shall provide at least the following information to rightholders together with each payment it makes under paragraph 1:
 - (a) the period during which the uses took place for which amounts are due to rightholders and the territories in which the uses took place;
 - (b) the amounts collected, deductions made and amounts distributed by the collective management organisation for each online right in any musical work which rightholders have authorised the collective management organisation, wholly or in part, to represent;
 - (c) the amounts collected for rightholders, deductions made, and amounts distributed by the collective management organisation in respect of each online service provider.
3. Where a collective management organisation mandates another collective management organisation to grant multi-territorial licences for the online rights in musical works under Articles 29 and 30, the mandated collective management organisation shall distribute the amounts referred to in paragraph 1 accurately and without delay, and shall provide the information referred to in paragraph 2 to the mandating collective management organisation. The mandating collective management organisation shall be responsible for the subsequent distribution of such amounts and the provision of such information to rightholders, unless the collective management organisations agree otherwise.

Article 29

1. Member States shall ensure that any representation agreement between collective management organisations whereby a collective management organisation mandates another collective management organisation to grant multi-territorial licences for the online rights in musical works in its own music repertoire is of a non-exclusive nature. The mandated collective management organisation shall manage those online rights on a non-discriminatory basis.
2. The mandating collective management organisation shall inform its members of the main terms of the agreement, including its duration and the costs of the services provided by the mandated collective management organisation.
3. The mandated collective management organisation shall inform the mandating collective management organisation of the main terms according to which the latter's online rights are to be licensed, including the nature of the exploitation, all provisions which relate to or affect the licence fee, the duration of the licence, the accounting periods and the territories covered.

Article 30

1. Member States shall ensure that where a collective management organisation which does not grant or offer to grant multi-territorial licences for the online rights in musical works in its own repertoire requests another collective management organisation to enter into a representation agreement to

represent those rights, the requested collective management organisation is required to agree to such a request if it is already granting or offering to grant multi-territorial licences for the same category of online rights in musical works in the repertoire of one or more other collective management organisations.

2. The requested collective management organisation shall respond to the requesting collective management organisation in writing and without undue delay.

3. Without prejudice to paragraphs 5 and 6, the requested collective management organisation shall manage the represented repertoire of the requesting collective management organisation on the same conditions as those which it applies to the management of its own repertoire.

4. The requested collective management organisation shall include the represented repertoire of the requesting collective management organisation in all offers it addresses to online service providers.

5. The management fee for the service provided by the requested collective management organisation to the requesting organisation shall not exceed the costs reasonably incurred by the requested collective management organisation.

6. The requesting collective management organisation shall make available to the requested collective management organisation information relating to its own music repertoire required for the provision of multi-territorial licences for online rights in musical works. Where information is insufficient or provided in a form that does not allow the requested collective management organisation to meet the requirements of this Title, the requested collective management organisation shall be entitled to charge for the costs reasonably incurred in meeting such requirements or to exclude those works for which information is insufficient or cannot be used.

Article 31

Member States shall ensure that where a collective management organisation does not grant or offer to grant multi-territorial licences for online rights in musical works or does not allow another collective management organisation to represent those rights for such purpose by 10 April 2017, rightholders who have authorised that collective management organisation to represent their online rights in musical works can withdraw from that collective management organisation the online rights in musical works for the purposes of multi-territorial licensing in respect of all territories without having to withdraw the online rights in musical works for the purposes of mono-territorial licensing, so as to grant multi-territorial licences for their online rights in musical works themselves or through any other party they authorise or through any collective management organisation complying with the provisions of this Title.

Article 32

The requirements under this Title shall not apply to collective management organisations when they grant, on the basis of the voluntary aggregation of the required rights, in compliance with the competition rules under Articles 101 and 102 TFEU, a multi-territorial licence for the online rights in musical works required by a broadcaster to communicate or make available to the public its radio or television programmes simultaneously with or after their initial broadcast as well as any online material, including previews, produced by or for the broadcaster which is ancillary to the initial broadcast of its radio or television programme.

Article 33

1. Member States shall ensure that collective management organisations make available to their members, and to collective management organisations on whose behalf they manage rights under a representation agreement, effective and timely procedures for dealing with complaints, particularly in relation to authorisation to manage rights and termination or withdrawal of rights, membership terms, the collection of amounts due to rightholders, deductions and distributions.

2. Collective management organisations shall respond in writing to complaints by members or by collective management organisations on whose behalf they manage rights under a representation agreement. Where the collective management organisation rejects a complaint, it shall give reasons.

Article 34

1. Member States may provide that disputes between collective management organisations, members of collective management organisations, rightholders or users regarding the provisions of national law

adopted pursuant to the requirements of this Directive can be submitted to a rapid, independent and impartial alternative dispute resolution procedure.

2. Member States shall ensure, for the purposes of Title III, that the following disputes relating to a collective management organisation established in their territory which grants or offers to grant multi-territorial licences for online rights in musical works can be submitted to an independent and impartial alternative dispute resolution procedure:

(a) disputes with an actual or potential online service provider regarding the application of Articles 16, 25, 26 and 27;

(b) disputes with one or more rightholders regarding the application of Articles 25, 26, 27, 28, 29, 30 and 31;

(c) disputes with another collective management organisation regarding the application of Articles 25, 26, 27, 28, 29 and 30.

Article 35

1. Member States shall ensure that disputes between collective management organisations and users concerning, in particular, existing and proposed licensing conditions or a breach of contract can be submitted to a court, or if appropriate, to another independent and impartial dispute resolution body where that body has expertise in intellectual property law.

2. Articles 33 and 34 and paragraph 1 of this Article shall be without prejudice to the right of parties to assert and defend their rights by bringing an action before a court.

Article 36

1. Member States shall ensure that compliance by collective management organisations established in their territory with the provisions of national law adopted pursuant to the requirements laid down in this Directive is monitored by competent authorities designated for that purpose.

2. Member States shall ensure that procedures exist enabling members of a collective management organisation, rightholders, users, collective management organisations and other interested parties to notify the competent authorities designated for that purpose of activities or circumstances which, in their opinion, constitute a breach of the provisions of national law adopted pursuant to the requirements laid down in this Directive.

3. Member States shall ensure that the competent authorities designated for that purpose have the power to impose appropriate sanctions or to take appropriate measures where the provisions of national law adopted in implementation of this Directive have not been complied with. Those sanctions and measures shall be effective, proportionate and dissuasive.

Member States shall notify the Commission of the competent authorities referred to in this Article and in Articles 37 and 38 by 10 April 2016. The Commission shall publish the information received in that regard.

Article 37

1. In order to facilitate the monitoring of the application of this Directive, each Member State shall ensure that a request for information received from a competent authority of another Member State, designated for that purpose, concerning matters relevant to the application of this Directive, in particular with regard to the activities of collective management organisations established in the territory of the requested Member State, is responded to without undue delay by the competent authority designated for that purpose, provided that the request is duly justified.

2. Where a competent authority considers that a collective management organisation established in another Member State but acting within its territory may not be complying with the provisions of the national law of the Member State in which that collective management organisation is established which have been adopted pursuant to the requirements laid down in this Directive, it may transmit all relevant information to the competent authority of the Member State in which the collective management organisation is established, accompanied where appropriate by a request to that authority that it take appropriate action within its competence. The requested competent authority shall provide a reasoned reply within three months.

3. Matters as referred to in paragraph 2 may also be referred by the competent authority making such a request to the expert group established in accordance with Article 41.

Article 38

1. The Commission shall foster a regular exchange of information between the competent authorities designated for that purpose in Member States, and between those authorities and the Commission, on the situation and development of multi-territorial licensing.

2. The Commission shall conduct regular consultations with representatives of rightholders, collective management organisations, users, consumers and other interested parties on their experience with the application of the provisions of Title III of this Directive. The Commission shall provide competent authorities with all relevant information that emerges from those consultations, within the framework of the exchange of information provided for in paragraph 1.

3. Member States shall ensure that by 10 October 2017, their competent authorities provide the Commission with a report on the situation and development of multi-territorial licensing in their territory. The report shall include information on, in particular, the availability of multi-territorial licences in the Member State concerned and compliance by collective management organisations with the provisions of national law adopted in implementation of Title III of this Directive, together with an assessment of the development of multi-territorial licensing of online rights in musical works by users, consumers, rightholders and other interested parties.

4. On the basis of the reports received pursuant to paragraph 3 and the information gathered pursuant to paragraphs 1 and 2, the Commission shall assess the application of Title III of this Directive. If necessary, and where appropriate on the basis of a specific report, it shall consider further steps to address any identified problems. That assessment shall cover, in particular, the following:

- (a) the number of collective management organisations meeting the requirements of Title III;
- (b) the application of Articles 29 and 30, including the number of representation agreements concluded by collective management organisations pursuant to those Articles;
- (c) the proportion of repertoire in the Member States which is available for licensing on a multi-territorial basis.

CHAPTER II
SELECTED CASE LAW AND READINGS

Subafilms, Ltd. v. MGM-Pathe Communications Co.

24 F.3d 1088 (1994)

D.W. NELSON, Circuit Judge

Factual and Procedural Background

In 1966, the musical group The Beatles, through Subafilms, Ltd., entered into a joint venture with the Hearst Corporation to produce the animated motion picture entitled "Yellow Submarine" (the "Picture"). Over the next year, Hearst, acting on behalf of the joint venture (the "Producer"), negotiated an agreement with United Artists Corporation ("UA") to distribute and finance the film. Separate distribution and financing agreements were entered into in May, 1967. Pursuant to these agreements, UA distributed the Picture in theaters beginning in 1968 and later on television.

In the early 1980s, with the advent of the home video market, UA entered into several licensing agreements to distribute a number of its films on videocassette. Although one company expressed interest in the Picture, UA refused to license "Yellow Submarine" because of uncertainty over whether home video rights had been granted by the 1967 agreements. Subsequently, in 1987, UA's successor company, MGM/UA Communications Co. ("MGM/UA"), over the Producer's objections, authorized its subsidiary MGM/UA Home Video, Inc. to distribute the Picture for the domestic home video market, and, pursuant to an earlier licensing agreement, notified Warner Bros., Inc. ("Warner") that the Picture had been cleared for international videocassette distribution. Warner, through its wholly owned subsidiary, Warner Home Video, Inc., in turn entered into agreements with third parties for distribution of the Picture on videocassette around the world.

In 1988, Subafilms and Hearst ("Appellees") brought suit against MGM/UA, Warner, and their respective subsidiaries (collectively the "Distributors" or "Appellants"), contending that the videocassette distribution of the Picture, both foreign and domestic, constituted copyright infringement and a breach of the 1967 agreements. The case was tried before a retired California Superior Court Judge acting as a special master. The special master found for Appellees on both claims, and against the Distributors on their counterclaim for fraud and reformation. Except for the award of prejudgment interest, which it reversed, the district court adopted all of the special master's factual findings and legal conclusions. Appellees were awarded \$2,228,000.00 in compensatory damages, split evenly between the foreign and domestic home video distributions. In addition, Appellees [1090] received attorneys' fees and a permanent injunction that prohibited the Distributors from engaging in, or authorizing, any home video use of the Picture.

A panel of this circuit, in an unpublished disposition, affirmed the district court's judgment on the ground that both the domestic and foreign distribution of the Picture constituted infringement under the Copyright Act. With respect to the foreign distribution of the Picture, the panel concluded that it was bound by this court's prior decision in *Peter Starr Prod. Co. v. Twin Continental Films, Inc.*, 783 F.2d 1440 (9th Cir.1986), which it held to stand for the proposition that, although "infringing actions that take place entirely outside the United States are not actionable' [under the Copyright Act, an] `act of infringement within the United States' [properly is] alleged where the illegal authorization of international exhibitions t[akes] place in the United States." Because the Distributors had admitted that the initial authorization to distribute the Picture internationally occurred within the United States, the panel affirmed the district court's holding with respect to liability for extraterritorial home video distribution of the Picture.

We granted Appellants' petition for rehearing en banc to consider whether the panel's interpretation of *Peter Starr* conflicted with our subsequent decision in *Lewis Galoob Toys, Inc. v. Nintendo of Am., Inc.*, which held that there could be no liability for authorizing a party to engage in an infringing act when the authorized "party's use of the work would not violate the Copyright Act". Because we

conclude that there can be no liability under the United States copyright laws for authorizing an act that *itself* could not constitute infringement of rights secured by those laws, and that wholly extraterritorial acts of infringement are not cognizable under the Copyright Act, we overrule *Peter Starr* insofar as it held that allegations of an authorization within the United States of infringing acts that take place entirely abroad state a claim for infringement under the Act. Accordingly, we vacate the panel's decision in part and return the case to the panel for further proceedings.

Discussion

I. The Mere Authorization of Extraterritorial Acts of Infringement does not State a Claim under the Copyright Act

As the panel in this case correctly concluded, *Peter Starr* held that the authorization within the United States of entirely extraterritorial acts stated a cause of action under the "plain language" of the Copyright Act. Observing that the Copyright Act grants a copyright owner "the *exclusive rights* to do and *to authorize*" any of the activities listed in 17 U.S.C. § 106(1)-(5), and that a violation of the "authorization" right constitutes infringement under section 501 of the Act, the *Peter Starr* court reasoned that allegations of an authorization within the United States of extraterritorial conduct that corresponded to the activities listed in section 106 "allege[d] an act of infringement within the United States". Accordingly, the court determined that the district court erred "in concluding that 'Plaintiff allege[d] only infringing acts which took place outside of the United States,'" and reversed the district court's dismissal for lack of subject matter jurisdiction.

The *Peter Starr* court accepted, as does this court, that the acts *authorized* from within the United States themselves could not have constituted infringement under the Copyright Act because "[i]n general, United States copyright laws do not have extraterritorial effect," and therefore, "infringing actions that take place entirely outside the United States are not actionable." The central premise of the *Peter Starr* court, then, was that a party could be held liable as an "infringer" under section 501 of the Act merely for authorizing a third party to engage in acts that, had they been committed *within* the United States, would have violated the exclusive rights granted to a copyright holder by section 106.

Since *Peter Starr*, however, we have recognized that, when a party authorizes an activity *not* proscribed by one of the five section 106 clauses, the authorizing party cannot be held liable as an infringer. In *Lewis Galoob*, we rejected the argument that "a party can unlawfully authorize another party to use a copyrighted work even if that party's use of the work would not violate the Copyright Act," and approved of Professor Nimmer's statement that "to the extent that an activity does not violate one of th[e] five enumerated rights [found in 17 U.S.C. § 106], authorizing such activity does not constitute copyright infringement". Similarly, in *Columbia Pictures*, we held that no liability attached under the Copyright Act for providing videodisc players to hotel guests when the use of that equipment did not constitute a "public" performance within the meaning of section 106 of the Act.

The apparent premise of *Lewis Galoob* was that the addition of the words "to authorize" in the Copyright Act was not meant to create a new form of liability for "authorization" that was divorced completely from the legal consequences of authorized conduct, but was intended to invoke the preexisting doctrine of contributory infringement. We agree.

Contributory infringement under the 1909 Act developed as a form of third party liability. Accordingly, there could be no liability for contributory infringement unless the authorized or otherwise encouraged activity itself could amount to infringement.

As the Supreme Court noted in *Sony*, and this circuit acknowledged in *Peter Starr*, under the 1909 Act courts differed over the *degree* of involvement required to render a party liable as a contributory infringer. Viewed with this background in mind, the addition of the words "to authorize" in the 1976 Act appears best understood as merely clarifying that the Act contemplates liability for contributory infringement, and that the bare act of "authorization" can suffice. This view is supported by the legislative history of the Act:

“The exclusive rights accorded to a copyright owner under section 106 are “to do and to authorize” any of the activities specified in the five numbered clauses. Use of the phrase “to authorize” is intended to avoid any questions as to the liability of contributory infringers. For example, a person who lawfully acquires an authorized copy of a motion picture would be an infringer if he or she engages in the business of renting it to others for purposes of unauthorized public performance.” H.R.Rep. No. 1476, 94th Cong., 2d Sess. 61.

Consequently, we believe that “to authorize” [wa]s simply a convenient peg on which Congress chose to hang the antecedent jurisprudence of third party liability.”

Although the *Peter Starr* court recognized that the addition of the authorization right in the 1976 Act “was intended to remove the confusion surrounding contributory ... infringement,” it did not consider the applicability of an essential attribute of the doctrine identified above: that contributory infringement, even when triggered solely by an “authorization,” is a form of third party liability that requires the authorized acts to constitute infringing ones. We believe that the *Peter Starr* court erred in not applying this principle to the authorization of acts that cannot themselves be infringing because they take place entirely abroad. As Professor Nimmer has observed:

“Accepting the proposition that a direct infringement is a prerequisite to third party liability, the further question arises whether the direct infringement on which liability is premised must take place within the United States. Given the undisputed axiom that United States copyright law has no extraterritorial application, it would seem to follow necessarily that a primary activity outside the boundaries of the United States, not constituting an infringement cognizable under the Copyright Act, cannot serve as the basis for holding liable under the Copyright Act one who is merely related to that activity within the United States.”

Appellees resist the force of this logic, and argue that liability in this case is appropriate because, unlike in *Lewis Galoob* and *Columbia Pictures*, in which the alleged primary infringement consisted of acts that were entirely outside the purview of 17 U.S.C. § 106(1)-(5) (and presumably lawful), the conduct authorized in this case was precisely that prohibited by section 106, and is only uncognizable because it occurred outside the United States. Moreover, they contend that the conduct authorized in this case would have been prohibited under the copyright laws of virtually every nation.

Even assuming *arguendo* that the acts authorized in this case would have been illegal abroad, we do not believe the distinction offered by Appellees is a relevant one. Because the copyright laws do not apply extraterritorially, each of the rights conferred under the five section 106 categories must be read as extending “no farther than the [United States] borders.” In light of our above conclusion that the “authorization” right refers to the doctrine of contributory infringement, which requires that the authorized act *itself* could violate one of the exclusive rights listed in section 106(1)-(5), we believe that “[i]t is simply not possible to draw a principled distinction” between an act that does not violate a copyright because it is not the type of conduct proscribed by section 106, and one that does not violate section 106 because the illicit act occurs overseas. In both cases, the authorized conduct could not violate the exclusive rights guaranteed by section 106. In both cases, therefore, there can be no liability for “authorizing” such conduct.

To hold otherwise would produce the untenable anomaly, inconsistent with the general principles of third party liability, that a party could be held liable as an infringer for violating the “authorization” right when the party that it authorized could not be considered an infringer under the Copyright Act. Put otherwise, we do not think Congress intended to hold a party liable for *merely* “authorizing” conduct that, had the *authorizing* party chosen to engage in itself, would have resulted in no liability under the Act.

Appellees rely heavily on the Second Circuit's doctrine that extraterritorial application of the copyright laws is permissible “when the type of infringement permits further reproduction abroad.” Whatever the merits of the Second Circuit's rule, and we express no opinion on its validity in this circuit, it is premised on the theory that the copyright holder may recover damages that stem from a direct infringement of its exclusive rights that occurs *within* the United States. In these cases, liability is not based on contributory infringement, but on the theory that the infringing use would have been actionable *even if* the subsequent foreign distribution that stemmed from that use never took place.

These cases, therefore, simply are inapplicable to a theory of liability based merely on the authorization of noninfringing acts.

Accordingly, accepting that wholly extra-territorial acts of infringement cannot support a claim under the Copyright Act, we believe that the *Peter Starr* court, and thus the panel in this case, erred in concluding that the mere authorization of such acts supports a claim for infringement under the Act.

II. The Extraterritoriality of the Copyright Act

Appellees additionally contend that, if liability for "authorizing" acts of infringement depends on finding that the authorized acts themselves are cognizable under the Copyright Act, this court should find that the United States copyright laws *do extend* to extraterritorial acts of infringement when such acts "result in adverse effects within the United States." Appellees buttress this argument with the contention that failure to apply the copyright laws extraterritorially in this case will have a disastrous effect on the American film industry, and that other remedies, such as suits in foreign jurisdictions or the application of foreign copyright laws by American courts, are not realistic alternatives.

We are not persuaded by Appellees' parade of horrors. More fundamentally, however, we are unwilling to overturn over eighty years of consistent jurisprudence on the extraterritorial reach of the copyright laws without further guidance from Congress.

The Supreme Court recently reminded us that "[i]t is a long-standing principle of American law that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States." Because courts must "assume that Congress legislates against the backdrop of the presumption against extraterritoriality," unless "there is the affirmative intention of the Congress clearly expressed" congressional enactments must be presumed to be "primarily concerned with domestic conditions."

The "undisputed axiom," that the United States' copyright laws have no application to extraterritorial infringement predates the 1909 Act, and, as discussed above, the principle of territoriality consistently has been reaffirmed. There is no clear expression of congressional intent in either the 1976 Act or other relevant enactments to alter the preexisting extraterritoriality doctrine. Indeed, the *Peter Starr* court itself recognized the continuing application of the principle that "infringing actions that take place entirely outside the United States are not actionable in United States federal courts."

Furthermore, we note that Congress chose in 1976 to expand one specific "extraterritorial" application of the Act by declaring that the unauthorized importation of copyrighted works constitutes infringement even when the copies lawfully were made abroad. *See* 17 U.S.C.A. § 602(a). Had Congress been inclined to overturn the preexisting doctrine that infringing acts that take place wholly outside the United States are not actionable under the Copyright Act, it knew how to do so. Accordingly, the presumption against extraterritoriality, "far from being overcome here, is doubly fortified by the language of [the] statute," as set against its consistent historical interpretation.

Appellees, however, rely on dicta in a recent decision of the District of Columbia Circuit for the proposition that the presumption against extraterritorial application of U.S. laws may be "overcome" when denying such application would "result in adverse effects within the United States." However, the *Massey* court did not state that extraterritoriality would be *demande*d in such circumstances, but that "the *presumption* is *generally not applied* where the failure to extend the scope of the statute to a foreign setting will result in adverse [domestic] effects." *Environmental Defense Fund, Inc. v. Massey*, 986 F.2d 528, 531 (D.C.Cir.1993). In each of the statutory schemes discussed by the *Massey* court, the ultimate touchstone of extraterritoriality consisted of an ascertainment of congressional intent; courts did not rest *solely* on the consequences of a failure to give a statutory scheme extraterritorial application. More importantly, as the *Massey* court conceded, application of the presumption is particularly appropriate when "[i]t serves to protect against unintended clashes between our laws and those of other nations which could result in international discord".

We believe this latter factor is decisive in the case of the Copyright Act, and fully justifies application of the *Aramco* presumption even assuming *arguendo* that "adverse effects" within the United States "generally" would require a plenary inquiry into congressional intent. At the time that the international distribution of the videocassettes in this case took place, the United States was a member of the Universal Copyright Convention ("UCC"), and, in 1988, the United States acceded to the Berne Convention for the Protection of Literary and Artistic Works ("Berne Conv."). The central thrust of these multilateral treaties is the principle of "national treatment." A work of an American national first generated in America will receive the same protection in a foreign nation as that country accords to the works of its own nationals. Although the treaties do not expressly discuss choice-of-law rules, it is commonly acknowledged that the national treatment principle implicates a rule of territoriality. Indeed, a recognition of this principle appears implicit in Congress's statements in acceding to Berne that "[t]he primary mechanism for discouraging discriminatory treatment of foreign copyright claimants is the principle of national treatment," and that adherence to Berne will require "careful due regard for the values" of other member nations.

In light of the *Aramco* Court's concern with preventing international discord, we think it inappropriate for the courts to act in a manner that might disrupt Congress's efforts to secure a more stable international intellectual property regime unless Congress otherwise clearly has expressed its intent. The application of American copyright law to acts of infringement that occur entirely overseas clearly could have this effect. Extraterritorial application of American law would be contrary to the spirit of the Berne Convention, and might offend other member nations by effectively displacing their law in circumstances in which previously it was assumed to govern. Consequently, an extension of extraterritoriality might undermine Congress's objective of achieving "'effective and harmonious' copyright laws among all nations." Indeed, it might well send the signal that the United States does not believe that the protection accorded by the laws of other member nations is adequate, which would undermine two other objectives of Congress in joining the convention: "strengthen[ing] the credibility of the U.S. position in trade negotiations with countries where piracy is not uncommon" and "rais[ing] the like[li]hood that other nations will enter the Convention."

Moreover, although Appellees contend otherwise, we note that their theory might permit the application of American law to the distribution of protected materials in a foreign country conducted exclusively by citizens of that nation. A similar possibility was deemed sufficient in *Aramco* to find a provision that, on its face, appeared to contemplate that Title VII would be applied overseas, insufficient to rebut the presumption against extraterritoriality. Of course, under the Berne Convention, all states must guarantee minimum rights, and it is plausible that the application of American law would yield outcomes roughly equivalent to those called for by the application of foreign law in a number of instances. Nonetheless, extending the reach of American copyright law likely would produce difficult choice-of-law problems, dilemmas that the federal courts' general adherence to the territoriality principle largely has obviated. Even if courts, as a matter of comity, would assert extraterritorial jurisdiction only when the effects in the United States and the contacts of the offending party with this country are particularly strong, that the assertion of such jurisdiction would engender new and troublesome choice-of-law questions provides a compelling reason for applying the *Aramco* presumption.

Accordingly, because an extension of the extraterritorial reach of the Copyright Act by the courts would in all likelihood disrupt the international regime for protecting intellectual property that Congress so recently described as essential to furthering the goal of protecting the works of American authors abroad, we conclude that the *Aramco* presumption must be applied. Because the presumption has not been overcome, we reaffirm that the United States copyright laws do not reach acts of infringement that take place entirely abroad. It is for Congress, and not the courts, to take the initiative in this field. (...)

VACATED IN PART AND REMANDED.

(...) Legal context

The Regulation

3 Recitals 2, 11, 12 and 15 in the preamble to the Regulation state:

'(2) Certain differences between national rules governing jurisdiction and recognition of judgments hamper the sound operation of the internal market. Provisions to unify the rules of conflict of jurisdiction in civil and commercial matters and to simplify the formalities with a view to rapid and simple recognition and enforcement of judgments from Member States bound by this Regulation are essential;

(11) The rules of jurisdiction must be highly predictable and founded on the principle that jurisdiction is generally based on the defendant's domicile and jurisdiction must always be available on this ground save in a few well-defined situations in which the subject-matter of the litigation or the autonomy of the parties warrants a different linking factor. The domicile of a legal person must be defined autonomously so as to make the common rules more transparent and avoid conflicts of jurisdiction.

(12) In addition to the defendant's domicile, there should be alternative grounds of jurisdiction based on a close link between the court and the action or in order to facilitate the sound administration of justice.

*(15) In the interests of the harmonious administration of justice it is necessary to minimise the possibility of concurrent proceedings and to ensure that irreconcilable judgments will not be given in two Member States. There must be a clear and effective mechanism for resolving cases of *lis pendens* and related actions and for obviating problems flowing from national differences as to the determination of the time when a case is regarded as pending. For the purposes of this Regulation that time should be defined autonomously.'*

4 The rules of jurisdiction in Chapter II of the Regulation consist of Articles 2 to 31.

5 Article 2(1) of the Regulation, in Section 1 of Chapter II, entitled 'General provisions', is worded as follows:

'Subject to this Regulation, persons domiciled in a Member State shall, whatever their nationality, be sued in the courts of that Member State.'

6 Article 3(1) of the Regulation, also in Section 1, provides:

'Persons domiciled in a Member State may be sued in the courts of another Member State only by virtue of the rules set out in Sections 2 to 7 of this Chapter.'

7 Article 5 is in Section 2 of Chapter II, which is entitled 'Special jurisdiction'. According to Article 5(3):

'A person domiciled in a Member State may, in another Member State, be sued:

(3) in matters relating to tort, delict or quasi-delict, in the courts for the place where the harmful event occurred or may occur;'

Directive 2001/29/EC

8 Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, in Chapter II, entitled 'Rights and Exceptions', contains, inter alia, Articles 2 to 4 which concern, respectively, the reproduction right, the right of communication to the public of works and the right of making available to the public other subject-matter and the distribution right.

The dispute in the main proceedings and the questions referred

9 Mr Pinckney, who lives in Toulouse (France), claims to be the author, composer and performer of 12 songs recorded by the group Aubrey Small on a vinyl record.

10 When he discovered that those songs had been reproduced without his authority on a compact disc (CD) pressed in Austria by Mediatech, then marketed by United Kingdom companies Crusoe or Elegy through various internet sites accessible from his residence in Toulouse, Mr Pinckney brought an action, on 12 October 2006, against Mediatech before the Tribunal de grande instance de Toulouse (Regional Court, Toulouse) seeking compensation for damage sustained on account of the infringement of his copyrights.

11 Mediatech challenged the jurisdiction of the French courts. By order of 14 February 2008, the judge preparing the case for trial at the Tribunal de grande instance de Toulouse dismissed that plea of lack of jurisdiction on the ground that the very fact that Mr Pinckney had been able to purchase the records concerned at his residence in France from an internet site accessible to the French public was sufficient to establish a substantial connection between the facts and the alleged damage, justifying the jurisdiction of the court seised.

12 Mediatech appealed against that judgment, arguing that the CDs had been pressed in Austria, where its headquarters is situated, at the request of a United Kingdom company which marketed them through an internet site. Thus, it claimed, the only courts having jurisdiction are the courts of the place of the defendant's domicile, which is in Austria, or the courts of the place where the damage was caused, that is the place where the alleged infringement was committed, in the United Kingdom.

13 By a judgment of 21 January 2009, the Cour d'appel de Toulouse (Court of Appeal, Toulouse) held that the Tribunal de grande instance de Toulouse lacked jurisdiction on the ground that the defendant is domiciled in Austria and the place where the damage occurred cannot be situated in France, and that there was no need to examine the liability of Mediatech and Crusoe or Elegy in the absence of any allegation of collusion between them and Mediatech.

14 Mr Pinckney brought an appeal in cassation against that judgment, relying on Article 5(3) of the Regulation. He argued that the French courts have jurisdiction and that his action was wrongly rejected.

15 In those circumstances the Court of cassation decided to stay its proceedings and to refer the following questions to the Court of Justice for a preliminary ruling:

- '1. Is Article 5(3) of ... [the Regulation] to be interpreted as meaning that, in the event of an alleged infringement of copyright committed by means of content placed online on a website,*
– *the person who considers that his rights have been infringed has the option of bringing an action to establish liability before the courts of each Member State in the territory of which content placed online is or has been accessible, in order to obtain compensation solely in respect of the damage suffered on the territory of the Member State of the court before which the action is brought,*
or
– *does that content also have to be, or to have been, directed at the public located in the territory of that Member State, or must some other clear connecting factor be present?*
2. Is the answer to Question 1 the same if the alleged infringement of copyright results, not from the placing of dematerialised content online, but, as in the present case, from the online sale of a material carrier medium which reproduces that content?'

The questions referred for a preliminary ruling (...)

Substance

22 By its questions, which it is appropriate to reformulate, the referring court asks essentially whether Article 5(3) of the Regulation must be interpreted as meaning that where there is an alleged infringement of a copyright which is protected by the Member State of the court seised, that court has jurisdiction to hear an action to establish liability brought by the author of a work against a company established in another Member State, which has in the latter State reproduced that work on a material support which is subsequently marketed by companies established in a third Member State through an internet site which is also accessible in the Member State of the court seised.

23 In order to answer those questions, it must be recalled from the outset that the provisions of the Regulation must be interpreted independently, by reference to its scheme and purpose.

24 By way of derogation from the fundamental principle laid down in Article 2(1) of the Regulation, attributing jurisdiction to the courts of the defendant's domicile, Section 2 of Chapter II thereof makes provision for certain special jurisdictional rules, such as that laid down in Article 5(3) of that regulation.

25 In so far as the jurisdiction of the court of the place where the harmful event occurred or may occur constitutes a rule of special jurisdiction, it must be interpreted restrictively and cannot give rise to an interpretation going beyond the cases expressly envisaged by the Regulation.

26 The fact remains that the expression 'place where the harmful event occurred or may occur' in Article 5(3) of the Regulation is intended to cover both the place where the damage occurred and the place of the event giving rise to it, so that the defendant may be sued, at the option of the applicant, in the courts for either of those places.

27 In that connection, according to settled case-law, the rule of special jurisdiction laid down in Article 5(3) of the Regulation is based on the existence of a particularly close connecting factor between the dispute and the courts of the place where the harmful event occurred or may occur, which justifies the attribution of jurisdiction to those courts for reasons relating to the sound administration of justice and the efficacious conduct of proceedings.

28 Since identification of one of the connecting factors recognised by the case-law, set out in paragraph 26 of the present judgment, is to enable the court objectively best placed to determine whether the elements establishing the liability of the person sued are present to take jurisdiction, only the court before which an action may properly be brought is the court within whose jurisdiction the relevant connecting factor is to be found.

29 It must be observed that, in the present case, unlike the facts which gave rise to the judgment in *Melzer*, the case in the main proceedings does not concern the possibility to sue one of the presumed perpetrators of the alleged damage before the court seised on the basis that it is the place of the event giving rise to the damage. It is common ground that that place is not situated within the jurisdiction of the court seised by Mr Pinckney. However, the question arises as to whether that court has jurisdiction on the ground that it is the court for the place where the alleged damage occurred.

30 Therefore, it is appropriate to specifically set out the circumstances in which, for the requirements of Article 5(3) of the Regulation, the damage resulting from an alleged copyright infringement occurred or may occur in a Member State other than that in which the defendant reproduced the author's work onto a material support which is then sold via an internet site which is also accessible within the jurisdiction of the court seised.

31 The Court has already interpreted Article 5(3) of the Regulation with respect to allegations of infringements committed via the internet and which may, as a result, produce their effects in numerous places.

32 First, it is clear from that case-law that the place where the alleged damage occurred within the meaning of that provision may vary according to the nature of the right allegedly infringed.

33 Second, the likelihood of the damage occurring in a particular Member State is subject to the requirement that the right in respect of which infringement is alleged is protected in that Member State.

34 Finally, it is clear from that case-law that, in accordance with the objectives set out in paragraph 27 of the present judgment, in order to attribute jurisdiction to a court to hear an allegation of infringement in matters of tort, delict and quasi-delict, the identification of the place where the alleged

damage occurred also depends on which court is best placed to determine whether the alleged infringement is well founded.

35 In applying those principles, for the purpose of identifying the place where damage allegedly caused via the internet occurred, the Court has distinguished between infringements of personality rights and infringement of intellectual and industrial property rights.

36 Thus, the alleged victim of an infringement of personality rights by means of content placed online, which is protected in all the Member States may, on the basis that the harmful event occurred there, bring his action before the courts of each Member State in the territory of which content placed online is or has been accessible. Those courts have jurisdiction only in respect of the damage caused in the territory of the Member State of the court seised. Furthermore, given that the impact which material placed online is liable to have on an individual's personality rights might best be assessed by the court of the place where the alleged victim has his centre of interests, the alleged victim may choose to bring an action in one forum in respect of all of the damage caused.

37 However, the allegation of an infringement of an intellectual and industrial property right, in respect of which the protection granted by registration is limited to the territory of the Member State of registration, must be brought before the courts of that State. It is the courts of the Member State of registration which are the best placed to ascertain whether the right at issue has been infringed.

38 It is appropriate to verify to what extent the abovementioned conclusions apply to the alleged copyright infringements.

39 First of all, it is true that copyright, like the rights attaching to a national trade mark, is subject to the principle of territoriality. However, copyrights must be automatically protected, in particular by virtue of Directive 2001/29, in all Member States, so that they may be infringed in each one in accordance with the applicable substantive law.

40 In that connection, it must be stated from the outset that the issue as to whether the conditions under which a right protected in the Member State in which the court seised is situated may be regarded as having been infringed and whether that infringement may be attributed to the defendant falls within the scope of the examination of the substance of the action by the court having jurisdiction.

41 At the stage of examining the jurisdiction of a court to adjudicate on damage caused, the identification of the place where the harmful event giving rise to that damage occurred for the purposes of Article 5(3) of the Regulation cannot depend on criteria which are specific to the examination of the substance and which do not appear in that provision. Article 5(3) lays down, as the sole condition, that a harmful event has occurred or may occur.

42 Thus, unlike Article 15(1)(c) of the Regulation, (...) Article 5(3) thereof does not require, in particular, that the activity concerned be 'directed to' the Member State in which the court seised is situated.

43 It follows that, as regards the alleged infringement of a copyright, jurisdiction to hear an action in tort, delict or quasi-delict is already established in favour of the court seised if the Member State in which that court is situated protects the copyrights relied on by the plaintiff and that the harmful event alleged may occur within the jurisdiction of the court seised.

44 In circumstances such as those at issue in the main proceedings that likelihood arises, in particular, from the possibility of obtaining a reproduction of the work to which the rights relied on by the defendant pertain from an internet site accessible within the jurisdiction of the court seised

45 However, if the protection granted by the Member State of the place of the court seised is applicable only in that Member State, the court seised only has jurisdiction to determine the damage caused within the Member State in which it is situated.

46 If that court also had jurisdiction to adjudicate on the damage caused in other Member States, it would substitute itself for the courts of those States even though, in principle, in the light of Article 5(3) of the Regulation and the principle of territoriality, the latter have jurisdiction to determine, first, the damage caused in their respective Member States and are best placed to ascertain whether the copyrights protected by the Member State concerned have been infringed and, second, to determine the nature of the harm caused.

47 In the light of all of the foregoing, the answer to the questions referred is that Article 5(3) of the Regulation must be interpreted as meaning that, in the event of alleged infringement of copyrights protected by the Member State of the court seised, the latter has jurisdiction to hear an action to establish liability brought by the author of a work against a company established in another Member State and which has, in the latter State, reproduced that work on a material support which is subsequently sold by companies established in a third Member State through an internet site also accessible with the jurisdiction of the court seised. That court has jurisdiction only to determine the damage caused in the Member State within which it is situated. (...)

Phil Collins v. Imtrat Handelsgesellschaft mbH and Patricia Im- und Export Verwaltungsgesellschaft mbH and Leif Emanuel Kraul v. EMI Electrola GmbH

JUDGMENT OF THE COURT

20 October 1993

Joined Cases C-92/92 and C-326/92

Grounds

1 By order of 4 March 1992, received at the Court on the following 23 March and registered under number C-92/92, the Landgericht Munchen I (Regional Court Munich I) referred to the Court for a preliminary ruling under Article 177 of the EEC Treaty two questions on the interpretation of the first paragraph of Article 7 of the EEC Treaty.

2 By order of 30 April 1992, received at the Court on the following 30 July and registered under number C-326/92, the Bundesgerichtshof (Federal Supreme Court) also referred to the Court for a preliminary ruling under Article 177 of the Treaty two questions on the interpretation of that same provision.

3 The questions which the Landgericht Muenchen I submitted in Case C-92/92 were raised in proceedings between Phil Collins, singer and composer of British nationality, and a phonogram distributor, Imtrat Handelsgesellschaft mbH ("Imtrat"), relating to the marketing, in Germany, of a compact disk containing the recording, made without the singer's consent, of a concert given in the United States.

4 According to Paragraphs 96(1) and 125(1) of the German Copyright Act of 9 September 1965 (Urheberrechtsgesetz, hereinafter "the UrhG") performing artists who have German nationality enjoy the protection granted by Paragraphs 73 to 84 of the UrhG in respect of all their performances. In particular, they may prohibit the distribution of those performances which are reproduced without their permission, irrespective of the place of performance. In contrast, the effect of the provisions of Paragraph 125(2) to (6) of the UrhG, relating to foreign performers, as interpreted by the Bundesgerichtshof and the Bundesverfassungsgericht (Federal Constitutional Court), is that those performers cannot avail themselves of the provisions of Paragraph 96(1), where the performance was given outside Germany.

5 Phil Collins applied to the Landgericht Muenchen I for an interim injunction prohibiting the marketing of the compact disk in question. The national court considered that the provisions of Paragraph 125 of the UrhG were applicable to the proceedings, to the exclusion, in particular, of the terms of the international Rome Convention of 26 October 1961 for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (Treaties Series, volume 496, No 7247), to

which the United States, where the performance had taken place, had not acceded. It questioned, however, the conformity of those national provisions with the principle of non-discrimination laid down by the first paragraph of Article 7 of the Treaty.

6 In those circumstances, the Landgericht Muenchen I stayed the proceedings and referred the following questions to the Court for a preliminary ruling:

"1. Is copyright law subject to the prohibition of discrimination laid down in the first Paragraph of Article 7 of the EEC Treaty?"

2. If so: does that have the (directly applicable) effect that a Member State which accords protection to its nationals for all their artistic performances, irrespective of the place of performance, also has to accord that protection to nationals of other Member States, or is it compatible with the first paragraph of Article 7 to attach further conditions (i.e. Paragraph 125(2) to (6) of the German Urheberrechtsgesetz of 9 September 1965) to the grant of protection to nationals of other Member States?"

7 In Case C-326/92 the questions were submitted by the Bundesgerichtshof in proceedings between EMI Electrola GmbH ("EMI Electrola") and Patricia Im- und Export Verwaltungsgesellschaft mbH ("Patricia") and its managing director, Mr Kraul, relating to the marketing, in Germany, of phonograms containing recordings of shows given in Great Britain by Cliff Richard, a singer of British nationality, in 1958 and 1959.

8 EMI Electrola is the holder, in Germany, of exclusive rights to exploit the recordings of those shows. It maintains that Patricia infringed its exclusive rights by marketing phonograms reproducing those recordings without its consent.

9 The Bundesgerichtshof, before which the matter had come by way of an appeal on a point of law, considered that the proceedings fell within the provisions of Paragraph 125(2) to (6) of the UrhG, to the exclusion, in particular, of the terms of the Berne Convention for the Protection of Literary and Artistic Works of 9 September 1886, as last revised by the Paris Act of 24 July 1971 (WIPO, vol. 287), which concerns copyright in the strict sense, and not related performers' rights, and of the terms of the Rome Convention, which in its view could not be applied retroactively to performances given in 1958 and 1959.

10 In the grounds for its order for reference the Bundesgerichtshof, which was aware of the questions referred to the Court by the Landgericht Muenchen I, states that, in the absence of Community legislation and, save on certain points, of harmonization of national laws, it did not appear to it that copyright and related rights fell within the scope of application of Community law, and more particularly of Article 7 of the Treaty.

11 In those circumstances, the Bundesgerichtshof stayed the proceedings and referred the following questions to the Court for a preliminary ruling:

"1. Is the national copyright law of a Member State subject to the prohibition of discrimination laid down in the first paragraph of Article 7 of the EEC Treaty?"

2. If so, are the provisions operating in a Member State for the protection of artistic performances (Paragraph 125(2) to (6) of the Urheberrechtsgesetz) compatible with the first paragraph of Article 7 of the EEC Treaty if they do not confer on nationals of another Member State the same standard of protection (national treatment) as they do on national performers?"

12 Reference is made to the Report for the Hearing for a fuller account of the facts, the procedure and the written observations submitted to the Court, which are mentioned or discussed hereinafter only in so far as is necessary for the reasoning of the Court. (...)

The application of the provisions of the Treaty to copyright and related rights

17 The Commission, the German Government, the United Kingdom, Phil Collins and EMI Electrola maintain that copyright and related rights, inasmuch as they constitute, in particular, economic rights which determine the conditions in which an artist's works and performances may be exploited in return for payment, fall within the scope of application of the Treaty; this, they maintain, is apparent, moreover, from the judgments of the Court in which Articles 30, 36, 59, 85 and 86 of the Treaty were

applied to those rights, and also from the intense legislative activity of which those rights are the subject within the Communities. On the rare occasions where a specific provision of the Treaty does not apply, the general principle of non-discrimination laid down by the first paragraph of Article 7 of the Treaty, must, in any event, do so.

18 Imtrat maintains, to the contrary, that the conditions for the grant of copyright and related rights, which concern the existence, and not the exercise, of those rights, do not, according to Article 222 of the Treaty and well-established case law of the Court, fall within the scope of application of the Treaty. Taking up the findings of the Bundesgerichtshof on that point, Patricia and Mr Kraul submit in particular that at the material time in the main proceedings copyright and related rights were not, in the absence of Community rules or harmonization measures, governed by Community law.

19 As Community law now stands, and in the absence of Community provisions harmonizing national laws, it is for the Member States to establish the conditions and detailed rules for the protection of literary and artistic property, subject to observance of the applicable international conventions.

20 The specific subject-matter of those rights, as governed by national legislation, is to ensure the protection of the moral and economic rights of their holders. The protection of moral rights enables authors and performers, in particular, to object to any distortion, mutilation or other modification of a work which would be prejudicial to their honour or reputation. Copyright and related rights are also economic in nature, in that they confer the right to exploit commercially the marketing of the protected work, particularly in the form of licences granted in return for payment of royalties.

21 As the Court pointed out (...), whilst the commercial exploitation of copyright is a source of remuneration for the owner, it also constitutes a form of control of marketing, exercisable by the owner, the copyright management societies and the grantees of licences. From this point of view, the commercial exploitation of copyright raises the same problems as does the commercial exploitation of any other industrial and commercial property right.

22 Like the other industrial and commercial property rights, the exclusive rights conferred by literary and artistic property are by their nature such as to affect trade in goods and services and also competitive relationships within the Community. For that reason, and as the Court has consistently held, those rights, although governed by national legislation, are subject to the requirements of the Treaty and therefore fall within its scope of application.

23 Thus they are subject, for example, to the provisions of Articles 30 and 36 of the Treaty relating to the free movement of goods. According to the case-law of the Court, musical works are incorporated into phonograms which constitute goods the trade in which, within the Community, is governed by the above provisions.

24 Furthermore, the activities of copyright management societies are subject to the provisions of Articles 59 and 66 of the Treaty relating to the freedom to provide services. As the Court stated in its judgment in Case 7/82 GVL v Commission [1983] ECR 483, paragraph 39, those activities should not be conducted in such a way as to impede the free movement of services, and particularly the exploitation of performers' rights, to the extent of partitioning the common market.

25 Finally, the exclusive rights conferred by literary and artistic property are subject to the provisions of the Treaty relating to competition.

26 It is, moreover, precisely in order to avoid the risk of hindrances to trade and the distortion of competition that the Council has, since the disputes in the main proceedings arose, adopted Directive 92/100/EEC of 19 November 1992 on rental right and lending right and on certain rights related to copyright in the field of intellectual property, on the basis of Article 57(2) and Articles 66 and 100a of the Treaty.

27 It follows that copyright and related rights, which by reason in particular of their effects on intra-Community trade in goods and services, fall within the scope of application of the Treaty, are

necessarily subject to the general principle of non-discrimination laid down by the first paragraph of Article 7 of the Treaty, without there even being any need to connect them with the specific provisions of Articles 30, 36, 59 and 66 of the Treaty.

28 Accordingly, it should be stated in reply to the question put to the Court that copyright and related rights fall within the scope of application of the Treaty within the meaning of the first paragraph of Article 7; the general principle of non-discrimination laid down by that article therefore applies to those rights.

Discrimination within the meaning of the first paragraph of Article 7 of the Treaty

29 Imtrat and Patricia maintain that the differentiation which is made between German nationals and nationals of the other Member States in the cases referred to it by the national courts is objectively justified by the disparities which exist between national laws and by the fact that not all Member States have yet acceded to the Rome Convention. That differentiation is not, in those circumstances, contrary to the first paragraph of Article 7 of the Treaty.

30 It is undisputed that Article 7 is not concerned with any disparities in treatment or the distortions which may result, for the persons and undertakings subject to the jurisdiction of the Community, from divergences existing between the laws of the various Member States, so long as those laws affect all persons subject to them, in accordance with objective criteria and without regard to their nationality.

31 Thus, contrary to what Imtrat and Patricia maintain, neither the disparities between the national laws relating to the protection of copyright and related rights nor the fact that not all Member States have yet acceded to the Rome Convention can justify a breach of the principle of non-discrimination laid down by the first paragraph of Article 7 of the Treaty.

32 In prohibiting "any discrimination on the grounds of nationality", Article 7 of the Treaty requires, on the contrary, that persons in a situation governed by Community law be placed on a completely equal footing with nationals of the Member State concerned. In so far as that principle is applicable, it therefore precludes a Member State from making the grant of an exclusive right subject to the requirement that the person concerned be a national of that State.

33 Accordingly, it should be stated in reply to the question put to the Court that the first paragraph of Article 7 of the Treaty must be interpreted as precluding legislation of a Member State from denying, in certain circumstances, to authors and performers from other Member States, and those claiming under them, the right, accorded by that legislation the nationals of that State, to prohibit the marketing, in its national territory of a phonogram manufactured without their consent, where the performance was given outside its national territory.

The effects of the first paragraph of Article 7 of the Treaty

34 The Court has consistently held that the right to equal treatment laid down by the first paragraph of Article 7 of the Treaty, is conferred directly by Community law (judgment in Cowan, cited above, paragraph 11). That right may, therefore, be relied upon before a national court as the basis for a request that it disapply the discriminatory provisions of a national law which denies to nationals of other Member States the protection which they accord to nationals of the State concerned.

35 Accordingly, it should be stated in reply to the question put to the Court that the first paragraph of Article 7 of the Treaty should be interpreted as meaning that the principle of non-discrimination which it lays down may be directly relied upon before a national court by an author or performer from another Member State, or by those claiming under them, in order to claim the benefit of protection reserved to national authors and performers. (...)

CARTER, District Judge

(...) Background

London Film Productions, Ltd. produces feature motion pictures in Great Britain, which it then distributes throughout the world. Intercontinental Communications, Inc., specializes in the licensing of motion pictures, produced by others, that it believes are in the public domain. London's copyright infringement claim is based mainly on license agreements between ICI and Dilatsa S.A., a buying agent for Chilean television stations. The agreements apparently granted the latter the right to distribute and exhibit certain of plaintiff's motion pictures on television in Chile. London also alleges that ICI has marketed several of its motion pictures in Venezuela, Peru, Equador, Costa Rica and Panama, as well as in Chile.

Plaintiff alleges that the films that are the subjects of the arrangements between Dilatsa S.A. and defendant are protected by copyright in Great Britain as well as in Chile and most other countries (but not in the United States) by virtue of the terms and provisions of the Berne Convention. The license agreements, it maintains, have unjustly enriched defendants and deprived plaintiff of the opportunity to market its motion pictures for television use.

Defendant questions this Court's jurisdiction because plaintiff has not alleged any acts of wrongdoing on defendant's part that constitute violations of United States law, and, therefore, defendant claims that this Court lacks a vital interest in the suit. In addition, assuming jurisdiction, defendant argues that because the Court would have to construe "alien treaty rights," with which it has no familiarity, the suit would violate, in principle, the doctrine of forum non conveniens. In further support of this contention, defendant maintains that the law would not only be foreign, but complex, since plaintiff's claims would have to be determined with reference to each of the South American states in which the alleged copyright infringements occurred.

Determination

There seems to be no dispute that plaintiff has stated a valid cause of action under the copyright laws of a foreign country. Also clear is the fact that this Court has personal jurisdiction over defendant; in fact, there is no showing that defendant may be subject to personal jurisdiction in another forum. Under these circumstances, one authority on copyright law has presented an argument pursuant to which this Court has jurisdiction to hear the matter before it. It is based on the theory that copyright infringement constitutes a transitory cause of action, and hence may be adjudicated in the courts of a sovereign other than the one in which the cause of action arose. That theory appears sound in the absence of convincing objections by defendant to the contrary.

Although plaintiff has not alleged the violation of any laws of this country by defendant, this Court is not bereft of interest in this case. The Court has an obvious interest in securing compliance with this nation's laws by citizens of foreign nations who have dealings within this jurisdiction. A concern with the conduct of American citizens in foreign countries is merely the reciprocal of that interest. An unwillingness by this Court to hear a complaint against its own citizens with regard to a violation of foreign law will engender, it would seem, a similar unwillingness on the part of a foreign jurisdiction when the question arises concerning a violation of our laws by one of its citizens who has since left our jurisdiction. This Court's interest in adjudicating the controversy in this case may be indirect, but its importance is not thereby diminished.

Of course, not every violation of foreign law by a citizen of this country must be afforded a local tribunal, and defendants cite several cases in which, basically under general principles of comity, it would be inappropriate for this Court to exercise its jurisdiction. This is not one of those. The line of cases on which defendants rely can be distinguished on significant points. The Court in *Vanity Fair Mills, Inc. v. T. Eaton, Ltd.*, the principal case of those cited, found that the district court had not

abused its discretion in declining to assume jurisdiction over a claim for acts of alleged trademark infringement and unfair competition arising in Canada under Canadian law. As defendant here has acknowledged, the complaint raised a "crucial issue" as to the validity of Canadian trademark law. This factor weighed heavily in the Court's decision.

"We do not think it the province of United States district courts to determine the validity of trademarks which officials of foreign countries have seen fit to grant. To do so would be to welcome conflicts with the administrative and judicial officers of the Dominion Canada."

But as Nimmer has noted, "[i]n adjudicating an infringement action under a foreign copyright law there is ... no need to pass upon the validity of acts of foreign government officials," since foreign copyright laws, by and large, do not incorporate administrative formalities which must be satisfied to create or perfect a copyright.

The facts in this case confirm the logic of Nimmer's observation. The British films at issue here received copyright protection in Great Britain simply by virtue of publication there. Chile's adherence to the Berne Convention in 1970 automatically conferred copyright protection on these films in Chile. Therefore, no "act of state" is called into question here. Moreover, there is no danger that foreign courts will be forced to accept the inexpert determination of this Court, nor that this Court will create "an unseemly conflict with the judgment of another country." The litigation will determine only whether an American corporation has acted in violation of a foreign copyright, not whether such copyright exists, nor whether such copyright is valid.

With respect to defendant's forum non conveniens argument, it is true that this case will likely involve the construction of at least one, if not several foreign laws. However, the need to apply foreign law is not in itself reason to dismiss or transfer the case. Moreover, there is no foreign forum in which defendant is the subject of personal jurisdiction, and an available forum is necessary to validate dismissal of an action on the ground of forum non conveniens, for if there is no alternative forum "the plaintiff might find himself with a valid claim but nowhere to assert it."

While this Court might dismiss this action subject to conditions that would assure the plaintiff of a fair hearing, neither plaintiff nor defendant has demonstrated the relative advantage in convenience that another forum, compared to this one, would provide. The selection of a South American country as an alternative forum, although it would afford greater expertise in applying relevant legal principles, would seem to involve considerable hardship and inconvenience for both parties. A British forum might similarly provide some advantages in the construction of relevant law, however, it would impose additional hardships upon defendant, and would raise questions, as would the South American forum, regarding enforceability of a resulting judgment. Where the balance does not tip strongly in favor of an alternative forum it is well-established that the plaintiff's choice of forum should not be disturbed.

For all of the above reasons, the Court finds it has jurisdiction over the instant case and defendant's motion to dismiss is denied, as is its motion to have the Court abstain from exercising its jurisdiction here. (...)

IT IS SO ORDERED.

Itar-Tass Russian News Agency v. Russian Kurier, Inc.
153 *F.3d* 82 (1998)

NEWMAN, Circuit Judge

(...) Background

The lawsuit concerns Kurier, a Russian language weekly newspaper with a circulation in the New York area of about 20,000. It is published in New York City by defendant Kurier. Defendant

Pogrebnoy is president and sole shareholder of Kurier and editor-in-chief of Kurier. The plaintiffs include corporations that publish, daily or weekly, major Russian language newspapers in Russia and Russian language magazines in Russia or Israel; Itar-Tass Russian News Agency ("Itar-Tass"), formerly known as the Telegraph Agency of the Soviet Union (TASS), a wire service and news gathering company centered in Moscow, functioning similarly to the Associated Press; and the Union of Journalists of Russia ("UJR"), the professional writers union of accredited print and broadcast journalists of the Russian Federation.

The Kurier defendants do not dispute that Kurier has copied about 500 articles that first appeared in the plaintiffs' publications or were distributed by Itar-Tass. The copied material, though extensive, was a small percentage of the total number of articles published in Kurier. The Kurier defendants also do not dispute how the copying occurred: articles from the plaintiffs' publications, sometimes containing headlines, pictures, bylines, and graphics, in addition to text, were cut out, pasted on layout sheets, and sent to Kurier's printer for photographic reproduction and printing in the pages of Kurier.

Most significantly, the Kurier defendants also do not dispute that, with one exception, they had not obtained permission from any of the plaintiffs to copy the articles that appeared in Kurier. Pogrebnoy claimed at trial to have received permission from the publisher of one newspaper, but his claim was rejected by the District Court at trial. See *id.* at Pogrebnoy also claimed that he had obtained permission from the authors of six of the copied articles. The District Court made no finding as to whether this testimony was credible, since authors' permission was not pertinent to the District Court's view of the legal issues. (...)

Discussion

I. Choice of Law

The threshold issue concerns the choice of law for resolution of this dispute. That issue was not initially considered by the parties, all of whom turned directly to Russian law for resolution of the case. Believing that the conflicts issue merited consideration, we requested supplemental briefs from the parties and appointed Professor William F. Patry as Amicus Curiae. Prof. Patry has submitted an extremely helpful brief on the choice of law issue.

Choice of law issues in international copyright cases have been largely ignored in the reported decisions and dealt with rather cursorily by most commentators. Examples pertinent to the pending appeal are those decisions involving a work created by the employee of a foreign corporation. Several courts have applied the United States work-for-hire doctrine, see 17 U.S.C. § 201(b), without explicit consideration of the conflicts issue. In none of these cases, however, was the issue of choice of law explicitly adjudicated. The conflicts issue was identified but ruled not necessary to be resolved in *Greenwich Film Productions S.A. v. D.R.G. Drugs, Inc.*

The Nimmer treatise briefly (and perhaps optimistically) suggests that conflicts issues "have rarely proved troublesome in the law of copyright." Relying on the "national treatment" principle of the Berne Convention and the Universal Copyright Convention ("U.C.C."), Nimmer asserts, correctly in our view, that "an author who is a national of one of the member states of either Berne or the U.C.C., or one who first publishes his work in any such member state, is entitled to the same copyright protection in each other member state as such other state accords to its own nationals." Nimmer then somewhat overstates the national treatment principle: "The applicable law is the copyright law of the state in which the infringement occurred, not that of the state of which the author is a national, or in which the work is first published." The difficulty with this broad statement is that it subsumes under the phrase "applicable law" the law concerning two distinct issues--ownership and substantive rights, i.e., scope of protection. Another commentator has also broadly stated the principle of national treatment, but described its application in a way that does not necessarily cover issues of ownership. "The principle of national treatment also means that both the question of whether the right exists and the question of the scope of the right are to be answered in accordance with the law of the country where the protection is claimed." We agree with the view of the Amicus that the Convention's principle of national treatment simply assures that if the law of the country of infringement applies to

the scope of substantive copyright protection, that law will be applied uniformly to foreign and domestic authors.

Source of conflicts rules. Our analysis of the conflicts issue begins with consideration of the source of law for selecting a conflicts rule. Though Nimmer turns directly to the Berne Convention and the U.C.C., we think that step moves too quickly past the Berne Convention Implementation Act of 1988. Section 4(a)(3) of the Act amends Title 17 to provide: "No right or interest in a work eligible for protection under this title may be claimed by virtue of ... the provisions of the Berne Convention.... Any rights in a work eligible for protection under this title that derive from this title ... shall not be expanded or reduced by virtue of ... the provisions of the Berne Convention." 17 U.S.C. § 104(c).

We start our analysis with the Copyrights Act itself, which contains no provision relevant to the pending case concerning conflicts issues. We therefore fill the interstices of the Act by developing federal common law on the conflicts issue. In doing so, we are entitled to consider and apply principles of private international law, which are " 'part of our law.' "

The choice of law applicable to the pending case is not necessarily the same for all issues. We consider first the law applicable to the issue of copyright ownership.

Conflicts rule for issues of ownership. Copyright is a form of property, and the usual rule is that the interests of the parties in property are determined by the law of the state with "the most significant relationship" to the property and the parties. The Restatement recognizes the applicability of this principle to intangibles such as "a literary idea." Since the works at issue were created by Russian nationals and first published in Russia, Russian law is the appropriate source of law to determine issues of ownership of rights. That is the well-reasoned conclusion of the Amicus Curiae, Prof. Patry, and the parties in their supplemental briefs are in agreement on this point. In terms of the United States Copyrights Act and its reference to the Berne Convention, Russia is the "country of origin" of these works, see 17 U.S.C. § 101; Berne Convention, Art. 5(4), although "country of origin" might not always be the appropriate country for purposes of choice of law concerning ownership.

To whatever extent we look to the Berne Convention itself as guidance in the development of federal common law on the conflicts issue, we find nothing to alter our conclusion. The Convention does not purport to settle issues of ownership, with one exception not relevant to this case.

Selection of Russian law to determine copyright ownership is, however, subject to one procedural qualification. Under United States law, an owner (including one determined according to foreign law) may sue for infringement in a United States court only if it meets the standing test of 17 U.S.C. § 501(b), which accords standing only to the legal or beneficial owner of an "exclusive right."

Conflicts rule for infringement issues. On infringement issues, the governing conflicts principle is usually *lex loci delicti*, the doctrine generally applicable to torts. We have implicitly adopted that approach to infringement claims, applying United States copyright law to a work that was unprotected in its country of origin. In the pending case, the place of the tort is plainly the United States. To whatever extent *lex loci delicti* is to be considered only one part of a broader "interest" approach, United States law would still apply to infringement issues, since not only is this country the place of the tort, but also the defendant is a United States corporation.

The division of issues, for conflicts purposes, between ownership and infringement issues will not always be as easily made as the above discussion implies. If the issue is the relatively straightforward one of which of two contending parties owns a copyright, the issue is unquestionably an ownership issue, and the law of the country with the closest relationship to the work will apply to settle the ownership dispute. But in some cases, including the pending one, the issue is not simply who owns the copyright but also what is the nature of the ownership interest. Yet as a court considers the nature of an ownership interest, there is some risk that it will too readily shift the inquiry over to the issue of whether an alleged copy has infringed the asserted copyright. Whether a copy infringes depends in part on the scope of the interest of the copyright owner. Nevertheless, though the issues are related, the nature of a copyright interest is an issue distinct from the issue of whether the copyright has been

infringed. The pending case is one that requires consideration not simply of who owns an interest, but, as to the newspapers, the nature of the interest that is owned.

II. Determination of Ownership Rights Under Russian Law

Since United States law permits suit only by owners of "an exclusive right under a copyright," 17 U.S.C. § 501(b), we must first determine whether any of the plaintiffs own an exclusive right. That issue of ownership, as we have indicated, is to be determined by Russian law.

Determination of a foreign country's law is an issue of law. Even though the District Court heard live testimony from experts from both sides, that Court's opportunity to assess the witnesses' demeanor provides no basis for a reviewing court to defer to the trier's ruling on the content of foreign law. In cases of this sort, it is not the credibility of the experts that is at issue, it is the persuasive force of the opinions they expressed.

Under Article 14 of the Russian Copyright Law, Itar-Tass is the owner of the copyright interests in the articles written by its employees. However, Article 14(4) excludes newspapers from the Russian version of the work-for-hire doctrine. The newspaper plaintiffs, therefore, must locate their ownership rights, if any, in some other source of law. They rely on Article 11. The District Court upheld their position, apparently recognizing in the newspaper publishers "exclusive" rights to the articles, even though, by virtue of Article 11(2), the reporters also retained "exclusive" rights to these articles.

Having considered all of the views presented by the expert witnesses, we conclude that the defendants' experts are far more persuasive as to the meaning of Article 11. In the first place, once Article 14 of the Russian Copyright Law explicitly denies newspapers the benefit of a work-for-hire doctrine, which, if available, would accord them rights to individual articles written by their employees, it is highly unlikely that Article 11 would confer on newspapers the very right that Article 14 has denied them. Moreover, Article 11 has an entirely reasonable scope if confined, as its caption suggests, to defining the "Copyright of Compilers of Collections and Other Works." That article accords compilers copyright "in the selection and arrangement of subject matter that he has made insofar as that selection or arrangement is the result of a creative effort of compilation." Russian Copyright Law, Art. 11(1). Article 11(2) accords a publisher of compilations the right to exploit such works, including the right to insist on having their names mentioned, while expressly reserving to "authors of the works included" in compilations the "exclusive rights to exploit their works independently of the publication of the whole work." Art. 11(2). As the defendants' experts testified, Article 11 lets authors of newspaper articles sue for infringement of their rights in the text of their articles, and lets newspaper publishers sue for wholesale copying of all of the newspaper or for copying any portions of the newspaper that embody their selection, arrangement, and presentation of articles (including headlines) – copying that infringes their ownership interest in the compilation.

Newcity's contrary interpretation, according publishers (and reporters) exclusive rights to the text of articles, draws entirely unwarranted significance from the shift of the phrase "as a whole" from the first to the second paragraph of Article 11(2). One would not expect drafters of the revised Article 11(2) to accomplish a major broadening of the rights of newspaper publishers simply by shifting the placement of this phrase. Moreover, the drafter of the revision testified that the shift was a matter of grammar, and not of any substance. Furthermore, Newcity's interpretation rests on the untenable premise that both the publisher of a newspaper and the author of an article have exclusive rights to the same article. Under his interpretation, as he acknowledged, the publisher could grant a license to a third party to publish an article, the "exclusive" rights to which are held by the author. That unlikely result cannot be accepted in the absence of clear statutory language authorizing it.

The opinion of the Informational Disputes Chamber is not a sufficient basis for upholding the plaintiffs' interpretation. As the defendants' experts pointed out, the bylaws of that body confine its authority to matters affecting free press issues, and explicitly preclude it from adjudicating issues arising under copyright law. Moreover, the opinion that the Chamber rendered does not necessarily support the plaintiffs' position. In asserting that a newspaper may petition for redress "in defense of its rights," the Chamber might have meant only that a newspaper can protect its limited compilation rights

in the selection and arrangement of articles even when only a small number of articles are copied. The opinion of the Chamber does not state that the newspaper has a protectable copyright interest in the text of each article.

Nor can the District Court's conclusion be supported by its observation that extensive copying of newspapers will ensue unless newspapers are permitted to secure redress for the copying of individual articles. In the first place, copying of articles may always be prevented at the behest of the authors of the articles or their assignees. Second, the newspapers may well be entitled to prevent copying of the protectable elements of their compilations. Lastly, even if authors lack sufficient economic incentive to bring individual suits, as the District Court apprehended, Russian copyright law authorizes the creation of organizations "for the collective administration of the economic rights of authors ... in cases where the individual exercise thereof is hampered by difficulties of a practical nature." Russian Copyright Law, Art. 44(1). Indeed, UJR, the reporters' organization, may well be able in this litigation to protect the rights of the reporters whose articles were copied by Kurier.

Relief. Our disagreement with the District Court's interpretation of Article 11 does not mean, however, that the defendants may continue copying with impunity. In the first place, Itar-Tass, as a press agency, is within the scope of Article 14, and, unlike the excluded newspapers, enjoys the benefit of the Russian version of the work-for-hire doctrine. Itar-Tass is therefore entitled to injunctive relief to prevent unauthorized copying of its articles and to damages for such copying, and the judgment is affirmed as to this plaintiff.

Furthermore, the newspaper plaintiffs, though not entitled to relief for the copying of the text of the articles they published, may well be entitled to injunctive relief and damages if they can show that Kurier infringed the publishers' ownership interests in the newspaper compilations. Because the District Court upheld the newspapers' right to relief for copying the text of the articles, it had no occasion to consider what relief the newspapers might be entitled to by reason of Kurier's copying of the newspapers' creative efforts in the selection, arrangement, or display of the articles. Since Kurier's photocopying reproduced not only the text of articles but also headlines and graphic materials as they originally appeared in the plaintiffs' publication, it is likely that on remand the newspaper plaintiffs will be able to obtain some form of injunctive relief and some damages. On these infringement issues, as we have indicated, United States law will apply.

Finally, there remains for consideration what relief, if any, might be awarded to UJR, acting on behalf of any of its members whose articles have been copied. In its opinion granting the newspapers a preliminary injunction, the District Court noted that the plaintiffs had not "established the union's organizational standing to sue to enforce the rights of its members," an issue the Court expected would be considered later in the lawsuit. In its ruling on the merits, the District Court ruled that the UJR had standing to sue on behalf of its members. However, the Court noted that UJR sought only injunctive relief and then ruled that since UJR declined to furnish a list of its members, the Court was unable to frame an injunction that would be narrowly tailored and sufficient to give the defendants notice of its scope.

In view of our conclusion that the newspaper plaintiffs may not secure relief for the copying of the text of any articles as such, it will now become appropriate for the District Court on remand to revisit the issue of whether relief might be fashioned in favor of UJR on behalf of the authors. Despite UJR's unwillingness to disclose its entire membership list, it might be possible to frame some form of injunctive relief that affords protection for those author-members that UJR is willing to identify. And UJR should now be given an opportunity to amend its prayer for relief to state whatever claim it might have to collect damages for the benefit of its member-authors whose rights have been infringed. Finally, the District Court should consider the appropriateness and feasibility of giving some form of notice (perhaps at the defendants' expense) that is calculated to alert the authors of the infringed articles to their right to intervene in this lawsuit. Such notice might, for example, be addressed generally to the group of reporters currently employed at each of the plaintiff newspapers.

In view of the reckless conduct of the defendants in the flagrant copying that infringed the rights of Itar-Tass, the rights of the authors, and very likely some aspects of the limited protectable rights of the

newspapers, we will leave the injunction in force until such time as the District Court has had an opportunity, on remand, to modify the injunction consistent with this opinion and with such further rulings as the District Court may make in light of this opinion.

Conclusion

ACCORDINGLY, WE AFFIRM THE JUDGMENT TO THE EXTENT THAT IT GRANTED RELIEF TO ITAR-TASS, WE REVERSE TO THE EXTENT THAT THE JUDGMENT GRANTED RELIEF TO THE OTHER PLAINTIFFS, AND WE REMAND FOR FURTHER PROCEEDINGS.

Infopaq International A/S v Danske Dagblades Forening

JUDGMENT OF THE COURT (Fourth Chamber)

16 July 2009

Case C-5/08

(...) **Legal context**

International law

3 Under Article 9(1) of the Agreement on Trade-Related Aspects of Intellectual Property Rights ('the TRIPs Agreement') (...):

'Members shall comply with Articles 1 through 21 of the Berne Convention (1971) and the Appendix thereto. ...'

4 Article 2 of the Berne Convention for the Protection of Literary and Artistic Works (Paris Act of 24 July 1971), as amended on 28 September 1979 ('the Berne Convention') reads as follows:

'(1) The expression "literary and artistic works" shall include every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression, such as books, pamphlets and other writings;

(5) Collections of literary or artistic works such as encyclopaedias and anthologies which, by reason of the selection and arrangement of their contents, constitute intellectual creations shall be protected as such, without prejudice to the copyright in each of the works forming part of such collections.

(8) The protection of this Convention shall not apply to news of the day or to miscellaneous facts having the character of mere items of press information.'

5 Under Article 9(1) of the Berne Convention, authors of literary and artistic works protected by that convention are to have the exclusive right of authorising the reproduction of those works, in any manner or form.

Community law

6 Article 1 of Council Directive 91/250/EEC of 14 May 1991 on the legal protection of computer programs provided:

'1. In accordance with the provisions of this Directive, Member States shall protect computer programs, by copyright, as literary works within the meaning of the Berne Convention for the Protection of Literary and Artistic Works.

3. A computer program shall be protected if it is original in the sense that it is the author's own intellectual creation. No other criteria shall be applied to determine its eligibility for protection.'

7 Article 3(1) of Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases (OJ 1996 L 77, p. 20) provides:

'In accordance with this Directive, databases which, by reason of the selection or arrangement of their contents, constitute the author's own intellectual creation shall be protected as such by copyright. No other criteria shall be applied to determine their eligibility for that protection.'

8 Directive 2001/29 states the following in recitals 4, 6, 9 to 11, 20 to 22, 31 and 33 in the preamble thereto:

'(4) A harmonised legal framework on copyright and related rights, through increased legal certainty and while providing for a high level of protection of intellectual property, will foster substantial investment in creativity and innovation, including network infrastructure.

(6) Without harmonisation at Community level, legislative activities at national level which have already been initiated in a number of Member States in order to respond to the technological challenges might result in significant differences in protection and thereby in restrictions on the free movement of services and products incorporating, or based on, intellectual property, leading to a refragmentation of the internal market and legislative inconsistency. The impact of such legislative differences and uncertainties will become more significant with the further development of the information society, which has already greatly increased transborder exploitation of intellectual property. This development will and should further increase. Significant legal differences and uncertainties in protection may hinder economies of scale for new products and services containing copyright and related rights.

(9) Any harmonisation of copyright and related rights must take as a basis a high level of protection, since such rights are crucial to intellectual creation.

(10) If authors or performers are to continue their creative and artistic work, they have to receive an appropriate reward for the use of their work.

(11) A rigorous, effective system for the protection of copyright and related rights is one of the main ways of ensuring that European cultural creativity and production receive the necessary resources and of safeguarding the independence and dignity of artistic creators and performers.

(20) This Directive is based on principles and rules already laid down in the Directives currently in force in this area, in particular Directives [91/250] ... and [96/9], and it develops those principles and rules and places them in the context of the information society. The provisions of this Directive should be without prejudice to the provisions of those Directives, unless otherwise provided in this Directive.

*(21) This Directive should define the scope of the acts covered by the reproduction right with regard to the different beneficiaries. This should be done in conformity with the *acquis communautaire*. A broad definition of these acts is needed to ensure legal certainty within the internal market.*

(22) The objective of proper support for the dissemination of culture must not be achieved by sacrificing strict protection of rights or by tolerating illegal forms of distribution of counterfeited or pirated works.

(31) A fair balance of rights and interests between the different categories of rightholders, as well as between the different categories of rightholders and users of protected subject-matter must be safeguarded.

(33) The exclusive right of reproduction should be subject to an exception to allow certain acts of temporary reproduction, which are transient or incidental reproductions, forming an integral and essential part of a technological process and carried out for the sole purpose of enabling either efficient transmission in a network between third parties by an intermediary, or a lawful use of a work or other subject-matter to be made. The acts of reproduction concerned should have no separate economic value on their own. To the extent that they meet these conditions, this exception should include acts which enable browsing as well as acts of caching to take place, including those which enable transmission systems to function efficiently, provided that the intermediary does not modify the information and does not interfere with the lawful use of technology, widely recognised and used by industry, to obtain data on the use of the information. A use should be considered lawful where it is authorised by the rightholder or not restricted by law.'

9 According to Article 2(a) of Directive 2001/29:

'Member States shall provide for the exclusive right to authorise or prohibit direct or indirect, temporary or permanent reproduction by any means and in any form, in whole or in part:

(a) for authors, of their works.'

10 Article 5 of the same directive provides:

'(1) Temporary acts of reproduction referred to in Article 2, which are transient or incidental [and] an integral and essential part of a technological process and whose sole purpose is to enable:

(a) a transmission in a network between third parties by an intermediary, or

(b) a lawful use

of a work or other subject-matter to be made, and which have no independent economic significance, shall be exempted from the reproduction right provided for in Article 2.

5. The exceptions and limitations provided for in paragraphs 1, 2, 3 and 4 shall only be applied in certain special cases which do not conflict with a normal exploitation of the work or other subject-matter and do not unreasonably prejudice the legitimate interests of the rightholder.'

11 According to Article 6 of Directive 2006/116/EC of the European Parliament and of the Council of 12 December 2006 on the term of protection of copyright and certain related rights:

'Photographs which are original in the sense that they are the author's own intellectual creation shall be protected in accordance with Article 1 [which specifies the duration of the rights of an author of a literary or artistic work within the meaning of Article 2 of the Berne Convention]. No other criteria shall be applied to determine their eligibility for protection. Member States may provide for the protection of other photographs.'

National law

12 Articles 2 and 5(1) of Directive 2001/29 were transposed into Danish law by paragraphs 2 and 11a(1) of Law No 395 on copyright of 14 June 1995, as amended and consolidated by, inter alia, Law No 1051 of 17 December 2002.

The dispute in the main proceedings and the questions referred for a preliminary ruling

13 Infopaq operates a media monitoring and analysis business which consists primarily in drawing up summaries of selected articles from Danish daily newspapers and other periodicals. The articles are selected on the basis of certain subject criteria agreed with customers and the selection is made by means of a 'data capture process'. The summaries are sent to customers by email.

14 DDF is a professional association of Danish daily newspaper publishers, whose function is inter alia to assist its members with copyright issues.

15 In 2005 DDF became aware that Infopaq was scanning newspaper articles for commercial purposes without authorisation from the relevant rightholders. Taking the view that such consent was necessary for processing articles using the process in question, DDF complained to Infopaq about this procedure.

16 The data capture process comprises the five phases described below which, according to DDF, lead to four acts of reproduction of newspaper articles.

17 First, the relevant publications are registered manually by Infopaq employees in an electronic registration database.

18 Secondly, once the spines are cut off the publications so that all the pages consist of loose sheets, the publications are scanned. The section to be scanned is selected from the registration database before the publication is put into the scanner. Scanning allows a TIFF ('Tagged Image File Format') file to be created for each page of the publication. When scanning is completed, the TIFF file is transferred to an OCR ('Optical Character Recognition') server.

19 Thirdly, the OCR server translates the TIFF file into data that can be processed digitally. During that process, the image of each letter is translated into a character code which tells the computer what type of letter it is. For instance, the image of the letters 'TDC' is translated into something the computer can treat as the letters 'TDC' and put in a text format which can be recognised by the computer's system. These data are saved as a text file which can be understood by any text processing program. The OCR process is completed by deleting the TIFF file.

20 Fourthly, the text file is processed to find a search word defined beforehand. Each time a match for a search word is found, data is generated giving the publication, section and page number on which the match was found, together with a value expressed as a percentage between 0 and 100 indicating how far into the text it is to be found, in order to make it easier to read the article. Also in order to make it easier to find the search word when reading the article, the five words which come before and after the search word are captured ('extract of 11 words'). At the end of the process the text file is deleted.

21 Fifthly, at the end of the data capture process a cover sheet is printed out in respect of all the pages where the relevant search word was found. The following is an example of the text of a cover sheet:

'4 November 2005 – Dagbladet Arbejderen, page 3:

TDC: 73% "a forthcoming sale of the telecommunications group TDC which is expected to be bought".

22 Infopaq disputed the claim that the procedure required consent from the rightholders and brought an action against DDF before the Østre Landsret (Eastern Regional Court), claiming that DDF should be ordered to acknowledge that Infopaq is entitled in Denmark to apply the abovementioned procedure without the consent of DDF or of its members. After the Østre Landsret dismissed that action, Infopaq brought an appeal before the referring court.

23 According to the Højesteret, it is not disputed in this case that consent from the rightholders is not required to engage in press monitoring activity and the writing of summaries consisting in manual reading of each publication, selection of the relevant articles on the basis of predetermined search words, and production of a manually prepared cover sheet for the summary writers, giving an identified search word in an article and its position in the newspaper. Similarly, the parties in the main proceedings do not dispute that genuinely independent summary writing per se is lawful and does not require consent from the rightholders.

24 Nor is it disputed in this case that the data capture process described above involves two acts of reproduction: the creation of a TIFF file when the printed articles are scanned and the conversion of the TIFF file into a text file. In addition, it is common ground that this procedure entails the reproduction of parts of the scanned printed articles since the extract of 11 words is stored and those 11 words are printed out on paper.

25 There is, however, disagreement between the parties as to whether there is reproduction as contemplated by Article 2 of Directive 2001/29. Likewise, they disagree as to whether, if there is reproduction, the acts in question, taken as a whole, are covered by the exemption from the right of reproduction provided for in Article 5(1) of that directive.

26 In those circumstances, the Højesteret decided to stay the proceedings and to refer the following questions to the Court of Justice for a preliminary ruling:

(1) Can the storing and subsequent printing out of a text extract from an article in a daily newspaper, consisting of a search word and the five preceding and five subsequent words, be regarded as acts of reproduction which are protected (see Article 2 of [Directive 2001/29])?

(2) Is the context in which temporary acts of reproduction take place relevant to whether they can be regarded as "transient" (see Article 5(1) of Directive 2001/29)?

(3) Can a temporary act of reproduction be regarded as "transient" where the reproduction is processed, for example, by the creation of a text file on the basis of an image file or by a search for text strings on the basis of a text file?

(4) Can a temporary act of reproduction be regarded as "transient" where part of the reproduction, consisting of one or more text extracts of 11 words, is stored?

(5) Can a temporary act of reproduction be regarded as "transient" where part of the reproduction, consisting of one or more text extracts of 11 words, is printed out?

(6) Is the stage of the technological process at which temporary acts of reproduction take place relevant to whether they constitute "an integral and essential part of a technological process" (see Article 5(1) of Directive 2001/29)?

(7) Can temporary acts of reproduction be an "integral and essential part of a technological process" if they consist of manual scanning of entire newspaper articles whereby the latter are transformed from a printed medium into a digital medium?

(8) Can temporary acts of reproduction constitute an "integral and essential part of a technological process" where they consist of printing out part of the reproduction, comprising one or more text extracts of 11 words?

(9) Does "lawful use" (see Article 5(1) of Directive 2001/29) include any form of use which does not require the rightholder's consent?

(10) Does "lawful use" (see Article 5(1) of Directive 2001/29) include the scanning by a commercial business of entire newspaper articles, subsequent processing of the reproduction, and the storing and possible printing out of part of the reproduction, consisting of one or more text extracts of 11 words, for use in the business's summary writing, even where the rightholder has not given consent to those acts?

(11) What criteria should be used to assess whether temporary acts of reproduction have "independent economic significance" (see Article 5(1) of Directive 2001/29) if the other conditions laid down in the provision are satisfied?

(12) *Can the user's efficiency gains from temporary acts of reproduction be taken into account in assessing whether the acts have "independent economic significance" (see Article 5(1) of Directive 2001/29)?*

(13) *Can the scanning by a commercial business of entire newspaper articles, subsequent processing of the reproduction, and the storing and possible printing out of part of the reproduction, consisting of one or more text extracts of 11 words, without the rightholder's consent be regarded as constituting "certain special cases which do not conflict with a normal exploitation" of the newspaper articles and "not unreasonably [prejudicing] the legitimate interests of the rightholder" (see Article 5(5) of Directive 2001/29)?*

The questions referred for a preliminary ruling

(...) *The first question*

30 By its first question, the national court asks, essentially, whether the concept of 'reproduction in part' within the meaning of Directive 2001/29 is to be interpreted as meaning that it encompasses the storing and subsequent printing out on paper of a text extract consisting of 11 words.

31 It is clear that Directive 2001/29 does not define the concept of either 'reproduction' or 'reproduction in part'.

32 In those circumstances, those concepts must be defined having regard to the wording and context of Article 2 of Directive 2001/29, where the reference to them is to be found and in the light of both the overall objectives of that directive and international law.

33 Article 2(a) of Directive 2001/29 provides that authors have the exclusive right to authorise or prohibit reproduction, in whole or in part, of their works. It follows that protection of the author's right to authorise or prohibit reproduction is intended to cover 'work'.

34 It is, moreover, apparent from the general scheme of the Berne Convention, in particular Article 2(5) and (8), that the protection of certain subject-matters as artistic or literary works presupposes that they are intellectual creations.

35 Similarly, under Articles 1(3) of Directive 91/250, 3(1) of Directive 96/9 and 6 of Directive 2006/116, works such as computer programs, databases or photographs are protected by copyright only if they are original in the sense that they are their author's own intellectual creation.

36 In establishing a harmonised legal framework for copyright, Directive 2001/29 is based on the same principle, as evidenced by recitals 4, 9 to 11 and 20 in the preamble thereto.

37 In those circumstances, copyright within the meaning of Article 2(a) of Directive 2001/29 is liable to apply only in relation to a subject-matter which is original in the sense that it is its author's own intellectual creation.

38 As regards the parts of a work, it should be borne in mind that there is nothing in Directive 2001/29 or any other relevant directive indicating that those parts are to be treated any differently from the work as a whole. It follows that they are protected by copyright since, as such, they share the originality of the whole work.

39 In the light of the considerations referred to in paragraph 37 of this judgment, the various parts of a work thus enjoy protection under Article 2(a) of Directive 2001/29, provided that they contain elements which are the expression of the intellectual creation of the author of the work.

40 With respect to the scope of such protection of a work, it follows from recitals 9 to 11 in the preamble to Directive 2001/29 that its main objective is to introduce a high level of protection, in particular for authors to enable them to receive an appropriate reward for the use of their works,

including at the time of reproduction of those works, in order to be able to pursue their creative and artistic work.

41 Similarly, recital 21 in the preamble to Directive 2001/29 requires that the acts covered by the right of reproduction be construed broadly.

42 That requirement of a broad definition of those acts is, moreover, also to be found in the wording of Article 2 of that directive, which uses expressions such as ‘direct or indirect’, ‘temporary or permanent’, ‘by any means’ and ‘in any form’.

43 Consequently, the protection conferred by Article 2 of Directive 2001/29 must be given a broad interpretation.

44 As regards newspaper articles, their author’s own intellectual creation, referred to in paragraph 37 of this judgment, is evidenced clearly from the form, the manner in which the subject is presented and the linguistic expression. In the main proceedings, moreover, it is common ground that newspaper articles, as such, are literary works covered by Directive 2001/29.

45 Regarding the elements of such works covered by the protection, it should be observed that they consist of words which, considered in isolation, are not as such an intellectual creation of the author who employs them. It is only through the choice, sequence and combination of those words that the author may express his creativity in an original manner and achieve a result which is an intellectual creation.

46 Words as such do not, therefore, constitute elements covered by the protection.

47 That being so, given the requirement of a broad interpretation of the scope of the protection conferred by Article 2 of Directive 2001/29, the possibility may not be ruled out that certain isolated sentences, or even certain parts of sentences in the text in question, may be suitable for conveying to the reader the originality of a publication such as a newspaper article, by communicating to that reader an element which is, in itself, the expression of the intellectual creation of the author of that article. Such sentences or parts of sentences are, therefore, liable to come within the scope of the protection provided for in Article 2(a) of that directive.

48 In the light of those considerations, the reproduction of an extract of a protected work which, like those at issue in the main proceedings, comprises 11 consecutive words thereof, is such as to constitute reproduction in part within the meaning of Article 2 of Directive 2001/29, if that extract contains an element of the work which, as such, expresses the author’s own intellectual creation; it is for the national court to make this determination.

49 It must be remembered also that the data capture process used by Infopaq allows for the reproduction of multiple extracts of protected works. That process reproduces an extract of 11 words each time a search word appears in the relevant work and, moreover, often operates using a number of search words because some clients ask Infopaq to draw up summaries based on a number of criteria.

50 In so doing, that process increases the likelihood that Infopaq will make reproductions in part within the meaning of Article 2(a) of Directive 2001/29 because the cumulative effect of those extracts may lead to the reconstitution of lengthy fragments which are liable to reflect the originality of the work in question, with the result that they contain a number of elements which are such as to express the intellectual creation of the author of that work.

51 In the light of the foregoing, the answer to the first question is that an act occurring during a data capture process, which consists of storing an extract of a protected work comprising 11 words and printing out that extract, is such as to come within the concept of reproduction in part within the meaning of Article 2 of Directive 2001/29, if the elements thus reproduced are the expression of the intellectual creation of their author; it is for the national court to make this determination.

Questions 2 to 12

52 If the acts at issue in the main proceedings do come within the concept of reproduction in part of a protected work within the meaning of Article 2 of Directive 2001/29, Articles 2 and 5 of that directive make it clear that such reproduction may not be made without the consent of the relevant author, unless that reproduction satisfies the conditions laid down in Article 5 of that directive.

53 In that context, by questions 2 to 12, the referring court asks, essentially, whether acts of reproduction occurring during a data capture process, such as that at issue in the main proceedings, satisfy the conditions laid down in Article 5(1) of Directive 2001/29 and, therefore, whether that process may be carried out without the consent of the relevant rightholders, since it is used to draw up summaries of newspaper articles and consists of scanning those articles in their entirety to produce a digital file, storing an extract of 11 words and then printing out that extract.

54 Under Article 5(1) of Directive 2001/29, an act of reproduction may be exempted from the reproduction right provided for in Article 2 thereof only if it fulfils five conditions, that is, where

- the act is temporary;
- it is transient or incidental;
- it is an integral and essential part of a technological process;
- the sole purpose of that process is to enable a transmission in a network between third parties by an intermediary of a lawful use of a work or protected subject-matter; and
- the act has no independent economic significance.

55 It must be borne in mind that those conditions are cumulative in the sense that non-compliance with any one of them will lead to the act of reproduction not being exempted pursuant to Article 5(1) of Directive 2001/29 from the reproduction right provided for in Article 2 of that directive.

56 For the interpretation of each of those conditions in turn, it should be borne in mind that, according to settled case-law, the provisions of a directive which derogate from a general principle established by that directive must be interpreted strictly.

57 This holds true for the exemption provided for in Article 5(1) of Directive 2001/29, which is a derogation from the general principle established by that directive, namely the requirement of authorisation from the rightholder for any reproduction of a protected work.

58 This is all the more so given that the exemption must be interpreted in the light of Article 5(5) of Directive 2001/29, under which that exemption is to be applied only in certain special cases which do not conflict with a normal exploitation of the work or other subject-matter and do not unreasonably prejudice the legitimate interests of the rightholder.

59 In accordance with recitals 4, 6 and 21 in the preamble to Directive 2001/29, the conditions laid down in Article 5(1) thereof must also be interpreted in the light of the need for legal certainty for authors with regard to the protection of their works.

60 In the present case, Infopaq claims, first, that the acts of reproduction at issue in the main proceedings fulfil the condition relating to transient nature, since they are deleted at the end of the electronic search process.

61 The Court finds, in the light of the third condition referred to in paragraph 54 of this judgment, that a temporary and transient act of reproduction is intended to enable the completion of a technological process of which it forms an integral and essential part. In those circumstances, given the principles set out in paragraphs 57 and 58 of this judgment, those acts of reproduction must not exceed what is necessary for the proper completion of that technological process.

62 Legal certainty for rightholders further requires that the storage and deletion of the reproduction not be dependent on discretionary human intervention, particularly by the user of protected works. There is no guarantee that in such cases the person concerned will actually delete the reproduction

created or, in any event, that he will delete it once its existence is no longer justified by its function of enabling the completion of a technological process.

63 This finding is supported by recital 33 in the preamble to Directive 2001/29 which lists, as examples of the characteristics of the acts referred to in Article 5(1) thereof, acts which enable browsing as well as acts of caching to take place, including those which enable transmission systems to function efficiently. Such acts are, by definition, created and deleted automatically and without human intervention.

64 In the light of the foregoing, the Court finds that an act can be held to be ‘transient’ within the meaning of the second condition laid down in Article 5(1) of Directive 2001/29 only if its duration is limited to what is necessary for the proper completion of the technological process in question, it being understood that that process must be automated so that it deletes that act automatically, without human intervention, once its function of enabling the completion of such a process has come to an end.

65 In the main proceedings, the possibility cannot be ruled out at the outset that in the first two acts of reproduction at issue in those proceedings, namely the creation of TIFF files and text files resulting from the conversion of TIFF files, may be held to be transient as long as they are deleted automatically from the computer memory.

66 Regarding the third act of reproduction, namely the storing of a text extract of 11 words, the evidence submitted to the Court does not permit an assessment of whether the technological process is automated with the result that that file is deleted promptly and without human intervention from the computer memory. It is for the national court to ascertain whether the deletion of that file is dependent on the will of the user of the reproduction and whether there is a risk that the file might remain stored once the function of enabling completion of the technological process has come to an end.

67 It is common ground, however, that, by the last act of reproduction in the data capture process, Infopaq is making a reproduction outside the sphere of computer technology. It is printing out files containing the extracts of 11 words and thus reproduces those extracts on a paper medium.

68 Once the reproduction has been affixed onto such a medium, it disappears only when the paper itself is destroyed.

69 Moreover, since the data capture process is apparently not likely itself to destroy that medium, the deletion of that reproduction is entirely dependent on the will of the user of that process. It is not at all certain that he will want to dispose of the reproduction, which means that there is a risk that the reproduction will remain in existence for a longer period, according to the user’s needs.

70 In those circumstances, the Court finds that the last act in the data capture process at issue in the main proceedings, during which Infopaq prints out the extracts of 11 words, is not a transient act within the meaning of Article 5(1) of Directive 2001/29.

71 There is, moreover, nothing in the case-file submitted to the Court – and nor has it been pleaded – that such an act is liable to be incidental in nature.

72 It follows from the foregoing that that act does not fulfil the second condition laid down in Article 5(1) of Directive 2001/29; accordingly, such an act cannot be exempted from the reproduction right provided for in Article 2 thereof.

73 It follows that the data capture process at issue in the main proceedings cannot be carried out without the consent of the rightholders and, consequently, it is not necessary to consider whether the four acts which make up that process fulfil the other conditions laid down in Article 5(1).

74 Consequently, the answer to questions 2 to 12 is that the act of printing out an extract of 11 words, during a data capture process such as that at issue in the main proceedings, does not fulfil the

condition of being transient in nature as required by Article 5(1) of Directive 2001/29 and, therefore, that process cannot be carried out without the consent of the relevant rightholders.

Question 13

75 In the light of the answer given to questions 2 to 12, it is not necessary to answer question 13. (...)

Football Dataco Ltd., et al. v. Yahoo! UK Ltd., et al.,

JUDGMENT OF THE COURT (Third Chamber)

1 March 2012

Case C-604/10

(...) Legal context

International law

3 Under a section on copyright and connected rights, Article 10(2) of the Agreement on Trade-Related Aspects of Intellectual Property Rights, which constitutes Annex 1C to the Agreement establishing the World Trade Organisation, signed in Marrakech on 15 April 1994 and approved by Council Decision 94/800/EC of 22 December 1994 concerning the conclusion on behalf of the European Community, as regards matters within its competence, of the agreements reached in the Uruguay Round multilateral negotiations (1986-1994) (OJ 1994 L 336, p. 1) provides:

'Compilations of data or other material, whether in machine readable or other form, which by reason of the selection or arrangement of their contents constitute intellectual creations shall be protected as such. Such protection, which shall not extend to the data or material itself, shall be without prejudice to any copyright subsisting in the data or material itself.'

4 Article 5 of the World Intellectual Property Organization (WIPO) Copyright Treaty, adopted in Geneva on 20 December 1996, which relates to 'Compilations of Data (Databases)', states:

'Compilations of data or other material, in any form, which by reason of the selection or arrangement of their contents constitute intellectual creations, are protected as such. This protection does not extend to the data or the material itself and is without prejudice to any copyright subsisting in the data or material contained in the compilation.'

European Union law

5 Recitals 1 to 4, 9, 10, 12, 15, 16, 18, 26, 27, 39 and 60 to Directive 96/9 state that:

'(1) Whereas databases are at present not sufficiently protected in all Member States by existing legislation; whereas such protection, where it exists, has different attributes;

(2) Whereas such differences in the legal protection of databases offered by the legislation of the Member States have direct negative effects on the functioning of the internal market as regards databases and in particular on the freedom of natural and legal persons to provide on-line database goods and services on the basis of harmonized legal arrangements throughout the Community; whereas such differences could well become more pronounced as Member States introduce new legislation in this field, which is now taking on an increasingly international dimension;

(3) Whereas existing differences distorting the functioning of the internal market need to be removed and new ones prevented from arising, while differences not adversely affecting the functioning of the internal market or the development of an information market within the Community need not be removed or prevented from arising;

(4) Whereas copyright protection for databases exists in varying forms in the Member States according to legislation or case-law, and whereas, if differences in legislation in the scope and conditions of protection remain between the Member States, such unharmonized intellectual property rights can have the effect of preventing the free movement of goods or services within the Community;

(9) Whereas databases are a vital tool in the development of an information market within the Community; whereas this tool will also be of use in many other fields;

(10) Whereas the exponential growth, in the Community and worldwide, in the amount of information generated and processed annually in all sectors of commerce and industry calls for investment in all the Member States in advanced information processing systems;

(12) Whereas such an investment in modern information storage and processing systems will not take place within the Community unless a stable and uniform legal protection regime is introduced for the protection of the rights of makers of databases;

(15) Whereas the criteria used to determine whether a database should be protected by copyright should be defined to the fact that the selection or the arrangement of the contents of the database is the author's own intellectual creation; whereas such protection should cover the structure of the database;

(16) Whereas no criterion other than originality in the sense of the author's intellectual creation should be applied to determine the eligibility of the database for copyright protection, and in particular no aesthetic or qualitative criteria should be applied;

(18) Whereas this Directive is without prejudice to the freedom of authors to decide whether, or in what manner, they will allow their works to be included in a database, in particular whether or not the authorization given is exclusive;

(26) Whereas works protected by copyright and subject matter protected by related rights, which are incorporated into a database, remain nevertheless protected by the respective exclusive rights and may not be incorporated into, or extracted from, the database without the permission of the rightholder or his successors in title;

(27) Whereas copyright in such works and related rights in subject matter thus incorporated into a database are in no way affected by the existence of a separate right in the selection or arrangement of these works and subject matter in a database;

(39) Whereas, in addition to aiming to protect the copyright in the original selection or arrangement of the contents of a database, this Directive seeks to safeguard the position of makers of databases against misappropriation of the results of the financial and professional investment made in obtaining and [collecting] the contents by protecting the whole or substantial parts of a database against certain acts by a user or competitor;

(60) Whereas some Member States currently protect under copyright arrangements databases which do not meet the criteria for eligibility for copyright protection laid down in this Directive; whereas, even if the databases concerned are eligible for protection under the right laid down in this Directive to prevent unauthorized extraction and/or re-utilization of their contents, the term of protection under that right is considerably shorter than that which they enjoy under the national arrangements currently in force; whereas harmonization of the criteria for determining whether a database is to be protected by copyright may not have the effect of reducing the term of protection currently enjoyed by the rightholders concerned; whereas a derogation should be laid down to that effect; whereas the effects of such derogation must be confined to the territories of the Member States concerned'.

6 Article 1(2) of Directive 96/9 states that:

'For the purposes of this Directive, "database" shall mean a collection of independent works, data or other materials arranged in a systematic or methodical way and individually accessible by electronic or other means.'

7 Under chapter II, entitled 'Copyright', Article 3 of Directive 96/9, which defines the '[o]bject of protection', states that:

'1. In accordance with this Directive, databases which, by reason of the selection or arrangement of their contents, constitute the author's own intellectual creation shall be protected as such by copyright. No other criteria shall be applied to determine their eligibility for that protection.

2. The copyright protection of databases provided for by this Directive shall not extend to their contents and shall be without prejudice to any rights subsisting in those contents themselves.'

8 Under chapter III, entitled 'Sui generis right', Article 7 of Directive 96/9, relating to the '[o]bject of protection', states in paragraphs 1 and 4:

'1. Member States shall provide for a right for the maker of a database which shows that there has been qualitatively and/or quantitatively a substantial investment in either the obtaining, verification or presentation of the contents to prevent extraction and/or re-utilization of the whole or of a substantial part, evaluated qualitatively and/or quantitatively, of the contents of that database.

4. The right provided for in paragraph 1 shall apply irrespective of the eligibility of that database for protection by copyright or by other rights. ...'

9 Under chapter IV, entitled 'Common provisions', Article 14 of Directive 96/9 states:

'1. Protection pursuant to this Directive as regards copyright shall also be available in respect of databases created prior to the date referred to [in] Article 16(1) which on that date fulfil the requirements laid down in this Directive as regards copyright protection of databases.

2. Notwithstanding paragraph 1, where a database protected under copyright arrangements in a Member State on the date of publication of this Directive does not fulfil the eligibility criteria for copyright

protection laid down in Article 3(1), this Directive shall not result in any curtailing in that Member State of the remaining term of protection afforded under those arrangements.'

10 The date of the publication of Directive 96/9 in the *Official Journal of the European Communities* is 27 March 1996.

11 That directive was implemented in the United Kingdom by the adoption of the Copyright and Rights in Databases Regulations 1997, which came into force on 1 January 1998. The wording of the provisions of those Regulations which are relevant in the present case is identical to that of the relevant provisions of the directive.

The facts which gave rise to the dispute in the main proceedings and the questions referred for a preliminary ruling

Creation of the fixture lists of the English and Scottish football leagues

12 According to the order for reference, the creation of the annual fixture lists of the football leagues in England and Scotland follows, on the whole, comparable rules and procedure.

13 It involves having regard to several rules, which are called 'the golden rules', the most important of which are:

- no club shall have three consecutive home or away matches;
- in any five consecutive matches no club shall have four home matches or four away matches;
- as far as possible, each club should have played an equal number of home and away matches at all times during the season, and
- all clubs should have as near as possible an equal number of home and away matches for mid-week matches.

14 The procedure for drawing up a fixture list such as those in question in the main proceedings consists of several stages. The first stage, which begins during the previous season, is the preparation by employees of the leagues concerned of the Premier League fixture schedule and an outline fixture list for other leagues. That stage consists of establishing a list of possible dates for the fixtures on the basis of a series of basic parameters (the dates of the start and the end of the season, the number of fixtures which must be played, the dates reserved to other national, European or international competitions).

15 The second stage is the sending out, to the clubs concerned, of questionnaires prior to the fixing of the schedule and the analysis of the responses to these questionnaires, in particular 'specific date' requests (a request by a club to play its fixture against another club at home or away on a particular date), 'non-specific date' requests (a request by a club to play a certain match on a certain day of the week at a certain time, for example, Saturday after 1.30 pm), and 'pairing' requests (a request that two or more clubs not play at home on the same day). Around 200 requests are made per season.

16 The third stage, which, in the case of the English football leagues, is undertaken by Mr Thompson of Atos Origin IT Services UK Ltd, comprises two tasks, 'sequencing' and 'pairing'.

17 Sequencing aims to achieve the perfect home-away sequence for every club, having regard to the golden rules, a series of organisational constraints and, as far as possible, the requests made by the clubs. Mr Thompson then produces a pairing grid on the basis of the requests made by the teams. He gradually inserts the names of the teams into that grid and attempts to resolve a maximum amount of problem cases until a satisfactory draft fixture list is completed. For that purpose, he uses a computer program, to which he transfers information from the sequencing sheet and the pairing grid to produce a readable version of the fixture list.

18 The final stage involves Mr Thompson working with employees of the professional leagues concerned to review the content of the fixture lists. That review is carried out manually with the assistance of computer software to find solutions to outstanding problems. Two meetings then take

place, one with a fixtures working party and the other with police representatives, in order to finalise the fixture list. In the 2008/2009 season, 56 changes were made during that final stage.

19 According to the findings of fact made by the judge at first instance reproduced in the order for reference, the process of preparing the football fixture lists in question in the main proceedings is not purely mechanistic or deterministic; on the contrary, it requires very significant labour and skill in order to satisfy the multitude of competing requirements while respecting the applicable rules as far as possible. The work needed is not mere application of rigid criteria, and is unlike, for instance, the compilation of a telephone directory, in that it requires judgment and skill at each stage, in particular where the computer program finds no solution for a given set of constraints. With regard to the partial computerisation of the process, Mr Thompson states that it does not eliminate the need for judgment and discretion.

The facts in the main proceedings and the questions referred for a preliminary ruling

20 Football Dataco and Others claim that they own, in respect of the English and Scottish football league fixture lists, a ‘sui generis’ right pursuant to Article 7 of Directive 96/9, a copyright pursuant to Article 3 of that directive, and a copyright under United Kingdom intellectual property legislation.

21 Yahoo and Others do not accept that such rights exist in law, arguing that they are entitled to use the lists in the conduct of their business without having to pay financial compensation.

22 The judge at first instance held that those lists are eligible for protection by copyright under Article 3 of Directive 96/9, on the ground that their preparation requires a substantial quantum of creative work. However, he refused to recognise either of the two other rights claimed.

23 The referring court confirmed the judgment at first instance as regards the ineligibility of the lists in question in the main proceedings for protection by the ‘sui generis’ right under Article 7 of Directive 96/9. By contrast, the referring court raises the question of whether the lists are eligible for protection by copyright under Article 3 of that directive. The referring court also has doubts regarding the possibility of the lists being protected by the copyright pursuant to United Kingdom legislation prior to that directive under conditions which are different to those which are set out in Article 3 of Directive 96/9.

24 In those circumstances, the Court of Appeal (England and Wales) (Civil Division) decided to stay the proceedings and refer the following questions to the Court for a preliminary ruling:

‘1. In Article 3(1) of Directive 96/9 ... what is meant by “databases which, by reason of the selection or arrangement of their contents, constitute the author’s own intellectual creation” and in particular:

(a) should the intellectual effort and skill of creating data be excluded;

(b) does “selection or arrangement” include adding important significance to a pre-existing item of data (as in fixing the date of a football match), and

(c) does “author’s own intellectual creation” require more than significant labour and skill from the author, if so what?

2. Does the Directive preclude national rights in the nature of copyright in databases other than those provided for by [Directive 96/9]?’

The first question submitted for a preliminary ruling

25 By its first question, the referring court is essentially seeking an interpretation of Article 3(1) of Directive 96/9. In particular, it is asking:

– firstly, whether the intellectual effort and skill of creating data should be excluded in connection with the application of that provision;

– secondly, whether the ‘selection or arrangement’ of the contents, within the meaning of that provision, includes adding important significance to a pre-existing item of data, and

– thirdly, whether the notion of ‘author’s own intellectual creation’ within the meaning of that provision requires more than significant labour and skill from the author and, if so, what that additional requirement is.

26 First of all, it is to be noted that, on the one hand, the Court has already held that a football league fixture list constitutes a ‘database’ within the meaning of Article 1(2) of Directive 96/9. The Court essentially held that the combination of the date, the time and the identity of the two teams playing in both home and away matches has autonomous informative value which renders them ‘independent materials’ within the meaning of Article 1(2) of Directive 96/9, and that the arrangement, in the form of a fixture list, of the dates, times and names of teams in the various fixtures of a football league meets the conditions set out in Article 1(2) of Directive 96/9 as to the systematic or methodical arrangement and individual accessibility of the data contained in the database.

27 On the other hand, it is apparent from both a comparison of the terms of Article 3(1) and Article 7(1) of Directive 96/9 and from other provisions or recitals of Directive 96/9, in particular Article 7(4) and recital 39 to that directive, that the copyright and the ‘sui generis’ right amount to two independent rights whose object and conditions of application are different.

28 Consequently, the fact that a ‘database’ within the meaning of Article 1(2) of Directive 96/9 does not satisfy the conditions of eligibility for protection by the ‘sui generis’ right under Article 7 of Directive 96/9, as the Court held in relation to football fixture lists, does not automatically mean that that same database is also not eligible for copyright protection under Article 3 of that directive.

29 Under Article 3(1) of Directive 96/9, ‘databases’ within the meaning of Article 1(2) of that directive are protected by copyright if, by reason of the selection or arrangement of their contents, they constitute the author’s own intellectual creation.

30 Firstly, it is apparent from reading Article 3(2) in conjunction with recital 15 of Directive 96/9 that the copyright protection provided for by that directive concerns the ‘structure’ of the database, and not its ‘contents’ nor, therefore, the elements constituting its contents.

31 Similarly, as is apparent from Article 10(2) of the Agreement on Trade-Related Aspects of Intellectual Property Rights and from Article 5 of the WIPO Copyright Treaty, compilations of data which by reason of the selection or arrangement of their contents constitute intellectual creations are protected as such by copyright. On the other hand, that protection does not extend to the data itself and is without prejudice to any copyright subsisting for that data.

32 In that context, the concepts of ‘selection’ and of ‘arrangement’ within the meaning of Article 3(1) of Directive 96/9 refer respectively to the selection and the arrangement of data, through which the author of the database gives the database its structure. By contrast, those concepts do not extend to the creation of the data contained in that database.

33 Consequently, as Yahoo and Others, the Italian, Portuguese and Finnish governments as well as the European Commission have argued, the materials mentioned in section (a) of the referring court’s first question that concern the intellectual effort and skill of creating data are not relevant in order to assess the eligibility of the database that contains them for the copyright protection provided for by Directive 96/9.

34 That analysis is confirmed by the purpose of that directive. As is apparent from recitals 9, 10 and 12 of that directive, its purpose is to stimulate the creation of data storage and processing systems in order to contribute to the development of an information market against a background of exponential growth in the amount of information generated and processed annually in all sectors of activity and not to protect the creation of materials capable of being collected in a database.

35 In the case in the main proceedings, it must be observed that the resources, in particular intellectual resources, described by the referring court and referred to in paragraphs 14 to 18 of this judgment, are deployed for the purpose of determining, in the course of arranging the leagues concerned, the date, the time and the identity of teams corresponding to each fixture of those leagues, in accordance with a set of rules, parameters and organisational constraints as well as the specific requests of the clubs concerned.

36 As Yahoo and Others and the Portuguese government have pointed out, those resources relate to the creation of the same data which is contained in the database in question, as already noted in paragraph 26 of the present judgment. As a consequence, and having regard to what is stated in paragraph 32 of the present judgment, they are, in any case, of no relevance in order to assess the eligibility of the football fixture lists in question in the main proceedings for the copyright protection provided for by Directive 96/9.

37 Secondly, as is apparent from recital 16 of Directive 96/9, the notion of the author's own intellectual creation refers to the criterion of originality.

38 As regards the setting up of a database, that criterion of originality is satisfied when, through the selection or arrangement of the data which it contains, its author expresses his creative ability in an original manner by making free and creative choices.

39 By contrast, that criterion is not satisfied when the setting up of the database is dictated by technical considerations, rules or constraints which leave no room for creative freedom.

40 As is apparent from both Article 3(1) and recital 16 of Directive 96/9, no other criteria than that of originality is to be applied to determine the eligibility of a database for the copyright protection provided for by that directive.

41 Therefore, on the one hand, provided that the selection or arrangement of the data – namely, in a case such as the one in the main proceedings, data corresponding to the date, the time and the identity of teams relating to the different fixtures of the league concerned (see paragraph 26 of the present judgment) – is an original expression of the creativity of the author of the database, it is irrelevant for the purpose of assessing the eligibility of the database for the copyright protection provided for by Directive 96/9 whether or not that selection or arrangement includes 'adding important significance' to that data, as mentioned in section (b) of the referring court's first question.

42 On the other hand, the fact that the setting up of the database required, irrespective of the creation of the data which it contains, significant labour and skill of its author, as mentioned in section (c) of that same question, cannot as such justify the protection of it by copyright under Directive 96/9, if that labour and that skill do not express any originality in the selection or arrangement of that data.

43 In the present case, it is for the referring court to assess, in the light of the factors set out above, whether the football fixture lists in question in the main proceedings are databases which satisfy the conditions of eligibility for the copyright protection set out in Article 3(1) of Directive 96/9.

44 In that respect, the procedures for creating those lists, as described by the referring court, if they are not supplemented by elements reflecting originality in the selection or arrangement of the data contained in those lists, do not suffice for the database in question to be protected by the copyright provided for in Article 3(1) of Directive 96/9.

45 In light of the considerations above, the answer to the first question is that Article 3(1) of Directive 96/9 must be interpreted as meaning that a 'database' within the meaning of Article 1(2) of that directive is protected by the copyright laid down by that directive provided that the selection or arrangement of the data which it contains amounts to an original expression of the creative freedom of its author, which is a matter for the national court to determine.

46 As a consequence:

- the intellectual effort and skill of creating that data are not relevant in order to assess the eligibility of that database for protection by that right;
- it is irrelevant, for that purpose, whether or not the selection or arrangement of that data includes the addition of important significance to that data, and

– the significant labour and skill required for setting up that database cannot as such justify such a protection if they do not express any originality in the selection or arrangement of the data which that database contains.

The second question submitted for a preliminary ruling

47 By its second question, the referring court is essentially asking whether Directive 96/9 must be interpreted as precluding national legislation which grants databases, as defined in Article 1(2) of that directive, copyright protection under conditions which are different to those set out in Article 3(1) of the directive.

48 In that respect, it must be pointed out that Directive 96/9 aims, according to recitals 1 to 4 of the directive, to remove the differences which existed between national legislation on the legal protection of databases, particularly as regards the scope and conditions of copyright protection, and which adversely affected the functioning of the internal market, the free movement of goods or services within the European Union and the development of an information market within the European Union.

49 In that context, as is apparent from recital 60 of Directive 96/9, Article 3 of that directive carries out a ‘harmonization of the criteria for determining whether a database is to be protected by copyright’.

50 It is true that, as regards databases which were protected on 27 March 1996 by national copyright arrangements under different eligibility criteria than those set out in Article 3(1) of Directive 96/9, Article 14(2) of the directive preserves the duration of the protection granted by such arrangements in the Member State concerned. However, subject only to that transitional provision, Article 3(1) of the directive precludes national legislation which grants databases as defined in Article 1(2) of that directive copyright protection under conditions which are different to that of originality laid down in Article 3(1) of the directive.

51 As for recitals 18, 26 and 27 of Directive 96/9, highlighted by Football Dataco and Others, those recitals note the freedom which authors of works have to decide whether to include their works in a database and the absence of effect which the incorporation of a protected piece of work in a protected database has on the rights protecting the work thus incorporated. However, they do not support an interpretation contrary to that set out in the previous paragraph of this judgment.

52 In light of the above considerations, the answer to the second question is that Directive 96/9 must be interpreted as meaning that, subject to the transitional provision contained in Article 14(2) of that directive, it precludes national legislation which grants databases, as defined in Article 1(2) of the directive, copyright protection under conditions which are different to those set out in Article 3(1) of the directive. (...)

Nichols v. Universal Pictures Corporation et al.

45 *F.2d* 119 (1930)

L. HAND, Circuit Judge

The plaintiff is the author of a play, "Abie's Irish Rose," which it may be assumed was properly copyrighted under section five, subdivision (d), of the Copyright Act, 17 USCA §5(d). The defendant produced publicly a motion picture play, "The Cohens and The Kellys," which the plaintiff alleges was taken from it. As we think the defendant's play too unlike the plaintiff's to be an infringement, we may assume, *arguendo*, that in some details the defendant used the plaintiff's play, as will subsequently appear, though we do not so decide. It therefore becomes necessary to give an outline of the two plays.

"Abie's Irish Rose" presents a Jewish family living in prosperous circumstances in New York. The father, a widower, is in business as a merchant, in which his son and only child helps him. The boy has philandered with young women, who to his father's great disgust have always been Gentiles, for he is

obsessed with a passion that his daughter-in-law shall be an orthodox Jewess. When the play opens the son, who has been courting a young Irish Catholic girl, has already married her secretly before a Protestant minister, and is concerned to soften the blow for his father, by securing a favorable impression of his bride, while concealing her faith and race. To accomplish this he introduces her to his father at his home as a Jewess, and lets it appear that he is interested in her, though he conceals the marriage. The girl somewhat reluctantly falls in with the plan; the father takes the bait, becomes infatuated with the girl, concludes that they must marry, and assumes that of course they will, if he so decides. He calls in a rabbi, and prepares for the wedding according to the Jewish rite.

Meanwhile the girl's father, also a widower, who lives in California, and is as intense in his own religious antagonism as the Jew, has been called to New York, supposing that his daughter is to marry an Irishman and a Catholic. Accompanied by a priest, he arrives at the house at the moment when the marriage is being celebrated, but too late to prevent it, and the two fathers, each infuriated by the proposed union of his child to a heretic, fall into unseemly and grotesque antics. The priest and the rabbi become friendly, exchange trite sentiments about religion, and agree that the match is good. Apparently out of abundant caution, the priest celebrates the marriage for a third time, while the girl's father is inveigled away. The second act closes with each father, still outraged, seeking to find some way by which the union, thus trebly insured, may be dissolved. The last act takes place about a year later, the young couple having meanwhile been abjured by each father, and left to their own resources. They have had twins, a boy and a girl, but their fathers know no more than that a child has been born. At Christmas each, led by his craving to see his grandchild, goes separately to the young folks' home, where they encounter each other, each laden with gifts, one for a boy, the other for a girl. After some slapstick comedy, depending upon the insistence of each that he is right about the sex of the grandchild, they become reconciled when they learn the truth, and that each child is to bear the given name of a grandparent. The curtain falls as the fathers are exchanging amenities, and the Jew giving evidence of an abatement in the strictness of his orthodoxy.

"The Cohens and The Kellys" presents two families, Jewish and Irish, living side by side in the poorer quarters of New York in a state of perpetual enmity. The wives in both cases are still living, and share in the mutual animosity, as do two small sons, and even the respective dogs. The Jews have a daughter, the Irish a son; the Jewish father is in the clothing business; the Irishman is a policeman.

The children are in love with each other, and secretly marry, apparently after the play opens. The Jew, being in great financial straits, learns from a lawyer that he has fallen heir to a large fortune from a great-aunt, and moves into a great house, fitted luxuriously. Here he and his family live in vulgar ostentation, and here the Irish boy seeks out his Jewish bride, and is chased away by the angry father.

The Jew then abuses the Irishman over the telephone, and both become hysterically excited. The extremity of his feelings makes the Jew sick, so that he must go to Florida for a rest, just before which the daughter discloses her marriage to her mother.

On his return the Jew finds that his daughter has borne a child; at first he suspects the lawyer, but eventually learns the truth and is overcome with anger at such a low alliance. Meanwhile, the Irish family who have been forbidden to see the grandchild, go to the Jew's house, and after a violent scene between the two fathers in which the Jew disowns his daughter, who decides to go back with her husband, the Irishman takes her back with her baby to his own poor lodgings. The lawyer, who had hoped to marry the Jew's daughter, seeing his plan foiled, tells the Jew that his fortune really belongs to the Irishman, who was also related to the dead woman, but offers to conceal his knowledge, if the Jew will share the loot. This the Jew repudiates, and, leaving the astonished lawyer, walks through the rain to his enemy's house to surrender the property. He arrives in great dejection, tells the truth, and abjectly turns to leave. A reconciliation ensues, the Irishman agreeing to share with him equally. The Jew shows some interest in his grandchild, though this is at most a minor motive in the reconciliation, and the curtain falls while the two are in their cups, the Jew insisting that in the firm name for the business, which they are to carry on jointly, his name shall stand first.

It is of course essential to any protection of literary property, whether at common-law or under the statute, that the right cannot be limited literally to the text, else a plagiarist would escape by

immaterial variations. That has never been the law, but, as soon as literal appropriation ceases to be the test, the whole matter is necessarily at large, so that, as was recently well said by a distinguished judge, the decisions cannot help much in a new case. When plays are concerned, the plagiarist may excise a separate scene; or he may appropriate part of the dialogue. Then the question is whether the part so taken is "substantial," and therefore not a "fair use" of the copyrighted work; it is the same question as arises in the case of any other copyrighted work. But when the plagiarist does not take out a block in situ, but an abstract of the whole, decision is more troublesome. Upon any work, and especially upon a play, a great number of patterns of increasing generality will fit equally well, as more and more of the incident is left out. The last may perhaps be no more than the most general statement of what the play is about, and at times might consist only of its title; but there is a point in this series of abstractions where they are no longer protected, since otherwise the playwright could prevent the use of his "ideas," to which, apart from their expression, his property is never extended. Nobody has ever been able to fix that boundary, and nobody ever can. In some cases the question has been treated as though it were analogous to lifting a portion out of the copyrighted work; but the analogy is not a good one, because, though the skeleton is a part of the body, it pervades and supports the whole. In such cases we are rather concerned with the line between expression and what is expressed. As respects plays, the controversy chiefly centers upon the characters and sequence of incident, these being the substance.

We did not in *Dymow v. Bolton*, hold that a plagiarist was never liable for stealing a plot; that would have been flatly against our rulings in *Dam v. Kirk La Shelle Co.*, and *Stodart v. Mutual Film Co.*; neither of which we meant to overrule. We found the plot of the second play was too different to infringe, because the most detailed pattern, common to both, eliminated so much from each that its content went into the public domain; and for this reason we said, "this mere subsection of a plot was not susceptible of copyright." But we do not doubt that two plays may correspond in plot closely enough for infringement. How far that correspondence must go is another matter. Nor need we hold that the same may not be true as to the characters, quite independently of the "plot" proper, though, as far as we know, such a case has never arisen. If *Twelfth Night* were copyrighted, it is quite possible that a second comer might so closely imitate Sir Toby Belch or Malvolio as to infringe, but it would not be enough that for one of his characters he cast a riotous knight who kept wassail to the discomfort of the household, or a vain and foppish steward who became amorous of his mistress. These would be no more than Shakespeare's "ideas" in the play, as little capable of monopoly as Einstein's Doctrine of Relativity, or Darwin's theory of the Origin of Species. It follows that the less developed the characters, the less they can be copyrighted; that is the penalty an author must bear for marking them too indistinctly.

In the two plays at bar we think both as to incident and character, the defendant took no more – assuming that it took anything at all – than the law allowed. The stories are quite different. One is of a religious zealot who insists upon his child's marrying no one outside his faith; opposed by another who is in this respect just like him, and is his foil. Their difference in race is merely an obligato to the main theme, religion. They sink their differences through grandparental pride and affection. In the other, zealotry is wholly absent; religion does not even appear. It is true that the parents are hostile to each other in part because they differ in race; but the marriage of their son to a Jew does not apparently offend the Irish family at all, and it exacerbates the existing animosity of the Jew, principally because he has become rich, when he learns it. They are reconciled through the honesty of the Jew and the generosity of the Irishman; the grandchild has nothing whatever to do with it. The only matter common to the two is a quarrel between a Jewish and an Irish father, the marriage of their children, the birth of grandchildren and a reconciliation.

If the defendant took so much from the plaintiff, it may well have been because her amazing success seemed to prove that this was a subject of enduring popularity. Even so, granting that the plaintiff's play was wholly original, and assuming that novelty is not essential to a copyright, there is no monopoly in such a background. Though the plaintiff discovered the vein, she could not keep it to herself; so defined, the theme was too generalized an abstraction from what she wrote. It was only a part of her "ideas."

Nor does she fare better as to her characters. It is indeed scarcely credible that she should not have been aware of those stock figures, the low comedy Jew and Irishman. The defendant has not taken from her more than their prototypes have contained for many decades. If so, obviously so to generalize her copyright, would allow her to cover what was not original with her. But we need not hold this as matter of fact, much as we might be justified. Even though we take it that she devised her figures out of her brain de novo, still the defendant was within its rights.

There are but four characters common to both plays, the lovers and the fathers. The lovers are so faintly indicated as to be no more than stage properties. They are loving and fertile; that is really all that can be said of them, and anyone else is quite within his rights if he puts loving and fertile lovers in a play of his own, wherever he gets the cue. The plaintiff's Jew is quite unlike the defendant's. His obsession is his religion, on which depends such racial animosity as he has. He is affectionate, warm and patriarchal. None of these fit the defendant's Jew, who shows affection for his daughter only once, and who has none but the most superficial interest in his grandchild. He is tricky, ostentatious and vulgar, only by misfortune redeemed into honesty. Both are grotesque, extravagant and quarrelsome; both are fond of display; but these common qualities make up only a small part of their simple pictures, no more than any one might lift if he chose. The Irish fathers are even more unlike; the plaintiff's a mere symbol for religious fanaticism and patriarchal pride, scarcely a character at all. Neither quality appears in the defendant's, for while he goes to get his grandchild, it is rather out of a truculent determination not to be forbidden, than from pride in his progeny. For the rest he is only a grotesque hobbledohoy, used for low comedy of the most conventional sort, which any one might borrow, if he chanced not to know the exemplar.

The defendant argues that the case is controlled by my decision in *Fisher v. Dillingham* (D.C.). Neither my brothers nor I wish to throw doubt upon the doctrine of that case, but it is not applicable here. We assume that the plaintiff's play is altogether original, even to an extent that in fact it is hard to believe. We assume further that, so far as it has been anticipated by earlier plays of which she knew nothing, that fact is immaterial. Still, as we have already said, her copyright did not cover everything that might be drawn from her play; its content went to some extent into the public domain. We have to decide how much, and while we are as aware as any one that the line, wherever it is drawn, will seem arbitrary, that is no excuse for not drawing it; it is a question such as courts must answer in nearly all cases. Whatever may be the difficulties a priori, we have no question on which side of the line this case falls. A comedy based upon conflicts between Irish and Jews, into which the marriage of their children enters, is no more susceptible of copyright than the outline of *Romeo and Juliet*.

The plaintiff has prepared an elaborate analysis of the two plays, showing a "quadrangle" of the common characters, in which each is represented by the emotions which he discovers. She presents the resulting parallelism as proof of infringement, but the adjectives employed are so general as to be quite useless. Take for example the attribute of "love" ascribed to both Jews. The plaintiff has depicted her father as deeply attached to his son, who is his hope and joy; not so, the defendant, whose father's conduct is throughout not actuated by any affection for his daughter, and who is merely once overcome for the moment by her distress when he has violently dismissed her lover. "Anger" covers emotions aroused by quite different occasions in each case; so do "anxiety," "despondency" and "disgust." It is unnecessary to go through the catalogue for emotions are too much colored by their causes to be a test when used so broadly. This is not the proper approach to a solution; it must be more ingenuous, more like that of a spectator, who would rely upon the complex of his impressions of each character.

We cannot approve the length of the record, which was due chiefly to the use of expert witnesses. Argument is argument whether in the box or at the bar, and its proper place is the last. The testimony of an expert upon such issues, especially his cross-examination, greatly extends the trial and contributes nothing which cannot be better heard after the evidence is all submitted. It ought not to be allowed at all; and while its admission is not a ground for reversal, it cumpers the case and tends to confusion, for the more the court is led into the intricacies of dramatic craftsmanship, the less likely it is to stand upon the firmer, if more naive, ground of its considered impressions upon its own perusal. We hope that in this class of cases such evidence may in the future be entirely excluded, and the case

confined to the actual issues; that is, whether the copyrighted work was original, and whether the defendant copied it, so far as the supposed infringement is identical.

The defendant, "the prevailing party," was entitled to a reasonable attorney's fee (section 40 of the Copyright Act [17 USCA §40]).

DECREE AFFIRMED.

Feist Publications, Inc. v. Rural Telephone Service Co., Inc.

111 *S.Ct.* 1282

Justice O'CONNOR delivered the opinion of the Court

(...) I

Rural Telephone Service Company, Inc., is a certified public utility that provides telephone service to several communities in northwest Kansas. It is subject to a state regulation that requires all telephone companies operating in Kansas to issue annually an updated telephone directory. Accordingly, as a condition of its monopoly franchise, Rural publishes a typical telephone directory, consisting of white pages and yellow pages. The white pages list in alphabetical order the names of Rural's subscribers, together with their towns and telephone numbers. The yellow pages list Rural's business subscribers alphabetically by category and feature classified advertisements of various sizes. Rural distributes its directory free of charge to its subscribers, but earns revenue by selling yellow pages advertisements.

Feist Publications, Inc., is a publishing company that specializes in area-wide telephone directories. Unlike a typical directory, which covers only a particular calling area, Feist's area-wide directories cover a much larger geographical range, reducing the need to call directory assistance or consult multiple directories. The Feist directory that is the subject of this litigation covers 11 different telephone service areas in 15 counties and contains 46,878 white pages listings – compared to Rural's approximately 7,700 listings. Like Rural's directory, Feist's is distributed free of charge and includes both white pages and yellow pages. Feist and Rural compete vigorously for yellow pages advertising.

As the sole provider of telephone service in its service area, Rural obtains subscriber information quite easily. Persons desiring telephone service must apply to Rural and provide their names and addresses; Rural then assigns them a telephone number. Feist is not a telephone company, let alone one with monopoly status, and therefore lacks independent access to any subscriber information. To obtain white pages listings for its area-wide directory, Feist approached each of the 11 telephone companies operating in northwest Kansas and offered to pay for the right to use its white pages listings.

Of the 11 telephone companies, only Rural refused to license its listings to Feist. Rural's refusal created a problem for Feist, as omitting these listings would have left a gaping hole in its area-wide directory, rendering it less attractive to potential yellow pages advertisers. In a decision subsequent to that which we review here, the District Court determined that this was precisely the reason Rural refused to license its listings. The refusal was motivated by an unlawful purpose “to extend its monopoly in telephone service to a monopoly in yellow pages advertising.”

Unable to license Rural's white pages listings, Feist used them without Rural's consent. Feist began by removing several thousand listings that fell outside the geographic range of its area-wide directory, then hired personnel to investigate the 4,935 that remained. These employees verified the data reported by Rural and sought to obtain additional information. As a result, a typical Feist listing includes the individual's street address; most of Rural's listings do not. Notwithstanding these additions, however, 1,309 of the 46,878 listings in Feist's 1983 directory were identical to listings in Rural's 1982-1983 white pages. Four of these were fictitious listings that Rural had inserted into its directory to detect copying.

Rural sued for copyright infringement in the District Court for the District of Kansas taking the position that Feist, in compiling its own directory, could not use the information contained in Rural's white pages. Rural asserted that Feist's employees were obliged to travel door-to-door or conduct a telephone survey to discover the same information for themselves. Feist responded that such efforts were economically impractical and, in any event, unnecessary because the information copied was beyond the scope of copyright protection. The District Court granted summary judgment to Rural, explaining that “[c]ourts have consistently held that telephone directories are copyrightable” and citing a string of lower court decisions. In an unpublished opinion, the Court of Appeals for the Tenth Circuit affirmed “for substantially the reasons given by the district court.” We granted certiorari, to determine whether the copyright in Rural's directory protects the names, towns, and telephone numbers copied by Feist.

II

A

This case concerns the interaction of two well-established propositions. The first is that facts are not copyrightable; the other, that compilations of facts generally are. Each of these propositions possesses an impeccable pedigree. That there can be no valid copyright in facts is universally understood. The most fundamental axiom of copyright law is that “[n]o author may copyright his ideas or the facts he narrates.” Rural wisely concedes this point, noting in its brief that “[f]acts and discoveries, of course, are not themselves subject to copyright protection.” At the same time, however, it is beyond dispute that compilations of facts are within the subject matter of copyright. Compilations were expressly mentioned in the Copyright Act of 1909, and again in the Copyright Act of 1976.

There is an undeniable tension between these two propositions. Many compilations consist of nothing but raw data – *i.e.*, wholly factual information not accompanied by any original written expression. On what basis may one claim a copyright in such a work? Common sense tells us that 100 uncopyrightable facts do not magically change their status when gathered together in one place. Yet copyright law seems to contemplate that compilations that consist exclusively of facts are potentially within its scope.

The key to resolving the tension lies in understanding why facts are not copyrightable. The *sine qua non* of copyright is originality. To qualify for copyright protection, a work must be original to the author. Original, as the term is used in copyright, means 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. To be sure, the requisite level of creativity is extremely low; even a slight amount will suffice. The vast majority of works make the grade quite easily, as they possess some creative spark, “no matter how crude, humble or obvious” it might be. Originality does not signify novelty; a work may be original even though it closely resembles other works so long as the similarity is fortuitous, not the result of copying. To illustrate, assume that two poets, each ignorant of the other, compose identical poems. Neither work is novel, yet both are original and, hence, copyrightable.

Originality is a constitutional requirement. The source of Congress' power to enact copyright laws is Article I, § 8, cl. 8, of the Constitution, which authorizes Congress to “secur[e] for limited Times to Authors ... the exclusive Right to their respective Writings.” In two decisions from the late 19th century this Court defined the crucial terms “authors” and “writings.” In so doing, the Court made it unmistakably clear that these terms presuppose a degree of originality.

In *The Trade-Mark Cases*, the Court addressed the constitutional scope of “writings.” For a particular work to be classified “under the head of writings of authors,” the Court determined, “originality is required.” The Court explained that originality requires independent creation plus a modicum of creativity: “[W]hile the word *writings* may be liberally construed, as it has been, to include original designs for engraving, prints, &c., it is only such as are *original*, and are founded in the creative powers of the mind. The writings which are to be protected are *the fruits of intellectual labor*, embodied in the form of books, prints, engravings, and the like.”

In *Burrow-Giles*, the Court distilled the same requirement from the Constitution's use of the word "authors." The Court defined "author," in a constitutional sense, to mean "he to whom anything owes its origin; originator; maker." As in *The Trade-Mark Cases*, the Court emphasized the creative component of originality. It described copyright as being limited to "original intellectual conceptions of the author," and stressed the importance of requiring an author who accuses another of infringement to prove "the existence of those facts of originality, of intellectual production, of thought, and conception."

The originality requirement articulated in *The Trade-Mark Cases* and *Burrow-Giles* remains the touchstone of copyright protection today. It is the very "premise of copyright law." Leading scholars agree on this point. As one pair of commentators succinctly puts it: "The originality requirement is constitutionally mandated for all works."

It is this bedrock principle of copyright that mandates the law's seemingly disparate treatment of facts and factual compilations. "No one may claim originality as to facts. This is because facts do not owe their origin to an act of authorship. The distinction is one between creation and discovery: The first person to find and report a particular fact has not created the fact; he or she has merely discovered its existence. To borrow from *Burrow-Giles*, one who discovers a fact is not its "maker" or "originator." "The discoverer merely finds and records." Census takers, for example, do not "create" the population figures that emerge from their efforts; in a sense, they copy these figures from the world around them. Census data therefore do not trigger copyright because these data are not "original" in the constitutional sense. The same is true of all facts – scientific, historical, biographical, and news of the day. "[T]hey may not be copyrighted and are part of the public domain available to every person."

Factual compilations, on the other hand, may possess the requisite originality. The compilation author typically chooses which facts to include, in what order to place them, and how to arrange the collected data so that they may be used effectively by readers. These choices as to selection and arrangement, so long as they are made independently by the compiler and entail a minimal degree of creativity, are sufficiently original that Congress may protect such compilations through the copyright laws. Thus, even a directory that contains absolutely no protectible written expression, only facts, meets the constitutional minimum for copyright protection if it features an original selection or arrangement.

This protection is subject to an important limitation. The mere fact that a work is copyrighted does not mean that every element of the work may be protected. Originality remains the *sine qua non* of copyright; accordingly, copyright protection may extend only to those components of a work that are original to the author. Thus, if the compilation author clothes facts with an original collocation of words, he or she may be able to claim a copyright in this written expression. Others may copy the underlying facts from the publication, but not the precise words used to present them. In *Harper & Row*, for example, we explained that President Ford could not prevent others from copying bare historical facts from his autobiography, but that he could prevent others from copying his "subjective descriptions and portraits of public figures." Where the compilation author adds no written expression but rather lets the facts speak for themselves, the expressive element is more elusive. The only conceivable expression is the manner in which the compiler has selected and arranged the facts. Thus, if the selection and arrangement are original, these elements of the work are eligible for copyright protection. No matter how original the format, however, the facts themselves do not become original through association.

This inevitably means that the copyright in a factual compilation is thin. Notwithstanding a valid copyright, a subsequent compiler remains free to use the facts contained in another's publication to aid in preparing a competing work, so long as the competing work does not feature the same selection and arrangement. As one commentator explains it: "[N]o matter how much original authorship the work displays, the facts and ideas it exposes are free for the taking.... [T]he very same facts and ideas may be divorced from the context imposed by the author, and restated or reshuffled by second comers, even if the author was the first to discover the facts or to propose the ideas."

It may seem unfair that much of the fruit of the compiler's labor may be used by others without compensation. As Justice Brennan has correctly observed, however, this is not "some unforeseen

byproduct of a statutory scheme.” It is, rather, “the essence of copyright,” *ibid.*, and a constitutional requirement. The primary objective of copyright is not to reward the labor of authors, but “[t]o promote the Progress of Science and useful Arts.” Art. I, § 8, cl. 8. To this end, copyright assures authors the right to their original expression, but encourages others to build freely upon the ideas and information conveyed by a work. This principle, known as the idea/expression or fact/expression dichotomy, applies to all works of authorship. As applied to a factual compilation, assuming the absence of original written expression, only the compiler's selection and arrangement may be protected; the raw facts may be copied at will. This result is neither unfair nor unfortunate. It is the means by which copyright advances the progress of science and art.

This Court has long recognized that the fact/expression dichotomy limits severely the scope of protection in fact-based works. More than a century ago, the Court observed: “The very object of publishing a book on science or the useful arts is to communicate to the world the useful knowledge which it contains. But this object would be frustrated if the knowledge could not be used without incurring the guilt of piracy of the book.” We reiterated this point in *Harper & Row*:

“[N]o author may copyright facts or ideas. The copyright is limited to those aspects of the work – termed ‘expression’ – that display the stamp of the author's originality. (...) [C]opyright does not prevent subsequent users from copying from a prior author's work those constituent elements that are not original – for example ... facts, or materials in the public domain – as long as such use does not unfairly appropriate the author's original contributions.”

This, then, resolves the doctrinal tension: Copyright treats facts and factual compilations in a wholly consistent manner. Facts, whether alone or as part of a compilation, are not original and therefore may not be copyrighted. A factual compilation is eligible for copyright if it features an original selection or arrangement of facts, but the copyright is limited to the particular selection or arrangement. In no event may copyright extend to the facts themselves.

B

As we have explained, originality is a constitutionally mandated prerequisite for copyright protection. The Court's decisions announcing this rule predate the Copyright Act of 1909, but ambiguous language in the 1909 Act caused some lower courts temporarily to lose sight of this requirement.

The 1909 Act embodied the originality requirement, but not as clearly as it might have. The subject matter of copyright was set out in §§ 3 and 4 of the Act. Section 4 stated that copyright was available to “all the writings of an author.” 35 Stat. 1076. By using the words “writings” and “author” – the same words used in Article I, § 8, of the Constitution and defined by the Court in *The Trade-Mark Cases* and *Burrow-Giles* – the statute necessarily incorporated the originality requirement articulated in the Court's decisions. It did so implicitly, however, thereby leaving room for error.

Section 3 was similarly ambiguous. It stated that the copyright in a work protected only “the copyrightable component parts of the work.” It thus stated an important copyright principle, but failed to identify the specific characteristic – originality – that determined which component parts of a work were copyrightable and which were not.

Most courts construed the 1909 Act correctly, notwithstanding the less-than-perfect statutory language. They understood from this Court's decisions that there could be no copyright without originality. As explained in the Nimmer treatise: “The 1909 Act neither defined originality, nor even expressly required that a work be ‘original’ in order to command protection. However, the courts uniformly inferred the requirement from the fact that copyright protection may only be claimed by ‘authors’.... It was reasoned that since an author is ‘the ... creator, originator’ it follows that a work is not the product of an author unless the work is original.”

But some courts misunderstood the statute. These courts ignored §§ 3 and 4, focusing their attention instead on § 5 of the Act. Section 5, however, was purely technical in nature: It provided that a person seeking to register a work should indicate on the application the type of work, and it listed 14

categories under which the work might fall. One of these categories was “[b]ooks, including composite and cyclopædic works, directories, gazetteers, and other compilations.” Section 5 did not purport to say that all compilations were automatically copyrightable. Indeed, it expressly disclaimed any such function, pointing out that “the subject-matter of copyright [i]s defined in section four.” Nevertheless, the fact that factual compilations were mentioned specifically in § 5 led some courts to infer erroneously that directories and the like were copyrightable *per se*, “without any further or precise showing of original – personal – authorship.”

Making matters worse, these courts developed a new theory to justify the protection of factual compilations. Known alternatively as “sweat of the brow” or “industrious collection,” the underlying notion was that copyright was a reward for the hard work that went into compiling facts. The classic formulation of the doctrine appeared in *Jeweler’s Circular Publishing Co.*, 281 F., at 88:

“The right to copyright a book upon which one has expended labor in its preparation does not depend upon whether the materials which he has collected consist or not of matters which are publici juris, or whether such materials show literary skill or originality, either in thought or in language, or anything more than industrious collection. The man who goes through the streets of a town and puts down the names of each of the inhabitants, with their occupations and their street number, acquires material of which he is the author.”

The “sweat of the brow” doctrine had numerous flaws, the most glaring being that it extended copyright protection in a compilation beyond selection and arrangement – the compiler's original contributions – to the facts themselves. Under the doctrine, the only defense to infringement was independent creation. A subsequent compiler was “not entitled to take one word of information previously published,” but rather had to “independently wor[k] out the matter for himself, so as to arrive at the same result from the same common sources of information.” “Sweat of the brow” courts thereby eschewed the most fundamental axiom of copyright law – that no one may copyright facts or ideas.

Decisions of this Court applying the 1909 Act make clear that the statute did not permit the “sweat of the brow” approach. The best example is *International News Service v. Associated Press* 248 U.S. 215 (1918). In that decision, the Court stated unambiguously that the 1909 Act conferred copyright protection only on those elements of a work that were original to the author. *International News Service* had conceded taking news reported by Associated Press and publishing it in its own newspapers. Recognizing that § 5 of the Act specifically mentioned “‘periodicals, including newspapers,’” the Court acknowledged that news articles were copyrightable. It flatly rejected, however, the notion that the copyright in an article extended to the factual information it contained: “[T]he news element – the information respecting current events contained in the literary production – is not the creation of the writer, but is a report of matters that ordinarily are *publici juris*; it is the history of the day.”

Without a doubt, the “sweat of the brow” doctrine flouted basic copyright principles. Throughout history, copyright law has “recognize[d] a greater need to disseminate factual works than works of fiction or fantasy.” But “sweat of the brow” courts took a contrary view; they handed out proprietary interests in facts and declared that authors are absolutely precluded from saving time and effort by relying upon the facts contained in prior works. In truth, “[i]t is just such wasted effort that the proscription against the copyright of ideas and facts ... [is] designed to prevent.” “Protection for the fruits of such research ... may in certain circumstances be available under a theory of unfair competition. But to accord copyright protection on this basis alone distorts basic copyright principles in that it creates a monopoly in public domain materials without the necessary justification of protecting and encouraging the creation of ‘writings’ by ‘authors.’”

C

“Sweat of the brow” decisions did not escape the attention of the Copyright Office. When Congress decided to overhaul the copyright statute and asked the Copyright Office to study existing problems, the Copyright Office promptly recommended that Congress clear up the confusion in the lower courts as to the basic standards of copyrightability. The Register of Copyrights explained in his first report to

Congress that “originality” was a “basic requisit[e]” of copyright under the 1909 Act, but that “the absence of any reference to [originality] in the statute seems to have led to misconceptions as to what is copyrightable matter.” The Register suggested making the originality requirement explicit.

Congress took the Register's advice. In enacting the Copyright Act of 1976, Congress dropped the reference to “all the writings of an author” and replaced it with the phrase “original works of authorship.” In making explicit the originality requirement, Congress announced that it was merely clarifying existing law: “The two fundamental criteria of copyright protection [are] originality and fixation in tangible form.... The phrase ‘original works of authorship,’ which is purposely left undefined, is intended to incorporate without change *the standard of originality established by the courts under the present [1909] copyright statute.*” This sentiment was echoed by the Copyright Office: “Our intention here is to maintain the *established standards* of originality....”

To ensure that the mistakes of the “sweat of the brow” courts would not be repeated, Congress took additional measures. For example, § 3 of the 1909 Act had stated that copyright protected only the “copyrightable component parts” of a work, but had not identified originality as the basis for distinguishing those component parts that were copyrightable from those that were not. The 1976 Act deleted this section and replaced it with § 102(b), which identifies specifically those elements of a work for which copyright is not available: “In 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, regardless of the form in which it is described, explained, illustrated, or embodied in such work.” Section 102(b) is universally understood to prohibit any copyright in facts. As with § 102(a), Congress emphasized that § 102(b) did not change the law, but merely clarified it: “Section 102(b) in no way enlarges or contracts the scope of copyright protection under the present law. Its purpose is to restate ... that the basic dichotomy between expression and idea remains unchanged.”

Congress took another step to minimize confusion by deleting the specific mention of “directories ... and other compilations” in § 5 of the 1909 Act. As mentioned, this section had led some courts to conclude that directories were copyrightable *per se* and that every element of a directory was protected. In its place, Congress enacted two new provisions. First, to make clear that compilations were not copyrightable *per se*, Congress provided a definition of the term “compilation.” Second, to make clear that the copyright in a compilation did not extend to the facts themselves, Congress enacted § 103.

The definition of “compilation” is found in § 101 of the 1976 Act. It defines a “compilation” in the copyright sense as “a work formed by the collection and assembling of preexisting materials or of data *that* are selected, coordinated, or arranged *in such a way that* the resulting work as a whole constitutes an original work of authorship”.

The purpose of the statutory definition is to emphasize that collections of facts are not copyrightable *per se*. It conveys this message through its tripartite structure, as emphasized above by the italics. The statute identifies three distinct elements and requires each to be met for a work to qualify as a copyrightable compilation: (1) the collection and assembly of pre-existing material, facts, or data; (2) the selection, coordination, or arrangement of those materials; and (3) the creation, by virtue of the particular selection, coordination, or arrangement, of an “original” work of authorship. “[T]his tripartite conjunctive structure is self-evident, and should be assumed to ‘accurately express the legislative purpose.’”

At first glance, the first requirement does not seem to tell us much. It merely describes what one normally thinks of as a compilation – a collection of pre-existing material, facts, or data. What makes it significant is that it is not the *sole* requirement. It is not enough for copyright purposes that an author collects and assembles facts. To satisfy the statutory definition, the work must get over two additional hurdles. In this way, the plain language indicates that not every collection of facts receives copyright protection. Otherwise, there would be a period after “data.”

The third requirement is also illuminating. It emphasizes that a compilation, like any other work, is copyrightable only if it satisfies the originality requirement (“an *original* work of authorship”).

Although § 102 states plainly that the originality requirement applies to all works, the point was emphasized with regard to compilations to ensure that courts would not repeat the mistake of the “sweat of the brow” courts by concluding that fact-based works are treated differently and measured by some other standard. As Congress explained it, the goal was to “make plain that the criteria of copyrightable subject matter stated in section 102 apply with full force to works ... containing preexisting material.”

The key to the statutory definition is the second requirement. It instructs courts that, in determining whether a fact-based work is an original work of authorship, they should focus on the manner in which the collected facts have been selected, coordinated, and arranged. This is a straightforward application of the originality requirement. Facts are never original, so the compilation author can claim originality, if at all, only in the way the facts are presented. To that end, the statute dictates that the principal focus should be on whether the selection, coordination, and arrangement are sufficiently original to merit protection.

Not every selection, coordination, or arrangement will pass muster. This is plain from the statute. It states that, to merit protection, the facts must be selected, coordinated, or arranged “in such a way” as to render the work as a whole original. This implies that some “ways” will trigger copyright, but that others will not. Otherwise, the phrase “in such a way” is meaningless and Congress should have defined “compilation” simply as “a work formed by the collection and assembly of preexisting materials or data that are selected, coordinated, or arranged.” That Congress did not do so is dispositive. In accordance with “the established principle that a court should give effect, if possible, to every clause and word of a statute,” we conclude that the statute envisions that there will be some fact-based works in which the selection, coordination, and arrangement are not sufficiently original to trigger copyright protection.

As discussed earlier, however, the originality requirement is not particularly stringent. A compiler may settle upon a selection or arrangement that others have used; novelty is not required. Originality requires only that the author make the selection or arrangement independently (*i.e.*, without copying that selection or arrangement from another work), and that it display some minimal level of creativity. Presumably, the vast majority of compilations will pass this test, but not all will. There remains a narrow category of works in which the creative spark is utterly lacking or so trivial as to be virtually nonexistent. Such works are incapable of sustaining a valid copyright.

Even if a work qualifies as a copyrightable compilation, it receives only limited protection. This is the point of § 103 of the Act. Section 103 explains that “[t]he subject matter of copyright ... includes compilations,” § 103(a), but that copyright protects only the author's original contributions—not the facts or information conveyed:

“The copyright in a compilation ... extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material.”

As § 103 makes clear, copyright is not a tool by which a compilation author may keep others from using the facts or data he or she has collected. “The most important point here is one that is commonly misunderstood today: copyright ... has no effect one way or the other on the copyright or public domain status of the preexisting material.” The 1909 Act did not require, as “sweat of the brow” courts mistakenly assumed, that each subsequent compiler must start from scratch and is precluded from relying on research undertaken by another. Rather, the facts contained in existing works may be freely copied because copyright protects only the elements that owe their origin to the compiler—the selection, coordination, and arrangement of facts.

In summary, the 1976 revisions to the Copyright Act leave no doubt that originality, not “sweat of the brow,” is the touchstone of copyright protection in directories and other fact-based works. Nor is there any doubt that the same was true under the 1909 Act. The 1976 revisions were a direct response to the Copyright Office's concern that many lower courts had misconstrued this basic principle, and Congress emphasized repeatedly that the purpose of the revisions was to clarify, not change, existing

law. The revisions explain with painstaking clarity that copyright requires originality, § 102(a); that facts are never original, § 102(b); that the copyright in a compilation does not extend to the facts it contains, § 103(b); and that a compilation is copyrightable only to the extent that it features an original selection, coordination, or arrangement.

The 1976 revisions have proven largely successful in steering courts in the right direction. “A copyright in a directory ... is properly viewed as resting on the originality of the selection and arrangement of the factual material, rather than on the industriousness of the efforts to develop the information. Copyright protection does not extend to the facts themselves, and the mere use of information contained in a directory without a substantial copying of the format does not constitute infringement”. Additionally, the Second Circuit, which almost 70 years ago issued the classic formulation of the “sweat of the brow” doctrine in *Jeweler's Circular Publishing Co.*, has now fully repudiated the reasoning of that decision. Even those scholars who believe that “industrious collection” should be rewarded seem to recognize that this is beyond the scope of existing copyright law.

III

There is no doubt that Feist took from the white pages of Rural's directory a substantial amount of factual information. At a minimum, Feist copied the names, towns, and telephone numbers of 1,309 of Rural's subscribers. Not all copying, however, is copyright infringement. To establish infringement, two elements must be proven: (1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original. The first element is not at issue here; Feist appears to concede that Rural's directory, considered as a whole, is subject to a valid copyright because it contains some foreword text, as well as original material in its yellow pages advertisements.

The question is whether Rural has proved the second element. In other words, did Feist, by taking 1,309 names, towns, and telephone numbers from Rural's white pages, copy anything that was “original” to Rural? Certainly, the raw data does not satisfy the originality requirement. Rural may have been the first to discover and report the names, towns, and telephone numbers of its subscribers, but this data does not “ ‘ow[e] its origin’ ” to Rural. Rather, these bits of information are uncopyrightable facts; they existed before Rural reported them and would have continued to exist if Rural had never published a telephone directory. The originality requirement “rule[s] out protecting ... names, addresses, and telephone numbers of which the plaintiff by no stretch of the imagination could be called the author.”

Rural essentially concedes the point by referring to the names, towns, and telephone numbers as “preexisting material.” Section 103(b) states explicitly that the copyright in a compilation does not extend to “the preexisting material employed in the work.”

The question that remains is whether Rural selected, coordinated, or arranged these uncopyrightable facts in an original way. As mentioned, originality is not a stringent standard; it does not require that facts be presented in an innovative or surprising way. It is equally true, however, that the selection and arrangement of facts cannot be so mechanical or routine as to require no creativity whatsoever. The standard of originality is low, but it does exist. As this Court has explained, the Constitution mandates some minimal degree of creativity, and an author who claims infringement must prove “the existence of ... intellectual production, of thought, and conception.”

The selection, coordination, and arrangement of Rural's white pages do not satisfy the minimum constitutional standards for copyright protection. As mentioned at the outset, Rural's white pages are entirely typical. Persons desiring telephone service in Rural's service area fill out an application and Rural issues them a telephone number. In preparing its white pages, Rural simply takes the data provided by its subscribers and lists it alphabetically by surname. The end product is a garden-variety white pages directory, devoid of even the slightest trace of creativity.

Rural's selection of listings could not be more obvious: It publishes the most basic information – name, town, and telephone number – about each person who applies to it for telephone service. This is

“selection” of a sort, but it lacks the modicum of creativity necessary to transform mere selection into copyrightable expression. Rural expended sufficient effort to make the white pages directory useful, but insufficient creativity to make it original.

We note in passing that the selection featured in Rural's white pages may also fail the originality requirement for another reason. Feist points out that Rural did not truly “select” to publish the names and telephone numbers of its subscribers; rather, it was required to do so by the Kansas Corporation Commission as part of its monopoly franchise. Accordingly, one could plausibly conclude that this selection was dictated by state law, not by Rural.

Nor can Rural claim originality in its coordination and arrangement of facts. The white pages do nothing more than list Rural's subscribers in alphabetical order. This arrangement may, technically speaking, owe its origin to Rural; no one disputes that Rural undertook the task of alphabetizing the names itself. But there is nothing remotely creative about arranging names alphabetically in a white pages directory. It is an age-old practice, firmly rooted in tradition and so commonplace that it has come to be expected as a matter of course. It is not only unoriginal, it is practically inevitable. This time-honored tradition does not possess the minimal creative spark required by the Copyright Act and the Constitution.

We conclude that the names, towns, and telephone numbers copied by Feist were not original to Rural and therefore were not protected by the copyright in Rural's combined white and yellow pages directory. As a constitutional matter, copyright protects only those constituent elements of a work that possess more than a *de minimis* quantum of creativity. Rural's white pages, limited to basic subscriber information and arranged alphabetically, fall short of the mark. As a statutory matter, § 101 does not afford protection from copying to a collection of facts that are selected, coordinated, and arranged in a way that utterly lacks originality. Given that some works must fail, we cannot imagine a more likely candidate. Indeed, were we to hold that Rural's white pages pass muster, it is hard to believe that any collection of facts could fail.

Because Rural's white pages lack the requisite originality, Feist's use of the listings cannot constitute infringement. This decision should not be construed as demeaning Rural's efforts in compiling its directory, but rather as making clear that copyright rewards originality, not effort. As this Court noted more than a century ago, “great praise may be due to the plaintiffs for their industry and enterprise in publishing this paper, yet the law does not contemplate their being rewarded in this way.”

THE JUDGMENT OF THE COURT OF APPEALS IS REVERSED.

CCH Canadian Ltd. v. Law Society of Upper Canada
[2004] 1 S.C.R. 339

THE CHIEF JUSTICE

I. Introduction – The Issues To Be Determined

1 The appellant, the Law Society of Upper Canada, is a statutory non-profit corporation that has regulated the legal profession in Ontario since 1822. Since 1845, the Law Society has maintained and operated the Great Library at Osgoode Hall in Toronto, a reference and research library with one of the largest collections of legal materials in Canada. The Great Library provides a request-based photocopy service (the “custom photocopy service”) for Law Society members, the judiciary and other authorized researchers. Under the custom photocopy service, legal materials are reproduced by Great Library staff and delivered in person, by mail or by facsimile transmission to requesters. The Law Society also maintains self-service photocopiers in the Great Library for use by its patrons.

2 The respondents, CCH Canadian Ltd., Thomson Canada Ltd. and Canada Law Book Inc., publish law reports and other legal materials. In 1993, the respondent publishers commenced copyright infringement actions against the Law Society, seeking a declaration of subsistence and ownership of

copyright in eleven specific works and a declaration that the Law Society had infringed copyright when the Great Library reproduced a copy of each of the works. The publishers also sought a permanent injunction prohibiting the Law Society from reproducing these eleven works as well as any other works that they published.

3 The Law Society denied liability and counterclaimed for a declaration that copyright is not infringed when a single copy of a reported decision, case summary, statute, regulation or a limited selection of text from a treatise is made by the Great Library staff or one of its patrons on a self-service photocopier for the purpose of research.

4 The key question that must be answered in this appeal is whether the Law Society has breached copyright by either (1) providing the custom photocopy service in which single copies of the publishers' works are reproduced and sent to patrons upon their request or by (2) maintaining self-service photocopiers and copies of the publishers' works in the Great Library for use by its patrons. To answer this question, the Court must address the following sub-issues:

- (1) *Are the publishers' materials "original works" protected by copyright?*
- (2) *Did the Great Library authorize copyright infringement by maintaining self-service photocopiers and copies of the publishers' works for its patrons' use?*
- (3) *Were the Law Society's dealings with the publishers' works "fair dealing[s]" under s. 29 of the Copyright Act, R.S.C. 1985, c. C-42, as amended?*
- (4) *Did Canada Law Book consent to have its works reproduced by the Great Library?*

5 The publishers have filed a cross-appeal in which they submit that, in addition to infringing copyright by reproducing copies of their works, the Law Society infringed copyright both by faxing and by selling copies of the publishers' copyrighted works through its custom photocopy service. The publishers also contend that the Great Library does not qualify for the library exemption under the *Copyright Act* and, finally, that they are entitled to an injunction to the extent that the Law Society has been found to infringe any one or more of their copyrighted works. The four sub-issues that the Court must address on this cross-appeal are:

- (1) *Did the Law Society's fax transmissions of the publishers' works constitute communications "to the public" within s. 3(1)(f) of the Copyright Act so as to constitute copyright infringement?*
- (2) *Did the Law Society infringe copyright by selling copies of the publishers' works contrary to s. 27(2) of the Copyright Act?*
- (3) *Does the Law Society qualify for an exemption as a "library, archive or museum" under ss. 2 and 30.2(1) of the Copyright Act?*
- (4) *To the extent that the Law Society has been found to infringe any one or more of the publishers' copyrighted works, are the publishers entitled to a permanent injunction under s. 34(1) of the Copyright Act?*

6 With respect to the main appeal, I conclude that the Law Society did not infringe copyright by providing single copies of the respondent publishers' works to its members through the custom photocopy service. Although the works in question were "original" and thus covered by copyright, the Law Society's dealings with the works were for the purpose of research and were fair dealings within s. 29 of the *Copyright Act*. I also find that the Law Society did not authorize infringement by maintaining self-service photocopiers in the Great Library for use by its patrons. I would therefore allow the appeal.

7 On the cross-appeal, I conclude that there was no secondary infringement by the Law Society; the fax transmissions were not communications to the public and the Law Society did not sell copies of the publishers' works. In light of my finding on appeal that the Law Society's dealings with the publishers' works were fair, it is not necessary to decide whether the Great Library qualifies for the library exemption. This said, I would conclude that the Great Library does indeed qualify for this exemption. Finally, in light of my conclusion that there has been no copyright infringement, it is not necessary to issue an injunction in this case. I would dismiss the cross-appeal.

II. Analysis on Appeal

8 Copyright law in Canada protects a wide range of works including every original literary, dramatic, musical and artistic work, computer programs, translations and compilations of works: see ss. 5, 2 and 2.1 of the *Copyright Act*. Copyright law protects the expression of ideas in these works; it does not protect ideas in and of themselves. Thorson P. explained it thus in *Moreau v. St. Vincent*, [1950] Ex. C.R. 198, at p. 203:

It is, I think, an elementary principle of copyright law that an author has no copyright in ideas but only in his expression of them. The law of copyright does not give him any monopoly in the use of the ideas with which he deals or any property in them, even if they are original. His copyright is confined to the literary work in which he has expressed them. The ideas are public property, the literary work is his own.

It flows from the fact that copyright only protects the expression of ideas that a work must also be in a fixed material form to attract copyright protection.

9 In Canada, copyright is a creature of statute and the rights and remedies provided by the *Copyright Act* are exhaustive. In interpreting the scope of the *Copyright Act*'s rights and remedies, courts should apply the modern approach to statutory interpretation whereby "the words of an Act are to be read in their entire context and in their grammatical and ordinary sense harmoniously with the scheme of the Act, the object of the Act, and the intention of Parliament".

10 Binnie J. recently explained in *Théberge* that the *Copyright Act* has dual objectives:

The Copyright Act is usually presented as a balance between promoting the public interest in the encouragement and dissemination of works of the arts and intellect and obtaining a just reward for the creator. (...) The proper balance among these and other public policy objectives lies not only in recognizing the creator's rights but in giving due weight to their limited nature.

In interpreting the *Copyright Act*, courts should strive to maintain an appropriate balance between these two goals.

11 Canada's *Copyright Act* sets out the rights and obligations of both copyright owners and users. Part I of the Act specifies the scope of a creator's copyright and moral rights in works. For example, s. 3 of the Act specifies that only copyright owners have the right to copy or to authorize the copying of their works:

3. (1) For the purposes of this Act, "copyright", in relation to a work, means the sole right to produce or reproduce the work or any substantial part thereof in any material form whatever, to perform the work or any substantial part thereof in public or, if the work is unpublished, to publish the work or any substantial part thereof (...) and to authorize any such acts.

12 Part III of the *Copyright Act* deals with the infringement of copyright and exceptions to infringement. Section 27(1) states generally that "[i]t is an infringement of copyright for any person to do, without the consent of the owner of the copyright, anything that by this Act only the owner of the copyright has the right to do." More specific examples of how copyright is infringed are set out in s. 27(2) of the Act. The exceptions to copyright infringement, perhaps more properly understood as users' rights, are set out in ss. 29 and 30 of the Act. The fair dealing exceptions to copyright are set out in ss. 29 to 29.2. In general terms, those who deal fairly with a work for the purpose of research, private study, criticism, review or news reporting, do not infringe copyright. Educational institutions, libraries, archives and museums are specifically exempted from copyright infringement in certain circumstances: see ss. 29.4 to 30 (educational institutions), and ss. 30.1 to 30.5. Part IV of the *Copyright Act* specifies the remedies that may be awarded in cases where copyright has been infringed. Copyright owners may be entitled to any number of different remedies such as damages and injunctions, among others.

13 This case requires this Court to interpret the scope of both owners' and users' rights under the *Copyright Act*, including what qualifies for copyright protection, what is required to find that the copyright has been infringed through authorization and the fair dealing exceptions under the Act.

(1) *Are the Publishers' Materials "Original Works" Covered by Copyright?*

(a) The Law

14 Section 5 of the *Copyright Act* states that, in Canada, copyright shall subsist “in every original literary, dramatic, musical and artistic work” (emphasis added). Although originality sets the boundaries of copyright law, it is not defined in the *Copyright Act*. Section 2 of the *Copyright Act* defines “every original literary . . . work” as including “every original production in the literary . . . domain, whatever may be the mode or form of its expression”. Since copyright protects only the expression or form of ideas, “the originality requirement must apply to the expressive element of the work and not the idea”.

15 There are competing views on the meaning of “original” in copyright law. Some courts have found that a work that originates from an author and is more than a mere copy of a work is sufficient to ground copyright. This approach is consistent with the “sweat of the brow” or “industriousness” standard of originality, which is premised on a natural rights or Lockean theory of “just desserts”, namely that an author deserves to have his or her efforts in producing a work rewarded. Other courts have required that a work must be creative to be “original” and thus protected by copyright. This approach is also consistent with a natural rights theory of property law; however it is less absolute in that only those works that are the product of creativity will be rewarded with copyright protection. It has been suggested that the “creativity” approach to originality helps ensure that copyright protection only extends to the expression of ideas as opposed to the underlying ideas or facts.

16 I conclude that the correct position falls between these extremes. For a work to be “original” within the meaning of the *Copyright Act*, it must be more than a mere copy of another work. At the same time, it need not be creative, in the sense of being novel or unique. What is required to attract copyright protection in the expression of an idea is an exercise of skill and judgment. By skill, I mean the use of one’s knowledge, developed aptitude or practised ability in producing the work. By judgment, I mean the use of one’s capacity for discernment or ability to form an opinion or evaluation by comparing different possible options in producing the work. This exercise of skill and judgment will necessarily involve intellectual effort. The exercise of skill and judgment required to produce the work must not be so trivial that it could be characterized as a purely mechanical exercise. For example, any skill and judgment that might be involved in simply changing the font of a work to produce “another” work would be too trivial to merit copyright protection as an “original” work.

17 In reaching this conclusion, I have had regard to: (1) the plain meaning of “original”; (2) the history of copyright law; (3) recent jurisprudence; (4) the purpose of the *Copyright Act*; and (5) that this constitutes a workable yet fair standard.

(i) *The Plain Meaning of “Original”*

18 The plain meaning of the word “original” suggests at least some intellectual effort, as is necessarily involved in the exercise of skill and judgment. The *Concise Oxford Dictionary* defines “original” as follows:

1. a. existing from the first, primitive, innate, initial, earliest; . . . 2. that has served as pattern, of which copy or translation has been made, not derivative or dependant, first-hand, not imitative, novel in character or style, inventive, creative, thinking or acting for oneself.

“Original”’s plain meaning implies not just that something is not a copy. It includes, if not creativity *per se*, at least some sort of intellectual effort. As Professor Gervais has noted, “[w]hen used to mean simply that the work must originate from the author, originality is eviscerated of its core meaning. It becomes a synonym of ‘originated,’ and fails to reflect the ordinary sense of the word”.

(ii) *History of Copyright*

19 The idea of “intellectual creation” was implicit in the notion of literary or artistic work under the *Berne Convention for the Protection of Literary and Artistic Works* (1886), to which Canada adhered in 1923, and which served as the precursor to Canada’s first *Copyright Act*, adopted in 1924. Professor Ricketson has indicated that in adopting a sweat of the brow or industriousness approach to deciding what is original, common law countries such as England have “depart[ed] from the spirit, if not the

letter, of the [Berne] Convention” since works that have taken time, labour or money to produce but are not truly artistic or literary intellectual creations are accorded copyright protection.

20 In the international context, France and other continental civilian jurisdictions require more than mere industriousness to find that a work is original. “Under the French law, originality means both the intellectual contribution of the author and the novel nature of the work as compared with existing works”. This understanding of originality is reinforced by the expression “*le droit d’auteur*” – literally the “author’s right” – the term used in the French title of the *Copyright Act*. The author must contribute something intellectual to the work, namely skill and judgment, if it is to be considered original.

(iii) *Recent Jurisprudence*

21 Although many Canadian courts have adopted a rather low standard of originality, i.e., that of industriousness, more recently, some courts have begun to question whether this standard is appropriate. For example, the Federal Court of Appeal in *Tele-Direct, supra*, held, at para. 29, that those cases which had adopted the sweat of the brow approach to originality should not be interpreted as concluding that labour, in and of itself, could ground a finding of originality. As Décary J.A. explained: “If they did, I suggest that their approach was wrong and is irreconcilable with the standards of intellect and creativity that were expressly set out in NAFTA and endorsed in the 1993 amendments to the *Copyright Act* and that were already recognized in Anglo-Canadian law.”

22 The United States Supreme Court explicitly rejected the “sweat of the brow” approach to originality in *Feist, supra*. In so doing, O’Connor J. explained that, in her view, the “sweat of the brow” approach was not consistent with the underlying tenets of copyright law:

The “sweat of the brow” doctrine had numerous flaws, the most glaring being that it extended copyright protection in a compilation beyond selection and arrangement — the compiler’s original contributions — to the facts themselves. Under the doctrine, the only defense to infringement was independent creation. A subsequent compiler was “not entitled to take one word of information previously published,” but rather had to “independently wor(k) out the matter for himself, so as to arrive at the same result from the same common sources of information.” . . . “Sweat of the brow” courts thereby eschewed the most fundamental axiom of copyright law — that no one may copyright facts or ideas.

As this Court recognized in *Compo*, U.S. copyright cases may not be easily transferable to Canada given the key differences in the copyright concepts in Canadian and American copyright legislation. This said, in Canada, as in the United States, copyright protection does not extend to facts or ideas but is limited to the expression of ideas. As such, O’Connor J.’s concerns about the “sweat of the brow” doctrine’s improper extension of copyright over facts also resonate in Canada. I would not, however, go as far as O’Connor J. in requiring that a work possess a minimal degree of creativity to be considered original.

(iv) *Purpose of the Copyright Act*

23 As mentioned, in *Théberge, supra*, this Court stated that the purpose of copyright law was to balance the public interest in promoting the encouragement and dissemination of works of the arts and intellect and obtaining a just reward for the creator. When courts adopt a standard of originality requiring only that something be more than a mere copy or that someone simply show industriousness to ground copyright in a work, they tip the scale in favour of the author’s or creator’s rights, at the loss of society’s interest in maintaining a robust public domain that could help foster future creative innovation. By way of contrast, when an author must exercise skill and judgment to ground originality in a work, there is a safeguard against the author being overcompensated for his or her work. This helps ensure that there is room for the public domain to flourish as others are able to produce new works by building on the ideas and information contained in the works of others.

(v) *Workable, Yet Fair Standard*

24 Requiring that an original work be the product of an exercise of skill and judgment is a workable yet fair standard. The “sweat of the brow” approach to originality is too low a standard. It shifts the balance of copyright protection too far in favour of the owner’s rights, and fails to allow copyright to protect the public’s interest in maximizing the production and dissemination of intellectual works. On the other hand, the creativity standard of originality is too high. A creativity standard implies that something must be novel or non-obvious – concepts more properly associated with patent law than copyright law. By way of contrast, a standard requiring the exercise of skill and judgment in the production of a work avoids these difficulties and provides a workable and appropriate standard for copyright protection that is consistent with the policy objectives of the *Copyright Act*.

(vi) *Conclusion*

25 For these reasons, I conclude that an “original” work under the *Copyright Act* is one that originates from an author and is not copied from another work. That alone, however, is not sufficient to find that something is original. In addition, an original work must be the product of an author’s exercise of skill and judgment. The exercise of skill and judgment required to produce the work must not be so trivial that it could be characterized as a purely mechanical exercise. While creative works will by definition be “original” and covered by copyright, creativity is not required to make a work “original”.

(b) Application of the Law to These Facts (...)

(i) *Headnotes*

29 The Federal Court of Appeal held that “headnotes”, defined as including the summary of the case, catchlines, statement of the case, case title and case information, are more than mere copies and hence “original” works in which copyright subsists. It found that the headnotes are more than simply an abridged version of the reasons; they consist of independently composed features. As Linden J.A. explained, the authors of the headnotes could have chosen to make the summaries “long or short, technical or simple, dull or dramatic, well written or confusing; the organization and presentation might have varied greatly”.

30 Although headnotes are inspired in large part by the judgment which they summarize and refer to, they are clearly not an identical copy of the reasons. The authors must select specific elements of the decision and can arrange them in numerous different ways. Making these decisions requires the exercise of skill and judgment. The authors must use their knowledge about the law and developed ability to determine legal *ratios* to produce the headnotes. They must also use their capacity for discernment to decide which parts of the judgment warrant inclusion in the headnotes. This process is more than just a mechanical exercise. Thus the headnotes constitute “original” works in which copyright subsists.

(ii) *Case Summary*

31 For substantially the same reasons as given for headnotes, the case summary is also covered by copyright. A summary of judicial reasons is not simply a copy of the original reasons. Even if the summary often contains the same language as the judicial reasons, the act of choosing which portions to extract and how to arrange them in the summary requires an exercise of skill and judgment.

(iii) *Topical Index*

32 The topical index is part of the book *Canada GST Cases* (1997). It provides a listing of cases with short headings to indicate the main topics covered by the decision and very brief summaries of the decisions. The Federal Court of Appeal held that the index was original in that it required skill and effort to compile. I agree. The author of the index had to make an initial decision as to which cases were authorities on GST. This alone is a decision that would require the exercise of skill and judgment. The author also had to decide which headings to include and which cases should fall under which headings. He or she had to distill the essence of the decisions down to a succinct one-phrase

summary. All of these tasks require skill and judgment that are sufficient to conclude that the topical index is an “original” work in which copyright subsists.

(iv) *Reported Judicial Decisions*

33 The reported judicial decisions, when properly understood as a compilation of the headnote and the accompanying edited judicial reasons, are “original” works covered by copyright. Copyright protects originality of form or expression. A compilation takes existing material and casts it in a different form. The arranger does not have copyright in the individual components. However, the arranger may have copyright in the form represented by the compilation. “It is not the several components that are the subject of the copyright, but the over-all arrangement of them which the plaintiff through his industry has produced”.

34 The reported judicial decisions here at issue meet the test for originality. The authors have arranged the case summary, catchlines, case title, case information (the headnotes) and the judicial reasons in a specific manner. The arrangement of these different components requires the exercise of skill and judgment. The compilation, viewed globally, attracts copyright protection.

35 This said, the judicial reasons in and of themselves, without the headnotes, are not original works in which the publishers could claim copyright. The changes made to judicial reasons are relatively trivial; the publishers add only basic factual information about the date of the judgment, the court and the panel hearing the case, counsel for each party, lists of cases, statutes and parallel citations. The publishers also correct minor grammatical errors and spelling mistakes. Any skill and judgment that might be involved in making these minor changes and additions to the judicial reasons are too trivial to warrant copyright protection. The changes and additions are more properly characterized as a mere mechanical exercise. As such, the reported reasons, when disentangled from the rest of the compilation – namely the headnote – are not covered by copyright. It would not be copyright infringement for someone to reproduce only the judicial reasons.

36 In summary, the headnotes, case summary, topical index and compilation of reported judicial decisions are all works that have originated from their authors and are not mere copies. They are the product of the exercise of skill and judgment that is not trivial. As such, they are all “original” works in which copyright subsists. The appeal of these findings should be dismissed. (...)

Sociedad General de Autores y Editores de España (SGAE) v. Rafael Hoteles SA,
JUDGMENT OF THE COURT (Third Chamber)
7 December 2006
Case C-306/05

(...) **Legal context**

Applicable international law

3 The Agreement on Trade-Related Aspects of Intellectual Property Rights (‘the TRIPs Agreement’), as set out in Annex 1C to the Marrakesh Agreement establishing the World Trade Organisation, was approved on behalf of the European Community by Council Decision 94/800/EC of 22 December 1994 concerning the conclusion on behalf of the European Community, as regards matters within its competence, of the agreements reached in the Uruguay Round multilateral negotiations (1986-1994).

4 Article 9(1) of the TRIPs Agreement provides:

‘Members shall comply with Articles 1 through 21 of the Berne Convention (1971) and the Appendix thereto. However, Members shall not have rights or obligations under this Agreement in respect of the rights conferred under Article 6bis of that Convention or of the rights derived therefrom.’

5 Article 11 of the Berne Convention for the Protection of Literary and Artistic Works (Paris Act of 24 July 1971), as amended on 28 September 1979 ('the Berne Convention') provides:

'1. Authors of dramatic, dramatico-musical and musical works shall enjoy the exclusive right of authorising:

(i) the public performance of their works, including such public performance by any means or process;

(ii) any communication to the public of the performance of their works.

2. Authors of dramatic or dramatico-musical works shall enjoy, during the full term of their rights in the original works, the same rights with respect to translations thereof.'

6 Article 11bis(1) of the Berne Convention provides:

'Authors of literary and artistic works shall enjoy the exclusive right of authorising:

(i) the broadcasting of their works or the communication thereof to the public by any other means of wireless diffusion of signs, sounds or images;

(ii) any communication to the public by wire or by rebroadcasting of the broadcast of the work, when this communication is made by an organization other than the original one;

(iii) the public communication by loudspeaker or any other analogous instrument transmitting, by signs, sounds or images, the broadcast of the work.'

7 The World Intellectual Property Organisation (WIPO) adopted in Geneva, on 20 December 1996, the WIPO Performances and Phonograms Treaty and the WIPO Copyright Treaty. Those two treaties were approved on behalf of the Community by Council Decision 2000/278/EC of 16 March 2000.

8 Article 8 of the WIPO Copyright Treaty provides:

'Without prejudice to the provisions of Articles 11(1)(ii), 11bis(1)(i) and (ii), 11ter(1)(ii), 14(1)(ii) and 14bis(1) of the Berne Convention, authors of literary and artistic works shall enjoy the exclusive right of authorising any communication to the public of their works, by wire or wireless means, including the making available to the public of their works in such a way that members of the public may access these works from a place and at a time individually chosen by them.'

9 Joint declarations concerning the WIPO Copyright Treaty were adopted by the Diplomatic Conference on 20 December 1996.

10 The joint declaration concerning Article 8 of that Treaty provides:

'It is understood that the mere provision of physical facilities for enabling or making a communication does not in itself amount to communication within the meaning of this Treaty or the Berne Convention. It is further understood that nothing in Article 8 precludes a Contracting Party from applying Article 11bis(2).'

Community legislation

11 The ninth recital in the preamble to Directive 2001/29 states:

'Any harmonisation of copyright and related rights must take as a basis a high level of protection, since such rights are crucial to intellectual creation. Their protection helps to ensure the maintenance and development of creativity in the interests of authors, performers, producers, consumers, culture, industry and the public at large. Intellectual property has therefore been recognised as an integral part of property.'

12 The 10th recital in the preamble to that directive states:

'If authors or performers are to continue their creative and artistic work, they have to receive an appropriate reward for the use of their work, as must producers in order to be able to finance this work. The investment required to produce products such as phonograms, films or multimedia products, and services such as "on-demand" services, is considerable. Adequate legal protection of intellectual property rights is necessary in order to guarantee the availability of such a reward and provide the opportunity for satisfactory returns on this investment.'

13 The 15th recital in the preamble to that directive states:

'The Diplomatic Conference held under the auspices of the [WIPO] in December 1996 led to the adoption of two new Treaties, the [WIPO Copyright Treaty] and the [WIPO Performances and Phonograms Treaty], dealing respectively with the protection of authors and the protection of performers and phonogram producers. Those Treaties update the international protection for copyright and related

rights significantly, not least with regard to the so-called “digital agenda”, and improve the means to fight piracy world-wide. The Community and a majority of Member States have already signed the Treaties and the process of making arrangements for the ratification of the Treaties by the Community and the Member States is under way. This Directive also serves to implement a number of the new international obligations.’

14 The 23rd recital in the preamble to that directive states:

‘This Directive should harmonise further the author’s right of communication to the public. This right should be understood in a broad sense covering all communication to the public not present at the place where the communication originates. This right should cover any such transmission or retransmission of a work to the public by wire or wireless means, including broadcasting. This right should not cover any other acts.’

15 The 27th recital in the preamble to Directive 2001/29 states:

‘The mere provision of physical facilities for enabling or making a communication does not in itself amount to communication within the meaning of this Directive.’

16 Article 3 of that directive provides:

‘1. Member States shall provide authors with the exclusive right to authorise or prohibit any communication to the public of their works, by wire or wireless means, including the making available to the public of their works in such a way that members of the public may access them from a place and at a time individually chosen by them.

2. Member States shall provide for the exclusive right to authorise or prohibit the making available to the public, by wire or wireless means, in such a way that members of the public may access them from a place and at a time individually chosen by them:

(a) for performers, of fixations of their performances;

(b) for phonogram producers, of their phonograms;

(c) for the producers of the first fixations of films, of the original and copies of their films;

(d) for broadcasting organisations, of fixations of their broadcasts, whether these broadcasts are transmitted by wire or over the air, including by cable or satellite.

3. 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.’

National legislation

17 The codified text of the Law on intellectual property, which rectifies, clarifies and harmonises the legislative provisions in force in that area (‘the LIP’), was approved by Royal Legislative Decree No 1/1996 of 12 April 1996.

18 Article 17 of the LIP provides:

‘The author has the exclusive rights of exploitation of his works regardless of their form and, inter alia, the exclusive rights of reproduction, distribution, public communication and conversion which cannot be exercised without his permission except in circumstances laid down in this Law.’

19 Article 20(1) of the LIP provides:

‘Public communication shall mean any act by which a number of persons can have access to the work without prior distribution of copies to each of those persons. Communication which takes place within a strictly domestic location which is not integrated into or connected to a distribution network of any kind shall not be classified as public.’

The main proceedings and the questions referred for a preliminary ruling

20 SGAE is the body responsible for the management of intellectual property rights in Spain.

21 SGAE took the view that the use of television sets and the playing of ambient music within the hotel owned by Rafael, during the period from June 2002 to March 2003, involved communication to the public of works belonging to the repertoire which it manages. Considering that those acts were carried out in breach of the intellectual property rights attached to the works, SGAE brought an action for compensation against Rafael before the Juzgado de Primera Instancia (Court of First Instance) No 28, Barcelona (Spain).

22 By decision of 6 June 2003, that court partially rejected the claim. It took the view that the use of television sets in the hotel's rooms did not involve communication to the public of works managed by SGAE. It considered, on the other hand, that the claim was well founded as regards the well-known existence in hotels of communal areas with television sets and where ambient music is played.

23 SGAE and Rafael both brought appeals before the Audiencia Provincial (Provincial Court) de Barcelona, which decided to stay the proceedings and to refer the following questions to the Court of Justice for a preliminary ruling:

'(1) Does the installation in hotel rooms of television sets to which a satellite or terrestrial television signal is sent by cable constitute an act of communication to the public which is covered by the harmonisation of national laws protecting copyright provided for in Article 3 of Directive [2001/29]?

(2) Is the fact of deeming a hotel room to be a strictly domestic location, so that communication by means of television sets to which is fed a signal previously received by the hotel is not regarded as communication to the public, contrary to the protection of copyright pursued by Directive [2001/29]?

(3) For the purposes of protecting copyright in relation to acts of communication to the public provided for in Directive [2001/29], can a communication that is effected through a television set inside a hotel bedroom be regarded as public because successive viewers have access to the work?'

(...) The questions

Preliminary observations

30 It should be stated at the outset that, contrary to Rafael's submissions, the situation at issue in the main proceedings does not fall within 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, but within Directive 2001/29. The latter applies to all communications to the public of protected works, whereas Directive 93/83 only provides for minimal harmonisation of certain aspects of protection of copyright and related rights in the case of communication to the public by satellite or cable retransmission of programmes from other Member States. As the Court has already held, unlike Directive 2001/29, this minimal harmonisation does not provide information to enable the Court to reply to a question concerning a situation similar to that which is the subject of the questions referred for a preliminary ruling.

31 Next, it should be noted that the need for uniform application of Community law and the principle of equality require that where provisions of Community law make no express reference to the law of the Member States for the purpose of determining their meaning and scope, as is the case with Directive 2001/29/EC, they must normally be given an autonomous and uniform interpretation throughout the Community. It follows that the Austrian Government cannot reasonably maintain that it is for the Member States to provide the definition of 'public' to which Directive 2001/29 refers but does not define.

The first and third questions

32 By its first and third questions, which it is appropriate to examine together, the referring court asks, essentially, whether the distribution of a signal through television sets to customers in hotel rooms constitutes communication to the public within the meaning of Article 3(1) of Directive 2001/29, and whether the installation of television sets in hotel rooms constitutes, in itself, an act of that nature.

33 In that respect, it should be noted that that Directive does not define 'communication to the public'.

34 According to settled case-law, in interpreting a provision of Community law it is necessary to consider not only its wording, but also the context in which it occurs and the objectives pursued by the rules of which it is part.

35 Moreover, Community legislation must, so far as possible, be interpreted in a manner that is consistent with international law, in particular where its provisions are intended specifically to give effect to an international agreement concluded by the Community.

36 It follows from the 23rd recital in the preamble to Directive 2001/29 that ‘communication to the public’ must be interpreted broadly. Such an interpretation is moreover essential to achieve the principal objective of that directive, which, as can be seen from its ninth and tenth recitals, is to establish a high level of protection of, inter alios, authors, allowing them to obtain an appropriate reward for the use of their works, in particular on the occasion of communication to the public.

37 The Court has held that, in the context of this concept, the term ‘public’ refers to an indeterminate number of potential television viewers.

38 In a context such as that in the main proceedings, a general approach is required, making it necessary to take into account not only customers in hotel rooms, such customers alone being explicitly mentioned in the questions referred for a preliminary ruling, but also customers who are present in any other area of the hotel and able to make use of a television set installed there. It is also necessary to take into account the fact that, usually, hotel customers quickly succeed each other. As a general rule, a fairly large number of persons are involved, so that they may be considered to be a public, having regard to the principal objective of Directive 2001/29, as referred to in paragraph 36 of this judgment.

39 In view, moreover, of the cumulative effects of making the works available to such potential television viewers, the latter act could become very significant in such a context. It matters little, accordingly, that the only recipients are the occupants of rooms and that, taken separately, they are of limited economic interest for the hotel.

40 It should also be pointed out that a communication made in circumstances such as those in the main proceedings constitutes, according to Article 11*bis*(1)(ii) of the Berne Convention, a communication made by a broadcasting organisation other than the original one. Thus, such a transmission is made to a public different from the public at which the original act of communication of the work is directed, that is, to a new public.

41 As is explained in the Guide to the Berne Convention, an interpretative document drawn up by the WIPO which, without being legally binding, nevertheless assists in interpreting that Convention, when the author authorises the broadcast of his work, he considers only direct users, that is, the owners of reception equipment who, either personally or within their own private or family circles, receive the programme. According to the Guide, if reception is for a larger audience, possibly for profit, a new section of the receiving public hears or sees the work and the communication of the programme via a loudspeaker or analogous instrument no longer constitutes simple reception of the programme itself but is an independent act through which the broadcast work is communicated to a new public. As the Guide makes clear, such public reception falls within the scope of the author’s exclusive authorisation right.

42 The clientele of a hotel forms such a new public. The transmission of the broadcast work to that clientele using television sets is not just a technical means to ensure or improve reception of the original broadcast in the catchment area. On the contrary, the hotel is the organisation which intervenes, in full knowledge of the consequences of its action, to give access to the protected work to its customers. In the absence of that intervention, its customers, although physically within that area, would not, in principle, be able to enjoy the broadcast work.

43 It follows from Article 3(1) of Directive 2001/29 and Article 8 of the WIPO Copyright Treaty that for there to be communication to the public it is sufficient that the work is made available to the public in such a way that the persons forming that public may access it. Therefore, it is not decisive, contrary to the submissions of Rafael and Ireland, that customers who have not switched on the television have not actually had access to the works.

44 Moreover, it is apparent from the documents submitted to the Court that the action by the hotel by which it gives access to the broadcast work to its customers must be considered an additional service performed with the aim of obtaining some benefit. It cannot be seriously disputed that the provision of that service has an influence on the hotel's standing and, therefore, on the price of rooms. Therefore, even taking the view, as does the Commission of the European Communities, that the pursuit of profit is not a necessary condition for the existence of a communication to the public, it is in any event established that the communication is of a profit-making nature in circumstances such as those in the main proceedings.

45 With reference to the question whether the installation of television sets in hotel rooms constitutes, in itself, a communication to the public within the meaning of Article 3(1) of Directive 2001/29, it should be pointed out that the 27th recital in the preamble to that directive states, in accordance with Article 8 of the WIPO Copyright Treaty, that '[t]he mere provision of physical facilities for enabling or making a communication does not in itself amount to communication within the meaning of [that] Directive.'

46 While the mere provision of physical facilities, usually involving, besides the hotel, companies specialising in the sale or hire of television sets, does not constitute, as such, a communication within the meaning of Directive 2001/29, the installation of such facilities may nevertheless make public access to broadcast works technically possible. Therefore, if, by means of television sets thus installed, the hotel distributes the signal to customers staying in its rooms, then communication to the public takes place, irrespective of the technique used to transmit the signal.

47 Consequently, the answer to the first and second questions is that, while the mere provision of physical facilities does not as such amount to a communication within the meaning of Directive 2001/29, the distribution of a signal by means of television sets by a hotel to customers staying in its rooms, whatever technique is used to transmit the signal, constitutes communication to the public within the meaning of Article 3(1) of that directive.

The second question

48 By its second question, the referring court asks, essentially, whether the private nature of hotel rooms precludes the communication of a work to those rooms by means of television sets from constituting communication to the public within the meaning of Article 3(1) of Directive 2001/29.

49 In that respect, Ireland submits that communication or making available of works in the private context of hotel rooms should be distinguished from the same acts which take place in public areas of the hotel. This argument cannot however be accepted.

50 It is apparent from both the letter and the spirit of Article 3(1) of Directive 2001/29 and Article 8 of the WIPO Copyright Treaty – both of which require authorisation by the author not for retransmissions in a public place or one which is open to the public but for communications by which the work is made accessible to the public – that the private or public nature of the place where the communication takes place is immaterial.

51 Moreover, according to the provisions of Directive 2001/29 and of the WIPO Copyright Treaty, the right of communication to the public covers the making available to the public of works in such a way that they may access them from a place and at a time individually chosen by them. That right of making available to the public and, therefore, of communication to the public would clearly be meaningless if it did not also cover communications carried out in private places.

52 In support of the argument concerning the private nature of hotel rooms, Ireland also invokes the European Convention for the Protection of Human Rights and Fundamental Freedoms, signed in Rome on 4 November 1950 ('the ECHR'), and in particular its Article 8, which prohibits any arbitrary or disproportionate interference by a public authority in the sphere of private activity. However, this argument cannot be accepted either.

53 In that respect, it should be pointed out that Ireland does not make clear who, in a context such as that of the main proceedings, would be the victim of such an arbitrary or disproportionate intervention. Ireland can hardly have in mind the customers who benefit from the signal which they receive and who are under no obligation to pay the authors. Nor can the victim be the hotel since, even though it must be concluded that the hotel is obliged to make such payment, it cannot claim to be a victim of an infringement of Article 8 of the ECHR in so far as the rooms, once made available to its customers, cannot be considered as coming within its private sphere.

54 Having regard to all of the foregoing considerations, the answer to the second question is that the private nature of hotel rooms does not preclude the communication of a work by means of television sets from constituting communication to the public within the meaning of Article 3(1) of Directive 2001/29. (...)

ITV Broadcasting Ltd. v. TVCatchup Ltd.

JUDGMENT OF THE COURT (Fourth Chamber)

7 March 2013

Case C-607/11

(...) Legal context

European Union law

3 Recitals 23 and 27 in the preamble to Directive 2001/29 state:

'(23) This Directive should harmonise further the author's right of communication to the public. This right should be understood in a broad sense covering all communication to the public not present at the place where the communication originates. This right should cover any such transmission or retransmission of a work to the public by wire or wireless means, including broadcasting. This right should not cover any other acts.

(27) The mere provision of physical facilities for enabling or making a communication does not in itself amount to communication within the meaning of this Directive.'

4 Article 3 of that directive, entitled 'Right of communication to the public of works and right of making available to the public other subject-matter', provides:

'1. Member States shall provide authors with the exclusive right to authorise or prohibit any communication to the public of their works, by wire or wireless means, including the making available to the public of their works in such a way that members of the public may access them from a place and at a time individually chosen by them.

3. 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.'

5 Article 2 of 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 (OJ 1993 L 248, p. 15) provides:

'Member States shall provide an exclusive right for the author to authorise the communication to the public by satellite of copyright works ...'.

6 Article 8(1) of that directive states:

'Member States shall ensure that when programmes from other Member States are retransmitted by cable in their territory the applicable copyright and related rights are observed and that such retransmission takes place on the basis of individual or collective contractual agreements between copyright owners, holders of related rights and cable operators.'

English law

7 Section 20 of the Copyright, Designs and Patents Act 1988, in the version applicable to the facts in the main proceedings, entitled 'Infringement by communication to the public', provides:

'1. The communication to the public of the work is an act restricted by the copyright in –
(a) a literary, dramatic, musical or artistic work,

(b) a sound recording or film, or

(c) a broadcast.

2. References in this Part to communication to the public are to communication to the public by electronic transmission, and in relation to a work include –

(a) the broadcasting of the work;

(b) the making available to the public of the work by electronic transmission in such a way that members of the public may access it from a place and at a time individually chosen by them.'

The dispute in the main proceedings and the questions referred for a preliminary ruling

8 The claimants in the main proceedings are commercial television broadcasters who own copyright under national law in the television broadcasts themselves and in films and other items which are included in their broadcasts. They are funded by advertising carried in their broadcasts.

9 TVC offers an internet television broadcasting service. The service permits its users to receive, via the internet, 'live' streams of free-to-air television broadcasts, including television broadcasts transmitted by the claimants in the main proceedings.

10 TVC ensures that those using its service can obtain access only to content which they are already legally entitled to watch in the United Kingdom by virtue of their television licence. The terms to which users must agree thus include the possession of a valid TV licence and a restriction of use of TVC services to the United Kingdom. The TVC website has the facility to authenticate the user's location and to refuse access where the conditions imposed on users are not satisfied.

11 The TVC service is funded by advertising. Audiovisual advertising is shown before the user is able to view the live stream. The advertisements already contained in the original broadcasts are left unchanged and sent to the user as part of the stream. There is also 'in-skin' advertising, which appears on the user's computer or other equipment.

12 For its activities, TVC uses four groups of servers, namely, (i) acquisition, (ii) encoding, (iii) origin and (iv) edge servers.

13 The input signals used by TVC are the normal terrestrial and satellite broadcast signals transmitted by the claimants in the main proceedings. The signals are captured via an aerial and then passed to the acquisition servers, which extract individual video streams from the received signal without altering them. The encoding servers then convert the incoming streams into a different compression standard. Next, the origin servers prepare streams of video for sending over the internet in a variety of formats. Beyond that point, the channels offered by TVC are processed further only if at least one TVC subscriber has requested that channel. If there is no request for a given channel, the signal is discarded.

14 Edge servers connect with a user's computer or mobile telephone using the internet. When an edge server receives a request for a channel from a user, then, unless it is already streaming that channel to a different user, the edge server connects to the origin server which streams that channel. The software on the edge server creates a separate stream for each user who requests a channel through it. An individual packet of data leaving the edge server is thus addressed to an individual user, not to a class of users.

15 The streams provided by the edge servers can be in a variety of different formats. The formats used are: Adobe Flash streams (for computers), HTTP streams (for Apple mobile devices) and RTSP streams (for Android and Blackberry mobile telephones).

16 The claimants in the main proceedings instituted proceedings against TVC before the High Court of Justice (England and Wales) (Chancery Division) for breach of their copyright in their broadcasts and films, alleging, inter alia, that there is a communication of the works to the public prohibited by section 20 of the Copyright, Designs and Patents Act 1988, in the version applicable to the facts in the main proceedings, and by Article 3(1) of Directive 2001/29.

17 The High Court takes the view that it is not clear from the judgments in Case C-306/05 *SGAE* and in Joined Cases C-431/09 and C-432/09 *Airfield NV and Canal Digitaal* whether there is a ‘communication to the public’ within the meaning of Article 3(1) of Directive 2001/29 in the case where an organisation such as TVC, in full knowledge of the consequences of its acts and in order to attract an audience to its own transmissions and advertisements, streams over the internet broadcasts to members of the public who would have been entitled to access the original broadcast signal using their own television sets or laptops in their own homes.

18 In those circumstances the High Court of Justice (England and Wales) (Chancery Division) decided to stay the proceedings and to refer the following questions to the Court for a preliminary ruling:

‘1. Does the right to authorise or prohibit a “communication to the public of their works by wire or wireless means” in Article 3(1) of [Directive 2001/29] extend to a case where:

(a) Authors authorise the inclusion of their works in a terrestrial free-to-air television broadcast which is intended for reception either throughout the territory of a Member State or within a geographical area within a Member State;

(b) A third party ([that is to say,] an organisation other than the original broadcaster) provides a service whereby individual subscribers within the intended area of reception of the broadcast who could lawfully receive the broadcast on a television receiver in their own homes may log on to the third party’s server and receive the content of the broadcast by means of an internet stream?

2. Does it make any difference to the answer to the above question if:

(a) The third party’s server allows only a “one-to-one” connection for each subscriber whereby each individual subscriber establishes his or her own internet connection to the server and every data packet sent by the server onto the internet is addressed to only one individual subscriber?

(b) The third party’s service is funded by advertising which is presented “pre-roll” ([that is to say,] during the period of time after a subscriber logs on but before he or she begins to receive the broadcast content) or “in-skin” ([that is to say,] within the frame of the viewing software which displays the received programme on the subscriber’s viewing device but outside the programme picture) but the original advertisements contained within the broadcast are presented to the subscriber at the point where they are inserted in the programme by the broadcaster?

(c) The intervening organisation is:

(i) providing an alternative service to that of the original broadcaster, thereby acting in direct competition with the original broadcaster for viewers; or

(ii) acting in direct competition with the original broadcaster for advertising revenues?’

Consideration of the questions referred

Question 1 and Question 2(a)

19 By Question 1 and Question 2(a), the referring court asks, in essence, whether the concept of ‘communication to the public’, within the meaning of Article 3(1) of Directive 2001/29, must be interpreted as meaning that it covers a retransmission of the works included in a terrestrial television broadcast:

- where the retransmission is made by an organisation other than the original broadcaster,
- by means of an internet stream made available to the subscribers of that other organisation who may receive the retransmission by logging on to its server,
- on the assumption that those subscribers are within the area of reception of the terrestrial television broadcast and may lawfully receive the broadcast on a television receiver.

20 First of all, it is to be noted that the principal objective of Directive 2001/29 is to establish a high level of protection of authors, allowing them to obtain an appropriate reward for the use of their works, including on the occasion of communication to the public. It follows that ‘communication to the public’ must be interpreted broadly, as recital 23 in the preamble to the directive indeed expressly states.

21 In the first place, it is necessary to determine the meaning of the concept of ‘communication’ and reply to the question whether the activity at issue in the main proceedings comes within its scope.

22 In that connection, the Court notes that Directive 2001/29 does not define the concept of ‘communication’ exhaustively. Thus, the meaning and scope of that concept must be defined in the light of the context in which it occurs and also in the light of the objective referred to in paragraph 20 above.

23 It follows, in particular, from recital 23 in the preamble to Directive 2001/29 that the author’s right of communication to the public covers any transmission or retransmission of a work to the public not present at the place where the communication originates, by wire or wireless means, including broadcasting. In addition, it is apparent from Article 3(3) of that directive that authorising the inclusion of protected works in a communication to the public does not exhaust the right to authorise or prohibit other communications of those works to the public.

24 It follows that, by regulating the situations in which a given work is put to multiple use, the European Union legislature intended that each transmission or retransmission of a work which uses a specific technical means must, as a rule, be individually authorised by the author of the work in question.

25 Those findings are, moreover, supported by Articles 2 and 8 of Directive 93/83, which require fresh authorisation for a simultaneous, unaltered and unabridged retransmission by satellite or cable of an initial transmission of television or radio programmes containing protected works, even though those programmes may already be received in their catchment area by other technical means, such as by wireless means or terrestrial networks.

26 Given that the making of works available through the retransmission of a terrestrial television broadcast over the internet uses a specific technical means different from that of the original communication, that retransmission must be considered to be a ‘communication’ within the meaning of Article 3(1) of Directive 2001/29. Consequently, such a retransmission cannot be exempt from authorisation by the authors of the retransmitted works when these are communicated to the public.

27 That conclusion cannot be undermined by TVC’s objection that the making of the works available over the internet, as was done in the case in the main proceedings, is merely a technical means to ensure or improve reception of the terrestrial television broadcast in its catchment area.

28 Admittedly, it follows from the case-law of the Court that a mere technical means to ensure or improve reception of the original transmission in its catchment area does not constitute a ‘communication’ within the meaning of Article 3(1) of Directive 2001/29.

29 Thus, the intervention of such a technical means must be limited to maintaining or improving the quality of the reception of a pre-existing transmission and cannot be used for any other transmission.

30 In the present case, however, the intervention by TVC consists in a transmission of the protected works at issue which is different from that of the broadcasting organisation concerned. TVC’s intervention is in no way intended to maintain or improve the quality of the transmission by that other broadcasting organisation. In those circumstances, that intervention cannot be considered to be a mere technical means within the meaning specified in paragraph 28 above.

31 In the second place, in order to be categorised as a ‘communication to the public’ within the meaning of Article 3(1) of Directive 2001/29, the protected works must also in fact be communicated to a ‘public’.

32 In that connection, it follows from the case-law of the Court that the term ‘public’ in Article 3(1) of Directive 2001/29 refers to an indeterminate number of potential recipients and implies, moreover, a fairly large number of persons.

33 As regards that last criterion specifically, the cumulative effect of making the works available to potential recipients should be taken into account. In that connection, it is in particular relevant to ascertain the number of persons who have access to the same work at the same time and successively.

34 In that context, it is irrelevant whether the potential recipients access the communicated works through a one-to-one connection. That technique does not prevent a large number of persons having access to the same work at the same time.

35 In the present case, it should be noted that the retransmission of the works over the internet at issue in the main proceedings is aimed at all persons resident in the United Kingdom who have an internet connection and who claim to hold a television licence in that State. Those people may access the protected works at the same time, in the context of the ‘live streaming’ of television programmes on the internet.

36 Thus, the retransmission in question is aimed at an indeterminate number of potential recipients and implies a large number of persons. Consequently, it must be held that, by the retransmission in question, the protected works are indeed communicated to a ‘public’ within the meaning of Article 3(1) of Directive 2001/29.

37 However, TVC contends that the retransmission at issue in the main proceedings does not satisfy the requirement that there must be a new public, which is none the less necessary within the meaning of the judgments in *SGAE, Football Association Premier League and Others*, and *Airfield and Canal Digitaal*. The recipients of the retransmission effected by TVC are, it submits, entitled to follow the televised broadcast, identical in content, using their own television sets.

38 In that connection, it should be noted that the situations examined in the cases which gave rise to the abovementioned judgments differ clearly from the situation at issue in the case in the main proceedings. In those cases, the Court examined situations in which an operator had made accessible, by its deliberate intervention, a broadcast containing protected works to a new public which was not considered by the authors concerned when they authorised the broadcast in question.

39 By contrast, the main proceedings in the present case concern the transmission of works included in a terrestrial broadcast and the making available of those works over the internet. As is apparent from paragraphs 24 to 26 above, each of those two transmissions must be authorised individually and separately by the authors concerned given that each is made under specific technical conditions, using a different means of transmission for the protected works, and each is intended for a public. In those circumstances, it is no longer necessary to examine below the requirement that there must be a new public, which is relevant only in the situations on which the Court of Justice had to rule in the cases giving rise to the judgments in *SGAE, Football Association Premier League and Others* and *Airfield and Canal Digitaal*.

40 In the light of the foregoing, the answer to Question 1 and Question 2(a) is that the concept of ‘communication to the public’, within the meaning of Article 3(1) of Directive 2001/29, must be interpreted as meaning that it covers a retransmission of the works included in a terrestrial television broadcast

- where the retransmission is made by an organisation other than the original broadcaster,
- by means of an internet stream made available to the subscribers of that other organisation who may receive that retransmission by logging on to its server,
- even though those subscribers are within the area of reception of that terrestrial television broadcast and may lawfully receive the broadcast on a television receiver.

Question 2(b)

41 By Question 2(b), the referring court asks, in essence, whether the answer to Question 1 is influenced by the fact that a retransmission, such as that at issue in the main proceedings, is funded by advertising and is therefore of a profit-making nature.

42 In that connection, the Court has indeed held that it is not irrelevant that a ‘communication’ within the meaning of Article 3(1) of Directive 2001/29 is of a profit-making nature. However, it has

acknowledged that a profit-making nature is not necessarily an essential condition for the existence of a communication to the public.

43 Consequently, a profit-making nature does not determine conclusively whether a retransmission, such as that at issue in the main proceedings, is to be categorised as a ‘communication’ within the meaning of Article 3(1) of Directive 2001/29.

44 The answer to Question 2(b) is therefore that the answer to Question 1 is not influenced by the fact that a retransmission, such as that at issue in the main proceedings, is funded by advertising and is therefore of a profit-making nature.

Question 2(c)

45 By Question 2(c), the referring court asks in, essence, whether the answer to Question 1 is influenced by the fact that a retransmission, such as that at issue in the main proceedings, is made by an organisation which is acting in direct competition with the original broadcaster.

46 In that connection, it suffices to note that it follows neither from Directive 2001/29 nor from the case-law of the Court that a competitive relationship between the organisations making real-time broadcasts of works protected by copyright or subsequent retransmissions of those works is relevant for the purpose of categorising a transmission as a ‘communication to the public’ within the meaning of Article 3(1) of Directive 2001/29.

47 Consequently, the answer to Question 2(c) is that the answer to Question 1 is not influenced by the fact that a retransmission, such as that at issue in the main proceedings, is made by an organisation which is acting in direct competition with the original broadcaster. (...)

American Broadcasting Companies, Inc., et al. v. Aereo, Inc.
134 S.Ct. 2498

Justice BREYER,

(...) I

A

For a monthly fee, Aereo offers subscribers broadcast television programming over the Internet, virtually as the programming is being broadcast. Much of this programming is made up of copyrighted works. Aereo neither owns the copyright in those works nor holds a license from the copyright owners to perform those works publicly.

Aereo's system is made up of servers, transcoders, and thousands of dime-sized antennas housed in a central warehouse. It works roughly as follows: First, when a subscriber wants to watch a show that is currently being broadcast, he visits Aereo's website and selects, from a list of the local programming, the show he wishes to see.

Second, one of Aereo's servers selects an antenna, which it dedicates to the use of that subscriber (and that subscriber alone) for the duration of the selected show. A server then tunes the antenna to the over-the-air broadcast carrying the show. The antenna begins to receive the broadcast, and an Aereo transcoder translates the signals received into data that can be transmitted over the Internet.

Third, rather than directly send the data to the subscriber, a server saves the data in a subscriber-specific folder on Aereo's hard drive. In other words, Aereo's system creates a subscriber-specific copy – that is, a “personal” copy – of the subscriber's program of choice.

Fourth, once several seconds of programming have been saved, Aereo's server begins to stream the saved copy of the show to the subscriber over the Internet. (The subscriber may instead direct Aereo to stream the program at a later time, but that aspect of Aereo's service is not before us.) The subscriber can watch the streamed program on the screen of his personal computer, tablet, smart phone, Internet-connected television, or other Internet-connected device. The streaming continues, a mere few seconds behind the over-the-air broadcast, until the subscriber has received the entire show.

Aereo emphasizes that the data that its system streams to each subscriber are the data from his own personal copy, made from the broadcast signals received by the particular antenna allotted to him. Its system does not transmit data saved in one subscriber's folder to any other subscriber. When two subscribers wish to watch the same program, Aereo's system activates two separate antennas and saves two separate copies of the program in two separate folders. It then streams the show to the subscribers through two separate transmissions – each from the subscriber's personal copy.

B

Petitioners are television producers, marketers, distributors, and broadcasters who own the copyrights in many of the programs that Aereo's system streams to its subscribers. They brought suit against Aereo for copyright infringement in Federal District Court. They sought a preliminary injunction, arguing that Aereo was infringing their right to “perform” their works “publicly,” as the Transmit Clause defines those terms.

The District Court denied the preliminary injunction. Relying on prior Circuit precedent, a divided panel of the Second Circuit affirmed. In the Second Circuit's view, Aereo does not perform publicly within the meaning of the Transmit Clause because it does not transmit “to the public.” Rather, each time Aereo streams a program to a subscriber, it sends a *private* transmission that is available only to that subscriber. The Second Circuit denied rehearing en banc, over the dissent of two judges. We granted certiorari.

II

This case requires us to answer two questions: First, in operating in the manner described above, does Aereo “perform” at all? And second, if so, does Aereo do so “publicly”? We address these distinct questions in turn.

Does Aereo “perform”? Phrased another way, does Aereo “transmit ... a performance” when a subscriber watches a show using Aereo's system, or is it only the subscriber who transmits? In Aereo's view, it does not perform. It does no more than supply equipment that “emulate[s] the operation of a home antenna and [digital video recorder (DVR)].” Like a home antenna and DVR, Aereo's equipment simply responds to its subscribers' directives. So it is only the subscribers who “perform” when they use Aereo's equipment to stream television programs to themselves.

Considered alone, the language of the Act does not clearly indicate when an entity “perform[s]” (or “transmit[s]”) and when it merely supplies equipment that allows others to do so. But when read in light of its purpose, the Act is unmistakable: An entity that engages in activities like Aereo's performs.

A

History makes plain that one of Congress' primary purposes in amending the Copyright Act in 1976 was to overturn this Court's determination that community antenna television (CATV) systems (the precursors of modern cable systems) fell outside the Act's scope. In *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390 (1968), the Court considered a CATV system that carried local television broadcasting, much of which was copyrighted, to its subscribers in two cities. The CATV provider placed antennas on hills above the cities and used coaxial cables to carry the signals received by the antennas to the home television sets of its subscribers. The system amplified and modulated the signals in order to improve their strength and efficiently transmit them to subscribers. A subscriber “could choose any of the ... programs he wished to view by simply turning the knob on his own

television set.” The CATV provider “neither edited the programs received nor originated any programs of its own.”

Asked to decide whether the CATV provider infringed copyright holders' exclusive right to perform their works publicly, the Court held that the provider did not “perform” at all. The Court drew a line: “Broadcasters perform. Viewers do not perform.” And a CATV provider “falls on the viewer's side of the line.”

The Court reasoned that CATV providers were unlike broadcasters:

“Broadcasters select the programs to be viewed; CATV systems simply carry, without editing, whatever programs they receive. Broadcasters procure programs and propagate them to the public; CATV systems receive programs that have been released to the public and carry them by private channels to additional viewers.”

Instead, CATV providers were more like viewers, for “the basic function [their] equipment serves is little different from that served by the equipment generally furnished by” viewers. “Essentially,” the Court said, “a CATV system no more than enhances the viewer's capacity to receive the broadcaster's signals [by] provid[ing] a well-located antenna with an efficient connection to the viewer's television set.” Viewers do not become performers by using “amplifying equipment,” and a CATV provider should not be treated differently for providing viewers the same equipment.

In *Teleprompter*, the Court considered the copyright liability of a CATV provider that carried broadcast television programming into subscribers' homes from hundreds of miles away. Although the Court recognized that a viewer might not be able to afford amplifying equipment that would provide access to those distant signals, it nonetheless found that the CATV provider was more like a viewer than a broadcaster. It explained: “The reception and rechanneling of [broadcast television signals] for simultaneous viewing is essentially a viewer function, irrespective of the distance between the broadcasting station and the ultimate viewer.”

The Court also recognized that the CATV system exercised some measure of choice over what to transmit. But that fact did not transform the CATV system into a broadcaster. A broadcaster exercises significant creativity in choosing what to air, the Court reasoned. In contrast, the CATV provider makes an initial choice about which broadcast stations to retransmit, but then “‘simply carr[ies], without editing, whatever programs [it] receive[s].’”

B

In 1976 Congress amended the Copyright Act in large part to reject the Court's holdings in *Fortnightly* and *Teleprompter*. Congress enacted new language that erased the Court's line between broadcaster and viewer, in respect to “perform [ing]” a work. The amended statute clarifies that to “perform” an audiovisual work means “to show its images in any sequence or to make the sounds accompanying it audible.” § 101. Under this new language, *both* the broadcaster *and* the viewer of a television program “perform,” because they both show the program's images and make audible the program's sounds.

Congress also enacted the Transmit Clause, which specifies that an entity performs publicly when it “transmit[s] ... a performance ... to the public.” § 101. Cable system activities, like those of the CATV systems in *Fortnightly* and *Teleprompter*, lie at the heart of the activities that Congress intended this language to cover. The Clause thus makes clear that an entity that acts like a CATV system itself performs, even if when doing so, it simply enhances viewers' ability to receive broadcast television signals.

Congress further created a new section of the Act to regulate cable companies' public performances of copyrighted works. Section 111 creates a complex, highly detailed compulsory licensing scheme that sets out the conditions, including the payment of compulsory fees, under which cable systems may retransmit broadcasts.

Congress made these three changes to achieve a similar end: to bring the activities of cable systems within the scope of the Copyright Act.

C

This history makes clear that Aereo is not simply an equipment provider. Rather, Aereo, and not just its subscribers, “perform[s]” (or “transmit[s]”). Aereo's activities are substantially similar to those of the CATV companies that Congress amended the Act to reach. Aereo sells a service that allows subscribers to watch television programs, many of which are copyrighted, almost as they are being broadcast. In providing this service, Aereo uses its own equipment, housed in a centralized warehouse, outside of its users' homes. By means of its technology (antennas, transcoders, and servers), Aereo's system “receive[s] programs that have been released to the public and carr[ies] them by private channels to additional viewers.” It “carr[ies] ... whatever programs [it] receive[s],” and it offers “all the programming” of each over-the-air station it carries.

Aereo's equipment may serve a “viewer function”; it may enhance the viewer's ability to receive a broadcaster's programs. It may even emulate equipment a viewer could use at home. But the same was true of the equipment that was before the Court, and ultimately before Congress, in *Fortnightly* and *Teleprompter*.

We recognize, and Aereo and the dissent emphasize, one particular difference between Aereo's system and the cable systems at issue in *Fortnightly* and *Teleprompter*. The systems in those cases transmitted constantly; they sent continuous programming to each subscriber's television set. In contrast, Aereo's system remains inert until a subscriber indicates that she wants to watch a program. Only at that moment, in automatic response to the subscriber's request, does Aereo's system activate an antenna and begin to transmit the requested program.

This is a critical difference, says the dissent. It means that Aereo's subscribers, not Aereo, “selec[t] the copyrighted content” that is “perform[ed]”, and for that reason they, not Aereo, “transmit” the performance. Aereo is thus like “a copy shop that provides its patrons with a library card.” A copy shop is not directly liable whenever a patron uses the shop's machines to “reproduce” copyrighted materials found in that library. And by the same token, Aereo should not be directly liable whenever its patrons use its equipment to “transmit” copyrighted television programs to their screens.

In our view, however, the dissent's copy shop argument, in whatever form, makes too much out of too little. Given Aereo's overwhelming likeness to the cable companies targeted by the 1976 amendments, this sole technological difference between Aereo and traditional cable companies does not make a critical difference here. The subscribers of the *Fortnightly* and *Teleprompter* cable systems also selected what programs to display on their receiving sets. Indeed, as we explained in *Fortnightly*, such a subscriber “could choose any of the ... programs he wished to view by simply turning the knob on his own television set.” The same is true of an Aereo subscriber. Of course, in *Fortnightly* the television signals, in a sense, lurked behind the screen, ready to emerge when the subscriber turned the knob. Here the signals pursue their ordinary course of travel through the universe until today's “turn of the knob” – a click on a website – activates machinery that intercepts and reroutes them to Aereo's subscribers over the Internet. But this difference means nothing to the subscriber. It means nothing to the broadcaster. We do not see how this single difference, invisible to subscriber and broadcaster alike, could transform a system that is for all practical purposes a traditional cable system into “a copy shop that provides its patrons with a library card.”

In other cases involving different kinds of service or technology providers, a user's involvement in the operation of the provider's equipment and selection of the content transmitted may well bear on whether the provider performs within the meaning of the Act. But the many similarities between Aereo and cable companies, considered in light of Congress' basic purposes in amending the Copyright Act, convince us that this difference is not critical here. We conclude that Aereo is not just an equipment supplier and that Aereo “perform[s].”

III

Next, we must consider whether Aereo performs petitioners' works "publicly," within the meaning of the Transmit Clause. Under the Clause, an entity performs a work publicly when it "transmit[s] ... a performance ... of the work ... to the public." Aereo denies that it satisfies this definition. It reasons as follows: First, the "performance" it "transmit[s]" is the performance created by its act of transmitting. And second, because each of these performances is capable of being received by one and only one subscriber, Aereo transmits privately, not publicly. Even assuming Aereo's first argument is correct, its second does not follow.

We begin with Aereo's first argument. What performance does Aereo transmit? Under the Act, "[t]o 'transmit' a performance ... is to communicate it by any device or process whereby images or sounds are received beyond the place from which they are sent." And "[t]o 'perform' " an audiovisual work means "to show its images in any sequence or to make the sounds accompanying it audible."

Petitioners say Aereo transmits a *prior* performance of their works. Thus when Aereo retransmits a network's prior broadcast, the underlying broadcast (itself a performance) is the performance that Aereo transmits. Aereo, as discussed above, says the performance it transmits is the *new* performance created by its act of transmitting. That performance comes into existence when Aereo streams the sounds and images of a broadcast program to a subscriber's screen.

We assume *arguendo* that Aereo's first argument is correct. Thus, for present purposes, to transmit a performance of (at least) an audiovisual work means to communicate contemporaneously visible images and contemporaneously audible sounds of the work. When an Aereo subscriber selects a program to watch, Aereo streams the program over the Internet to that subscriber. Aereo thereby "communicate[s]" to the subscriber, by means of a "device or process," the work's images and sounds. And those images and sounds are contemporaneously visible and audible on the subscriber's computer (or other Internet-connected device). So under our assumed definition, Aereo transmits a performance whenever its subscribers watch a program.

But what about the Clause's further requirement that Aereo transmit a performance "to the public"? As we have said, an Aereo subscriber receives broadcast television signals with an antenna dedicated to him alone. Aereo's system makes from those signals a personal copy of the selected program. It streams the content of the copy to the same subscriber and to no one else. One and only one subscriber has the ability to see and hear each Aereo transmission. The fact that each transmission is to only one subscriber, in Aereo's view, means that it does not transmit a performance "to the public."

In terms of the Act's purposes, these differences do not distinguish Aereo's system from cable systems, which do perform "publicly." Viewed in terms of Congress' regulatory objectives, why should any of these technological differences matter? They concern the behind-the-scenes way in which Aereo delivers television programming to its viewers' screens. They do not render Aereo's commercial objective any different from that of cable companies. Nor do they significantly alter the viewing experience of Aereo's subscribers. Why would a subscriber who wishes to watch a television show care much whether images and sounds are delivered to his screen via a large multisubscriber antenna or one small dedicated antenna, whether they arrive instantaneously or after a few seconds' delay, or whether they are transmitted directly or after a personal copy is made? And why, if Aereo is right, could not modern CATV systems simply continue the same commercial and consumer-oriented activities, free of copyright restrictions, provided they substitute such new technologies for old? Congress would as much have intended to protect a copyright holder from the unlicensed activities of Aereo as from those of cable companies.

The text of the Clause effectuates Congress' intent. Aereo's argument to the contrary relies on the premise that "to transmit ... a performance" means to make a single transmission. But the Clause suggests that an entity may transmit a performance through multiple, discrete transmissions. That is because one can "transmit" or "communicate" something through a *set* of actions. Thus one can transmit a message to one's friends, irrespective of whether one sends separate identical e-mails to each friend or a single e-mail to all at once. So can an elected official communicate an idea, slogan, or

speech to her constituents, regardless of whether she communicates that idea, slogan, or speech during individual phone calls to each constituent or in a public square.

The fact that a singular noun (“a performance”) follows the words “to transmit” does not suggest the contrary. One can sing a song to his family, whether he sings the same song one-on-one or in front of all together. Similarly, one’s colleagues may watch a performance of a particular play—say, this season’s modern-dress version of “Measure for Measure”—whether they do so at separate or at the same showings. By the same principle, an entity may transmit a performance through one or several transmissions, where the performance is of the same work.

The Transmit Clause must permit this interpretation, for it provides that one may transmit a performance to the public “whether the members of the public capable of receiving the performance ... receive it ... at the same time or at different times.” Were the words “to transmit ... a performance” limited to a single act of communication, members of the public could not receive the performance communicated “at different times.” Therefore, in light of the purpose and text of the Clause, we conclude that when an entity communicates the same contemporaneously perceptible images and sounds to multiple people, it transmits a performance to them regardless of the number of discrete communications it makes.

We do not see how the fact that Aereo transmits via personal copies of programs could make a difference. The Act applies to transmissions “by means of any device or process.” And retransmitting a television program using user-specific copies is a “process” of transmitting a performance. A “cop[y]” of a work is simply a “material objec[t] ... in which a work is fixed ... and from which the work can be perceived, reproduced, or otherwise communicated.” So whether Aereo transmits from the same or separate copies, it performs the same work; it shows the same images and makes audible the same sounds. Therefore, when Aereo streams the same television program to multiple subscribers, it “transmit[s] ... a performance” to all of them.

Moreover, the subscribers to whom Aereo transmits television programs constitute “the public.” Aereo communicates the same contemporaneously perceptible images and sounds to a large number of people who are unrelated and unknown to each other. This matters because, although the Act does not define “the public,” it specifies that an entity performs publicly when it performs at “any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered.” The Act thereby suggests that “the public” consists of a large group of people outside of a family and friends.

Neither the record nor Aereo suggests that Aereo’s subscribers receive performances in their capacities as owners or possessors of the underlying works. This is relevant because when an entity performs to a set of people, whether they constitute “the public” often depends upon their relationship to the underlying work. When, for example, a valet parking attendant returns cars to their drivers, we would not say that the parking service provides cars “to the public.” We would say that it provides the cars to their owners. We would say that a car dealership, on the other hand, does provide cars to the public, for it sells cars to individuals who lack a pre-existing relationship to the cars. Similarly, an entity that transmits a performance to individuals in their capacities as owners or possessors does not perform to “the public,” whereas an entity like Aereo that transmits to large numbers of paying subscribers who lack any prior relationship to the works does so perform.

Finally, we note that Aereo’s subscribers may receive the same programs at different times and locations. This fact does not help Aereo, however, for the Transmit Clause expressly provides that an entity may perform publicly “whether the members of the public capable of receiving the performance ... receive it in the same place or in separate places and at the same time or at different times.” In other words, “the public” need not be situated together, spatially or temporally. For these reasons, we conclude that Aereo transmits a performance of petitioners’ copyrighted works to the public, within the meaning of the Transmit Clause.

IV

Aereo and many of its supporting *amici* argue that to apply the Transmit Clause to Aereo's conduct will impose copyright liability on other technologies, including new technologies, that Congress could not possibly have wanted to reach. We agree that Congress, while intending the Transmit Clause to apply broadly to cable companies and their equivalents, did not intend to discourage or to control the emergence or use of different kinds of technologies. But we do not believe that our limited holding today will have that effect.

For one thing, the history of cable broadcast transmissions that led to the enactment of the Transmit Clause informs our conclusion that Aereo “perform [s],” but it does not determine whether different kinds of providers in different contexts also “perform.” For another, an entity only transmits a performance when it communicates contemporaneously perceptible images and sounds of a work.

Further, we have interpreted the term “the public” to apply to a group of individuals acting as ordinary members of the public who pay primarily to watch broadcast television programs, many of which are copyrighted. We have said that it does not extend to those who act as owners or possessors of the relevant product. And we have not considered whether the public performance right is infringed when the user of a service pays primarily for something other than the transmission of copyrighted works, such as the remote storage of content. In addition, an entity does not transmit to the public if it does not transmit to a substantial number of people outside of a family and its social circle.

We also note that courts often apply a statute's highly general language in light of the statute's basic purposes. Finally, the doctrine of “fair use” can help to prevent inappropriate or inequitable applications of the Clause.

We cannot now answer more precisely how the Transmit Clause or other provisions of the Copyright Act will apply to technologies not before us. We agree with the Solicitor General that “[q]uestions involving cloud computing, [remote storage] DVRs, and other novel issues not before the Court, as to which ‘Congress has not plainly marked [the] course,’ should await a case in which they are squarely presented.” And we note that, to the extent commercial actors or other interested entities may be concerned with the relationship between the development and use of such technologies and the Copyright Act, they are of course free to seek action from Congress.

In sum, having considered the details of Aereo's practices, we find them highly similar to those of the CATV systems in Fortnightly and Teleprompter. And those are activities that the 1976 amendments sought to bring within the scope of the Copyright Act. Insofar as there are differences, those differences concern not the nature of the service that Aereo provides so much as the technological manner in which it provides the service. We conclude that those differences are not adequate to place Aereo's activities outside the scope of the Act.

For these reasons, we conclude that Aereo “perform[s]” petitioners' copyrighted works “publicly,” as those terms are defined by the Transmit Clause. We therefore reverse the contrary judgment of the Court of Appeals, and we remand the case for further proceedings consistent with this opinion.

IT IS SO ORDERED. (...)

CCH Canadian Ltd. v. Law Society of Upper Canada
[2004] 1 S.C.R. 339

THE CHIEF JUSTICE

(...) (2) *Authorization: The Self-Service Photocopiers*

(a) The Law

37 Under s. 27(1) of the *Copyright Act*, it is an infringement of copyright for anyone to do anything that the Act only allows owners to do, including authorizing the exercise of his or her own rights. It does not infringe copyright to authorize a person to do something that would not constitute copyright infringement. The publishers argue that the Law Society is liable for breach of copyright under this section because it implicitly authorized patrons of the Great Library to copy works in breach of the *Copyright Act*.

38 “Authorize” means to “sanction, approve and countenance”. Countenance in the context of authorizing copyright infringement must be understood in its strongest dictionary meaning, namely, “[g]ive approval to; sanction, permit; favour, encourage”. Authorization is a question of fact that depends on the circumstances of each particular case and can be inferred from acts that are less than direct and positive, including a sufficient degree of indifference. However, a person does not authorize infringement by authorizing the mere use of equipment that could be used to infringe copyright. Courts should presume that a person who authorizes an activity does so only so far as it is in accordance with the law: *Muzak, supra*. This presumption may be rebutted if it is shown that a certain relationship or degree of control existed between the alleged authorizer and the persons who committed the copyright infringement.

(b) Application of the Law to These Facts

39 For several decades, the Law Society has maintained self-service photocopiers for the use of its patrons in the Great Library. The patrons’ use of the machines is not monitored directly. Since the mid-1980s, the Law Society has posted the following notice above each machine:

The copyright law of Canada governs the making of photocopies or other reproductions of copyright material. Certain copying may be an infringement of the copyright law. This library is not responsible for infringing copies made by the users of these machines.

At trial, the Law Society applied for a declaration that it did not authorize copyright infringement by providing self-service photocopiers for patrons of the Great Library. No evidence was tendered that the photocopiers had been used in an infringing manner.

40 The trial judge declined to deal with this issue, in part because of the limited nature of the evidence on this question. The Federal Court of Appeal, relying in part on the Australian High Court decision in *Moorhouse v. University of New South Wales*, [1976] R.P.C. 151, concluded that the Law Society implicitly sanctioned, approved or countenanced copyright infringement of the publishers’ works by failing to control copying and instead merely posting a notice indicating that the Law Society was not responsible for infringing copies made by the machine’s users.

41 With respect, I do not agree that this amounted to authorizing breach of copyright. *Moorehouse* is inconsistent with previous Canadian and British approaches to this issue. In my view, the *Moorehouse* approach to authorization shifts the balance in copyright too far in favour of the owner’s rights and unnecessarily interferes with the proper use of copyrighted works for the good of society as a whole.

42 I conclude that the Law Society’s mere provision of photocopiers for the use of its patrons did not constitute authorization to use the photocopiers to breach copyright law.

43 First, there was no evidence that the photocopiers had been used in a manner that was not consistent with copyright law. As noted, a person does not authorize copyright infringement by authorizing the mere use of equipment (such as photocopiers) that could be used to infringe copyright. In fact, courts should presume that a person who authorizes an activity does so only so far as it is in accordance with the law. Although the Court of Appeal assumed that the photocopiers were being used to infringe copyright, I think it is equally plausible that the patrons using the machines were doing so in a lawful manner.

44 Second, the Court of Appeal erred in finding that the Law Society’s posting of the notice constitutes an express acknowledgement that the photocopiers will be used in an illegal manner. The Law Society’s posting of the notice over the photocopiers does not rebut the presumption that a person

authorizes an activity only so far as it is in accordance with the law. Given that the Law Society is responsible for regulating the legal profession in Ontario, it is more logical to conclude that the notice was posted for the purpose of reminding the Great Library's patrons that copyright law governs the making of photocopies in the library.

45 Finally, even if there were evidence of the photocopiers having been used to infringe copyright, the Law Society lacks sufficient control over the Great Library's patrons to permit the conclusion that it sanctioned, approved or countenanced the infringement. The Law Society and Great Library patrons are not in a master-servant or employer-employee relationship such that the Law Society can be said to exercise control over the patrons who might commit infringement: see, for example, *De Tervagne, supra*. Nor does the Law Society exercise control over which works the patrons choose to copy, the patron's purposes for copying or the photocopiers themselves.

46 In summary, I conclude that evidence does not establish that the Law Society authorized copyright infringement by providing self-service photocopiers and copies of the respondent publishers' works for use by its patrons in the Great Library. I would allow this ground of appeal. (...)

Digital First Sale Doctrine Ante Portas - Exhaustion in the Online Environment

Péter Mezei

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(...) B. The theory of exhaustion/first sale doctrine

I. International copyright law

The first-ever international IP treaty that touched on the copyright aspects of exhaustion was the TRIPS Agreement of 1994. Although the "Chairman's Text" of 1991 still recommended for the introduction of both a general right of distribution and the principle of exhaustion related thereto,¹ these plans failed after a lengthy preparatory work.² The final text of the TRIPS Agreement referred to the principle from a neutral aspect when it stressed that "[f]or the purposes of dispute settlement under this Agreement, subject to the provisions of Articles 3 and 4 nothing in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights."³ Under these rules, all that the signatories have to keep in mind is that they shall apply the principle of national treatment and the most-favoured-nation treatment when designating the reach of exhaustion; furthermore, that any dispute related to a domestic regulation shall not be the subject to a dispute settlement procedure under the WTO law. The latter does not forbid, however, the initiation of legal proceedings in front of domestic courts.⁴

The limited solution of the TRIPS Agreement is partially due to the fact that the agreement was finally concluded without any substantive provision on a distinct right of distribution.⁵ On the other hand, by 1994, only a few countries had a settled regulation and case law on exhaustion/first sale doctrine. These countries set the frames of the principle quite differently. Countries like the Netherlands or Switzerland codified the doctrine of international exhaustion. Likewise, several developed countries,

¹ Mihály Ficsor: *The Law of Copyright and the Internet, The 1996 WIPO Treaties, their Interpretation and Implementation*, Oxford University Press, New York, 2002: p. 153-154.

² UNCTAD-ICTSD Project on IPRs and Sustainable Development: *Resource Book on TRIPS and Development*, Cambridge University Press, New York, 2005: p. 97-104.

³ TRIPS Agreement, Article 6.

⁴ Howard P. Knopf: *Parallel Imports & the Internet: Bits, Borders, Barriers & Exhaustion*. In: Hugh C. Hansen: *International Intellectual Property Law & Policy*, Volume 6, Juris Publishing, Huntington, 2001: p. 113-13.; UNCTAD-ICTSD Project, *supra* note 33, p. 104-108.; Carlos M. Correa: *Trade Related Aspects of Intellectual Property Rights*, Oxford Commentaries on the GATT/WTO Agreements, Oxford University Press, Oxford, 2007: p. 78-79.

⁵ Jörg Reinbothe - Silke von Lewinski: *The WIPO Treaties 1996 - The WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty, Commentary and Legal Analysis*, Butterworths LexisNexis, London, 2002: p. 80.

for example Australia or New Zealand, and developing nations were interested in a broad reach of the principle. Others, like the United States or Germany, advocated for domestic/national exhaustion. The European Economic Community accepted two directives before 1994 that envisaged a Community-wide, regional exhaustion. The contracting parties opined differently on the principle, and the final text turned out to be the best compromise for the signatories. Therefore the TRIPS Agreement did not introduce any substantive obligation and provided absolute freedom to the contracting parties to decide whether they are willing to introduce a principle of exhaustion, and if yes, whether it should have a domestic, regional or international reach.

The two Internet treaties of the World Intellectual Property Organization (WIPO) from 1996 already included positive norms on exhaustion. This is partially due to the fact that, for the first time in international copyright law history, these treaties granted for a general right of distribution. Article 6(2) of the WIPO Copyright Treaty (WCT) – and Article 8(2) of the WIPO Performances and Phonograms Treaty (WPPT) with a really similar wording – noted that “[n]othing in this Treaty shall affect the freedom of Contracting Parties to determine the conditions, if any, under which the exhaustion of the right [of distribution] applies after the first sale or other transfer of ownership of the original or a copy of the work with the authorization of the author”. Under the above terms, members of the WIPO Treaties shall comply with some substantive provisions of the WCT/WPPT.

First, WCT and WPPT granted great flexibility to signatories to regulate the content of the principle by their domestic law. The treaties allowed a freedom to national legislators to choose from introducing domestic, regional or international reach of the doctrine, if any.

Second, it prescribed the sale/transfer of ownership and the lawful (authorized) nature of the sale of the work as elements of the definition of the principle.

Third, the expression “nothing in this Treaty shall affect” highlighted that no other provision of the treaty, including WCT Article 10 and WPPT Article 16 on the three-step test, forbids signatories to regulate on exhaustion. This technically means that the freedom of lawful acquirers to dispose of the property of the work is absolutely in accordance with the law; and that the resale does not per se conflict with the normal exploitation of the work and does not prejudice the legitimate interests of the respective author.

Finally, the Agreed Statement attached to Articles 6 and 7 made it clear that “[a]s used in these Articles, the expressions ‘copies’ and ‘original and copies,’ being subject to the right of distribution and the right of rental under the said Articles, refer exclusively to fixed copies that can be put into circulation as tangible objects.”

It seems that in light of the preamble of both the WCT and the WPPT – that is, to set the frames of an effective and working copyright law in the age of internet – the most important element of the definition is the one contained by the Agreed Statement; that is to say that exhaustion does only apply to tangible objects of works. As we will see it later, this statement is the main obstacle of the development of digital exhaustion. As Professor Sterling noted it: “[t]hus, as far as the treaty text is concerned, the debate as to whether the distribution right should cover dissemination of works by electronic means is resolved; the intention in the Treaty is to cover only ‘hard copies’ such as books, discs and tapes”.⁶ Others view it differently. Ruffler stresses that “what [the Agreed Statement] actually says is that the copies can be put into circulation as tangible objects. That is, that it must be possible to fix them in a tangible medium, and not that they must already be fixed as tangible objects. What is obviously meant is that it should not be a question of quick, one-off acts as is the case with on-demand online services but one of works which are capable of being permanently transferred.”⁷

Related to the above, we need to touch upon another issue when talking about the distribution of works and objects of neighbouring rights protection. As soon as the use of internet became a daily

⁶ J. A. L. Sterling: *World Copyright Law*, Sweet and Maxwell, London, 1998: p. 566.

⁷ Friedrich Ruffler: Is Trading in Used Software an Infringement of Copyright? The Perspective of European Law, *European Intellectual Property Review*, 2011/6: p. 380-381.

routine, the question naturally emerged, whether copyright law should react on that phenomenon as well. The answer was a clear yes. The method of granting protection to the right holders regarding online uses was, however, much more difficult. Domestic copyright statutes showed significant differences regarding the rights granted to copyright holders. The two possible rights that were affected were the right of distribution (promoted greatly by the U.S.) and the right of communication to the public (supported mainly by European countries). None of these rights fit perfectly to the said Internet uses. Distribution was originally meant to cover the transfer of physical copies. Communication to the public generally covered simultaneous transmissions from one place to multiple places either by wire or wireless means (for example broadcasting, cable services, satellite transmission). Further, the international framework for both of these rights was incomplete, to say the best.

Mihály Ficsor, then Assistant Director General of the WIPO, explained “[b]etween the two opposing alternatives – that is, between basing the international regulation on interpretation and, as a maximum, on slight modification, of existing rights, on the one hand, and introducing a new on-demand transmission/delivery right, on the other – a third compromise alternative would also be possible (and, actually, would seem, for the time being, to have the best chance to get a sufficient general acceptance). This could consist of an umbrella provision under which it would be an obligation to grant an exclusive right or exclusive rights to authorize either any use of works and other protected productions – with some possible reasonable exceptions – through on-demand transmission/delivery, or to authorize certain acts – described in such a neutral way (that is, without involving any specific legal characterization) as possible – carried out in the case of such transmission/delivery, but the legal characterization of the right or rights granted (whether it results in the combination – and possible extension – of existing rights, and/or in a new specific right) would be left to national legislation”.⁸ This third compromise option was finally accepted by the members of the WIPO, and finally regulated the new economic right for both authors and neighbouring right holders.⁹ Member States of the WIPO have, since that time, implemented the umbrella solution in various ways. As it will be introduced below, the European Union and the United States of America have followed a different path in this perspective.

To sum up: although the right of making available to the public was formulated in a technology-neutral way, it was clearly designed to cover all on-demand transmissions of data via the Internet. The right of making available to the public only applies, therefore, where the copyrighted subject matter is made accessible to every member of the public (having Internet connection), where members of the public may access these works from a place and at a time individually chosen by them. Consequently, predetermined programs, including webcasting, pay-per-use, pay-tv or pay-radio services are excluded from the scope of this distinct right and shall be covered by other rights, especially communication to the public or broadcasting.¹⁰ Similarly, where tangible copies of contents (like CDs) are sold via the internet, the right of distribution applies.

The question that the present paper addresses is a special, third option: what if intangible copies of works are sold – and, from a technological perspective, are transferred – to the users via the internet?

II. EU copyright law

The fact that TRIPS and WCT/WPPT were the first international treaties touching upon the doctrine of exhaustion does not mean that they were the first international norms at all that regulated the issue. The European Court of Justice (ECJ) and the legislature of the European Economic Community have taken serious steps to harmonize the rules of a Community-wide/regional exhaustion doctrine in the field of copyright law since the 1970’s. Schovsbo called the harmonization by the ECJ as “1.-phase”

⁸ Cited by Ficsor (2002), p. 205-206.

⁹ WCT Article 8; WPPT Article 10 and 14.

¹⁰ Silke von Lewinski: *International Copyright Law and Policy*, Oxford University Press, New York, 2008: p. 457., para. 17.76.

development of exhaustion or negative harmonization, and the creation of directives by the competent bodies of the EEC (and later the EU) as “2.-phase” development or positive harmonization.¹¹

The first-ever decision on the exhaustion of distribution rights was handed over in the famous *Deutsche Grammophon* case. Here, the ECJ based its decision on different objectives of the EEC Treaty: the prohibition of partitioning of the market, free movement of goods, as well as the prohibition of distortions of competition in the common market.¹² The ECJ highlighted that prohibitions and restrictions on trade might be applied by Member States, also in cases of copyright law, if they do not constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States.¹³ Based upon these, the ECJ concluded that “[i]f a right related to copyright is relied upon to prevent the marketing in a Member State of products distributed by the holder of the right or with his consent on the territory of another Member State on the sole ground that such distribution did not take place on the national territory, such a prohibition, which would legitimize the isolation of national markets, would be repugnant to the essential purpose of the Treaty, which is to unite national markets into a single market. That purpose could not be attained if, under the various legal systems of the Member States, nationals of those States were able to partition the market and bring about arbitrary discrimination or disguised restrictions on trade between Member States. Consequently, it would be in conflict with the provisions prescribing the free movement of products within the common market for a manufacturer of sound recordings to exercise the exclusive right to distribute the protected articles, conferred upon him by the legislation of a Member State, in such a way as to prohibit the sale in that State of products placed on the market by him or with his consent in another Member State solely because such distribution did not occur within the territory of the first Member State.”¹⁴

The precedence of the basic principles and purposes of EEC Treaty – especially the free movement of goods – over the protection of copyright holders was later reaffirmed by the ECJ in the *Membran* case. The judges highlighted that “[i]t follows from the foregoing considerations that neither the copyright owner or his licensee, nor a copyright management society acting in the owner's or licensee's name, may rely on the exclusive exploitation right conferred by copyright to prevent or restrict the importation of sound recordings which have been lawfully marketed in another Member State by the owner himself or with his consent. (...) It should be observed next that no provision of national legislation may permit an undertaking which is responsible for the management of copyrights and has a monopoly on the territory of a Member State by virtue of that management to charge a levy on products imported from another Member State where they were put into circulation by or with the consent of the copyright owner and thereby cause the Common Market to be partitioned. Such a practice would amount to allowing a private undertaking to impose a charge on the importation of sound recordings which are already in free circulation in the Common Market on account of their crossing a frontier; it would therefore have the effect of entrenching the isolation of national markets which the Treaty seeks to abolish.”¹⁵

The Luxembourg court later developed a second prong of Community-wide exhaustion under which it does not apply to services. In the *Coditel I* case the ECJ confirmed that it is not a mean of arbitrary discrimination or a disguised restriction to grant a territorial exclusivity to “show” cinematographic works, and consequently to prohibit the broadcasting of the said works by an unlicensed cable television company who received the signals from a different Member State.¹⁶ The ECJ noted that “the

¹¹ Jens Schovsbo: *The Exhaustion of Rights and Common Principles of European Intellectual Property Law*. In: Ansgar Ohly: *Common Principles of European Intellectual Property Law*, Mohr Siebeck, Tübingen, 2010: p. 170.

¹² Compare to Article 3(G), 5, 30, 36, 85(1) and 86 of the EEC Treaty.

¹³ *Case 78/70 - Deutsche Grammophon Gesellschaft mbH v Metro-SB-Großmärkte GmbH & Co. KG.*, 8 June 1971, *European Court Reports*, 1971: p. 499-500., para. 5-11.

¹⁴ *Case 78/70*, p. 500., para. 12-13.

¹⁵ *Joined cases 55 and 57/80 - Musik-Vertrieb Membran GmbH and K-tel International v GEMA - Gesellschaft für musikalische Aufführungs- und mechanische Vervielfältigungsrechte*, 20 January 1981, *European Court Reports*, 1981: p. 163-164., paras. 15., 18.

¹⁶ *Case 62/79 - SA Compagnie générale pour la diffusion de la télévision, Coditel, and others v Ciné Vog Films and others*, 18 March 1980, *European Court Reports*, 1980: p. 903-904., paras. 15-17.

right of a copyright owner and his assigns to require fees for any showing of a film is part of the essential function of copyright in this type of literary and artistic work”.¹⁷ To put it differently: cinematographic works might be repeated (commercially exploited) without any limitations via performances/broadcasting.

Similarly, the EEC-compatibility of the rental right granted to copyright holders by the Danish Copyright Act was confirmed by the ECJ in the Warner Brothers v. Christiansen case. As the judges noted: “[t]he existence of [rental] market was made possible by various factors such as the improvement of manufacturing methods for video-cassettes which increased their strength and life in use, the growing awareness amongst viewers that they watch only occasionally the video-cassettes which they bought and, lastly, their relatively high purchase price. The market for the hiring-out of video-cassettes reaches a wider public than the market for their sale and, at present, offers great potential as a source of revenue for makers of films. However, it is apparent that, by authorizing the collection of royalties only on sales to private individuals and to persons hiring out video-cassettes, it is impossible to guarantee to makers of films a remuneration which reflects the number of occasions on which the video-cassettes are actually hired out and which secures for them a satisfactory share of the rental market. That explains why, as the Commission points out in its observations, certain national laws have recently provided specific protection of the right to hire out video-cassettes.”¹⁸ (...)

Only a few weeks after the ECJ published its Warner Brothers v. Christiansen decision did the European Commission also reveal its Green Paper on Copyright and the Challenge of Technology. Here the Commission concluded that “[t]he Court has held that in all these fields reliance on an exclusive right to exclude goods lawfully marketed in other Member States would be incompatible with the fundamental principles of the Community Treaty providing for the free circulation of goods since it would legitimize the isolation of national markets. While Article 36 EEC authorizes the Member States to maintain restrictions on imports justified on the grounds of the protection of industrial and commercial property, it does not permit a right holder to prevent the free circulation of goods once, with the right holder’s consent, they have been placed on the market within the Community.”¹⁹ The fact that the ECJ has developed quite a detailed precedent law on this territory was enough for the Commission to conclude that “national copyright laws will not have adverse or divergent effects on the functioning of the common market”.²⁰ The introduction of a right of distribution and consequently a principle of exhaustion of the distribution right was therefore declared to be unnecessary in 1988.²¹

At the same time, the European Commission fairly realized that several urgent issues need to be addressed by community law. Unlike public lending that the Commission found unnecessary to regulate yet,²² provisions on the rental of sound recordings, audio-visual contents and computer programs turned out to be timely. Before the appearance of digital technologies the commercial rental seemed to be an unattractive business due to the massive deterioration of data carriers, and consequently the worsening of enjoyment of contents.²³ As soon as CDs were standardized by Sony in 1983 and digital audio tapes – that for the first time allowed for the digital reproduction of contents at home – were put into circulation by Sony in 1987, the quality of the copies of works turned out to be stable enough, and “rental outlets have mushroomed”.²⁴ The same was true for the audio-visual sector, since the public had greater interest in renting video contents, rather than purchasing them. The popularity of rental was partially due to the expensive nature of the video tapes and the related equipment as well.²⁵ Sadly, the EU Green Paper missed to include any well-founded argumentation in

¹⁷ Ibid., p. 903., para. 14.

¹⁸ *Case 158/86 - Warner Brothers Inc. and Metronome Video ApS v. Erik Viuff Christiansen*, 17 May 1988, *European Court Reports*, 1988: p. 2629., paras. 14-15.

¹⁹ Commission of the European Communities: *Green Paper on Copyright and the Challenge of Technology - Copyright Issues Requiring Immediate Action*, COM (88) 172 final, Brussels, 7 June 1988, p. 148., point 4.3.1.

²⁰ Ibid, p. 152., point 4.4.1.

²¹ Ibid, p. 153., point 4.4.4.

²² Ibid, p. 165., point 4.10.9.

²³ Ibid, p. 155., point 4.5.2.

²⁴ Ibid, p. 156., point 4.5.3.

²⁵ Ibid, p. 157., point 4.5.5.

respect of the rental of computer programs within the European Economic Community. The document only urged for the acceptance of broad use rights for the benefit of software producers.²⁶

It is therefore not a surprise that commercial actors of the music, video and software industry expressed their interest in introducing a new rental right on an EEC level. The European Commission accepted their opinion. It noted that “[p]resent trends in the distribution and marketing of sound and video recordings suggest that commercial rental will constitute an increasingly important means by which such recordings will be made available to the public. Furthermore, given the links between rental and the problems of piracy and private copying, this development implies significant economic consequences for those whose works and performances are recorded. In the absence of a firm legal basis for right holders to authorize the commercial exploitation of their works through rental, it seems likely that those responsible for creating recorded works will receive a much lower return for their efforts and investment than would otherwise be the case, while middlemen could profit disproportionately from the efforts of other.”²⁷

The European Commission recommended an action to introduce a new rental right for the benefit of the right holders of the music, video and software industry. The EU Green Paper also highlighted that the introduction of this right would not be contrary to the case law of the ECJ, since the latter developed the principle of exhaustion only in respect of the sale of tangible copies of works, and excluded the operation of the principle in respect of “service-style” rights, like performance.²⁸

The Software Directive was finally enacted in 1991.²⁹ It introduced a new rental right for the producers of computer programs. In light of the case law of the ECJ introduced above it seemed to be wise enough to regulate the principle of exhaustion in respect of the rental right. Therefore, the Software Directive provided that “[t]he first sale in the Community of a copy of a program by the right holder or with his consent shall exhaust the distribution right within the Community of that copy, with the exception of the right to control further rental of the program or a copy thereof.”³⁰

The above wording of the principle has some specific features that differentiate it from the norms set by the TRIPS Agreement and the WIPO Internet Treaties. First, it is a special law on computer programs, not any other subject matter. Second, there is clearly no restriction on the form of the copy. That is, the resale of intangible copies is not excluded per se from the doctrine. Third, the Software Directive envisaged a Community-wide exhaustion, under which the sale of the computer program within any of the member states – that time only 12, nowadays 28 – exhausts the right of distribution in every other member states as well. Finally, the directive – following the ECJ’s case law – differentiated between “sale-style” and “service-style” forms of distribution, where the latter (more precisely rental of computer programs) was excluded from the scope of the doctrine. Oddly, the recitals of the directive include no further guidance on this issue.

A year later, the Council accepted the next directive, which has been referred to as Rental Directive.³¹ The short (or nick) name of the directive is quite misleading, since it harmonized the rights granted to related rights holders as well. As a part of the letter form of protection, Article 9(1) introduced a right of distribution for the benefit of performers, with regards to fixations of their performances; for phonogram producers, in respect of their phonograms; for producers of the first fixations of films, in respect of the original and copies of their films; and for broadcasting organizations, with regards to

²⁶ Ibid., p. 191., 200, points 5.6.14. and 5.8.2.d) respectively.

²⁷ Ibid, p. 161., point 4.10.1.

²⁸ Ibid, p. 163., point 4.10.5.

²⁹ Council Directive of 14 May 1991 on the legal protection of computer programs (91/250/EEC). The directive was later amended by Directive 2009/24/EC of the European Parliament and of the Council of 23 April 2009 on the legal protection of computer programs (codified version).

³⁰ Directive 91/250/EEC, Article 4(c). The principle of exhaustion in respect of computer programs is currently included in Article 4(2) of Directive 2009/24/EC.

³¹ Council Directive 92/100/EEC of 19 November 1992 on rental right and lending right and on certain rights related to copyright in the field of intellectual property. Later the directive was codified by the Directive 2006/115/EC of the European Parliament and of the Council of 12 December 2006 on rental right and lending right and on certain rights related to copyright in the field of intellectual property (codified version).

fixations of their broadcast. Article 9(2) followed the idea of Community-wide exhaustion. Further, the Rental Directive excluded the right of rental and lending – as services – from the theory of exhaustion.³² Similar to the Software Directive, the Rental Directive lacks further guidance on exhaustion in the recitals.

Shortly after the acceptance of this directive, a German corporation that was involved in the rental of sound recordings questioned the legitimacy of the newly erected rental right, especially its exclusion from the scope of the doctrine of exhaustion. The CJEU refused to accept these claims and stressed that “the release into circulation of a sound recording cannot therefore, by definition, render lawful other forms of exploitation of the protected work, such as rental, which are of a different nature from sale or any other lawful form of distribution. (...) Thus, the distinction drawn in the Directive between the effects of the specific rental and lending right (...) and those of the distribution right (...) is justified. The former is not exhausted by the sale or any other act of distribution of the object, whereas the latter may be exhausted, but only and specifically upon the first sale in the Community by the right holder or with his consent. The introduction by the Community legislation of an exclusive rental right cannot therefore constitute any breach of the principle of exhaustion of the distribution right, the purpose and scope of which are different.”³³

The Court continued its ruling as follows: “the inclusion, challenged by the defendant in the main proceedings, of phonogram producers among the beneficiaries of the exclusive rental right appears justified by the protection of the extremely high and risky investments which are required for the production of phonograms and are essential if authors are to go on creating new works. As the Advocate General explained in point 26 of his Opinion, the grant of an exclusive right to producers certainly constitutes the most effective form of protection, having regard in particular to the development of new technologies and the increasing threat of piracy, which is favoured by the extreme ease with which recordings can be copied. In the absence of such a right, it is likely that the remuneration of those who invest in the creation of those products would cease to be properly guaranteed, with inevitable repercussions for the creation of new works.”³⁴

In 1996, a further directive was passed by the European Parliament and the Council on the protection of database. Here, the directive also granted for a right of distribution for the benefit of authors of databases. This right was limited by the doctrine of exhaustion. According to the Database Directive, “the first sale in the Community of a copy of the database by the right holder or with his consent shall exhaust the right to control resale of that copy within the Community.”³⁵ Such basic rule is limited in two major ways. First, Recital 43 of the Database Directive rules that “in the case of on-line transmission, the right to prohibit re-utilization is not exhausted either as regards the database or as regards a material copy of the database or of part thereof made by the addressee of the transmission with the consent of the right holder”. Second, the rental and lending of database is governed by the Rental Directive, and consequently there is no exhaustion related to these rights in respect of databases.

The Information Society (InfoSoc) – or as many call it, the Copyright – Directive harmonized a general right of distribution (granted to authors as well), as well as a general exhaustion doctrine covering all protectable subject matter in 2001. The InfoSoc Directive aimed the implementation of the respective provisions of the WIPO Internet Treaties. Under Article 4(2) of the latter directive, “[t]he 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 right holder or with his consent.” Unlike in the case of the Software and Rental Directive, the normative text of the InfoSoc Directive was supplemented by two recitals on the relevant subject matter. Recital 28 stressed that the right of distribution only affects works

³² Directive 92/100/EEC, Article 1(4); see further: Directive 2006/115/EC, Article 1(2).

³³ *Case C-200/96 – Metronome Musik GmbH v. Music Point Hokamp GmbH*, 28 April 1998, *I-ECR*, 1998: p. 1978., paras. 18-20.

³⁴ *Ibid.*, p. 1980., para. 24.

³⁵ Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases, Article 5(c).

incorporated in a tangible article or object; further, it reaffirmed the Community-wide exhaustion. Recital 29 excluded services as a default and those material copies produced via any on-line service from the scope of exhaustion. Such an exclusion is similarly mirrored by Article 3(3) of the InfoSoc Directive.

Three important notes need to be added here. First, the doctrine of exhaustion has been completely regulated at the level of directives. It might be important to recall, therefore, a paragraph of an ECJ decision, according to which “recourse to Article 36 is nonetheless no longer possible where Community directive provide for harmonization of the measures necessary to achieve the specific objective which would be furthered by reliance on this provision.”³⁶

Second, the EU legislation has settled some remarkable limitations to the doctrine of exhaustion. The principle might only restrict the resale of tangible copies, as envisaged by Recital 28 of the InfoSoc Directive that incorporated Agreed Statement attached to Article 6 and 7 of the WCT. As a consequence, uses of protected subject matter that are not connected to any tangible copy, or those that are offered as a service, shall not exhaust the right holders’ exclusive rights. Such rights are communication to the public, including broadcasting, retransmission and making available to the public, rental and lending.³⁷

The other limitation is connected to the territorial nature of copyright law under which domestic provisions might only apply within the physical boundaries of the given country. This practically means that a use abroad authorized by the right holder in the given country does not exhaust the right to control any domestic distribution of the copies of the work. The ban on parallel importation is therefore a general tool to prevent the flow of – sometimes cheaper – copies produced or sold abroad to another markets. This ban was, however, partially overruled by the EEC and later the EU, when it introduced the concept of Community-wide or regional exhaustion. The territory of the member states has been envisaged as a single market, and consequently the resale of goods might be only blocked if originally sold outside of the economic community.³⁸ This means that if the copy of the work is put into circulation in any of the 28 EU Member States or the three further European Economic Area members (Lichtenstein, Iceland or Norway) that copy shall freely circulate within the EEA. Corbet called the freedom of users to resell lawfully purchased copies within the EEA as “Eurodefense”.³⁹ At the same time, the introduction of the doctrine of Community-wide or regional exhaustion effectively led to the acceptance that Member States of the European Union and the EEA are excluded from providing a broader scope of exhaustion, that is, an international one. As the CJEU stressed it in its ruling in the *Laserdisken* case: “[i]t follows from the clear wording of Article 4(2) of Directive 2001/29, in conjunction with the twenty-eighth recital in the preamble to that directive, that that provision does not leave it open to the Member States to provide for a rule of exhaustion other than the Community-wide exhaustion rule. (...) This, moreover, is the only interpretation which is fully consistent with the purpose of Directive 2001/29 which, according to the first recital in the preamble thereto, is to ensure the functioning of the internal market. A situation in which some Member States will be able to provide for international exhaustion of distribution rights whilst others will provide only for Community-wide exhaustion of those rights will inevitably give rise to barriers to the free movement of goods and the freedom to provide services.”⁴⁰

Finally, although it is not common to discuss it as a limit of the principle of exhaustion, the *droit de suite* similarly puts barriers to the uncontrolled flow of works within the European Union. Under the relevant EU directive, “[t]he resale right is a right of a productive character which enables the author/artist to receive consideration for successive transfers of the work. The subject-matter of the

³⁶ *Case C-1/96 - The Queen v Minister of Agriculture, Fisheries and Food, ex parte Compassion in World Farming Ltd.*, 19 March 1998, *European Court Reports*, 1998: p. 1296-1297., para. 47.

³⁷ Software Directive, Article 4(1)(c); Infosoc Directive, Recital 29; Rental Directive, Article 1(2).

³⁸ Software Directive, Article 4(2); Infosoc Directive, Recital 28; Rental Directive, Article 9(2).

³⁹ Jan Corbet: *The Law of the EEC and Intellectual Property*, *Journal of Law and Commerce*, 1994: p. 327.

⁴⁰ *Case C-479/04 - Laserdisken ApS v. Kulturministeriet*, 12 September 2006, *European Court Reports*, 2006: p. 8121., paras. 24, 26.

resale right is the physical work, namely the medium in which the protected work is incorporated”.⁴¹ Contrary to the scope of the Berne Union Convention, the EU directive grants the resale right only for visual artists. Literary authors and composers are excluded from the protection.⁴² The droit de suite is an inalienable and unwaivable right that provides for the receipt of a royalty “based on the sale price obtained for any resale of the work, subsequent to the first transfer of the work by the author”.⁴³ The royalty shall be payable if the resale involves an art market professional, either as a seller, purchaser or intermediary.⁴⁴ The droit de suite is not an unlimited right. According to the Article 1(3) of the directive “Member States may provide that the right referred to in paragraph 1 shall not apply to acts of resale where the seller acquired the work directly from the author less than three years before that resale and where the resale price does not exceed EUR 10000”. The subject matter of the directive is similarly limited to “works of graphic or plastic art such as pictures, collages, paintings, drawings, engravings, prints, lithographs, sculptures, tapestries, ceramics, glassware and photographs”.⁴⁵ Member States are likewise obliged to set a threshold – minimum maximum 3000€ – under which the resale shall be royalty free.⁴⁶ Still, as it is clearly visible from the above, the resale royalty right excludes exactly what the principle of exhaustion envisages: the free disposal of the property of a tangible copy.

Thirdly, due to the fact that the InfoSoc Directive has not only implemented a separate right of distribution but also added a distinct right of making available to the public (introduced as a subcategory of the communication to the public right), the EU legislation has expressed its clear willingness to deal with on-demand uses outside of the scope of the right of distribution. The question remains whether such a solution shall be deemed as a proper, working solution under the current technological realities.

III. U.S. copyright law

Although the *Bobbs-Merrill v. Straus* case has undeniably become the leading historical precedent of the first sale doctrine, there were a few earlier federal court decisions dealing with the issue. For the purposes of the present article, however, there is no need to introduce other than the above mentioned *Straus* case. There, the Bobbs-Merrill Company registered the copyright on Hallie Erminie Rives’ book titled “*The Castaway*” by the U.S. Copyright Office on May 18, 1904. The book was published immediately thereafter. On the first inside page of the book the publisher printed an expressed warning that the copies of the work shall not be distributed for a retail price of less than one dollar. Naturally, the Bobbs-Merrill Company sold the books on wholesale for a reduced price. The R. H. Macy & Company owned by Isidor and Nathan Straus purchased from these books by the gross for less than a half dollar per item. Contrary to the warning described above, the R. H. Macy & Company resold the copies for a retail price of \$0.89.⁴⁷ The Bobbs-Merrill Company deemed this practice an infringement of its copyright and therefore sued the Straus brothers.

As the Supreme Court of the United States highlighted, the main question of the case was, whether “[the right to vend] intended to create a right which would permit the holder of the copyright to fasten by notice in a book or upon one of the articles mentioned within the statute, a restriction upon the subsequent alienation of the subject-matter of copyright after the owner had parted with the title to one who had acquired full dominion over it and had given a satisfactory price for it?”⁴⁸ The justices answered in the negative as follows: “In our view the copyright statutes, while protecting the owner of the copyright in his right to multiply and sell his production, do not create the right to impose, by notice, such as is disclosed in this case, a limitation at which the book shall be sold at retail by future

⁴¹ Directive 2001/84/EC of the European Parliament and of the Council of 27 September 2001 on the resale right for the benefit of the author of an original work of art, Recital 2.

⁴² Directive 2001/84/EC, Recital 19.

⁴³ Directive 2001/84/EC, Article 1(1).

⁴⁴ Directive 2001/84/EC, Article 1(2).

⁴⁵ Directive 2001/84/EC, Article 2(1).

⁴⁶ Directive 2001/84/EC, Article 3(1)-(2).

⁴⁷ *Bobbs-Merrill Company v. Isidor Straus and Nathan Straus*, 210 *U.S.* 339 (1908), p. 341-342.

⁴⁸ *Ibid.*, p. 349-350.

purchasers, with whom there is no privity of contract. (...) To add to the right of exclusive sale the authority to control all future retail sales, by a notice that such sales must be made at a fixed sum, would give a right not included in the terms of the statute, and, in our view, extend its operation, by construction, beyond its meaning, when interpreted with a view to ascertaining the legislative intent in its enactment.”⁴⁹

The Supreme Court first noted that in light of the aims of the Congress the right to vend (currently: right to distribute) – as regulated by the Copyright Act of 1831 – did not allow the right holder to control the resale of the copy of the work by its lawful acquirer via a written stipulation, supposed that the right holder passed on the ownership of the said copy in exchange of a fair remuneration. Second, the stipulation that prohibited the resale of the copy contrary to the conditions set by the right holder only affected those distributors who contracted the right holder. That is, all those who accepted the conditions as binding upon himself committed a breach of contract by the resale of the books (for retail price of less than a dollar).

Congressmen who were involved in the drafting of the new Copyright Act at that very moment recognized the validity of the Supreme Court’s logic and enacted the doctrine in the Copyright Act of 1909. According to the statute “[n]othing in this title shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work, the possession of which has been lawfully obtained.”⁵⁰ The creators of the current Copyright Act (enacted in 1976) transferred the previous statutory provision with some minor – but not insignificant – changes. USCA §109(a) regulates that “[n]otwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.”

Shortly after the entry into force of the USCA, right holders faced unexpected challenges. New business models appeared – originally on the Japanese market – for the rental of sound recordings, computer programs and video tapes. The number of music rental stores grew to 1600 by 1983 in Japan, whilst Rent-A-Record – that opened its first store in Providence, Rhode Island, in 1981 – ran 250 stores in the United States by 1983. If we combine these numbers with the fact that the CD appeared on the market in 1983, we can easily understand why the record industry initiated an overwhelming attack against music rental. Lobbyists envisioned the death of the music industry, if Congress had missed the opportunity to take steps in this situation. The Senate reported surprisingly fast that the rental of sound recordings infringes on the right of distribution. The report concluded that “the purpose and result of record rentals is to enable and encourage customers to tape their rented albums at home. (...) This, a record rental and a blank tape purchase is now an alternative way of obtaining a record without having to buy one. The rental is a direct replacement of a sale.”⁵¹ As a consequence, Congress enacted USCA §109(b)(1). The original wording of the text said that “[n]otwithstanding the provisions of subsection (a) [the first sale doctrine], unless authorized by the owners of copyright in the sound recording and in the musical works embodied therein, the owner of a particular phonorecord may not, for purposes of direct or indirect commercial advantage dispose of, or authorize the disposal of, the possession of that phonorecord by rental, lease, or lending, or by any other act or practice in the nature of rental, lease, or lending.”⁵²

The social receptivity of rental similarly endangered the interests of the American software industry. Computer programs, especially computer games, became available for an approximately \$1-20 daily rental fee. Some estimated that the software industry lost around 1.3 billion USD due to unauthorized rental of computer programs between 1981 and 1984. A bill of statute was submitted to the Congress

49 Ibid., p. 350-351.

⁵⁰ An Act to Amend and Consolidate the Acts Respecting Copyright (1909), Sec. 41. The acts related to copyright law were codified by the Congress in “United States Code, Title 17” in 1947. As a consequence of the codification the original numbering of the first sale doctrine was amended to Section 27.

⁵¹ *S. Rep. No. 98-162*, 98th Cong., 1st Sess. (1983), p. 2.

⁵² *Record Rental Amendment Act of 1984*, Pub. L. No. 98-450, 98 Stat. 1727. This provision was amended and renumbered (to USCA §109(b)(1)(A)) in 1990.

in 1986, however, the law was enacted only in 1990. The USCA excluded the rental, leasing and lending of computer programs from the scope of the first sale doctrine.⁵³

Rental of video tapes has become a daily routine, as well, from the beginning of the 1980's. There were times when the ratio of rental and sale has reached almost 9 to 1. A bill of statute was submitted to Congress in 1983. The proposal recommended the exclusion of video tape rentals from the scope of the first sale doctrine. There are multiple reasons why this bill failed. First, the Betamax decision was handed over by the U.S. Supreme Court in 1984. Although that case was not focusing on the first sale doctrine, however, the justices favoured private users and Sony by declaring "time-shifting" of broadcasts by Betamax video tape recorders as fair use.⁵⁴ Some argue that this was a reason why members of the Congress left audio-visual contents outside of the scope of the Record Rental Amendment Act in 1984. Second, during the "golden age" of video rental the price of the video tape recorder and the video tapes was extremely high. It was therefore quite difficult and expensive to build a "library of videotapes". Thirdly and the foremost, Hollywood studios succeeded in concluding contractual agreements with the franchise owners of the rental stores to rent only pre-recorded video tapes purchased legally and directly from the studios. In several cases studios acquired bigger profit than box office sales under these agreements.⁵⁵

The United States of America signed the North American Free Trade Agreement (NAFTA) with Canada and Mexico in 1992. One of the objectives of NAFTA is to "eliminate barriers to trade in, and facilitate the cross-border movement of, goods and services between territories of the Parties".⁵⁶ The Agreement regulates intellectual property rights as well.⁵⁷ According to Article 1705-1706 contracting parties are obliged to guarantee the exercise of right holders' economic rights. Looking carefully at these provisions we might discover that NAFTA prohibits "the importation into the Party's territory of copies of the work made without the right holder's authorization". This sentence means that contracting states introduced a "limited regional exhaustion" doctrine. First, right holders are not allowed to control the importation of the lawfully made copies. Second, however, any further use of these copies within the importing country (including sale, rental and other forms of distribution) might be overseen by the right holder. The effectiveness of the above regulation is questionable, since there is no sanction that might be used in case the provisions are infringed. It is similarly squealing that there is no court decision on the above referred Articles of NAFTA.

It is not only NAFTA that speaks about parallel importation under American law. §602(a)(1) of the USCA declares the importation of copies of works acquired abroad as an infringement of the distribution right. The statute, however, doesn't include anything about the interplay of the first sale doctrine and the prohibition of parallel imports. It is left to the courts to decide about the legality of those copies that were lawfully produced, put into circulation and acquired abroad or those copies that were lawfully produced in the U.S., later exported and then acquired abroad, finally imported back to the U.S. again.

U.S. federal district and circuit courts have developed quite a complicated and sometimes inconsistent practice on the above question, which are topped by three separate rulings from the U.S. Supreme Court. (...)

The first decision of the U.S. Supreme Court on parallel importation was handed over in the *Quality King v. L'anza* case. Here, several tons of shampoo were produced by L'anza in the United States and exported to a British distributor who in turn sold them to a Maltese company. Quality King purchased these products from the latter company for approximately 35-40% cheaper than the U.S. retail price.

⁵³ *Computer Software Rental Amendments Act of 1990*, title VIII of the Judicial Improvements Act of 1990, Pub. L. No. 101-650, 104 Stat 5089.

⁵⁴ *Sony Corporation of America, et al. v. Universal City Studios, Inc., et al.*, 464 U.S. 417 (1984).

⁵⁵ Sage Vanden Heuvel: *Fighting the First Sale Doctrine: Strategies for a Struggling Film Industry*, *Michigan Telecommunications and Technology Law Review*, 2012: p. 665.

⁵⁶ NAFTA §102(1)(a).

⁵⁷ NAFTA §§1701-1721.

Quality King later imported the shampoo back to the United States.⁵⁸ Both the district court and the Ninth Circuit favoured L'anza, however, the Supreme Court overturned those decisions. The justices stressed that the works – here, quite paradoxically, the copyrighted text printed on the cover of the shampoo boxes – produced within the United States and exported abroad were covered by USCA §109(a).⁵⁹ Further, USCA §602(a) is subordinated to §106(3) and §109(a). The Supreme Court also noted that the general ban on parallel importation remains important, since “the first sale doctrine would not provide a defense to a §602(a) action against any non-owner such as a bailee, a licensee, a consignee, or one whose possession of the copy was unlawful.”⁶⁰ As, however, Justice Ginsburg noted in her concurring opinion, “[t]his case involves a ‘round trip’ journey, travel of copies in question from the United States to places abroad, than back again. I join the Court’s opinion recognizing that we do not today resolve cases in which the allegedly infringing imports were manufactured abroad”.⁶¹

The next major issue was evolving around the importation of luxurious Omega watches that were decorated by trademarked and at the same time copyrighted designs (the “Omega Globe Design”). The U.S.-based wholesale company, Costco, offered for sale 117 Seamaster watches 35% cheaper than Omega’s original retail price. The said watches were originally produced in the Switzerland and sold in Paraguay and Egypt.⁶² Although the district court rejected plaintiff’s claims, the Ninth Circuit reversed that decision, concluding that – contrary to the round trip journey of L’anza’s shampoo – the Omega watches were not lawfully made under this title, that is, they were not lawfully produced on U.S. soil. The Ninth Circuit relied both on the dicta of the Quality King decision quoted above and Justice Ginsburg’s concurring opinion, when it confirmed the applicability of §602(a). The circuit court’s ruling was affirmed by an equally divided (4-4) Supreme Court,⁶³ that was handed over *per curiam*.⁶⁴ It is worth mentioning that after remanding the case to the trial court, Costco started to rely on an absolutely new argument in its defence. The company claimed that Omega misused its copyrights⁶⁵ when it relied on the copyrighted design to prohibit the importation of the Seamaster watches to the United States. The district court accepted this argument, and concluded that “[h]ere, Omega concedes that a purpose of the copyrighted Omega Globe Design was to control the importation and sale of its watches containing the design, as the watches could not be copyrighted. Accordingly, Omega misused its copyright of the Omega Globe Design by leveraging its limited monopoly in being able to control the importation of that design to control the importation of its Seamaster watches.”⁶⁶

The Supreme Court continued to interpret the issue of parallel imports in the John Wiley & Sons v. Kirtsaeng case. Here, defendant Supap Kirtsaeng, national of Thailand, systematically imported textbooks to the United States printed by the Asian branch of John Wiley & Sons. Although the Asian versions were identical in their content with those printed in the United States, however, they were produced on worse paper, they were only published in paperback and they lacked multimedia supplements. Kirtsaeng profited over \$37,000 during the years of his business. The publishing house finally sued Kirtsaeng in 2008 on copyright, trademark and unfair competition claims.⁶⁷

⁵⁸ L’anza Research International v. Quality King Distributors, Inc., 98 *F.3d* 1109 (1996), pp. 1111 – 1112.

⁵⁹ Quality King Distributors, Inc. v. L’anza Research International, Inc., 523 *U.S.* 135 (1998), p. 145.

⁶⁰ *Ibid.*, p. 146-147.

⁶¹ *Ibid.*, p. 154.

⁶² Omega S.A., et al., v. Costco Wholesale Corp., 541 *F.3d* 982 (2008), p. 983-984.

⁶³ Costco Wholesale Corp., v. Omega S.A., 131 *S.Ct.* 565 (2010). Justice Elena Kagan did not participate in the decision-making, since she was serving as Attorney General during the proceedings of the Ninth Circuit.

⁶⁴ The Supreme Court handed over only 92 *per curiam* decisions during 2001-2011, and the justices only missed to reason their decision in five cases. From the said 92 decisions only one case focused on copyright law. See: Michael Eisnach: Omega v. Costco: An Unprecedented Decision Without Precedent, *ABA Section of International Law, International Intellectual Property Newsletter*, Spring 2011: p. 4. On the definition of *per curiam* see: Bryan A. Garner (Ed.): *Black’s Law Dictionary*, Abridged Eighth Edition, Thomson-West, 2005: p. 922.

⁶⁵ “[T]he misuse defense prevents copyright holders from leveraging their limited monopoly to allow them to control areas outside of their monopoly”. See: A & M Records, Inc., et al., v. Napster, Inc., et al., 239 *F.3d* 1004 (2001), p. 1026.

⁶⁶ Omega S.A. v. Costco Wholesale Corp., 2011 *WL* 8492716 (2011), p. 2.

⁶⁷ John Wiley & Sons, Inc. v. Kirtsaeng, 654 *F.3d* 210 (2011), p. 212-216.

The district court favoured the plaintiff, and the majority of the Second Circuit panel affirmed the trial court decision. Circuit Judge Garvan Murtha expressed his criticism towards the majority's decision in his dissenting opinion. He refused to accept that USCA §109(a) has a geographical connotation, and that any contrary decision would lead to the depreciation of the ban on parallel imports. As Murtha concluded “[s]uch a result would provide greater copyright protection to copies manufactured abroad than those manufactured domestically. (...) I do not believe Congress intended to provide an incentive for U.S. copyright holders to manufacture copies of their work abroad”.⁶⁸

The importance of Murtha's dissenting opinion is evidenced by the decision of the Supreme Court that allowed for the application of the first sale doctrine to the importation of works lawfully produced abroad, irrespectively of the place where the works were first put into circulation. Justices noted that the expression “lawfully made under this title” does not have any geographical meaning. It refers to the prerequisite of authorization by the right holder and production under the rules of the USCA.⁶⁹ The Supreme Court similarly accepted Murtha's opinion on the equal treatment of right holders,⁷⁰ and similarly refused that their interpretation would depreciate USCA §602(a).⁷¹ The majority of the Supreme Court also stressed that any geographical interpretation would inevitably lead to the increase of the costs of running the socially important services of public libraries, second hand book stores, IT companies or museums.⁷² Finally, the majority also took the view that “the Constitution's language nowhere suggests that its limited exclusive right should include a right to divide markets or a concomitant right to charge different purchasers different prices for the same book, say to increase or to maximize gain. (...) To the contrary, Congress enacted a copyright law that (through the ‘first sale’ doctrine) limits copyright holders' ability to divide domestic markets. And that limitation is consistent with antitrust laws that ordinarily forbid market divisions.”⁷³

The consequence of the *Kirtsaeng* decision might be that any work produced and put into circulation under the authorization of the right holder (or its subordinates) and in accordance with the copyright law of the relevant country shall be subject to importation, and there is no legal remedy against such activity. To sum up: the doors are open for a doctrine of international exhaustion in the United States. The consequences of such a decision are still unknown. Besides several positive effects (as emphasized by the justices above), it is almost sure that significant negative consequences will be visible soon, especially related to the pricing of books printed cheaper outside of the boundaries of the U.S., and related to the licensing practices of the U.S. companies. (...)

Supap Kirtsaeng v. John Wiley & Sons, Inc.

133 S.Ct. 1351 (2013)

Justice BREYER,

Section 106 of the Copyright Act grants “the owner of copyright under this title” certain “exclusive rights,” including the right “to distribute copies ... of the copyrighted work to the public by sale or other transfer of ownership.” 17 U.S.C. § 106(3). These rights are qualified, however, by the application of various limitations set forth in the next several sections of the Act, §§ 107 through 122. Those sections, typically entitled “Limitations on exclusive rights,” include, for example, the principle of “fair use” (§ 107), permission for limited library archival reproduction, (§ 108), and the doctrine at issue here, the “first sale” doctrine (§ 109).

Section 109(a) sets forth the “first sale” doctrine as follows:

⁶⁸ Ibid, p. 227-228.

⁶⁹ *Supap Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S.Ct. 1351 (2013), p. 1358-1360.

⁷⁰ Ibid, p. 1361-1362.

⁷¹ Ibid, p. 1367-1368.

⁷² Ibid, p. 1364-1367.

⁷³ Ibid, p. 1371. The Supreme Court's argument is clearly the opposite of the US Government's position taken during the negotiations of the WCT/WPPT. Compare to *Ficsor* (2002), p. 241-242., 245-246., 248-249.

“Notwithstanding the provisions of section 106(3) [the section that grants the owner exclusive distribution rights], the owner of a particular copy or phonorecord lawfully made under this title ... is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.”

Thus, even though § 106(3) forbids distribution of a copy of, say, the copyrighted novel Herzog without the copyright owner's permission, § 109(a) adds that, once a copy of Herzog has been lawfully sold (or its ownership otherwise lawfully transferred), the buyer of that copy and subsequent owners are free to dispose of it as they wish. In copyright jargon, the “first sale” has “exhausted” the copyright owner's § 106(3) exclusive distribution right.

What, however, if the copy of Herzog was printed abroad and then initially sold with the copyright owner's permission? Does the “first sale” doctrine still apply? Is the buyer, like the buyer of a domestically manufactured copy, free to bring the copy into the United States and dispose of it as he or she wishes?

To put the matter technically, an “importation” provision, § 602(a)(1), says that
“[i]mportation into the United States, without the authority of the owner of copyright under this title, of copies ... of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies ... under section 106...” 17 U.S.C. § 602(a)(1).

Thus § 602(a)(1) makes clear that importing a copy without permission violates the owner's exclusive distribution right. But in doing so, § 602(a)(1) refers explicitly to the § 106(3) exclusive distribution right. As we have just said, § 106 is by its terms “[s]ubject to” the various doctrines and principles contained in §§ 107 through 122, including § 109(a)'s “first sale” limitation. Do those same modifications apply – in particular, does the “first sale” modification apply – when considering whether § 602(a)(1) prohibits importing a copy?

In *Quality King* we held that § 602(a)(1)'s reference to § 106(3)'s exclusive distribution right incorporates the later subsections' limitations, including, in particular, the “first sale” doctrine of § 109. Thus, it might seem that, § 602(a)(1) notwithstanding, one who buys a copy abroad can freely import that copy into the United States and dispose of it, just as he could had he bought the copy in the United States.

But *Quality King* considered an instance in which the copy, though purchased abroad, was initially manufactured in the United States (and then sent abroad and sold). This case is like *Quality King* but for one important fact. The copies at issue here were manufactured abroad. That fact is important because § 109(a) says that the “first sale” doctrine applies to “a particular copy or phonorecord lawfully made under this title.” And we must decide here whether the five words, “lawfully made under this title,” make a critical legal difference.

Putting section numbers to the side, we ask whether the “first sale” doctrine applies to protect a buyer or other lawful owner of a copy (of a copyrighted work) lawfully manufactured abroad. Can that buyer bring that copy into the United States (and sell it or give it away) without obtaining permission to do so from the copyright owner? Can, for example, someone who purchases, say at a used bookstore, a book printed abroad subsequently resell it without the copyright owner's permission?

In our view, the answers to these questions are, yes. We hold that the “first sale” doctrine applies to copies of a copyrighted work lawfully made abroad.

I

A

Respondent, John Wiley & Sons, Inc., publishes academic textbooks. Wiley obtains from its authors various foreign and domestic copyright assignments, licenses and permissions – to the point that we can, for present purposes, refer to Wiley as the relevant American copyright owner. Wiley often

assigns to its wholly owned foreign subsidiary, John Wiley & Sons (Asia) Pte Ltd., rights to publish, print, and sell Wiley's English language textbooks abroad. Each copy of a Wiley Asia foreign edition will likely contain language making clear that the copy is to be sold only in a particular country or geographical region outside the United States.

For example, a copy of Wiley's American edition says, "Copyright © 2008 John Wiley & Sons, Inc. All rights reserved.... Printed in the United States of America." J. Walker, *Fundamentals of Physics*, p. vi (8th ed. 2008). A copy of Wiley Asia's Asian edition of that book says:

"Copyright © 2008 John Wiley & Sons (Asia) Pte Ltd[.] All rights reserved. This book is authorized for sale in Europe, Asia, Africa, and the Middle East only and may be not exported out of these territories. Exportation from or importation of this book to another region without the Publisher's authorization is illegal and is a violation of the Publisher's rights. The Publisher may take legal action to enforce its rights.... Printed in Asia." J. Walker, Fundamentals of Physics, p. vi (8th ed. 2008 Wiley Int'l Student ed.).

Both the foreign and the American copies say:

"No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means ... except as permitted under Sections 107 or 108 of the 1976 United States Copyright Act." Compare, e.g., ibid. (Int'l ed.), with Walker, supra, at vi (American ed.).

The upshot is that there are two essentially equivalent versions of a Wiley textbook, each version manufactured and sold with Wiley's permission: (1) an American version printed and sold in the United States, and (2) a foreign version manufactured and sold abroad. And Wiley makes certain that copies of the second version state that they are not to be taken (without permission) into the United States.

Petitioner, Supap Kirtsaeng, a citizen of Thailand, moved to the United States in 1997 to study mathematics at Cornell University. He paid for his education with the help of a Thai Government scholarship which required him to teach in Thailand for 10 years on his return. Kirtsaeng successfully completed his undergraduate courses at Cornell, successfully completed a Ph.D. program in mathematics at the University of Southern California, and then, as promised, returned to Thailand to teach. While he was studying in the United States, Kirtsaeng asked his friends and family in Thailand to buy copies of foreign edition English-language textbooks at Thai book shops, where they sold at low prices, and mail them to him in the United States. Kirtsaeng would then sell them, reimburse his family and friends, and keep the profit.

B

In 2008 Wiley brought this federal lawsuit against Kirtsaeng for copyright infringement. Wiley claimed that Kirtsaeng's unauthorized importation of its books and his later resale of those books amounted to an infringement of Wiley's § 106(3) exclusive right to distribute as well as § 602's related import prohibition. Kirtsaeng replied that the books he had acquired were "lawfully made" and that he had acquired them legitimately. Thus, in his view, § 109(a)'s "first sale" doctrine permitted him to resell or otherwise dispose of the books without the copyright owner's further permission.

The District Court held that Kirtsaeng could not assert the "first sale" defense because, in its view, that doctrine does not apply to "foreign-manufactured goods" (even if made abroad with the copyright owner's permission). The jury then found that Kirtsaeng had willfully infringed Wiley's American copyrights by selling and importing without authorization copies of eight of Wiley's copyrighted titles. And it assessed statutory damages of \$600,000 (\$75,000 per work).

On appeal, a split panel of the Second Circuit agreed with the District Court. It pointed out that § 109(a)'s "first sale" doctrine applies only to "the owner of a particular copy ... lawfully made under this title." And, in the majority's view, this language means that the "first sale" doctrine does not apply to copies of American copyrighted works manufactured abroad. A dissenting judge thought that the words "lawfully made under this title" do not refer "to a place of manufacture" but rather "focu[s] on whether a particular copy was manufactured lawfully under" America's copyright statute, and that "the lawfulness of the manufacture of a particular copy should be judged by U.S. copyright law."

We granted Kirtsaeng's petition for certiorari to consider this question in light of different views among the Circuits.

II

We must decide whether the words “lawfully made under this title” restrict the scope of § 109(a)'s “first sale” doctrine geographically. The Second Circuit, the Ninth Circuit, Wiley, and the Solicitor General (as amicus) all read those words as imposing a form of geographical limitation. The Second Circuit held that they limit the “first sale” doctrine to particular copies “made in territories in which the Copyright Act is law,” which (the Circuit says) are copies “manufactured domestically,” not “outside of the United States.” Wiley agrees that those five words limit the “first sale” doctrine “to copies made in conformance with the [United States] Copyright Act where the Copyright Act is applicable,” which (Wiley says) means it does not apply to copies made “outside the United States” and at least not to “foreign production of a copy for distribution exclusively abroad.” Similarly, the Solicitor General says that those five words limit the “first sale” doctrine's applicability to copies “‘made subject to and in compliance with [the Copyright Act],’ ” which (the Solicitor General says) are copies “made in the United States.” And the Ninth Circuit has held that those words limit the “first sale” doctrine's applicability (1) to copies lawfully made in the United States, and (2) to copies lawfully made outside the United States but initially sold in the United States with the copyright owner's permission.

Under any of these geographical interpretations, § 109(a)'s “first sale” doctrine would not apply to the Wiley Asia books at issue here. And, despite an American copyright owner's permission to make copies abroad, one who buys a copy of any such book or other copyrighted work – whether at a retail store, over the Internet, or at a library sale – could not resell (or otherwise dispose of) that particular copy without further permission.

Kirtsaeng, however, reads the words “lawfully made under this title” as imposing a non-geographical limitation. He says that they mean made “in accordance with” or “in compliance with” the Copyright Act. In that case, § 109(a)'s “first sale” doctrine would apply to copyrighted works as long as their manufacture met the requirements of American copyright law. In particular, the doctrine would apply where, as here, copies are manufactured abroad with the permission of the copyright owner.

In our view, § 109(a)'s language, its context, and the common-law history of the “first sale” doctrine, taken together, favor a non-geographical interpretation. We also doubt that Congress would have intended to create the practical copyright-related harms with which a geographical interpretation would threaten ordinary scholarly, artistic, commercial, and consumer activities. We consequently conclude that Kirtsaeng's nongeographical reading is the better reading of the Act.

A

The language of § 109(a) read literally favors Kirtsaeng's nongeographical interpretation, namely, that “lawfully made under this title” means made “in accordance with” or “in compliance with” the Copyright Act. The language of § 109(a) says nothing about geography. The word “under” can mean “[i]n accordance with.” And a nongeographical interpretation provides each word of the five-word phrase with a distinct purpose. The first two words of the phrase, “lawfully made,” suggest an effort to distinguish those copies that were made lawfully from those that were not, and the last three words, “under this title,” set forth the standard of “lawful[ness].” Thus, the nongeographical reading is simple, it promotes a traditional copyright objective (combatting piracy), and it makes word-by-word linguistic sense.

The geographical interpretation, however, bristles with linguistic difficulties. It gives the word “lawfully” little, if any, linguistic work to do. (How could a book be un lawfully “made under this title”?) It imports geography into a statutory provision that says nothing explicitly about it. And it is far more complex than may at first appear.

To read the clause geographically, Wiley, like the Second Circuit and the Solicitor General, must first emphasize the word “under.” Indeed, Wiley reads “under this title” to mean “in conformance with the Copyright Act where the Copyright Act is applicable.” Wiley must then take a second step, arguing that the Act “is applicable” only in the United States. And the Solicitor General must do the same.

One difficulty is that neither “under” nor any other word in the phrase means “where.” It might mean “subject to,” but as this Court has repeatedly acknowledged, the word evades a uniform, consistent meaning.

A far more serious difficulty arises out of the uncertainty and complexity surrounding the second step's effort to read the necessary geographical limitation into the word “applicable” (or the equivalent). Where, precisely, is the Copyright Act “applicable”? The Act does not instantly protect an American copyright holder from unauthorized piracy taking place abroad. But that fact does not mean the Act is inapplicable to copies made abroad. As a matter of ordinary English, one can say that a statute imposing, say, a tariff upon “any rhododendron grown in Nepal” applies to all Nepalese rhododendrons. And, similarly, one can say that the American Copyright Act is applicable to all pirated copies, including those printed overseas. Indeed, the Act itself makes clear that foreign-printed pirated copies are “subject to” the Act.

The appropriateness of this linguistic usage is underscored by the fact that § 104 of the Act itself says that works “subject to protection under this title” include unpublished works “without regard to the nationality or domicile of the author,” and works “first published” in any one of the nearly 180 nations that have signed a copyright treaty with the United States. Thus, ordinary English permits us to say that the Act “applies” to an Irish manuscript lying in its author's Dublin desk drawer as well as to an original recording of a ballet performance first made in Japan and now on display in a Kyoto art gallery.

The Ninth Circuit's geographical interpretation produces still greater linguistic difficulty. As we said, that Circuit interprets the “first sale” doctrine to cover both (1) copies manufactured in the United States and (2) copies manufactured abroad but first sold in the United States with the American copyright owner's permission.

We can understand why the Ninth Circuit may have thought it necessary to add the second part of its definition. As we shall later describe, without some such qualification a copyright holder could prevent a buyer from domestically reselling or even giving away copies of a video game made in Japan, a film made in Germany, or a dress (with a design copyright) made in China, even if the copyright holder has granted permission for the foreign manufacture, importation, and an initial domestic sale of the copy. A publisher such as Wiley would be free to print its books abroad, allow their importation and sale within the United States, but prohibit students from later selling their used texts at a campus bookstore. We see no way, however, to reconcile this half-geographical/half-nongeographical interpretation with the language of the phrase, “lawfully made under this title.” As a matter of English, it would seem that those five words either do cover copies lawfully made abroad or they do not.

In sum, we believe that geographical interpretations create more linguistic problems than they resolve. And considerations of simplicity and coherence tip the purely linguistic balance in Kirtsaeng's, nongeographical, favor.

B

Both historical and contemporary statutory context indicate that Congress, when writing the present version of § 109(a), did not have geography in mind. In respect to history, we compare § 109(a)'s present language with the language of its immediate predecessor. That predecessor said:

“[N]othing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained.” Copyright Act of 1909, § 41, 35 Stat. 1084.

See also Copyright Act of 1947, § 27, 61 Stat. 660. The predecessor says nothing about geography (and Wiley does not argue that it does). So we ask whether Congress, in changing its language implicitly introduced a geographical limitation that previously was lacking.

A comparison of language indicates that it did not. The predecessor says that the “first sale” doctrine protects “the transfer of any copy the possession of which has been lawfully obtained.” The present version says that “the owner of a particular copy or phonorecord lawfully made under this title is entitled to sell or otherwise dispose of the possession of that copy or phonorecord.” What does this change in language accomplish?

The language of the former version referred to those who are not owners of a copy, but mere possessors who “lawfully obtained” a copy. The present version covers only those who are owners of a “lawfully made” copy. Whom does the change leave out? Who might have lawfully obtained a copy of a copyrighted work but not owned that copy? One answer is owners of movie theaters, who during the 1970’s (and before) often leased films from movie distributors or filmmakers. Because the theater owners had “lawfully obtained” their copies, the earlier version could be read as allowing them to sell that copy, i.e., it might have given them “first sale” protection. Because the theater owners were lessees, not owners, of their copies, the change in language makes clear that they (like bailees and other lessees) cannot take advantage of the “first sale” doctrine.

This objective perfectly well explains the new language of the present version, including the five words here at issue. Section 109(a) now makes clear that a lessee of a copy will not receive “first sale” protection but one who owns a copy will receive “first sale” protection, provided, of course, that the copy was “lawfully made” and not pirated. The new language also takes into account that a copy may be “lawfully made under this title” when the copy, say of a phonorecord, comes into its owner’s possession through use of a compulsory license, which “this title” provides for elsewhere, namely, in § 115. Again, for those who find legislative history useful, the relevant legislative report makes this clear.

Other provisions of the present statute also support a nongeographical interpretation. For one thing, the statute phases out the “manufacturing clause,” a clause that appeared in earlier statutes and had limited importation of many copies (of copyrighted works) printed outside the United States. The phasing out of this clause sought to equalize treatment of copies manufactured in America and copies manufactured abroad.

The “equal treatment” principle, however, is difficult to square with a geographical interpretation of the “first sale” clause that would grant the holder of an American copyright permanent control over the American distribution chain (sales, resales, gifts, and other distribution) in respect to copies printed abroad but not in respect to copies printed in America. And it is particularly difficult to believe that Congress would have sought this unequal treatment while saying nothing about it and while, in a related clause (the manufacturing phase-out), seeking the opposite kind of policy goal.

Finally, we normally presume that the words “lawfully made under this title” carry the same meaning when they appear in different but related sections. But doing so here produces surprising consequences. Consider:

(1) Section 109(c) says that, despite the copyright owner’s exclusive right “to display” a copyrighted work (provided in § 106(5)), the owner of a particular copy “lawfully made under this title” may publicly display it without further authorization. To interpret these words geographically would mean that one who buys a copyrighted work of art, a poster, or even a bumper sticker, in Canada, in Europe, in Asia, could not display it in America without the copyright owner’s further authorization.

(2) Section 109(e) specifically provides that the owner of a particular copy of a copyrighted video arcade game “lawfully made under this title” may “publicly perform or display that game in coin-operated equipment” without the authorization of the copyright owner. To interpret these words geographically means that an arcade owner could not (“without the authority of the copyright owner”) perform or display arcade games (whether new or used) originally made in Japan.

(3) Section 110(1) says that a teacher, without the copyright owner's authorization, is allowed to perform or display a copyrighted work (say, an audiovisual work) “in the course of face-to-face teaching activities” – unless the teacher knowingly used “a copy that was not lawfully made under this title.” To interpret these words geographically would mean that the teacher could not (without further authorization) use a copy of a film during class if the copy was lawfully made in Canada, Mexico, Europe, Africa, or Asia.

(4) In its introductory sentence, § 106 provides the Act's basic exclusive rights to an “owner of a copyright under this title.” The last three words cannot support a geographic interpretation.

Wiley basically accepts the first three readings, but argues that Congress intended the restrictive consequences. And it argues that context simply requires that the words of the fourth example receive a different interpretation. Leaving the fourth example to the side, we shall explain in Part II–D, why we find it unlikely that Congress would have intended these, and other related consequences.

C

A relevant canon of statutory interpretation favors a nongeographical reading. “[W]hen a statute covers an issue previously governed by the common law,” we must presume that “Congress intended to retain the substance of the common law.”

The “first sale” doctrine is a common-law doctrine with an impeccable historic pedigree. In the early 17th century Lord Coke explained the common law's refusal to permit restraints on the alienation of chattels. Lord Coke wrote:

“[I]f a man be possessed of ... a horse, or of any other chattell ... and give or sell his whole interest ... therein upon condition that the Donee or Vendee shall not alien[ate] the same, the [condition] is voi[d], because his whole interest ... is out of him, so as he hath no possibilit[y] of a Reverter, and it is against Trade and Traffi[c], and bargaining and contracting betwee[n] man and man: and it is within the reason of our Author that it should ouster him of all power given to him.”

A law that permits a copyright holder to control the resale or other disposition of a chattel once sold is similarly “against Trade and Traffi[c], and bargaining and contracting.”

With these last few words, Coke emphasizes the importance of leaving buyers of goods free to compete with each other when reselling or otherwise disposing of those goods. American law too has generally thought that competition, including freedom to resell, can work to the advantage of the consumer.

The “first sale” doctrine also frees courts from the administrative burden of trying to enforce restrictions upon difficult-to-trace, readily movable goods. And it avoids the selective enforcement inherent in any such effort. Thus, it is not surprising that for at least a century the “first sale” doctrine has played an important role in American copyright law.

The common-law doctrine makes no geographical distinctions; nor can we find any in Bobbs–Merrill (where this Court first applied the “first sale” doctrine) or in § 109(a)'s predecessor provision, which Congress enacted a year later. Rather, as the Solicitor General acknowledges, “a straightforward application of Bobbs–Merrill” would not preclude the “first sale” defense from applying to authorized copies made overseas. And we can find no language, context, purpose, or history that would rebut a “straightforward application” of that doctrine here.

The dissent argues that another principle of statutory interpretation works against our reading, and points out that elsewhere in the statute Congress used different words to express something like the non-geographical reading we adopt. Hence, Congress, the dissent believes, must have meant § 109(a)'s different language to mean something different (such as the dissent's own geographical interpretation of § 109(a)). We are not aware, however, of any canon of interpretation that forbids interpreting different words used in different parts of the same statute to mean roughly the same thing. Regardless,

were there such a canon, the dissent's interpretation of § 109(a) would also violate it. That is because Congress elsewhere in the 1976 Act included the words “manufactured in the United States or Canada,” which express just about the same geographical thought that the dissent reads into § 109(a)'s very different language.

D

Associations of libraries, used-book dealers, technology companies, consumer-goods retailers, and museums point to various ways in which a geographical interpretation would fail to further basic constitutional copyright objectives, in particular “promot[ing] the Progress of Science and useful Arts.” U.S. Const., Art. I, § 8, cl. 8.

The American Library Association tells us that library collections contain at least 200 million books published abroad (presumably, many were first published in one of the nearly 180 copyright-treaty nations and enjoy American copyright protection under 17 U.S.C. § 104, that many others were first published in the United States but printed abroad because of lower costs; and that a geographical interpretation will likely require the libraries to obtain permission (or at least create significant uncertainty) before circulating or otherwise distributing these books.

How, the American Library Association asks, are the libraries to obtain permission to distribute these millions of books? How can they find, say, the copyright owner of a foreign book, perhaps written decades ago? They may not know the copyright holder's present address. Brief for American Library Association 15 (many books lack indication of place of manufacture; “no practical way to learn where [a] book was printed”). And, even where addresses can be found, the costs of finding them, contacting owners, and negotiating may be high indeed. Are the libraries to stop circulating or distributing or displaying the millions of books in their collections that were printed abroad?

Used-book dealers tell us that, from the time when Benjamin Franklin and Thomas Jefferson built commercial and personal libraries of foreign books, American readers have bought used books published and printed abroad. The dealers say that they have “operat[ed] ... for centuries” under the assumption that the “first sale” doctrine applies. But under a geographical interpretation a contemporary tourist who buys, say, at Shakespeare and Co. (in Paris), a dozen copies of a foreign book for American friends might find that she had violated the copyright law. The used-book dealers cannot easily predict what the foreign copyright holder may think about a reader's effort to sell a used copy of a novel. And they believe that a geographical interpretation will injure a large portion of the used-book business.

Technology companies tell us that “automobiles, microwaves, calculators, mobile phones, tablets, and personal computers” contain copyrightable software programs or packaging. Many of these items are made abroad with the American copyright holder's permission and then sold and imported (with that permission) to the United States. A geographical interpretation would prevent the resale of, say, a car, without the permission of the holder of each copyright on each piece of copyrighted automobile software. Yet there is no reason to believe that foreign auto manufacturers regularly obtain this kind of permission from their software component suppliers, and Wiley did not indicate to the contrary when asked. Without that permission a foreign car owner could not sell his or her used car.

Retailers tell us that over \$2.3 trillion worth of foreign goods were imported in 2011. American retailers buy many of these goods after a first sale abroad. And, many of these items bear, carry, or contain copyrighted “packaging, logos, labels, and product inserts and instructions for [the use of] everyday packaged goods from floor cleaners and health and beauty products to breakfast cereals.” The retailers add that American sales of more traditional copyrighted works, “such as books, recorded music, motion pictures, and magazines” likely amount to over \$220 billion. A geographical interpretation would subject many, if not all, of them to the disruptive impact of the threat of infringement suits.

Art museum directors ask us to consider their efforts to display foreign-produced works by, say, Cy Twombly, Rene Magritte, Henri Matisse, Pablo Picasso, and others. A geographical interpretation,

they say, would require the museums to obtain permission from the copyright owners before they could display the work – even if the copyright owner has already sold or donated the work to a foreign museum. What are the museums to do, they ask, if the artist retained the copyright, if the artist cannot be found, or if a group of heirs is arguing about who owns which copyright?

These examples, and others previously mentioned, help explain why Lord Coke considered the “first sale” doctrine necessary to protect “Trade and Traffi[c], and bargaining and contracting,” and they help explain why American copyright law has long applied that doctrine.

Neither Wiley nor any of its many amici deny that a geographical interpretation could bring about these “horribles” – at least in principle. Rather, Wiley essentially says that the list is artificially invented. It points out that a federal court first adopted a geographical interpretation more than 30 years ago. Yet, it adds, these problems have not occurred. Why not? Because, says Wiley, the problems and threats are purely theoretical; they are unlikely to reflect reality.

We are less sanguine. For one thing, the law has not been settled for long in Wiley's favor. The Second Circuit, in its decision below, is the first Court of Appeals to adopt a purely geographical interpretation. The Third Circuit has favored a nongeographical interpretation. The Ninth Circuit has favored a modified geographical interpretation with a nongeographical (but textually unsustainable) corollary designed to diminish the problem. And other courts have hesitated to adopt, and have cast doubt upon, the validity of the geographical interpretation.

For another thing, reliance upon the “first sale” doctrine is deeply embedded in the practices of those, such as booksellers, libraries, museums, and retailers, who have long relied upon its protection. Museums, for example, are not in the habit of asking their foreign counterparts to check with the heirs of copyright owners before sending, e.g., a Picasso on tour. That inertia means a dramatic change is likely necessary before these institutions, instructed by their counsel, would begin to engage in the complex permission-verifying process that a geographical interpretation would demand. And this Court's adoption of the geographical interpretation could provide that dramatic change. These intolerable consequences (along with the absurd result that the copyright owner can exercise downstream control even when it authorized the import or first sale) have understandably led the Ninth Circuit, the Solicitor General as amicus, and the dissent to adopt textual readings of the statute that attempt to mitigate these harms. But those readings are not defensible, for they require too many unprecedented jumps over linguistic and other hurdles that in our view are insurmountable.

Finally, the fact that harm has proved limited so far may simply reflect the reluctance of copyright holders so far to assert geographically based resale rights. They may decide differently if the law is clarified in their favor. Regardless, a copyright law that can work in practice only if unenforced is not a sound copyright law. It is a law that would create uncertainty, would bring about selective enforcement, and, if widely unenforced, would breed disrespect for copyright law itself.

Thus, we believe that the practical problems that petitioner and his amici have described are too serious, too extensive, and too likely to come about for us to dismiss them as insignificant – particularly in light of the ever-growing importance of foreign trade to America. The upshot is that copyright-related consequences along with language, context, and interpretive canons argue strongly against a geographical interpretation of § 109(a).

III

Wiley and the dissent make several additional important arguments in favor of the geographical interpretation. First, they say that our *Quality King* decision strongly supports its geographical interpretation. In that case we asked whether the Act's “importation provision,” now § 602(a)(1) (then § 602(a)), barred importation (without permission) of a copyrighted item (labels affixed to hair care products) where an American copyright owner authorized the first sale and export of hair care products with copyrighted labels made in the United States, and where a buyer sought to import them back into the United States without the copyright owner's permission.

We held that the importation provision did not prohibit sending the products back into the United States (without the copyright owner's permission). That section says:

“Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phono-records under section 106.” 17 U.S.C. § 602(a)(1)

We pointed out that this section makes importation an infringement of the “exclusive right to distribute ... under 106.” We noted that § 109(a)'s “first sale” doctrine limits the scope of the § 106 exclusive distribution right. We took as given the fact that the products at issue had at least once been sold. And we held that consequently, importation of the copyrighted labels does not violate § 602(a)(1).

In reaching this conclusion we endorsed *Bobbs–Merrill* and its statement that the copyright laws were not “intended to create a right which would permit the holder of the copyright to fasten, by notice in a book ... a restriction upon the subsequent alienation of the subject-matter of copyright after the owner had parted with the title to one who had acquired full dominion over it.”

We also explained why we rejected the claim that our interpretation would make § 602(a)(1) pointless. Those advancing that claim had pointed out that the 1976 Copyright Act amendments retained a prior anti-piracy provision, prohibiting the importation of pirated copies. Thus, they said, § 602(a)(1) must prohibit the importation of lawfully made copies, for to allow the importation of those lawfully made copies after a first sale, as *Quality King*'s holding would do, would leave § 602(a)(1) without much to prohibit. It would become superfluous, without any real work to do.

We do not believe that this argument is a strong one. Under *Quality King*'s interpretation, § 602(a)(1) would still forbid importing (without permission, and subject to the exceptions in § 602(a)(3)) copies lawfully made abroad, for example, where (1) a foreign publisher operating as the licensee of an American publisher prints copies of a book overseas but, prior to any authorized sale, seeks to send them to the United States; (2) a foreign printer or other manufacturer (if not the “owner” for purposes of § 109(a), e.g., before an authorized sale) sought to send copyrighted goods to the United States; (3) “a book publisher transports copies to a wholesaler” and the wholesaler (not yet the owner) sends them to the United States; or (4) a foreign film distributor, having leased films for distribution, or any other licensee, consignee, or bailee sought to send them to the United States. These examples show that § 602(a)(1) retains significance. We concede it has less significance than the dissent believes appropriate, but the dissent also adopts a construction of § 106(3) that “significantly curtails” § 109(a)'s effect, and so limits the scope of that provision to a similar, or even greater, degree.

In *Quality King* we rejected the “superfluous” argument for similar reasons. But, when rejecting it, we said that, where an author gives exclusive American distribution rights to an American publisher and exclusive British distribution rights to a British publisher, “presumably only those [copies] made by the publisher of the United States edition would be ‘lawfully made under this title’ within the meaning of § 109(a).” *Wiley* now argues that this phrase in the *Quality King* opinion means that books published abroad (under license) must fall outside the words “lawfully made under this title” and that we have consequently already given those words the geographical interpretation that it favors.

We cannot, however, give the *Quality King* statement the legal weight for which *Wiley* argues. The language “lawfully made under this title” was not at issue in *Quality King*; the point before us now was not then fully argued; we did not canvas the considerations we have here set forth; we there said nothing to suggest that the example assumes a “first sale”; and we there hedged our statement with the word “presumably.” Most importantly, the statement is pure dictum. It is dictum contained in a rebuttal to a counterargument. And it is unnecessary dictum even in that respect. Is the Court having once written dicta calling a tomato a vegetable bound to deny that it is a fruit forever after?

To the contrary, we have written that we are not necessarily bound by dicta should more complete argument demonstrate that the dicta is not correct. And, given the bit part that our *Quality King* statement played in our *Quality King* decision, we believe the view of *stare decisis* set forth in these opinions applies to the matter now before us.

Second, Wiley and the dissent argue (to those who consider legislative history) that the Act's legislative history supports their interpretation. But the historical events to which it points took place more than a decade before the enactment of the Act and, at best, are inconclusive.

During the 1960's, representatives of book, record, and film industries, meeting with the Register of Copyrights to discuss copyright revision, complained about the difficulty of dividing international markets.

The then-Register of Copyrights, Abraham Kaminstein, found these examples “very troubl[ing].” *Ibid.* And the Copyright Office released a draft provision that it said “deals with the matter of the importation for distribution in the United States of foreign copies that were made under proper authority but that, if sold in the United States, would be sold in contravention of the rights of the copyright owner who holds the exclusive right to sell copies in the United States.” *Id.*, pt. 4, at 203. That draft version, without reference to § 106, simply forbids unauthorized imports. It said:

“Importation into the United States of copies or records of a work for the purpose of distribution to the public shall, if such articles are imported without the authority of the owner of the exclusive right to distribute copies or records under this title, constitute an infringement of copyright actionable under section 35 [17 U.S.C. § 501].”

In discussing the draft, some of those present expressed concern about its effect on the “first sale” doctrine. For example, Irwin Karp, representing the Authors League of America asked, “If a German jobber lawfully buys copies from a German publisher, are we not running into the problem of restricting his transfer of his lawfully obtained copies?” The Copyright Office representative replied, “This could vary from one situation to another, I guess. I should guess, for example, that if a book publisher transports [i.e., does not sell] copies to a wholesaler [i.e., a nonowner], this is not yet the kind of transaction that exhausts the right to control disposition.”

The Office later withdrew the draft, replacing it with a draft, which, by explicitly referring to § 106, was similar to the provision that became law, now § 602(a)(1). The Office noted in a report that, under the new draft, importation of a copy (without permission) “would violate the exclusive rights of the U.S. copyright owner ... where the copyright owner had authorized the making of copies in a foreign country for distribution only in that country.”

Still, that part of the report says nothing about the “first sale” doctrine, about § 109(a), or about the five words, “lawfully made under this title.” And neither the report nor its accompanying 1960's draft answers the question before us here.

But to ascertain the best reading of § 109(a), rather than dissecting the remarks of industry representatives concerning § 602 at congressional meetings held 10 years before the statute was enacted, we would give greater weight to the congressional report accompanying § 109(a), written a decade later when Congress passed the new law. That report says:

“Section 109(a) restates and confirms the principle that, where the copyright owner has transferred ownership of a particular copy or phonorecord of a work, the person to whom the copy or phonorecord is transferred is entitled to dispose of it by sale, rental, or any other means. Under this principle, which has been established by the court decisions and ... the present law, the copyright owner's exclusive right of public distribution would have no effect upon anyone who owns ‘a particular copy or phonorecord lawfully made under this title’ and who wishes to transfer it to someone else or to destroy it. (...) To come within the scope of section 109(a), a copy or phonorecord must have been ‘lawfully made under this title,’ though not necessarily with the copyright owner's authorization. For example, any resale of an illegally ‘pirated’ phonorecord would be an infringement but the disposition of a phonorecord legally made under the compulsory licensing provisions of section 115 would not.”

This history reiterates the importance of the “first sale” doctrine. It explains, as we have explained, the nongeographical purposes of the words “lawfully made under this title.” And it says nothing about geography. Nor, importantly, did § 109(a)'s predecessor provision. This means that, contrary to the dissent's suggestion, any lack of legislative history pertaining to the “first sale” doctrine only tends to bolster our position that Congress' 1976 revision did not intend to create a drastic geographical change

in its revision to that provision. We consequently believe that the legislative history, on balance, supports the nongeographical interpretation.

Third, Wiley and the dissent claim that a nongeographical interpretation will make it difficult, perhaps impossible, for publishers (and other copyright holders) to divide foreign and domestic markets. We concede that is so. A publisher may find it more difficult to charge different prices for the same book in different geographic markets. But we do not see how these facts help Wiley, for we can find no basic principle of copyright law that suggests that publishers are especially entitled to such rights.

The Constitution describes the nature of American copyright law by providing Congress with the power to “secur[e]” to “[a]uthors” “for limited [t]imes” the “exclusive [r]ight to their ... [w]ritings.” Art. I, § 8, cl. 8. The Founders, too, discussed the need to grant an author a limited right to exclude competition. But the Constitution’s language nowhere suggests that its limited exclusive right should include a right to divide markets or a concomitant right to charge different purchasers different prices for the same book, say to increase or to maximize gain. Neither, to our knowledge, did any Founder make any such suggestion. We have found no precedent suggesting a legal preference for interpretations of copyright statutes that would provide for market divisions.

To the contrary, Congress enacted a copyright law that (through the “first sale” doctrine) limits copyright holders’ ability to divide domestic markets. And that limitation is consistent with antitrust laws that ordinarily forbid market divisions. Whether copyright owners should, or should not, have more than ordinary commercial power to divide international markets is a matter for Congress to decide. We do no more here than try to determine what decision Congress has taken.

Fourth, the dissent and Wiley contend that our decision launches United States copyright law into an unprecedented regime of “international exhaustion.” But they point to nothing indicative of congressional intent in 1976. The dissent also claims that it is clear that the United States now opposes adopting such a regime, but the Solicitor General as amicus has taken no such position in this case. In fact, when pressed at oral argument, the Solicitor General stated that the consequences of Wiley’s reading of the statute (perpetual downstream control) were “worse” than those of Kirtsaeng’s reading (restriction of market segmentation). Tr. of Oral Arg. 51. And the dissent’s reliance on the Solicitor General’s position in *Quality King* is undermined by his agreement in that case with our reading of § 109(a).

Moreover, the exhaustion regime the dissent apparently favors would provide that “the sale in one country of a good” does not “exhaus[t] the intellectual-property owner’s right to control the distribution of that good elsewhere.” But our holding in *Quality King* that § 109(a) is a defense in U.S. courts even when “the first sale occurred abroad,” has already significantly eroded such a principle.

IV

For these reasons we conclude that the considerations supporting Kirtsaeng’s nongeographical interpretation of the words “lawfully made under this title” are the more persuasive. The judgment of the Court of Appeals is reversed, and the case is remanded for further proceedings consistent with this opinion.

IT IS SO ORDERED. (...)

UsedSoft GmbH v. Oracle International Corp.

JUDGMENT OF THE COURT (Grand Chamber)

3 July 2012

Case C-128/11

(...) Legal context

International law

3 The World Intellectual Property Organisation (WIPO) adopted the WIPO Copyright Treaty ('the Copyright Treaty') in Geneva on 20 December 1996. That treaty was approved on behalf of the European Community by Council Decision 2000/278/EC of 16 March 2000 (OJ 2000 L 89, p. 6).

4 Article 4 of the Copyright Treaty, 'Computer programs', reads as follows:

'Computer programs are protected as literary works within the meaning of Article 2 of the Berne Convention. Such protection applies to computer programs, whatever may be the mode or form of their expression.'

5 Article 6 of the Copyright Treaty, 'Right of distribution', provides:

'1. Authors of literary and artistic works shall enjoy the exclusive right of authorising the making available to the public of the original and copies of their works through sale or other transfer of ownership.

2. Nothing in this Treaty shall affect the freedom of Contracting Parties to determine the conditions, if any, under which the exhaustion of the right in paragraph 1 applies after the first sale or other transfer of ownership of the original or a copy of the work with the authorisation of the author.'

6 Article 8 of the Copyright Treaty provides:

'... authors of literary and artistic works shall enjoy the exclusive right of authorising any communication to the public of their works, by wire or wireless means, including the making available to the public of their works in such a way that members of the public may access these works from a place and at a time individually chosen by them'.

7 In the agreed statements concerning Articles 6 and 7 of the Copyright Treaty, it is declared that:

'As used in these Articles, the expressions "copies" and "original and copies" being subject to the right of distribution and the right of rental under the said Articles, refer exclusively to fixed copies that can be put into circulation as tangible objects.'

European Union law

Directive 2001/29

8 Recitals 28 and 29 in the preamble to Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society (OJ 2001 L 167, p. 10) state:

'(28) Copyright protection under this Directive includes the exclusive right to control distribution of the work incorporated in a tangible article. The first sale in the Community of the original of a work or copies thereof by the rightholder or with his consent exhausts the right to control resale of that object in the Community. This right should not be exhausted in respect of the original or of copies thereof sold by the rightholder or with his consent outside the Community. Rental and lending rights for authors have been established in Directive 92/100/EEC. The distribution right provided for in this Directive is without prejudice to the provisions relating to the rental and lending rights contained in Chapter I of that Directive.

(29) The question of exhaustion does not arise in the case of services and on-line services in particular. This also applies with regard to a material copy of a work or other subject-matter made by a user of such a service with the consent of the rightholder. Therefore, the same applies to rental and lending of the original and copies of works or other subject-matter which are services by nature. Unlike CD-ROM or CD-I, where the intellectual property is incorporated in a material medium, namely an item of goods, every on-line service is in fact an act which should be subject to authorisation where the copyright or related right so provides.'

9 In accordance with Article 1(2)(a) of Directive 2001/29, the directive 'shall leave intact and shall in no way affect existing Community provisions relating to ... the legal protection of computer programs'.

10 Article 3 of Directive 2001/29 provides:

'1. Member States shall provide authors with the exclusive right to authorise or prohibit any communication to the public of their works, by wire or wireless means, including the making available to

the public of their works in such a way that members of the public may access them from a place and at a time individually chosen by them.

3. 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.'

11 Article 4 of Directive 2001/29, 'Distribution right', provides:

'1. Member States shall provide for authors, in respect of the original of their works or of copies thereof, the exclusive right to authorise or prohibit any form of distribution to the public by sale or otherwise.

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.'

Directive 2009/24

12 According to recital 1 in the preamble to Directive 2009/24, that directive codifies Council Directive 91/250/EEC of 14 May 1991 on the legal protection of computer programs (OJ 1991 L 122, p. 42).

13 According to recital 7 in that preamble, '[f]or the purpose of this Directive, the term "computer program" shall include programs in any form, including those which are incorporated into hardware.'

14 According to recital 13 in that preamble, 'the acts of loading and running necessary for the use of a copy of a program which has been lawfully acquired, and the act of correction of its errors, may not be prohibited by contract'.

15 Article 1(1) of Directive 2009/24 provides that 'Member States shall protect computer programs, by copyright, as literary works within the meaning of the Berne Convention for the Protection of Literary and Artistic Works'.

16 Under Article 1(2) of that directive, '[p]rotection in accordance with this Directive shall apply to the expression in any form of a computer program'.

17 Article 4 of the directive, 'Restricted acts', provides:

'1. Subject to the provisions of Articles 5 and 6, the exclusive rights of the rightholder within the meaning of Article 2 shall include the right to do or to authorise:

(a) the permanent or temporary reproduction of a computer program by any means and in any form, in part or in whole; in so far as loading, displaying, running, transmission or storage of the computer program necessitate such reproduction, such acts shall be subject to authorisation by the rightholder;

(b) the translation, adaptation, arrangement and any other alteration of a computer program and the reproduction of the results thereof, without prejudice to the rights of the person who alters the program;

(c) any form of distribution to the public, including the rental, of the original computer program or of copies thereof.

2. The first sale in the Community of a copy of a program by the rightholder or with his consent shall exhaust the distribution right within the Community of that copy, with the exception of the right to control further rental of the program or a copy thereof.'

18 Article 5 of the directive, 'Exceptions to the restricted acts', provides in paragraph 1:

'In the absence of specific contractual provisions, the acts referred to in points (a) and (b) of Article 4(1) shall not require authorisation by the rightholder where they are necessary for the use of the computer program by the lawful acquirer in accordance with its intended purpose, including for error correction.'

German law

19 Paragraphs 69c and 69d of the Law on copyright and related rights (Gesetz über Urheberrecht und verwandte Schutzrechte (Urheberrechtsgesetz)) of 9 September 1965, as amended ('the UrhG'), transpose Articles 4 and 5 of Directive 2009/24 into national law.

Facts of the main proceedings and questions referred for a preliminary ruling

20 Oracle develops and markets computer software. It is the proprietor of the exclusive user rights under copyright law in those programs. It is also the proprietor of the German and Community word marks Oracle, which are registered inter alia for computer software.

21 Oracle distributes the software at issue in the main proceedings, namely databank software, in 85% of cases by downloading from the internet. The customer downloads a copy of the software directly to his computer from Oracle's website. The software is what is known as 'client-server-software'. The user right for such a program, which is granted by a licence agreement, includes the right to store a copy of the program permanently on a server and to allow a certain number of users to access it by downloading it to the main memory of their work-station computers. On the basis of a maintenance agreement, updated versions of the software ('updates') and programs for correcting faults ('patches') can be downloaded from Oracle's website. At the customer's request, the programs are also supplied on CD-ROM or DVD.

22 Oracle offers group licences for the software at issue in the main proceedings for a minimum of 25 users each. An undertaking requiring licences for 27 users thus has to acquire two licences.

23 Oracle's licence agreements for the software at issue in the main proceedings contain the following term, under the heading 'Grant of rights':

'With the payment for services you receive, exclusively for your internal business purposes, for an unlimited period a non-exclusive non-transferable user right free of charge for everything that Oracle develops and makes available to you on the basis of this agreement.'

24 UsedSoft markets used software licences, including user licences for the Oracle computer programs at issue in the main proceedings. For that purpose UsedSoft acquires from customers of Oracle such user licences, or parts of them, where the original licences relate to a greater number of users than required by the first acquirer.

25 In October 2005 UsedSoft promoted an 'Oracle Special Offer' in which it offered for sale 'already used' licences for the Oracle programs at issue in the main proceedings. In doing so it pointed out that the licences were all 'current' in the sense that the maintenance agreement concluded between the original licence holder and Oracle was still in force, and that the lawfulness of the original sale was confirmed by a notarial certificate.

26 Customers of UsedSoft who are not yet in possession of the Oracle software in question download a copy of the program directly from Oracle's website, after acquiring such a used licence. Customers who already have that software and then purchase further licences for additional users are induced by UsedSoft to copy the program to the work stations of those users.

27 Oracle brought proceedings in the Landgericht München I (Regional Court, Munich I) seeking an order that UsedSoft cease the practices described in paragraphs 24 to 26 above. That court allowed Oracle's application. UsedSoft's appeal against the decision was dismissed. UsedSoft thereupon appealed on a point of law to the Bundesgerichtshof (Federal Court of Justice).

28 According to the Bundesgerichtshof, the actions of UsedSoft and its customers infringe Oracle's exclusive right of permanent or temporary reproduction of computer programs within the meaning of Article 4(1)(a) of Directive 2009/24. UsedSoft's customers cannot, in that court's view, rely on a right validly transferred to them by Oracle to reproduce the computer programs. Oracle's licence agreements state that the right to use the programs is 'non-transferable'. Oracle's customers are not therefore entitled to transfer to third parties the right of reproduction of those programs.

29 The outcome of the dispute depends, according to that court, on whether the customers of UsedSoft can successfully rely on Paragraph 69d(1) of the UrhG, which transposes Article 5(1) of Directive 2009/24 into German law.

30 The question arises, first, whether a person who, like UsedSoft's customers, does not hold a user right in the computer program granted by the rightholder, but relies on the exhaustion of the right to

distribute a copy of the computer program, is a ‘lawful acquirer’ of that copy within the meaning of Article 5(1) of Directive 2009/24. The referring court considers that that is the case. It explains that the marketability of a copy of the computer program which arises from the exhaustion of the distribution right would be largely meaningless if the acquirer of such a copy did not have the right to reproduce the program. The use of a computer program, unlike the use of other works protected by copyright, generally requires its reproduction. Article 5(1) of Directive 2009/24 thus serves to safeguard the exhaustion of the distribution right under Article 4(2) of Directive 2009/24.

31 Next, the referring court considers whether, in a case such as that in the main proceedings, the right to distribute a copy of a computer program is exhausted under the second sentence of Paragraph 69c(3) of the UrhG, which transposes Article 4(2) of Directive 2009/24.

32 There are several possible interpretations. First, Article 4(2) of Directive 2009/24 could be applicable if the rightholder allows a customer, after the conclusion of a licence agreement, to make a copy of a computer program by downloading that program from the internet and storing it on a computer. That provision attaches the legal consequence of exhaustion of the distribution right to the first sale of a copy of the program and does not necessarily presuppose the putting into circulation of a physical copy of the program. Secondly, Article 4(2) of Directive 2009/24 could be applicable by analogy in the case of the sale of a computer program by means of on-line transmission. According to the supporters of that view, there is an unintended lacuna in the law (‘planwidrige Regelungslücke’) because the authors of the directive did not regulate or contemplate on-line transmission of computer programs. Thirdly, Article 4(2) of Directive 2009/24 is inapplicable because the exhaustion of the distribution right under that provision always presupposes the putting into circulation of a physical copy of the program by the rightholder or with his consent. The authors of the directive deliberately refrained from extending the rule on exhaustion to the on-line transmission of computer programs.

33 Finally, the referring court raises the question whether a person who has acquired a used licence may, for making a copy of the program (as UsedSoft’s customers do in the dispute in the main proceedings by downloading a copy of Oracle’s program onto a computer from Oracle’s website or uploading it to the main memory of other work stations), rely on exhaustion of the right of distribution of the copy of the program made by the first acquirer, with the consent of the rightholder, by downloading it from the internet, if the first acquirer has deleted his copy or no longer uses it. The referring court considers that the application by analogy of Articles 5(1) and 4(2) of Directive 2009/24 can be ruled out. Exhaustion of the distribution right is intended solely to guarantee the marketability of a copy of a program which is incorporated in a particular data carrier and sold by the rightholder or with his consent. The effect of exhaustion should not therefore be extended to the non-physical data transmitted on-line.

34 In those circumstances the Bundesgerichtshof decided to stay the proceedings and to refer the following questions to the Court for a preliminary ruling:

- 1. Is the person who can rely on exhaustion of the right to distribute a copy of a computer program a “lawful acquirer” within the meaning of Article 5(1) of Directive 2009/24?*
- 2. If the reply to the first question is in the affirmative: is the right to distribute a copy of a computer program exhausted in accordance with the first half-sentence of Article 4(2) of Directive 2009/24 when the acquirer has made the copy with the rightholder’s consent by downloading the program from the internet onto a data carrier?*
- 3. If the reply to the second question is also in the affirmative: can a person who has acquired a “used” software licence for generating a program copy as “lawful acquirer” under Article 5(1) and the first half-sentence of Article 4(2) of Directive 2009/24 also rely on exhaustion of the right to distribute the copy of the computer program made by the first acquirer with the rightholder’s consent by downloading the program from the internet onto a data carrier if the first acquirer has erased his program copy or no longer uses it?’*

Consideration of the questions referred

Question 2

35 By its second question, which should be addressed first, the referring court essentially seeks to know whether and under what conditions the downloading from the internet of a copy of a computer program, authorised by the copyright holder, can give rise to exhaustion of the right of distribution of that copy in the European Union within the meaning of Article 4(2) of Directive 2009/24.

36 It should be recalled that under Article 4(2) of Directive 2009/24 the first sale in the European Union of a copy of a computer program by the rightholder or with his consent exhausts the distribution right within the European Union of that copy.

37 According to the order for reference, the copyright holder itself, in this case Oracle, makes available to its customers in the European Union who wish to use its computer program a copy of that program which can be downloaded from its website.

38 To determine whether, in a situation such as that at issue in the main proceedings, the copyright holder's distribution right is exhausted, it must be ascertained, first, whether the contractual relationship between the rightholder and its customer, within which the downloading of a copy of the program in question has taken place, may be regarded as a 'first sale ... of a copy of a program' within the meaning of Article 4(2) of Directive 2009/24.

39 According to settled case-law, the need for a uniform application of European Union law and the principle of equality require that the terms of a provision of European Union law which makes no express reference to the law of the Member States for the purpose of determining its meaning and scope must normally be given an independent and uniform interpretation throughout the European Union.

40 The wording of Directive 2009/24 does not make any reference to national laws as regards the meaning to be given to the term 'sale' in Article 4(2) of the directive. It follows that that term must be regarded, for the purposes of applying the directive, as designating an autonomous concept of European Union law, which must be interpreted in a uniform manner throughout the territory of the European Union.

41 That conclusion is supported by the subject-matter and purpose of Directive 2009/24. Recitals 4 and 5 in the preamble to that directive, which is based on Article 95 EC, to which Article 114 TFEU corresponds, state that its objective is to remove differences between the laws of the Member States which have adverse effects on the functioning of the internal market and concern computer programs. A uniform interpretation of the term 'sale' is necessary in order to avoid the protection offered to copyright holders by that directive varying according to the national law applicable.

42 According to a commonly accepted definition, a 'sale' is an agreement by which a person, in return for payment, transfers to another person his rights of ownership in an item of tangible or intangible property belonging to him. It follows that the commercial transaction giving rise, in accordance with Article 4(2) of Directive 2009/24, to exhaustion of the right of distribution of a copy of a computer program must involve a transfer of the right of ownership in that copy.

43 Oracle submits that it does not sell copies of its computer programs at issue in the main proceedings. It says that it makes available to its customers, free of charge, on its website a copy of the program concerned, and they can download that copy. The copy thus downloaded may not, however, be used by the customers unless they have concluded a user licence agreement with Oracle. Such a licence gives Oracle's customers a non-exclusive and non-transferable user right for an unlimited period for that program. Oracle submits that neither the making available of a copy free of charge nor the conclusion of the user licence agreement involves a transfer of the right of ownership of that copy.

44 In this respect, it must be observed that the downloading of a copy of a computer program and the conclusion of a user licence agreement for that copy form an indivisible whole. Downloading a copy of a computer program is pointless if the copy cannot be used by its possessor. Those two operations must therefore be examined as a whole for the purposes of their legal classification.

45 As regards the question whether, in a situation such as that at issue in the main proceedings, the commercial transactions concerned involve a transfer of the right of ownership of the copy of the computer program, it must be stated that, according to the order for reference, a customer of Oracle who downloads the copy of the program and concludes with that company a user licence agreement relating to that copy receives, in return for payment of a fee, a right to use that copy for an unlimited period. The making available by Oracle of a copy of its computer program and the conclusion of a user licence agreement for that copy are thus intended to make the copy usable by the customer, permanently, in return for payment of a fee designed to enable the copyright holder to obtain a remuneration corresponding to the economic value of the copy of the work of which it is the proprietor.

46 In those circumstances, the operations mentioned in paragraph 44 above, examined as a whole, involve the transfer of the right of ownership of the copy of the computer program in question.

47 It makes no difference, in a situation such as that at issue in the main proceedings, whether the copy of the computer program was made available to the customer by the rightholder concerned by means of a download from the rightholder's website or by means of a material medium such as a CD-ROM or DVD. Even if, in the latter case too, the rightholder formally separates the customer's right to use the copy of the program supplied from the operation of transferring the copy of the program to the customer on a material medium, the operation of downloading from that medium a copy of the computer program and that of concluding a licence agreement remain inseparable from the point of view of the acquirer, for the reasons set out in paragraph 44 above. Since an acquirer who downloads a copy of the program concerned by means of a material medium such as a CD-ROM or DVD and concludes a licence agreement for that copy receives the right to use the copy for an unlimited period in return for payment of a fee, it must be considered that those two operations likewise involve, in the case of the making available of a copy of the computer program concerned by means of a material medium such as a CD-ROM or DVD, the transfer of the right of ownership of that copy.

48 Consequently, in a situation such as that at issue in the main proceedings, the transfer by the copyright holder to a customer of a copy of a computer program, accompanied by the conclusion between the same parties of a user licence agreement, constitutes a 'first sale ... of a copy of a program' within the meaning of Article 4(2) of Directive 2009/24.

49 As the Advocate General observes in point 59 of his Opinion, if the term 'sale' within the meaning of Article 4(2) of Directive 2009/24 were not given a broad interpretation as encompassing all forms of product marketing characterised by the grant of a right to use a copy of a computer program, for an unlimited period, in return for payment of a fee designed to enable the copyright holder to obtain a remuneration corresponding to the economic value of the copy of the work of which he is the proprietor, the effectiveness of that provision would be undermined, since suppliers would merely have to call the contract a 'licence' rather than a 'sale' in order to circumvent the rule of exhaustion and divest it of all scope.

50 Secondly, the argument put forward by Oracle and the European Commission that the making available of a copy of a computer program on the copyright holder's website constitutes a 'making available to the public' within the meaning of Article 3(1) of Directive 2001/29, which, in accordance with Article 3(3) of that directive, cannot give rise to exhaustion of the right of distribution of the copy, cannot be accepted.

51 It is apparent from Article 1(2)(a) of Directive 2001/29 that the directive 'leave[s] intact and ... in no way affect[s] existing ... provisions [of European Union law] relating to ... the legal protection of computer programs' conferred by Directive 91/250, which was subsequently codified by Directive 2009/24. The provisions of Directive 2009/24, in particular Article 4(2), thus constitute a *lex specialis* in relation to the provisions of Directive 2001/29, so that even if the contractual relationship at issue in the main proceedings or an aspect of it might also be covered by the concept of 'communication to the public' within the meaning of Article 3(1) of the latter directive, the 'first sale ... of a copy of a

program' within the meaning of Article 4(2) of Directive 2009/24 would still give rise, in accordance with that provision, to exhaustion of the right of distribution of that copy.

52 Moreover, as stated in paragraph 46 above, in a situation such as that at issue in the main proceedings, the copyright holder transfers the right of ownership of the copy of the computer program to his customer. As the Advocate General observes in point 73 of his Opinion, it follows from Article 6(1) of the Copyright Treaty, in the light of which Articles 3 and 4 of Directive 2001/29 must, so far as possible, be interpreted (...), that the existence of a transfer of ownership changes an 'act of communication to the public' provided for in Article 3 of that directive into an act of distribution referred to in Article 4 of the directive which, if the conditions in Article 4(2) of the directive are satisfied, can, like a 'first sale ... of a copy of a program' referred to in Article 4(2) of Directive 2009/24, give rise to exhaustion of the distribution right.

53 Thirdly, it must also be examined whether, as argued by Oracle, the governments which have submitted observations to the Court, and the Commission, the exhaustion of the distribution right referred to in Article 4(2) of Directive 2009/24 relates only to tangible property and not to intangible copies of computer programs downloaded from the internet. They refer in this respect to the wording of Article 4(2) of Directive 2009/24, recitals 28 and 29 in the preamble to Directive 2001/29, Article 4 of Directive 2001/29 read in conjunction with Article 8 of the Copyright Treaty, and the agreed statement concerning Articles 6 and 7 of the Copyright Treaty, whose transposition is one of the aims of Directive 2001/29.

54 Furthermore, according to the Commission, recital 29 in the preamble to Directive 2001/29 confirms that '[t]he question of exhaustion does not arise in the case of services and on-line services in particular'.

55 On this point, it must be stated, first, that it does not appear from Article 4(2) of Directive 2009/24 that the exhaustion of the right of distribution of copies of computer programs mentioned in that provision is limited to copies of programmes on a material medium such as a CD-ROM or DVD. On the contrary, that provision, by referring without further specification to the 'sale ... of a copy of a program', makes no distinction according to the tangible or intangible form of the copy in question.

56 Next, it must be recalled that Directive 2009/24, which concerns specifically the legal protection of computer programs, constitutes a *lex specialis* in relation to Directive 2001/29.

57 Article 1(2) of Directive 2009/24 states that '[p]rotection in accordance with this Directive shall apply to the expression in any form of a computer program'. Recital 7 in the preamble to that directive specifies that the 'computer programs' it aims to protect 'include programs in any form, including those which are incorporated into hardware'.

58 Those provisions thus make abundantly clear the intention of the European Union legislature to assimilate, for the purposes of the protection laid down by Directive 2009/24, tangible and intangible copies of computer programs.

59 In those circumstances, it must be considered that the exhaustion of the distribution right under Article 4(2) of Directive 2009/24 concerns both tangible and intangible copies of a computer program, and hence also copies of programs which, on the occasion of their first sale, have been downloaded from the internet onto the first acquirer's computer.

60 It is true that the concepts used in Directives 2001/29 and 2009/24 must in principle have the same meaning. However, even supposing that Article 4(2) of Directive 2001/29, interpreted in the light of recitals 28 and 29 in its preamble and in the light of the Copyright Treaty, which Directive 2001/29 aims to implement, indicated that, for the works covered by that directive, the exhaustion of the distribution right concerned only tangible objects, that would not be capable of affecting the interpretation of Article 4(2) of Directive 2009/24, having regard to the different intention expressed by the European Union legislature in the specific context of that directive.

61 It should be added that, from an economic point of view, the sale of a computer program on CD-ROM or DVD and the sale of a program by downloading from the internet are similar. The on-line transmission method is the functional equivalent of the supply of a material medium. Interpreting Article 4(2) of Directive 2009/24 in the light of the principle of equal treatment confirms that the exhaustion of the distribution right under that provision takes effect after the first sale in the European Union of a copy of a computer program by the copyright holder or with his consent, regardless of whether the sale relates to a tangible or an intangible copy of the program.

62 As to the Commission's argument that European Union law does not provide for the exhaustion of the distribution right in the case of services, it must be recalled that the objective of the principle of the exhaustion of the right of distribution of works protected by copyright is, in order to avoid partitioning of markets, to limit restrictions of the distribution of those works to what is necessary to safeguard the specific subject-matter of the intellectual property concerned.

63 To limit the application, in circumstances such as those at issue in the main proceedings, of the principle of the exhaustion of the distribution right under Article 4(2) of Directive 2009/24 solely to copies of computer programs that are sold on a material medium would allow the copyright holder to control the resale of copies downloaded from the internet and to demand further remuneration on the occasion of each new sale, even though the first sale of the copy had already enabled the rightholder to obtain an appropriate remuneration. Such a restriction of the resale of copies of computer programs downloaded from the internet would go beyond what is necessary to safeguard the specific subject-matter of the intellectual property concerned.

64 Fourthly, it must also be examined whether, as Oracle claims, the maintenance agreement concluded by the first acquirer prevents in any event the exhaustion of the right provided for in Article 4(2) of Directive 2009/24, since the copy of the computer program which the first acquirer may transfer to a second acquirer no longer corresponds to the copy he downloaded but to a new copy of the program.

65 According to the order for reference, the used licences offered by UsedSoft are 'current', in that the sale of the copy of the program by Oracle to its customer was accompanied by the conclusion of a maintenance agreement for that copy.

66 It must be observed that the exhaustion of the right of distribution of a copy of a computer program under Article 4(2) of Directive 2009/24 only concerns copies which have been the subject of a first sale in the European Union by the copyright holder or with his consent. It does not relate to contracts for services, such as maintenance agreements, which are separable from such a sale and were concluded, possibly for an unlimited period, on the occasion of the sale.

67 None the less, the conclusion of a maintenance agreement, such as those at issue in the main proceedings, on the occasion of the sale of an intangible copy of a computer program has the effect that the copy originally purchased is patched and updated. Even if the maintenance agreement is for a limited period, the functionalities corrected, altered or added on the basis of such an agreement form an integral part of the copy originally downloaded and can be used by the acquirer of the copy for an unlimited period, even in the event that the acquirer subsequently decides not to renew the maintenance agreement.

68 In such circumstances, the exhaustion of the distribution right under Article 4(2) of Directive 2009/24 extends to the copy of the computer program sold as corrected and updated by the copyright holder.

69 It should be pointed out, however, that if the licence acquired by the first acquirer relates to a greater number of users than he needs, as stated in paragraphs 22 and 24 above, the acquirer is not authorised by the effect of the exhaustion of the distribution right under Article 4(2) of Directive 2009/24 to divide the licence and resell only the user right for the computer program concerned corresponding to a number of users determined by him.

70 An original acquirer who resells a tangible or intangible copy of a computer program for which the copyright holder's right of distribution is exhausted in accordance with Article 4(2) of Directive 2009/24 must, in order to avoid infringing the exclusive right of reproduction of a computer program which belongs to its author, laid down in Article 4(1)(a) of Directive 2009/24, make his own copy unusable at the time of its resale. In a situation such as that mentioned in the preceding paragraph, the customer of the copyright holder will continue to use the copy of the program installed on his server and will not thus make it unusable.

71 Moreover, even if an acquirer of additional user rights for the computer program concerned did not carry out a new installation – and hence a new reproduction – of the program on a server belonging to him, the effect of the exhaustion of the distribution right under Article 4(2) of Directive 2009/24 would in any event not extend to such user rights. In such a case the acquisition of additional user rights does not relate to the copy for which the distribution right was exhausted at the time of that transaction. On the contrary, it is intended solely to make it possible to extend the number of users of the copy which the acquirer of additional rights has himself already installed on his server.

72 On the basis of all the foregoing, the answer to Question 2 is that Article 4(2) of Directive 2009/24 must be interpreted as meaning that the right of distribution of a copy of a computer program is exhausted if the copyright holder who has authorised, even free of charge, the downloading of that copy from the internet onto a data carrier has also conferred, in return for payment of a fee intended to enable him to obtain a remuneration corresponding to the economic value of the copy of the work of which he is the proprietor, a right to use that copy for an unlimited period.

Questions 1 and 3

73 By its first and third questions the referring court seeks essentially to know whether, and under what conditions, an acquirer of used licences for computer programs, such as those sold by UsedSoft, may, as a result of the exhaustion of the distribution right under Article 4(2) of Directive 2009/24, be regarded as a 'lawful acquirer' within the meaning of Article 5(1) of Directive 2009/24 who, in accordance with that provision, enjoys the right of reproduction of the program concerned in order to enable him to use the program in accordance with its intended purpose.

74 Article 5(1) of Directive 2009/24 provides that, in the absence of specific contractual provisions, the reproduction of a computer program does not require authorisation by the author of the program where that reproduction is necessary for the use of the computer program by the lawful acquirer in accordance with its intended purpose, including for error correction.

75 When the customer of the copyright holder purchases a copy of a computer program that is on the rightholder's website, he performs, by downloading the copy onto his computer, a reproduction of the copy which is authorised under Article 5(1) of Directive 2009/24. This is a reproduction that is necessary for the use of the program by the lawful acquirer in accordance with its intended purpose.

76 Moreover, recital 13 in the preamble to Directive 2009/24 states that 'the acts of loading and running necessary for the use of a copy of a program which has been lawfully acquired ... may not be prohibited by contract'.

77 It must be recalled, next, that the copyright holder's distribution right is exhausted, in accordance with Article 4(2) of Directive 2009/24, on the occasion of the first sale in the European Union by that rightholder, or with his consent, of any copy, tangible or intangible, of his computer program. It follows that, by virtue of that provision and notwithstanding the existence of contractual terms prohibiting a further transfer, the rightholder in question can no longer oppose the resale of that copy.

78 Admittedly, as stated in paragraph 70 above, the original acquirer of a tangible or intangible copy of a computer program for which the copyright holder's distribution right is exhausted in accordance with Article 4(2) of Directive 2009/24 who resells that copy must, in order to avoid infringing that

rightholder's exclusive right of reproduction of his computer program under Article 4(1)(a) of Directive 2009/24, make the copy downloaded onto his computer unusable at the time of its resale.

79 As Oracle rightly observes, ascertaining whether such a copy has been made unusable may prove difficult. However, a copyright holder who distributes copies of a computer program on a material medium such as a CD-ROM or DVD is faced with the same problem, since it is only with great difficulty that he can make sure that the original acquirer has not made copies of the program which he will continue to use after selling his material medium. To solve that problem, it is permissible for the distributor – whether 'classic' or 'digital' – to make use of technical protective measures such as product keys.

80 Since the copyright holder cannot object to the resale of a copy of a computer program for which that rightholder's distribution right is exhausted under Article 4(2) of Directive 2009/24, it must be concluded that a second acquirer of that copy and any subsequent acquirer are 'lawful acquirers' of it within the meaning of Article 5(1) of Directive 2009/24.

81 Consequently, in the event of a resale of the copy of the computer program by the first acquirer, the new acquirer will be able, in accordance with Article 5(1) of Directive 2009/24, to download onto his computer the copy sold to him by the first acquirer. Such a download must be regarded as a reproduction of a computer program that is necessary to enable the new acquirer to use the program in accordance with its intended purpose.

82 The argument put forward by Oracle, Ireland and the French and Italian Governments that the concept of 'lawful acquirer' in Article 5(1) of Directive 2009/24 relates only to an acquirer who is authorised, under a licence agreement concluded directly with the copyright holder, to use the computer programme cannot be accepted.

83 That argument would have the effect of allowing the copyright holder to prevent the effective use of any used copy in respect of which his distribution right has been exhausted under Article 4(2) of Directive 2009/24, by relying on his exclusive right of reproduction laid down in Article 4(1)(a) of that directive, and would thus render ineffective the exhaustion of the distribution right under Article 4(2).

84 In the case of a situation such as that at issue in the main proceedings, it must be recalled that in paragraphs 44 and 48 above it was found that the downloading onto the customer's server of a copy of the computer program on the rightholder's website and the conclusion of a user licence agreement for that copy form an indivisible whole which, as a whole, must be classified as a sale. Having regard to that indivisible link between the copy on the rightholder's website, as subsequently corrected and updated, on the one hand, and the user licence relating to the copy, on the other, the resale of the user licence entails the resale of 'that copy' within the meaning of Article 4(2) of Directive 2009/24, and thus benefits from the exhaustion of the distribution right under that provision, notwithstanding the term in the licence agreement set out in paragraph 23 above.

85 As may be seen from paragraph 81 above, it follows that a new acquirer of the user licence, such as a customer of UsedSoft, will be able, as a 'lawful acquirer' within the meaning of Article 5(1) of Directive 2009/24 of the corrected and updated copy of the computer program concerned, to download that copy from the copyright holder's website, with that downloading constituting a reproduction of a computer program that is necessary to enable the new acquirer to use the program in accordance with its intended purpose.

86 It should be recalled, however, that, if the licence acquired by the first acquirer relates to a greater number of users than he needs, that acquirer is not authorised by the effect of the exhaustion of the distribution right under Article 4(2) of Directive 2009/24 to divide the licence and resell only the user right for the computer program concerned corresponding to a number of users determined by him, as explained in paragraphs 69 to 71 above.

87 Moreover, a copyright holder such as Oracle is entitled, in the event of the resale of a user licence entailing the resale of a copy of a computer program downloaded from his website, to ensure by all technical means at his disposal that the copy still in the hands of the reseller is made unusable.

88 It follows from the foregoing that the answer to Questions 1 and 3 is that Articles 4(2) and 5(1) of Directive 2009/24 must be interpreted as meaning that, in the event of the resale of a user licence entailing the resale of a copy of a computer program downloaded from the copyright holder's website, that licence having originally been granted by that rightholder to the first acquirer for an unlimited period in return for payment of a fee intended to enable the rightholder to obtain a remuneration corresponding to the economic value of that copy of his work, the second acquirer of the licence, as well as any subsequent acquirer of it, will be able to rely on the exhaustion of the distribution right under Article 4(2) of that directive, and hence be regarded as lawful acquirers of a copy of a computer program within the meaning of Article 5(1) of that directive and benefit from the right of reproduction provided for in that provision. (...)

Capitol Records, LLC, v. ReDigi Inc.

934 *F.Supp.2d* 640 (2013)

SULLIVAN, District Judge,

(...) I. Background

A. Facts

ReDigi markets itself as “the world's first and only online marketplace for digital used music.” Launched on October 13, 2011, ReDigi's website invites users to “sell their legally acquired digital music files, and buy used digital music from others at a fraction of the price currently available on iTunes.” Thus, much like used record stores, ReDigi permits its users to recoup value on their unwanted music. Unlike used record stores, however, ReDigi's sales take place entirely in the digital domain.

To sell music on ReDigi's website, a user must first download ReDigi's “Media Manager” to his computer. Once installed, Media Manager analyzes the user's computer to build a list of digital music files eligible for sale. A file is eligible only if it was purchased on iTunes or from another ReDigi user; music downloaded from a CD or other file-sharing website is ineligible for sale. After this validation process, Media Manager continually runs on the user's computer and attached devices to ensure that the user has not retained music that has been sold or uploaded for sale. However, Media Manager cannot detect copies stored in other locations. If a copy is detected, Media Manager prompts the user to delete the file. The file is not deleted automatically or involuntarily, though ReDigi's policy is to suspend the accounts of users who refuse to comply.

After the list is built, a user may upload any of his eligible files to ReDigi's “Cloud Locker,” an ethereal moniker for what is, in fact, merely a remote server in Arizona. ReDigi's upload process is a source of contention between the parties. ReDigi asserts that the process involves “migrating” a user's file, packet by packet – “analogous to a train” – from the user's computer to the Cloud Locker so that data does not exist in two places at any one time. Capitol asserts that, semantics aside, ReDigi's upload process “necessarily involves copying” a file from the user's computer to the Cloud Locker. Regardless, at the end of the process, the digital music file is located in the Cloud Locker and not on the user's computer. Moreover, Media Manager deletes any additional copies of the file on the user's computer and connected devices.

Once uploaded, a digital music file undergoes a second analysis to verify eligibility. If ReDigi determines that the file has not been tampered with or offered for sale by another user, the file is stored in the Cloud Locker, and the user is given the option of simply storing and streaming the file for personal use or offering it for sale in ReDigi's marketplace. If a user chooses to sell his digital music file, his access to the file is terminated and transferred to the new owner at the time of purchase.

Thereafter, the new owner can store the file in the Cloud Locker, stream it, sell it, or download it to her computer and other devices. No money changes hands in these transactions. Instead, users buy music with credits they either purchased from ReDigi or acquired from other sales. ReDigi credits, once acquired, cannot be exchanged for money. Instead, they can only be used to purchase additional music.

To encourage activity in its marketplace, ReDigi initially permitted users to preview thirty-second clips and view album cover art of songs posted for sale pursuant to a licensing agreement with a third party. However, shortly after its launch, ReDigi lost the licenses. Accordingly, ReDigi now sends users to either YouTube or iTunes to listen to and view this promotional material. ReDigi also offers its users a number of incentives. For instance, ReDigi gives twenty-cent credits to users who post files for sale and enters active sellers into contests for prizes. ReDigi also encourages sales by advising new users via email that they can “[c]ash in” their music on the website, tracking and posting the titles of sought after songs on its website and in its newsletter, notifying users when they are low on credits and advising them to either purchase more credits or sell songs, and connecting users who are seeking unavailable songs with potential sellers.

Finally, ReDigi earns a fee for every transaction. ReDigi's website prices digital music files at fifty-nine to seventy-nine cents each. When users purchase a file, with credits, 20% of the sale price is allocated to the seller, 20% goes to an “escrow” fund for the artist, and 60% is retained by ReDigi. (...)

III. Discussion

Section 106 of the Copyright Act grants “the owner of copyright under this title” certain “exclusive rights,” including the right “to reproduce the copyrighted work in copies or phonorecords,” “to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership,” and to publicly perform and display certain copyrighted works. 17 U.S.C. §§106(1), (3)-(5). However, these exclusive rights are limited by several subsequent sections of the statute. Pertinently, §109 sets forth the “first sale” doctrine, which provides that “the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.” §109(a). The novel question presented in this action is whether a digital music file, lawfully made and purchased, may be resold by its owner through ReDigi under the first sale doctrine. The Court determines that it cannot.

A. Infringement of Capitol's Copyrights

To state a claim for copyright infringement, a plaintiff must establish that it owns a valid copyright in the work at issue and that the defendant violated one of the exclusive rights the plaintiff holds in the work. It is undisputed that Capitol owns copyrights in a number of the recordings sold on ReDigi's website. It is also undisputed that Capitol did not approve the reproduction or distribution of its copyrighted recordings on ReDigi's website. Thus, if digital music files are “reproduce[d]” and “distribute[d]” on ReDigi's website within the meaning of the Copyright Act, Capitol's copyrights have been infringed.

1. Reproduction Rights

Courts have consistently held that the unauthorized duplication of digital music files over the Internet infringes a copyright owner's exclusive right to reproduce. However, courts have not previously addressed whether the unauthorized transfer of a digital music file over the Internet – where only one file exists before and after the transfer – constitutes reproduction within the meaning of the Copyright Act. The Court holds that it does.

The Copyright Act provides that a copyright owner has the exclusive right “to reproduce the copyrighted work in ... phonorecords.” 17 U.S.C. §106(1). Copyrighted works are defined to include, inter alia, “sound recordings,” which are “works that result from the fixation of a series of musical,

spoken, or other sounds.” §101. Such works are distinguished from their material embodiments. These include phonorecords, which are the “material objects in which sounds ... are fixed by any method now known or later developed, and from which the sounds can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.” *Id.* §101. Thus, the plain text of the Copyright Act makes clear that reproduction occurs when a copyrighted work is fixed in a new material object.

The legislative history of the Copyright Act bolsters this reading. The House Report on the Copyright Act distinguished between sound recordings and phonorecords, stating that “[t]he copyrightable work comprises the aggregation of sounds and not the tangible medium of fixation. Thus, ‘sound recordings’ as copyrightable subject matter are distinguished from ‘phonorecords[,]’ the latter being physical objects in which sounds are fixed.” H.R.Rep. No. 94–1476, at 56 (1976). Similarly, the House and Senate Reports on the Act both explained:

Read together with the relevant definitions in [S]ection 101, the right “to reproduce the copyrighted work in copies or phonorecords” means the right to produce a material object in which the work is duplicated, transcribed, imitated, or simulated in a fixed form from which it can be “perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.” *Id.* at 61, 1976 U.S.C.C.A.N. at 5675; S.Rep. No. 94–473, at 58 (1975).

Put differently, the reproduction right is the exclusive right to embody, and to prevent others from embodying, the copyrighted work (or sound recording) in a new material object (or phonorecord). (...).

Courts that have dealt with infringement on peer-to-peer (“P2P”) file-sharing systems provide valuable guidance on the application of this right in the digital domain. For instance, in *London-Sire Records, Inc. v. John Doe 1*, the court addressed whether users of P2P software violated copyright owners’ distribution rights. 542 F.Supp.2d 153, 166 & n. 16 (D.Mass. 2008). Citing the “material object” requirement, the court expressly differentiated between the copyrighted work – or digital music file – and the phonorecord – or “appropriate segment of the hard disk” that the file would be embodied in following its transfer. *Id.* at 171. Specifically,

“[w]hen a user on a [P2P] network downloads a song from another user, he receives into his computer a digital sequence representing the sound recording. That sequence is magnetically encoded on a segment of his hard disk (or likewise written on other media). With the right hardware and software, the downloader can use the magnetic sequence to reproduce the sound recording. The electronic file (or, perhaps more accurately, the appropriate segment of the hard disk) is therefore a “phonorecord” within the meaning of the statute.” *Id.*

Accordingly, when a user downloads a digital music file or “digital sequence” to his “hard disk,” the file is “reproduce[d]” on a new phonorecord within the meaning of the Copyright Act.

This understanding is, of course, confirmed by the laws of physics. It is simply impossible that the same “material object” can be transferred over the Internet. Thus, logically, the court in *London-Sire* noted that the Internet transfer of a file results in a material object being “created elsewhere at its finish.” *Id.* at 173. Because the reproduction right is necessarily implicated when a copyrighted work is embodied in a new material object, and because digital music files must be embodied in a new material object following their transfer over the Internet, the Court determines that the embodiment of a digital music file on a new hard disk is a reproduction within the meaning of the Copyright Act.

This finding holds regardless of whether one or multiple copies of the file exist. *London-Sire*, like all of the P2P cases, obviously concerned multiple copies of one digital music file. But that distinction is immaterial under the plain language of the Copyright Act. Simply put, it is the creation of a new material object and not an additional material object that defines the reproduction right. The dictionary defines “reproduction” to mean, *inter alia*, “to produce again” or “to cause to exist again or anew.” Significantly, it is not defined as “to produce again while the original exists.” Thus, the right “to reproduce the copyrighted work in ... phonorecords” is implicated whenever a sound recording is fixed in a new material object, regardless of whether the sound recording remains fixed in the original material object.

Given this finding, the Court concludes that ReDigi's service infringes Capitol's reproduction rights under any description of the technology. ReDigi stresses that it "migrates" a file from a user's computer to its Cloud Locker, so that the same file is transferred to the ReDigi server and no copying occurs. However, even if that were the case, the fact that a file has moved from one material object – the user's computer – to another – the ReDigi server – means that a reproduction has occurred. Similarly, when a ReDigi user downloads a new purchase from the ReDigi website to her computer, yet another reproduction is created. It is beside the point that the original phonorecord no longer exists. It matters only that a new phonorecord has been created.

ReDigi struggles to avoid this conclusion by pointing to *C.M. Paula Co. v. Logan*, a 1973 case from the Northern District of Texas where the defendant used chemicals to lift images off of greeting cards and place them on plaques for resale. The court determined that infringement did not occur because "should defendant desire to make one hundred ceramic plaques ..., defendant would be required to purchase one hundred separate ... prints." F.Supp. 189, 191 (N.D.Tex. 1973). ReDigi argues that, like the defendant in *C.M. Paula*, its users must purchase a song on iTunes in order to sell a song on ReDigi. Therefore, no "duplication" occurs. ReDigi's argument is unavailing. Ignoring the questionable merits of the court's holding in *C.M. Paula*, ReDigi's service is distinguishable from the process in that case. There, the copyrighted print, or material object, was lifted from the greeting card and transferred in toto to the ceramic tile; no new material object was created. By contrast, ReDigi's service by necessity creates a new material object when a digital music file is either uploaded to or downloaded from the Cloud Locker.

ReDigi also argues that the Court's conclusion would lead to "irrational" outcomes, as it would render illegal any movement of copyrighted files on a hard drive, including relocating files between directories and defragmenting. However, this argument is nothing more than a red herring. As Capitol has conceded, such reproduction is almost certainly protected under other doctrines or defenses, and is not relevant to the instant motion.

Accordingly, the Court finds that, absent the existence of an affirmative defense, the sale of digital music files on ReDigi's website infringes Capitol's exclusive right of reproduction.

2. Distribution Rights

In addition to the reproduction right, a copyright owner also has the exclusive right "to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership." 17 U.S.C. §106(3). Like the court in *London-Sire*, the Court agrees that "[a]n electronic file transfer is plainly within the sort of transaction that § 106(3) was intended to reach [and] ... fit[s] within the definition of 'distribution' of a phonorecord." 542 F.Supp.2d at 173-74. For that reason, "courts have not hesitated to find copyright infringement by distribution in cases of file-sharing or electronic transmission of copyrighted works." *Arista Records LLC v. Greubel*, 453 F.Supp.2d 961, 968 (N.D.Tex.2006) (collecting cases). Indeed, in *New York Times Co., Inc. v. Tasini*, the Supreme Court stated it was "clear" that an online news database violated authors' distribution rights by selling electronic copies of their articles for download. 533 U.S. 483, 498 (2001).

There is no dispute that sales occurred on ReDigi's website. Capitol has established that it was able to buy more than one-hundred of its own recordings on ReDigi's website, and ReDigi itself compiled a list of its completed sales of Capitol's recordings. ReDigi, in fact, does not contest that distribution occurs on its website – it only asserts that the distribution is protected by the fair use and first sale defenses.

Accordingly, the Court concludes that, absent the existence of an affirmative defense, the sale of digital music files on ReDigi's website infringes Capitol's exclusive right of distribution. (...)

B. Affirmative Defenses

Having concluded that sales on ReDigi's website infringe Capitol's exclusive rights of reproduction and distribution, the Court turns to whether the fair use or first sale defenses excuse that infringement. For the reasons set forth below, the Court determines that they do not.

1. Fair Use

“The ultimate test of fair use ... is whether the copyright law's goal of ‘promot[ing] the Progress of Science and useful Arts’ would be better served by allowing the use than by preventing it.” *Castle Rock Entm't, Inc. v. Carol Publ'g Grp., Inc.*, 150 F.3d 132, 141 (2d Cir. 1998). Accordingly, fair use permits reproduction of copyrighted work without the copyright owner's consent “for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research.” 17 U.S.C. §107. The list is not exhaustive but merely illustrates the types of copying typically embraced by fair use. In addition, four statutory factors guide courts' application of the doctrine. Specifically, courts look to:

“(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.”

Because fair use is an “equitable rule of reason,” courts are “free to adapt the doctrine to particular situations on a case-by-case basis.” *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 448 n. 31.

On the record before it, the Court has little difficulty concluding that ReDigi's reproduction and distribution of Capitol's copyrighted works falls well outside the fair use defense. ReDigi obliquely argues that uploading to and downloading from the Cloud Locker for storage and personal use are protected fair use. Significantly, Capitol does not contest that claim. Instead, Capitol asserts only that uploading to and downloading from the Cloud Locker incident to sale fall outside the ambit of fair use. The Court agrees.

Each of the statutory factors counsels against a finding of fair use. The first factor requires the Court to determine whether ReDigi's use “transforms” the copyrighted work and whether it is commercial. Both inquiries disfavor ReDigi's claim. Plainly, the upload, sale, and download of digital music files on ReDigi's website does nothing to “add [] something new, with a further purpose or different character” to the copyrighted works. ReDigi's use is also undoubtedly commercial. ReDigi and the uploading user directly profit from the sale of a digital music file, and the downloading user saves significantly on the price of the song in the primary market. ReDigi asserts that downloads for personal, and not public or commercial, use “must be characterized as ... noncommercial, nonprofit activity.” However, ReDigi twists the law to fit its facts. When a user downloads purchased files from the Cloud Locker, the resultant reproduction is an essential component of ReDigi's commercial enterprise. Thus, ReDigi's argument is unavailing.

The second factor – the nature of the copyrighted work – also weighs against application of the fair use defense, as creative works like sound recordings are “close to the core of the intended copyright protection” and “far removed from the ... factual or descriptive work more amenable to fair use.” *UMG Recordings, Inc. v. MP3.Com, Inc.*, 92 F.Supp.2d 349, 351 (S.D.N.Y. 2000). The third factor – the portion of the work copied – suggests a similar outcome because ReDigi transmits the works in their entirety, “negating any claim of fair use.” *Id.* at 352. Finally, ReDigi's sales are likely to undercut the “market for or value of the copyrighted work” and, accordingly, the fourth factor cuts against a finding of fair use. The product sold in ReDigi's secondary market is indistinguishable from that sold in the legitimate primary market save for its lower price. The clear inference is that ReDigi will divert buyers away from that primary market. ReDigi incredibly argues that Capitol is preempted from making a market-based argument because Capitol itself condones downloading of its works on iTunes. Of course, Capitol, as copyright owner, does not forfeit its right to claim copyright infringement merely because it permits certain uses of its works. This argument, too, is therefore unavailing.

In sum, ReDigi facilitates and profits from the sale of copyrighted commercial recordings, transferred in their entirety, with a likely detrimental impact on the primary market for these goods. Accordingly, the Court concludes that the fair use defense does not permit ReDigi's users to upload and download files to and from the Cloud Locker incident to sale.

2. First Sale

The first sale defense, a common law principle recognized in *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 350 (1908) and now codified at Section 109(a) of the Copyright Act, provides that:

“Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.”

Under the first sale defense, “once the copyright owner places a copyrighted item [here, a phonorecord] in the stream of commerce by selling it, he has exhausted his exclusive statutory right to control its distribution.” *Quality King Distribs., Inc. v. L'anza Research Int'l, Inc.*, 523 U.S. 135, 152 (1998).

ReDigi asserts that its service, which involves the resale of digital music files lawfully purchased on iTunes, is protected by the first sale defense. The Court disagrees.

As an initial matter, it should be noted that the fair use defense is, by its own terms, limited to assertions of the distribution right. Because the Court has concluded that ReDigi's service violates Capitol's reproduction right, the first sale defense does not apply to ReDigi's infringement of those rights.

In addition, the first sale doctrine does not protect ReDigi's distribution of Capitol's copyrighted works. This is because, as an unlawful reproduction, a digital music file sold on ReDigi is not “lawfully made under this title.” 17 U.S.C. §109(a). Moreover, the statute protects only distribution by “the owner of a particular copy or phonorecord ... of that copy or phonorecord.” Here, a ReDigi user owns the phonorecord that was created when she purchased and downloaded a song from iTunes to her hard disk. But to sell that song on ReDigi, she must produce a new phonorecord on the ReDigi server. Because it is therefore impossible for the user to sell her “particular” phonorecord on ReDigi, the first sale statute cannot provide a defense. Put another way, the first sale defense is limited to material items, like records, that the copyright owner put into the stream of commerce. Here, ReDigi is not distributing such material items; rather, it is distributing reproductions of the copyrighted code embedded in new material objects, namely, the ReDigi server in Arizona and its users' hard drives. The first sale defense does not cover this any more than it covered the sale of cassette recordings of vinyl records in a bygone era.

Rejecting such a conclusion, ReDigi argues that, because “ ‘technological change has rendered its literal terms ambiguous, the Copyright Act must be construed in light of [its] basic purpose,’ ” namely, to incentivize creative work for the “ultimate[] ... cause of promoting broad public availability of literature, music, and the other arts.” 464 U.S. at 432. Thus, ReDigi asserts that refusal to apply the first sale doctrine to its service would grant Capitol “a Court sanctioned extension of rights under the [C]opyright [A]ct ... which is against policy, and should not be endorsed by this Court.”

The Court disagrees. ReDigi effectively requests that the Court amend the statute to achieve ReDigi's broader policy goals – goals that happen to advance ReDigi's economic interests. However, ReDigi's argument fails for two reasons. First, while technological change may have rendered §109(a) unsatisfactory to many contemporary observers and consumers, it has not rendered it ambiguous. The statute plainly applies to the lawful owner's “particular” phonorecord, a phonorecord that by definition cannot be uploaded and sold on ReDigi's website. Second, amendment of the Copyright Act in line with ReDigi's proposal is a legislative prerogative that courts are unauthorized and ill suited to attempt.

Nor are the policy arguments as straightforward or uncontested as ReDigi suggests. Indeed, when confronting this precise subject in its report on the Digital Millennium Copyright Act §512, the United States Copyright Office rejected extension of the first sale doctrine to the distribution of digital works, noting that the justifications for the first sale doctrine in the physical world could not be imported into

the digital domain. (...) Thus, while ReDigi mounts attractive policy arguments, they are not as one-sided as it contends.

Finally, ReDigi feebly argues that the Court's reading of §109(a) would in effect exclude digital works from the meaning of the statute. That is not the case. §109(a) still protects a lawful owner's sale of her "particular" phonorecord, be it a computer hard disk, iPod, or other memory device onto which the file was originally downloaded. While this limitation clearly presents obstacles to resale that are different from, and perhaps even more onerous than, those involved in the resale of CDs and cassettes, the limitation is hardly absurd – the first sale doctrine was enacted in a world where the ease and speed of data transfer could not have been imagined. There are many reasons, some discussed herein, for why such physical limitations may be desirable. It is left to Congress, and not this Court, to deem them outmoded.

Accordingly, the Court concludes that the first sale defense does not permit sales of digital music files on ReDigi's website.

C. Liability

Having determined that sales on ReDigi's website infringe Capitol's copyrights, the Court turns to whether ReDigi is directly and/or secondarily liable for that infringement. Direct liability requires "volitional conduct" that "causes" the reproduction or distribution to be made. Secondary infringement occurs when a defendant contributed to or benefitted from a third party's infringement such that it is "just" to hold the defendant accountable for the infringing activity. For the reasons stated below, the Court finds that ReDigi directly and secondarily infringed Capitol's copyrights.

1. Direct Infringement

To be liable for direct infringement, a defendant must have "engaged in some volitional conduct sufficient to show that [it] actively" violated one of the plaintiff's exclusive rights. *Arista Records LLC v. Usenet.com, Inc.*, 633 F.Supp.2d 124, 148 (S.D.N.Y.2009). (...)

In *Cartoon Network*, the Second Circuit addressed whether the cable television provider Cablevision had directly infringed the plaintiff's copyrights by providing digital video recording devices to its customers. 536 F.3d 121. The court determined that it had not. Though Cablevision had "design[ed], hous[ed], and maintain[ed]" the recording devices, it was Cablevision's customers who "made" the copies and therefore directly infringed the plaintiff's reproduction rights. *Id.* at 131-132. The court reasoned that, "[i]n determining who actually 'makes' a copy, a significant difference exists between making a request to a human employee, who then volitionally operates the copying system to make the copy, and issuing a command directly to a system, which automatically obeys commands and engages in no volitional conduct." *Id.* at 131. However, the court allowed that a case may exist where "one's contribution to the creation of an infringing copy [is] so great that it warrants holding that party directly liable for the infringement, even though another party has actually made the copy." *Id.* at 133.

On the record before it, the Court concludes that, if such a case could ever occur, it has occurred with ReDigi. ReDigi's founders built a service where only copyrighted work could be sold. Unlike Cablevision's programming, which offered a mix of protected and public television, ReDigi's Media Manager scans a user's computer to build a list of eligible files that consists solely of protected music purchased on iTunes. While that process is itself automated, absolving ReDigi of direct liability on that ground alone would be a distinction without a difference. The fact that ReDigi's founders programmed their software to choose copyrighted content satisfies the volitional conduct requirement and renders ReDigi's case indistinguishable from those where human review of content gave rise to direct liability. Moreover, unlike Cablevision, ReDigi infringed both Capitol's reproduction and distribution rights. ReDigi provided the infrastructure for its users' infringing sales and affirmatively brokered sales by connecting users who are seeking unavailable songs with potential sellers. Given this fundamental and deliberate role, the Court concludes that ReDigi's conduct "transform[ed] [it] from [a] passive provider of a space in which infringing activities happened to occur to [an] active participant in the process of copyright infringement." 633 F.Supp.2d at 148. Accordingly, the Court

grants Capitol's motion for summary judgment on its claims for ReDigi's direct infringement of its distribution and reproduction rights.

2. Secondary Infringement

“The Copyright Act does not expressly render anyone liable for infringement committed by another.” 464 U.S. at 434. However, common law doctrines permit a court to impose secondary liability where “just” and appropriate. *Id.* at 435. Capitol asserts that ReDigi is secondarily liable for its users' direct infringement under three such doctrines: contributory infringement, inducement of infringement, and vicarious infringement. The Court agrees with respect to contributory and vicarious infringement, and therefore does not reach the inducement claim.

a. Contributory Infringement

Contributory infringement occurs where “one ... with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another.” *Arista Records, LLC v. Doe 3*, 604 F.3d at 118. The knowledge requirement is “objective” and satisfied where the defendant knew or had reason to know of the infringing activity. *Id.* at 118. Further, the support must be “more than a mere quantitative contribution to the primary infringement ... [, it] must be substantial.” 633 F.Supp.2d 124, 155. However, even where a defendant's contribution is material, it may evade liability if its product is “capable of substantial noninfringing uses.” 464 U.S. at 442 (the “Sony-Betamax rule”).

In weighing the knowledge requirement, courts consider evidence of actual and constructive knowledge, including cease-and-desist letters, officer and employee statements, promotional materials, and industry experience. In addition, courts have consistently found that material support existed where file-sharing systems provided “the site and facilities” for their users' infringement.

The Court has little difficulty concluding that ReDigi knew or should have known that its service would encourage infringement. Despite the fact that ReDigi boasted on its website that it was “The Legal Alternative” and insisted “YES, ReDigi is LEGAL,” ReDigi warned investors in its subscription agreements that “the law cannot be said to be well-settled” in this area and that it could not guarantee ReDigi would prevail on its copyright defenses. The Recording Industry Association of America (“RIAA”) sent ReDigi a cease-and-desist letter in November 2011, advising ReDigi that its website violated Capitol's and other RIAA members' copyrights. Further, ReDigi was ensnared in a licensing dispute over song clips and cover art shortly after its launch, plainly indicating that infringement could be afoot. ReDigi was also, of course, aware that copyright protected content was being sold on its website – a fact central to its business model and promotional campaigns. Finally, ReDigi's officers claim to have “researched copyright law [and] consulted with attorneys” concerning their service, and also to have met with record companies “to get input, get marketing support[,] and enter into deals with the labels.” By educating themselves, the officers presumably understood the likelihood that use of ReDigi's service would result in infringement. Indeed, though ReDigi attempts to use its consultations with counsel as a shield, it is telling that ReDigi declined to reveal any of the advice it received on the subject. ReDigi's lone rebuttal to this surfeit of evidence could only be that it “sincerely” believed in the legality of its service. However, the Court has not found and will not create a subjective, good faith defense to contributory liability's objective knowledge requirement, and therefore concludes that, based on the objective facts, ReDigi was aware of its users' infringement.

The Court also finds that ReDigi materially contributed to its users' infringement. As ReDigi has admitted, “more than any other website that permits the sale of music, ReDigi is intimately involved in examining the content that will be sold and supervising the steps involved in making the music available for sale and selling it.” ReDigi thus provided the “site and facilities” for the direct infringement. Without ReDigi's Cloud Locker, no infringement could have occurred. Indeed, Media Manager ensured that only infringement occurred by limiting eligible files to iTunes tracks. Contrary to any conception of remote conduct, ReDigi's service was the hub and heart of its users' infringing activity.

The Court finally concludes that ReDigi's service is not capable of substantial noninfringing uses. The Sony-Betamax rule requires a court to determine whether a product or service is capable of substantial noninfringing uses, not whether it is currently used in a non-infringing manner. But, put simply, ReDigi, by virtue of its design, is incapable of compliance with the law. ReDigi's business is built on the erroneous notion that the first sale defense permits the electronic resale of digital music. As such, ReDigi is built to trade only in copyright protected iTunes files. However, as determined above, ReDigi's legal argument – and therefore business model – is fundamentally flawed. Accordingly, to comply with the law, either the law or ReDigi must change. While ReDigi 2.0, 3.0, or 4.0 may ultimately be deemed to comply with copyright law – a finding the Court need not and does not now make – it is clear that ReDigi 1.0 does not. Given the fundamental disconnect between ReDigi and the Copyright Act, and ReDigi's failure to provide any evidence of present or potential noninfringing uses, the Court concludes that the Sony–Betamax rule cannot save ReDigi from contributory liability.

Accordingly, the Court grants Capitol's motion for summary judgment on its claim for ReDigi's contributory infringement of its distribution and reproduction rights.

b. Vicarious Infringement

Vicarious liability for copyright infringement exists where the defendant “has the right and ability to supervise the infringing activity and also has a direct financial interest in such activities.” 239 F.3d at 1022. Unlike contributory infringement, knowledge is not an element of vicarious liability.

Clearly, ReDigi Vicariously infringed Capitol's copyrights. As discussed, ReDigi exercised complete control over its website's content, user access, and sales. Indeed, ReDigi admits that it “is intimately involved in ... supervising the steps involved in making the music available for sale and selling it” on the website. In addition, ReDigi financially benefitted from every infringing sale when it collected 60% of each transaction fee. Notably, ReDigi failed to address any of these arguments in its opposition brief, instead insisting that it was not vicariously liable for infringement that occurred outside the ReDigi service, for instance, when a user impermissibly retained files on his computer. However, this argument is inapposite to the instant motions. Accordingly, the Court grants Capitol's motion for summary judgment on its claim for ReDigi's vicarious infringement of its distribution and reproduction rights.

IV. Conclusion

At base, ReDigi seeks judicial amendment of the Copyright Act to reach its desired policy outcome. However, “[s]ound policy, as well as history, supports [the Court's] consistent deference to Congress when major technological innovations alter the market for copyrighted materials. Congress has the constitutional authority and the institutional ability to accommodate fully the varied permutations of competing interests that are inevitably implicated by such new technology.” 464 U.S. at 431. Such defence often counsels for a limited interpretation of copyright protection. However, here, the Court cannot of its own accord condone the wholesale application of the first sale defense to the digital sphere, particularly when Congress itself has declined to take that step. Accordingly, and for the reasons stated above, the Court GRANTS Capitol's motion for summary judgment on its claims for ReDigi's direct, contributory, and vicarious infringement of its distribution and reproduction rights. The Court also DENIES ReDigi's motion in its entirety. (...)

SO ORDERED.

Padawan SL v. Sociedad General de Autores y Editores de España (SGAE)

JUDGMENT OF THE COURT (Third Chamber)

21 October 2010

Case C-467/08

(...) **Legal context**

- 3 Recitals 9, 10, 31, 32, 35, 38 and 39 in the preamble to Directive 2001/29 are worded as follows:
- (9) Any harmonisation of copyright and related rights must take as a basis a high level of protection, since such rights are crucial to intellectual creation. Their protection helps to ensure the maintenance and development of creativity in the interests of authors, performers, producers, consumers, culture, industry and the public at large. Intellectual property has therefore been recognised as an integral part of property.*
- (10) If authors or performers are to continue their creative and artistic work, they have to receive an appropriate reward for the use of their work, as must producers in order to be able to finance this work ...*
- (31) A fair balance of rights and interests between the different categories of rightholders, as well as between the different categories of rightholders and users of protected subject-matter must be safeguarded ...*
- (32) This Directive provides for an exhaustive enumeration of exceptions and limitations to the reproduction right and the right of communication to the public. Some exceptions or limitations only apply to the reproduction right, where appropriate. This list takes due account of the different legal traditions in Member States, while, at the same time, aiming to ensure a functioning internal market. Member States should arrive at a coherent application of these exceptions and limitations, which will be assessed when reviewing implementing legislation in the future.*
- (35) In certain cases of exceptions or limitations, rightholders should receive fair compensation to compensate them adequately for the use made of their protected works or other subject-matter. When determining the form, detailed arrangements and possible level of such fair compensation, account should be taken of the particular circumstances of each case. When evaluating these circumstances, a valuable criterion would be the possible harm to the rightholders resulting from the act in question. In cases where rightholders have already received payment in some other form, for instance as part of a licence fee, no specific or separate payment may be due. The level of fair compensation should take full account of the degree of use of technological protection measures referred to in this Directive. In certain situations where the prejudice to the rightholder would be minimal, no obligation for payment may arise.*
- (38) Member States should be allowed to provide for an exception or limitation to the reproduction right for certain types of reproduction of audio, visual and audio-visual material for private use, accompanied by fair compensation. This may include the introduction or continuation of remuneration schemes to compensate for the prejudice to rightholders ...*
- (39) When applying the exception or limitation on private copying, Member States should take due account of technological and economic developments, in particular with respect to digital private copying and remuneration schemes, when effective technological protection measures are available. Such exceptions or limitations should not inhibit the use of technological measures or their enforcement against circumvention.'*
- 4 Under Article 2 of Directive 2001/29:
- 'Member States shall provide for the exclusive right to authorise or prohibit direct or indirect, temporary or permanent reproduction by any means and in any form, in whole or in part:*
- (a) for authors, of their works;*
 - (b) for performers, of fixations of their performances;*
 - (c) for phonogram producers, of their phonograms;*
 - (d) for the producers of the first fixations of films, in respect of the original and copies of their films;*
 - (e) for broadcasting organisations, of fixations of their broadcasts, whether those broadcasts are transmitted by wire or over the air, including by cable or satellite.'*
- 5 Article 5 of Directive 2001/29, entitled 'Exceptions and limitations', states in subparagraph 2(b):
- 'Member States may provide for exceptions or limitations to the reproduction right provided for in Article 2 in the following cases:*
- (b) in respect of reproductions on any medium made by a natural person for private use and for ends that are neither directly nor indirectly commercial, on condition that the rightholders receive fair compensation which takes account of the application or non-application of technological measures referred to in Article 6 to the work or subject-matter concerned'.*
- 6 Article 5(5) of that directive provides:
- 'The exceptions and limitations provided for in paragraphs 1, 2, 3 and 4 shall only be applied in certain special cases which do not conflict with a normal exploitation of the work or other subject-matter and do not unreasonably prejudice the legitimate interests of the rightholder.'*

7 Article 6 of Directive 2001/29, entitled ‘Obligations as to technological measures’, provides in paragraphs 3 and 4:

‘3. For the purposes of this Directive, the expression “technological measures” means any technology, device or component that, in the normal course of its operation, is designed to prevent or restrict acts, in respect of works or other subject-matter, which are not authorised by the rightholder of any copyright or any right related to copyright as provided for by law or the sui generis right provided for in Chapter III of Directive 96/9/EC. Technological measures shall be deemed “effective” where the use of a protected work or other subject-matter is controlled by the rightholders through application of an access control or protection process, such as encryption, scrambling or other transformation of the work or other subject-matter or a copy control mechanism, which achieves the protection objective.

4. Notwithstanding the legal protection provided for in paragraph 1, in the absence of voluntary measures taken by rightholders, including agreements between rightholders and other parties concerned, Member States shall take appropriate measures to ensure that rightholders make available to the beneficiary of an exception or limitation provided for in national law in accordance with Article 5(2)(a), (2)(c), (2)(d), (2)(e), (3)(a), (3)(b) or (3)(e) the means of benefiting from that exception or limitation, to the extent necessary to benefit from that exception or limitation and where that beneficiary has legal access to the protected work or subject-matter concerned.

A Member State may also take such measures in respect of a beneficiary of an exception or limitation provided for in accordance with Article 5(2)(b), unless reproduction for private use has already been made possible by rightholders to the extent necessary to benefit from the exception or limitation concerned and in accordance with the provisions of Article 5(2)(b) and (5), without preventing rightholders from adopting adequate measures regarding the number of reproductions in accordance with these provisions.’

National legislation

8 The applicable rules are contained in Royal Legislative Decree 1/1996 of 12 April 1996, approving the consolidated text of the Law on Intellectual Property (‘the CTLIP’). That royal legislative decree was amended in the context of the transposition of Directive 2001/29 by the Law 23/2006 of 7 July 2006 amending the consolidated text of the Law on Intellectual Property approved by Royal Legislative Decree 1/1996.

9 Article 17 of the CTLIP, entitled ‘Exclusive rights of exploitation and implementing rules’, is worded as follows:

‘The author shall have exclusive rights of exploitation of his works regardless of their form and, in particular, reproduction rights ... which cannot be exercised without his permission except in circumstances laid down in this Law.’

10 Under the heading ‘Reproduction’, Article 18 of the CTLIP provides:

‘Reproduction means the fixation of the work on a medium which enables communication of the work and copying of the whole or part of the work.’

11 Under Article 31(2) of the CTLIP:

‘The reproduction of works which have already been circulated shall not be subject to the author’s permission where the reproduction is by a natural person for his private use with respect to works which he has accessed legally, without prejudice to the fair compensation provided for in Article 25 ... provided that the usage of the copy is not collective or for profit’.

12 Article 25 of the CTLIP, entitled ‘Fair compensation for private copying’, provides in subparagraphs 1, 2 and 4:

‘1. Reproduction exclusively for private use, by means of non-typographical devices or technical instruments, of works circulated in the form of books or publications, deemed by regulation to be equivalent, and phonograms, videograms and other sound, visual or audiovisual media shall give rise to fair compensation paid at a flat rate for each of the three methods of reproduction mentioned, for the persons cited in subparagraph 4(b) in order to compensate the intellectual property rights which cease to be paid by reason of that reproduction. ...

2. That compensation shall be determined for each means of reproduction according to the equipment, devices and media appropriate to create that reproduction, which were manufactured on Spanish territory or acquired elsewhere with a view to their commercial distribution or their use there.

4. With respect to the legal obligation mentioned in subparagraph 1,

(a) “Debtors”: means manufacturers established in Spain, where they operate as commercial distributors, and persons who acquire outside Spanish territory, the equipment, devices and media referred to in subparagraph 2 with a view to their commercial distribution or use there.

The distributors, wholesalers and retailers, as subsequent purchasers of the equipment, devices and media, shall pay compensation jointly and severally with the debtors who supplied them for the products concerned, unless they prove that that compensation has in fact been paid for them, without prejudice to subparagraphs 14, 15 and 20.

(b) “Creditors” means the authors of works publicly exploited in one of the forms mentioned in subparagraph 1, together, according to the case and mode of reproduction, with the editors, producers of phonograms and videograms and performers whose performances have been fixed on those phonograms and videograms.’

13 Article 25(6) of the CTLIP sets out the procedure for approving the amount of compensation which each debtor has to pay with respect to digital equipment, devices and media, a procedure which involves the Ministry of Culture, the Ministry of Industry, Tourism and Trade, intellectual property rights management societies, sectoral associations which represent mainly the debtors, Spanish consumer associations and the Ministry of Economy and Finance.

14 Article 25(6) provides that ‘the parties to the process of negotiation and, in every case, the Ministry of Culture and the Ministry of Industry, Tourism and Trade, for the purposes of the adoption of the inter-ministerial decree referred to in the following provision, shall take into account, inter alia, the following criteria:

- the harm actually caused to the rightholders referred to in subparagraph 1, regard being had to the fact that if the harm caused to the holder is minimal it cannot give rise to an obligation for payment;
- the degree to which the equipment, devices and media was used for the copying referred to in subparagraph 1;
- the storage capacity of the equipment, devices and media;
- the quality of the reproductions;
- the availability, level of application and effectiveness of the technological measures referred to in Article 161;
- how long the reproductions can be preserved;
- the corresponding amounts of compensation applicable to the various equipment or devices concerned must be financially proportionate with respect to the average final retail price of those products.’

15 Article 25(12) of the CTLIP, which concerns the persons who are required to pay compensation, is worded as follows:

‘The obligation to pay compensation shall arise in the following circumstances:

(a) *With respect to manufacturers, where they operate as distributors, and for the persons who acquire the equipment, devices and media outside Spanish territory with a view to their commercial distribution therein, when the passing of property is effected by the debtor or, as the case may be, when the right to use or to enjoy any of the equipment, devices and media is transferred.*

(b) *With respect to the persons who acquire equipment, devices and media outside Spanish territory in order to use them therein, at the time they were acquired.’*

The dispute in the main proceedings and the questions referred for a preliminary ruling

16 SGAE is one of the bodies responsible for the collective management of intellectual property rights in Spain.

17 Padawan markets CD-Rs, CD-RWs, DVD-Rs and MP3 players. SGAE claimed payment from Padawan of the ‘private copying levy’ provided for in Article 25 of the CTLIP for the years 2002 to 2004. Padawan refused on the ground that the application of that levy to digital media, indiscriminately and regardless of the purpose for which they were intended (private use or other professional or commercial activities), was incompatible with Directive 2001/29. By judgment of 14 June 2007, the Juzgado de lo Mercantil No 4 de Barcelona upheld SGAE’s claim in its entirety and Padawan was ordered to pay EUR 16 759.25 together with interest.

18 Padawan appealed against that judgment to the referring court.

19 After consulting the parties and the Public Prosecutor's office about the expediency of making a reference for a preliminary ruling, the Audiencia Provincial de Barcelona (Provincial Court, Barcelona) decided to stay its proceedings and to refer the following questions to the Court for a preliminary ruling:

'1. Does the concept of "fair compensation" in Article 5(2)(b) of Directive 2001/29/EC entail harmonisation, irrespective of the Member States' right to choose the system of collection which they deem appropriate for the purposes of giving effect to the right to fair compensation of intellectual property rightholders affected by the adoption of the private copying exception or limitation?

2. Regardless of the system used by each Member State to calculate fair compensation, must that system ensure a fair balance between the persons affected, the intellectual property rightholders affected by the private copying exception, to whom the compensation is owed, on the one hand, and the persons directly or indirectly liable to pay the compensation, on the other, and is that balance determined by the reason for the fair compensation, which is to mitigate the harm arising from the private copying exception?

3. Where a Member State opts for a system of charging or levying in respect of digital reproduction equipment, devices and media, in accordance with the aim pursued by Article 5(2)(b) of Directive 2001/29 and the context of that provision, must that charge (the fair compensation for private copying) necessarily be linked to the presumed use of those equipment and media for making reproductions covered by the private copying exception, with the result that the application of the charge would be justified where it may be presumed that the digital reproduction equipment, devices and media are to be used for private copying, but not otherwise?

4. If a Member State adopts a private copying "levy" system, is the indiscriminate application of that "levy" to undertakings and professional persons who clearly purchase digital reproduction devices and media for purposes other than private copying compatible with the concept of "fair compensation"?

5. Might the system adopted by the Spanish State of applying the private copying levy indiscriminately to all digital reproduction equipment, devices and media infringe Directive 2001/29, in so far as there is insufficient correlation between the fair compensation and the limitation of the private copying right justifying it, because to a large extent it is applied to different situations in which the limitation of rights justifying the compensation does not exist?' (...)

Substance

The first question

29 By its first question, the national court asks, in essence, whether the concept of 'fair compensation', within the meaning of Article 5(2)(b) of Directive 2001/29, is an autonomous concept of European Union law which must be interpreted in a uniform manner in all Member States, irrespective of the Member States' right to choose the system of collection.

30 It should be borne in mind that under Article 5(2)(b) of Directive 2001/29 Member States which decide to introduce the private copying exception into their national law are required to provide for the payment of 'fair compensation' to rightholders.

31 It should be noted at the outset that neither Article 5(2)(b) nor any other provision of Directive 2001/29 refers to the national law of the Member States as regards the concept of 'fair compensation'.

32 In such circumstances, according to settled case-law, the need for a uniform application of European Union law and the principle of equality require that the terms of a provision of European Union law which makes no express reference to the law of the Member States for the purpose of determining its meaning and scope must normally be given an independent and uniform interpretation throughout the European Union; that interpretation must take into account the context of the provision and the objective of the relevant legislation.

33 It is clear from that case-law that the concept of 'fair compensation' which appears in a provision of a directive which does not contain any reference to national laws must be regarded as an autonomous concept of European Union law and interpreted uniformly throughout the European Union.

34 That conclusion is supported by the objective pursued by the legislation in which the concept of fair compensation appears.

35 The objective of Directive 2001/29, based, in particular, on Article 95 EC and intended to harmonise certain aspects of the law on copyright and related rights in the information society and to ensure competition in the internal market is not distorted as a result of Member States' different legislation requires the elaboration of autonomous concepts of European Union law. The European Union legislature's aim of achieving the most uniform interpretation possible of Directive 2001/29 is apparent in particular from recital 32 in the preamble thereto, which calls on the Member States to arrive at a coherent application of the exceptions to and limitations on reproduction rights, with the aim of ensuring a functioning internal market.

36 Therefore, although it is open to the Member States, pursuant to Article 5(2)(b) of Directive 2001/29, to introduce a private copying exception to the author's exclusive reproduction right laid down in European Union law, those Member States which make use of that option must provide for the payment of fair compensation to authors affected by the application of that exception. An interpretation according to which Member States which have introduced an identical exception of that kind, provided for by European Union law and including, as set out in recitals 35 and 38 in the preamble thereto the concept of 'fair compensation' as an essential element, are free to determine the limits in an inconsistent and un-harmonised manner which may vary from one Member State to another, would be incompatible with the objective of that directive, as set out in the preceding paragraph.

37 Having regard to the foregoing considerations, the answer to the first question is that the concept of 'fair compensation', within the meaning of Article 5(2)(b) of Directive 2001/29, is an autonomous concept of European Union law which must be interpreted uniformly in all the Member States that have introduced a private copying exception, irrespective of the power conferred on them to determine, within the limits imposed by European Union law and in particular by that directive, the form, detailed arrangements for financing and collection, and the level of that fair compensation.

The second question

38 By its second question, the national court asks, in essence, whether the 'fair balance' to be established between the persons concerned requires fair compensation to be calculated on the basis of the criterion of the harm caused to authors as a result of the introduction of the private copying exception. It also asks who, apart from the authors affected, are the persons concerned between whom a 'fair balance' must be established.

39 In the first place, as regards the role played by the criterion of the harm suffered by the author in the calculation of fair compensation, it is apparent from recitals 35 and 38 in the preamble to Directive 2001/29 that the purpose of fair compensation is to compensate authors 'adequately' for the use made of their protected works without their authorisation. In order to determine the level of that compensation, account must be taken – as a 'valuable criterion' – of the 'possible harm' suffered by the author as a result of the act of reproduction concerned, although prejudice which is 'minimal' does not give rise to a payment obligation. The private copying exception must therefore include a system 'to compensate for the prejudice to rightholders'.

40 It is clear from those provisions that the notion and level of fair compensation are linked to the harm resulting for the author from the reproduction for private use of his protected work without his authorisation. From that perspective, fair compensation must be regarded as recompense for the harm suffered by the author.

41 Furthermore, the word 'compensate' in recitals 35 and 38 in the preamble to Directive 2001/29 expresses the intention of the European Union legislature to establish a specific compensation scheme triggered by the existence of harm to the detriment of the rightholders, which gives rise, in principle, to the obligation to 'compensate' them.

42 It follows that fair compensation must necessarily be calculated on the basis of the criterion of the harm caused to authors of protected works by the introduction of the private copying exception.

43 In the second place, as regards the question of the persons concerned by the ‘fair balance’, recital 31 in the preamble to Directive 2001/29 provides for the maintenance of a ‘fair balance’ between the rights and interests of the rightholders, who are to receive the fair compensation, on one hand, and those of the users of protected works on the other.

44 Copying by natural persons acting in a private capacity must be regarded as an act likely to cause harm to the author of the work concerned.

45 It follows that the person who has caused harm to the holder of the exclusive reproduction right is the person who, for his own private use, reproduces a protected work without seeking prior authorisation from the rightholder. Therefore, in principle, it is for that person to make good the harm related to that copying by financing the compensation which will be paid to the rightholder.

46 However, given the practical difficulties in identifying private users and obliging them to compensate rightholders for the harm caused to them, and bearing in mind the fact that the harm which may arise from each private use, considered separately, may be minimal and therefore does not give rise to an obligation for payment, as stated in the last sentence of recital 35 in the preamble to Directive 2001/29, it is open to the Member States to establish a ‘private copying levy’ for the purposes of financing fair compensation chargeable not to the private persons concerned, but to those who have the digital reproduction equipment, devices and media and who, on that basis, in law or in fact, make that equipment available to private users or who provide copying services for them. Under such a system, it is the persons having that equipment who must discharge the private copying levy.

47 It is true that in such a system it is not the users of the protected subject-matter who are the persons liable to finance fair compensation, contrary to what recital 31 in the preamble to the directive appears to require.

48 However, it should be observed, first, that the activity of the persons liable to finance the fair compensation, namely the making available to private users of reproduction equipment, devices and media, or their supply of copying services, is the factual precondition for natural persons to obtain private copies. Second, nothing prevents those liable to pay the compensation from passing on the private copying levy in the price charged for making the reproduction equipment, devices and media available or in the price for the copying service supplied. Thus, the burden of the levy will ultimately be born by the private user who pays that price. In those circumstances, the private user for whom the reproduction equipment, devices or media are made available or who benefit from a copying service must be regarded in fact as the person indirectly liable to pay fair compensation.

49 Accordingly, since that system enables the persons liable to pay compensation to pass on the cost of the levy to private users and that, therefore, the latter assume the burden of the private copying levy, it must be regarded as consistent with a ‘fair balance’ between the interests of authors and those of the users of the protected subject-matter.

50 Having regard to all of the foregoing considerations, the answer to the second question is that Article 5(2)(b) of Directive 2001/29 must be interpreted as meaning that the ‘fair balance’ between the persons concerned means that fair compensation must be calculated on the basis of the criterion of the harm caused to authors of protected works by the introduction of the private copying exception. It is consistent with the requirements of that ‘fair balance’ to provide that persons who have digital reproduction equipment, devices and media and who, on that basis, in law or in fact, make that equipment available to private users or provide them with copying services are the persons liable to finance the fair compensation, inasmuch as they are able to pass on to private users the actual burden of financing it.

The third and fourth questions

51 By its third and fourth questions, which it is appropriate to examine together, the national court asks essentially whether, under Article 5(2)(b) of Directive 2001/29, there is a necessary link between the application of the levy intended to finance fair compensation with respect to digital reproduction equipment, devices and media, and the deemed use of the latter for the purposes of private copying. It also asks whether the indiscriminate application of the private copying levy, in particular with respect to digital reproduction equipment, devices and media clearly intended for uses other than the production of private copies, complies with Directive 2001/29.

52 It must be held from the outset that a system for financing fair compensation such as that described in paragraphs 46 and 48 of this judgment is compatible with the requirements of a 'fair balance' only if the digital reproduction equipment, devices and media concerned are liable to be used for private copying and, therefore, are likely to cause harm to the author of the protected work. There is therefore, having regard to those requirements, a necessary link between the application of the private copying levy to the digital reproduction equipment, devices and media and their use for private copying.

53 Consequently, the indiscriminate application of the private copying levy to all types of digital reproduction equipment, devices and media, including in the case expressly mentioned by the national court in which they are acquired by persons other than natural persons for purposes clearly unrelated to private copying, does not comply with Article 5(2) of Directive 2001/29.

54 On the other hand, where the equipment at issue has been made available to natural persons for private purposes it is unnecessary to show that they have in fact made private copies with the help of that equipment and have therefore actually caused harm to the author of the protected work.

55 Those natural persons are rightly presumed to benefit fully from the making available of that equipment, that is to say that they are deemed to take full advantage of the functions associated with that equipment, including copying.

56 It follows that the fact that that equipment or devices are able to make copies is sufficient in itself to justify the application of the private copying levy, provided that the equipment or devices have been made available to natural persons as private users.

57 Such an interpretation is supported by the wording of recital 35 in the preamble to Directive 2001/29. That recital mentions, as a valuable criterion for the determination of the level of fair compensation, not only the 'harm' as such but also the 'possible' harm. The 'possibility' of causing harm to the author of the protected work depends on the fulfilment of the necessary pre-condition that equipment or devices which allow copying have been made available to natural persons, which need not necessarily be followed by the actual production of private copies.

58 Furthermore, the Court has already held that, from the copyright point of view, account must be taken of the mere possibility for the ultimate user, in that case customers of a hotel, to watch programmes broadcast by means of a television set and a television signal made available to them by that establishment, and not the actual access of the customers to those works.

59 Having regard to all of the foregoing considerations, the answer to questions 3 and 4 is that Article 5(2)(b) of Directive 2001/29 must be interpreted as meaning that a link is necessary between the application of the levy intended to finance fair compensation with respect to digital reproduction equipment, devices and media and the deemed use of them for the purposes of private copying. Consequently, the indiscriminate application of the private copying levy, in particular with respect to digital reproduction equipment, devices and media not made available to private users and clearly reserved for uses other than private copying, is incompatible with Directive 2001/29. (...)

ACI Adam BV and Others v. Stichting de ThuisKopie

JUDGMENT OF THE COURT (Fourth Chamber)

10 April 2014

Case C-435/12

(...) Legal context

EU law

Directive 2001/29

3 Recitals 22, 31, 32, 35, 38 and 44 in the preamble to Directive 2001/29 state the following:

(22) The objective of proper support for the dissemination of culture must not be achieved by sacrificing strict protection of rights or by tolerating illegal forms of distribution of counterfeited or pirated works.

(31) A fair balance of rights and interests between the different categories of rightholders, as well as between the different categories of rightholders and users of protected subject-matter must be safeguarded.

(32) This Directive provides for an exhaustive enumeration of exceptions and limitations to the reproduction right and the right of communication to the public. Some exceptions or limitations only apply to the reproduction right, where appropriate. This list takes due account of the different legal traditions in Member States, while, at the same time, aiming to ensure a functioning internal market. Member States should arrive at a coherent application of these exceptions and limitations, which will be assessed when reviewing implementing legislation in the future.

(35) In certain cases of exceptions or limitations, rightholders should receive fair compensation to compensate them adequately for the use made of their protected works or other subject-matter. When determining the form, detailed arrangements and possible level of such fair compensation, account should be taken of the particular circumstances of each case. When evaluating these circumstances, a valuable criterion would be the possible harm to the rightholders resulting from the act in question. In cases where rightholders have already received payment in some other form, for instance as part of a licence fee, no specific or separate payment may be due. The level of fair compensation should take full account of the degree of use of technological protection measures referred to in this Directive. In certain situations where the prejudice to the rightholder would be minimal, no obligation for payment may arise.

(38) Member States should be allowed to provide for an exception or limitation to the reproduction right for certain types of reproduction of audio, visual and audio-visual material for private use, accompanied by fair compensation. This may include the introduction or continuation of remuneration schemes to compensate for the prejudice to rightholders. Although differences between those remuneration schemes affect the functioning of the internal market, those differences, with respect to analogue private reproduction, should not have a significant impact on the development of the information society. Digital private copying is likely to be more widespread and have a greater economic impact. Due account should therefore be taken of the differences between digital and analogue private copying and a distinction should be made in certain respects between them.

(44) When applying the exceptions and limitations provided for in this Directive, they should be exercised in accordance with international obligations. Such exceptions and limitations may not be applied in a way which prejudices the legitimate interests of the rightholder or which conflicts with the normal exploitation of his work or other subject-matter. The provision of such exceptions or limitations by Member States should, in particular, duly reflect the increased economic impact that such exceptions or limitations may have in the context of the new electronic environment. Therefore, the scope of certain exceptions or limitations may have to be even more limited when it comes to certain new uses of copyright works and other subject-matter.'

4 Article 2(a) of Directive 2001/29 provides:

'Member States shall provide for the exclusive right to authorise or prohibit direct or indirect, temporary or permanent reproduction by any means and in any form, in whole or in part:

(a) for authors, of their works'.

5 Article 5(2) and (5) of that directive provides:

'2. Member States may provide for exceptions or limitations to the reproduction right provided for in Article 2 in the following cases:

(b) in respect of reproductions on any medium made by a natural person for private use and for ends that are neither directly nor indirectly commercial, on condition that the rightholders receive fair

compensation which takes account of the application or non-application of technological measures referred to in Article 6 to the work or subject-matter concerned;

5. The exceptions and limitations provided for in paragraphs 1, 2, 3 and 4 shall only be applied in certain special cases which do not conflict with a normal exploitation of the work or other subject-matter and do not unreasonably prejudice the legitimate interests of the rightholder.'

6 Article 6 of Directive 2001/29 provides:

'1. Member States shall provide adequate legal protection against the circumvention of any effective technological measures, which the person concerned carries out in the knowledge, or with reasonable grounds to know, that he or she is pursuing that objective.

3. For the purposes of this Directive, the expression "technological measures" means any technology, device or component that, in the normal course of its operation, is designed to prevent or restrict acts, in respect of works or other subject-matter, which are not authorised by the rightholder of any copyright or any right related to copyright as provided for by law or the sui generis right provided for in Chapter III of [Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases (OJ 1996 L 77, p. 20)]. Technological measures shall be deemed "effective" where the use of a protected work or other subject-matter is controlled by the rightholders through application of an access control or protection process, such as encryption, scrambling or other transformation of the work or other subject-matter or a copy control mechanism, which achieves the protection objective.

4. Notwithstanding the legal protection provided for in paragraph 1, in the absence of voluntary measures taken by rightholders, including agreements between rightholders and other parties concerned, Member States shall take appropriate measures to ensure that rightholders make available to the beneficiary of an exception or limitation provided for in national law in accordance with Article 5(2)(a), (2)(c), (2)(d), (2)(e), (3)(a), (3)(b) or (3)(e) the means of benefiting from that exception or limitation, to the extent necessary to benefit from that exception or limitation and where that beneficiary has legal access to the protected work or subject-matter concerned.'

Directive 2004/48

7 Article 1 of Directive 2004/48 defines its subject-matter as follows:

'This Directive concerns the measures, procedures and remedies necessary to ensure the enforcement of intellectual property rights. For the purposes of this Directive, the term "intellectual property rights" includes industrial property rights.'

8 Article 2 of Directive 2004/48, which relates to the scope of that directive, provides in paragraph 1:

'Without prejudice to the means which are or may be provided for in Community or national legislation, in so far as those means may be more favourable for rightholders, the measures, procedures and remedies provided for by this Directive shall apply, in accordance with Article 3, to any infringement of intellectual property rights as provided for by Community law and/or by the national law of the Member State concerned.'

Netherlands law

9 Article 1 of the Law on copyright ('the AW') confers on the creator of a literary, scientific or artistic work, or his legal successors, inter alia the exclusive right to reproduce that work subject to the limitations provided for by law.

10 Article 16c(1) and (2) of the AW establishes the principle of the private copying levy. That provision is worded as follows:

'1. The reproduction of a work or a part thereof on an item designed for the performance, representation or reproduction of a work shall not be regarded as an infringement of the copyright in that work if the reproduction is made for ends that are neither directly nor indirectly commercial and serves exclusively for the own practice, study or use of the natural person making the reproduction.

2. Payment of a fair remuneration in respect of the reproduction referred to in paragraph 1 shall be due to the creator of the work or his legal successors. The manufacturer or importer of the items referred to in paragraph 1 shall be liable for payment of the remuneration.'

11 Article 1019h of the Code of Civil Procedure, which constitutes the transposition of Article 14 of Directive 2004/48, is worded as follows:

'In so far as is necessary, by way of derogation from Book I, Title II, Section 12, Paragraph 2 and Article 843a(1), the unsuccessful party shall be ordered to pay the reasonable and proportionate legal costs and other expenses incurred by the successful party, unless equity does not allow this.'

The dispute in the main proceedings and the questions referred for a preliminary ruling

12 ACI Adam and Others are importers and/or manufacturers of blank data media such as CDs and CD-Rs.

13 Under Article 16c of the AW, ACI Adam and Others are required to pay the private copying levy, the amount of which is determined by SONT, to Thuiskopie.

14 ACI Adam and Others submit that that amount incorrectly takes into account the harm suffered, as the case may be, by copyright holders as a result of copies made from unlawful sources.

15 Consequently, ACI Adam and Others brought proceedings against Thuiskopie and SONT before the Rechtbank te 's-Gravenhage (District Court, The Hague) claiming, in essence, that the private copying levy provided for in Article 16c(2) of the AW is intended exclusively to remunerate copyright holders for acts of reproduction falling within the scope of paragraph 1 of that article, with the result that the amount of that fee should not take into account compensation for harm suffered as a result of copies of works made from unlawful sources.

16 The Rechtbank te 's-Gravenhage dismissed the application of ACI Adam and Others by judgment of 25 June 2008.

17 ACI Adam and Others appealed against that judgment before the Gerechtshof te 's-Gravenhage (Regional Court of Appeal, The Hague). By judgment of 15 November 2010, that court upheld the judgment delivered by the Rechtbank te 's-Gravenhage.

18 The referring court, before which ACI Adam and Others appealed in cassation against the judgment of the Gerechtshof te 's-Gravenhage, takes the view that Directive 2001/29 does not specify whether reproductions made from an unlawful source must be taken into account in determining the fair compensation referred to in Article 5(2)(b) of that directive.

19 In those circumstances, the Hoge Raad der Nederlanden (Supreme Court of the Netherlands) decided to stay the proceedings and to refer the following questions to the Court of Justice for a preliminary ruling:

'(1) Should Article 5(2)(b) – whether or not in conjunction with Article 5(5) – of Directive [2001/29] be interpreted as meaning that the limitation on copyright referred to therein applies to reproductions which satisfy the requirements set out in that provision, regardless of whether the copies of the works from which the reproductions were taken became available to the natural person concerned lawfully – that is to say: without infringing the copyright of the rightholders – or does that limitation apply only to reproductions taken from works which have become available to the person concerned without infringement of copyright?

(2) a. If the answer to question 1 is that expressed at the end of the question, can the application of the “three-stage test” referred to in Article 5(5) of Directive [2001/29] form the basis for the expansion of the scope of the exception of Article 5(2), or can its application only lead to the reduction of the scope of the limitation?

b. If the answer to question 1 is that expressed at the end of the question, is a rule of national law which provides that in the case of reproductions made by a natural person for private use and without any direct or indirect commercial objective, fair compensation is payable, regardless of whether the making of those reproductions is authorised under Article 5(2) of Directive [2001/29] – and without there being any infringement by that rule of the prohibition right of the rightholder and his entitlement to damages – contrary to Article 5 of [that] Directive, or to any other rule of EU law?

In the light of the “three-stage test” of Article 5(5) of Directive [2001/29], is it important when answering that question that technological measures to combat the making of unauthorised private copies are not (yet) available?

(3) Is Directive [2004/48] applicable to proceedings such as these where – after a Member State, on the basis of Article 5(2)(b) of Directive [2001/29], has imposed the obligation to pay the fair compensation referred to in that provision on producers and importers of media which are suitable and intended for the reproduction of works, and has determined that that fair compensation should be paid to an organisation designated by that Member State which has been charged with collecting and distributing the fair compensation – those liable to pay the compensation bring an action for a declaration by the courts, in respect of certain contested circumstances which have a bearing on the determination of the fair compensation, against the organisation concerned, which defends the action?’

Consideration of the questions referred

The first and second questions

20 By its first and second questions, which it is appropriate to examine together, the referring court asks, in essence, whether EU law, in particular Article 5(2)(b) of Directive 2001/29, read in conjunction with paragraph 5 of that article, is to be interpreted as precluding national legislation, such as that at issue in the main proceedings, which does not distinguish the situation in which the source from which a reproduction for private use is made is lawful from that in which that source is unlawful.

21 It should be noted at the outset that Article 2 of Directive 2001/29 provides that Member States are to grant authors the exclusive right to authorise or prohibit direct or indirect, temporary or permanent reproduction by any means and in any form, in whole or in part of their works, while reserving to those Member States the option, under Article 5(2) of that directive, of providing for exceptions and limitations to that right.

22 As regards the scope of those exceptions and limitations, it must be pointed out that, according to the settled case-law of the Court, the provisions of a directive which derogate from a general principle established by that directive must be interpreted strictly.

23 It follows that the different exceptions and limitations provided for in Article 5(2) of Directive 2001/29 must be interpreted strictly.

24 Furthermore, it must be pointed out that Article 5(5) of Directive 2001/29 requires that the exceptions and limitations to the reproduction right are to be applied only in certain special cases which do not conflict with a normal exploitation of the work or other subject-matter and do not unreasonably prejudice the legitimate interests of the rightholder.

25 As is apparent from its wording, that provision of Directive 2001/29 simply specifies the conditions for the application of the exceptions and limitations to the reproduction right which are authorised by Article 5(2) of that directive, namely that those exceptions and limitations are to be applied only in certain special cases, which do not conflict with a normal exploitation of the work or other subject-matter and do not unreasonably prejudice the legitimate interests of the rightholder. Article 5(5) of that directive does not therefore define the substantive content of the different exceptions and limitations set out in Article 5(2) of that directive, but takes effect only at the time when they are applied by the Member States.

26 Consequently, Article 5(5) of Directive 2001/29 is not intended either to affect the substantive content of provisions falling within the scope of Article 5(2) of that directive or, *inter alia*, to extend the scope of the different exceptions and limitations provided for therein.

27 Furthermore, it is apparent from recital 44 in the preamble to Directive 2001/29 that the EU legislature meant to envisage, when Member States provide for the exceptions or limitations referred to by that directive, that the scope of those exceptions or limitations could be limited even more when it comes to certain new uses of copyright works and other subject-matter. By contrast, neither that recital nor any other provision of that directive envisages the possibility of the scope of such exceptions or limitations being extended by the Member States.

28 In particular, under Article 5(2)(b) of Directive 2001/29, Member States may provide for an exception to the author's exclusive reproduction right in his work in respect of reproductions on any medium made by a natural person for private use and for ends that are neither directly nor indirectly commercial ('the private copying exception').

29 That provision does not address expressly the lawful or unlawful nature of the source from which a reproduction of the work may be made.

30 The wording of that provision must therefore be interpreted by applying the principle of strict interpretation, as referred to in paragraph 23 of the present judgment.

31 Such an interpretation requires Article 5(2)(b) of Directive 2001/29 to be understood as meaning that the private copying exception admittedly prohibits copyright holders from relying on their exclusive right to authorise or prohibit reproductions with regard to persons who make private copies of their works; however, it precludes that provision from being understood as requiring, beyond that limitation which is provided for expressly, copyright holders to tolerate infringements of their rights which may accompany the making of private copies.

32 Such a finding is, moreover, borne out by the context of which Article 5(2)(b) of Directive 2001/29 forms part and by its underlying objectives.

33 In that regard, first, it is apparent from recital 32 in the preamble to Directive 2001/29 that the list of exceptions provided for in Article 5 thereof has to ensure a balance between the different legal traditions in Member States and the proper functioning of the internal market.

34 It follows that the Member States have the option of introducing the different exceptions provided for in Article 5 of that directive, in accordance with their legal traditions, but that, once they have made the choice of introducing a certain exception, it must be applied coherently, so that it cannot undermine the objectives which Directive 2001/29 pursues with the aim of ensuring the proper functioning of the internal market.

35 If the Member States had the option of adopting legislation which also allowed reproductions for private use to be made from an unlawful source, the result of that would clearly be detrimental to the proper functioning of the internal market.

36 Secondly, it is apparent from recital 22 in the preamble to Directive 2001/29, that the objective of proper support for the dissemination of culture must not be achieved by sacrificing strict protection of rights or by tolerating illegal forms of distribution of counterfeited or pirated works.

37 Consequently, national legislation which makes no distinction between private copies made from lawful sources and those made from counterfeited or pirated sources cannot be tolerated.

38 Furthermore, when it is applied, national legislation, such as that at issue in the main proceedings, which does not draw a distinction according to whether the source from which a reproduction for private use is made is lawful or unlawful, may infringe certain conditions laid down by Article 5(5) of Directive 2001/29.

39 First, to accept that such reproductions may be made from an unlawful source would encourage the circulation of counterfeited or pirated works, thus inevitably reducing the volume of sales or of other lawful transactions relating to the protected works, with the result that a normal exploitation of those works would be adversely affected.

40 Secondly, the application of such national legislation may, having regard to the finding made in paragraph 31 of the present judgment, unreasonably prejudice copyright holders.

41 It is apparent from the foregoing considerations that Article 5(2)(b) of Directive 2001/29 must be interpreted as not covering the case of private copies made from an unlawful source.

42 Against the same background of Article 5(5) of Directive 2001/29, the referring court also inquires whether, in assessing whether national legislation, such as that at issue in the main proceedings, is in conformity with EU law, regard must be had to the fact that technological measures, within the meaning of Article 6 of that directive, and to which Article 5(2)(b) of that directive refers, do not, or not yet, exist at the time when that legislation is implemented.

43 In that regard, the Court has already held that the technological measures to which Article 5(2)(b) of Directive 2001/29 refers are intended to restrict acts which are not authorised by the rightholders, that is to say to ensure the proper application of that provision and thus to prevent acts which do not comply with the strict conditions imposed by that provision.

44 Furthermore, inasmuch as it is the Member States and not the rightholders which establish the private copying exception and which authorise, for the purposes of the making of such a copy, such use of protected works or other subject-matter, it is, consequently, for the Member State which, by the establishment of that exception, has authorised the making of the private copy to ensure the proper application of that exception, and thus to restrict acts which are not authorised by the rightholders.

45 It is apparent from paragraphs 39 and 40 of the present judgment that national legislation, such as that at issue in the main proceedings, which does not distinguish the situation in which the source from which a reproduction for private use is made is lawful from that in which that source is unlawful, is not capable of ensuring the proper application of the private copying exception. The fact that no applicable technological measures to combat the making of unlawful private copies exist is not capable of calling that finding into question.

46 It follows that, in assessing whether national legislation, such as that at issue in the main proceedings, is in conformity with EU law, there is no need to take into account the fact that technological measures, within the meaning of Article 6 of Directive 2001/29, and to which Article 5(2)(b) of that directive refers, do not, or do not yet, exist.

47 Lastly, the finding which the Court reached in paragraph 41 of the present judgment is not called into question in the light of the condition of ‘fair compensation’ referred to in Article 5(2)(b) of Directive 2001/29.

48 In that regard, it must, first, be pointed out that, under that provision, Member States which decide to introduce the private copying exception into their national law are required to provide for the payment of ‘fair compensation’ to rightholders.

49 It is also important to bear in mind that an interpretation of that provision according to which Member States which have introduced the private copying exception, provided for by EU law and including, as set out in recitals 35 and 38 in the preamble to that directive, the concept of ‘fair compensation’ as an essential element, are free to determine the limits in an inconsistent and unharmonised manner which may vary from one Member State to another, would be incompatible with the objective of that directive of harmonising certain aspects of the Law on copyright and related rights in the information society and ensuring competition in the internal market is not distorted as a result of Member States’ different legislation.

50 The purpose of such compensation is, according to the case-law of the Court, to compensate authors for private copies made of their protected works without their authorisation, with the result that it must be regarded as recompense for the harm suffered by authors as a result of such unauthorised copies.

51 Accordingly, it is, in principle, for the person who has caused such harm, namely the person who has made the copy of the protected work without seeking prior authorisation from the rightholder, to make good the harm suffered by financing the compensation which will be paid to that rightholder.

52 The Court has, however, accepted that, given the practical difficulties connected with such a system of fair compensation, it is open to the Member States to establish a levy for the purposes of financing fair compensation chargeable not directly to the private persons concerned, but to those who may pass on the amount of that levy in the price charged for making reproduction equipment, devices and media available or in the price for the copying service supplied, the burden of that levy thus ultimately being borne by the private user who pays that price.

53 Secondly, it is apparent from recital 31 in the preamble to Directive 2001/29 that the levy system introduced by the Member State concerned must safeguard a fair balance between the rights and interests of authors, who are the recipients of the fair compensation, on the one hand, and those of users of protected subject-matter, on the other.

54 A private copying levy system, such as that at issue in the main proceedings, which does not, as regards the calculation of the fair compensation payable to its recipients, distinguish the situation in which the source from which a reproduction for private use has been made is lawful from that in which that source is unlawful, does not respect the fair balance referred to in the preceding paragraph.

55 Under such a system, the harm caused, and therefore the amount of the fair compensation payable to the recipients, is calculated on the basis of the criterion of the harm caused to authors both by reproductions for private use which are made from a lawful source and by reproductions made from an unlawful source. The sum thus calculated is then, ultimately, passed on in the price paid by users of protected subject-matter at the time when equipment, devices and media which enable private copies to be made are made available to them.

56 Consequently, all the users who purchase such equipment, devices and media are indirectly penalised since, by bearing the burden of the levy which is determined regardless of the lawful or unlawful nature of the source from which such reproductions are made, they inevitably contribute towards the compensation for the harm caused by reproductions for private use made from an unlawful source, which are not permitted by Directive 2001/29, and are thus led to assume an additional, non-negligible cost in order to be able to make the private copies covered by the exception provided for by Article 5(2)(b) of that directive.

57 Such a situation cannot be regarded as satisfying the condition of the fair balance to be found between, on the one hand, the rights and interests of the recipients of the fair compensation and, on the other, those of those users.

58 In the light of all of the foregoing considerations, the answer to the first and second questions is that EU law, in particular Article 5(2)(b) of Directive 2001/29, read in conjunction with paragraph 5 of that article, must be interpreted as precluding national legislation, such as that at issue in the main proceedings, which does not distinguish the situation in which the source from which a reproduction for private use is made is lawful from that in which that source is unlawful.

The third question

59 By its third question, the referring court asks, in essence, whether Directive 2004/48 is to be interpreted as meaning that it may apply to proceedings, such as those in the main proceedings, in which those liable for payment of the fair compensation bring an action before that court for a ruling against the body responsible for collecting that remuneration and distributing it to copyright holders, which defends that action.

60 It must be borne in mind that Directive 2004/48 seeks, as is apparent from Article 1 thereof, to ensure the enforcement of intellectual property rights by means of the introduction, for that purpose, of various measures, procedures and remedies within the Member States.

61 The Court has held that the provisions of Directive 2004/48 are intended to govern only the aspects of intellectual property rights related to, first, the enforcement of those rights and, secondly, to

infringement of them, by requiring that there must be effective legal remedies designed to prevent, terminate or rectify any infringement of an existing intellectual property right.

62 Furthermore, it is apparent from Article 2(1) of Directive 2004/48 that the provisions thereof simply ensure the enforcement of the various rights enjoyed by persons who have acquired intellectual property rights, namely the proprietors of such rights, and cannot be interpreted as being intended to govern the various measures and procedures available to persons who are not themselves the proprietors of such rights, and which do not relate solely to an infringement of those rights.

63 Proceedings, such as those in the main proceedings, which relate to the scope of the private copying exception scheme and to its impact on the collection and distribution of the fair compensation which has to be paid by importers and/or manufacturers of blank media, in accordance with Article 5(2)(b) of Directive 2001/29, do not derive from an action brought by rightholders which seeks to prevent, terminate or rectify any infringement of an existing intellectual property right, but from an action brought by economic operators regarding the fair compensation which it is for them to pay.

64 Accordingly, Directive 2004/48 cannot apply.

65 In the light of the foregoing considerations, the answer to the third question is that Directive 2004/48 must be interpreted as not applying to proceedings, such as those in the main proceedings, in which those liable for payment of the fair compensation bring an action before the referring court for a ruling against the body responsible for collecting that remuneration and distributing it to copyright holders, which defends that action. (...)

Sony Corporations of America, et al., v. Universal City Studios, Inc., et al.
104 S.Ct. 774

Justice STEVENS,

Petitioners manufacture and sell home video tape recorders. Respondents own the copyrights on some of the television programs that are broadcast on the public airwaves. Some members of the general public use video tape recorders sold by petitioners to record some of these broadcasts, as well as a large number of other broadcasts. The question presented is whether the sale of petitioners' copying equipment to the general public violates any of the rights conferred upon respondents by the Copyright Act.

Respondents commenced this copyright infringement action against petitioners in the United States District Court for the Central District of California in 1976. Respondents alleged that some individuals had used Betamax video tape recorders (VTR's) to record some of respondents' copyrighted works which had been exhibited on commercially sponsored television and contended that these individuals had thereby infringed respondents' copyrights. Respondents further maintained that petitioners were liable for the copyright infringement allegedly committed by Betamax consumers because of petitioners' marketing of the Betamax VTR's. Respondents sought no relief against any Betamax consumer. Instead, they sought money damages and an equitable accounting of profits from petitioners, as well as an injunction against the manufacture and marketing of Betamax VTR's.

After a lengthy trial, the District Court denied respondents all the relief they sought and entered judgment for petitioners. The United States Court of Appeals for the Ninth Circuit reversed the District Court's judgment on respondent's copyright claim, holding petitioners liable for contributory infringement and ordering the District Court to fashion appropriate relief. We granted certiorari; since we had not completed our study of the case last Term, we ordered reargument. We now reverse.

An explanation of our rejection of respondents' unprecedented attempt to impose copyright liability upon the distributors of copying equipment requires a quite detailed recitation of the findings of the District Court. In summary, those findings reveal that the average member of the public uses a VTR principally to record a program he cannot view as it is being televised and then to watch it once at a

later time. This practice, known as “time-shifting,” enlarges the television viewing audience. For that reason, a significant amount of television programming may be used in this manner without objection from the owners of the copyrights on the programs. For the same reason, even the two respondents in this case, who do assert objections to time-shifting in this litigation, were unable to prove that the practice has impaired the commercial value of their copyrights or has created any likelihood of future harm. Given these findings, there is no basis in the Copyright Act upon which respondents can hold petitioners liable for distributing VTR's to the general public. The Court of Appeals' holding that respondents are entitled to enjoin the distribution of VTR's, to collect royalties on the sale of such equipment, or to obtain other relief, if affirmed, would enlarge the scope of respondents' statutory monopolies to encompass control over an article of commerce that is not the subject of copyright protection. Such an expansion of the copyright privilege is beyond the limits of the grants authorized by Congress.

I

The two respondents in this action, Universal Studios, Inc. and Walt Disney Productions, produce and hold the copyrights on a substantial number of motion pictures and other audiovisual works. In the current marketplace, they can exploit their rights in these works in a number of ways: by authorizing theatrical exhibitions, by licensing limited showings on cable and network television, by selling syndication rights for repeated airings on local television stations, and by marketing programs on prerecorded videotapes or videodiscs. Some works are suitable for exploitation through all of these avenues, while the market for other works is more limited.

Petitioner Sony manufactures millions of Betamax video tape recorders and markets these devices through numerous retail establishments, some of which are also petitioners in this action. Sony's Betamax VTR is a mechanism consisting of three basic components: (1) a tuner, which receives electromagnetic signals transmitted over the television band of the public airwaves and separates them into audio and visual signals; (2) a recorder, which records such signals on a magnetic tape; and (3) an adapter, which converts the audio and visual signals on the tape into a composite signal that can be received by a television set.

Several capabilities of the machine are noteworthy. The separate tuner in the Betamax enables it to record a broadcast off one station while the television set is tuned to another channel, permitting the viewer, for example, to watch two simultaneous news broadcasts by watching one “live” and recording the other for later viewing. Tapes may be reused, and programs that have been recorded may be erased either before or after viewing. A timer in the Betamax can be used to activate and deactivate the equipment at predetermined times, enabling an intended viewer to record programs that are transmitted when he or she is not at home. Thus a person may watch a program at home in the evening even though it was broadcast while the viewer was at work during the afternoon. The Betamax is also equipped with a pause button and a fast-forward control. The pause button, when depressed, deactivates the recorder until it is released, thus enabling a viewer to omit a commercial advertisement from the recording, provided, of course, that the viewer is present when the program is recorded. The fast forward control enables the viewer of a previously recorded program to run the tape rapidly when a segment he or she does not desire to see is being played back on the television screen.

The respondents and Sony both conducted surveys of the way the Betamax machine was used by several hundred owners during a sample period in 1978. Although there were some differences in the surveys, they both showed that the primary use of the machine for most owners was “time-shifting,” – the practice of recording a program to view it once at a later time, and thereafter erasing it. Time-shifting enables viewers to see programs they otherwise would miss because they are not at home, are occupied with other tasks, or are viewing a program on another station at the time of a broadcast that they desire to watch. Both surveys also showed, however, that a substantial number of interviewees had accumulated libraries of tapes. Sony's survey indicated that over 80% of the interviewees watched at least as much regular television as they had before owning a Betamax. Respondents offered no evidence of decreased television viewing by Betamax owners.

Sony introduced considerable evidence describing television programs that could be copied without objection from any copyright holder, with special emphasis on sports, religious, and educational programming. For example, their survey indicated that 7.3% of all Betamax use is to record sports events, and representatives of professional baseball, football, basketball, and hockey testified that they had no objection to the recording of their televised events for home use.

Respondents offered opinion evidence concerning the future impact of the unrestricted sale of VTR's on the commercial value of their copyrights. The District Court found, however, that they had failed to prove any likelihood of future harm from the use of VTR's for time-shifting. (...)

II

Article I, Sec. 8 of the Constitution provides that:

“The Congress shall have Power ... to Promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”

The monopoly privileges that Congress may authorize are neither unlimited nor primarily designed to provide a special private benefit. Rather, the limited grant is a means by which an important public purpose may be achieved. It is intended to motivate the creative activity of authors and inventors by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired.

“The copyright law, like the patent statute, makes reward to the owner a secondary consideration. In *Fox Film Corp. v. Doyal*, Chief Justice Hughes spoke as follows respecting the copyright monopoly granted by Congress, ‘The sole interest of the United States and the primary object in conferring the monopoly lie in the general benefits derived by the public from the labors of authors.’ It is said that reward to the author or artist serves to induce release to the public of the products of his creative genius.”

As the text of the Constitution makes plain, it is Congress that has been assigned the task of defining the scope of the limited monopoly that should be granted to authors or to inventors in order to give the public appropriate access to their work product. Because this task involves a difficult balance between the interests of authors and inventors in the control and exploitation of their writings and discoveries on the one hand, and society's competing interest in the free flow of ideas, information, and commerce on the other hand, our patent and copyright statutes have been amended repeatedly.

From its beginning, the law of copyright has developed in response to significant changes in technology. Indeed, it was the invention of a new form of copying equipment – the printing press – that gave rise to the original need for copyright protection. Repeatedly, as new developments have occurred in this country, it has been the Congress that has fashioned the new rules that new technology made necessary. Thus, long before the enactment of the Copyright Act of 1909, it was settled that the protection given to copyrights is wholly statutory. The remedies for infringement “are only those prescribed by Congress.”

The judiciary's reluctance to expand the protections afforded by the copyright without explicit legislative guidance is a recurring theme. Sound policy, as well as history, supports our consistent deference to Congress when major technological innovations alter the market for copyrighted materials. Congress has the constitutional authority and the institutional ability to accommodate fully the varied permutations of competing interests that are inevitably implicated by such new technology.

In a case like this, in which Congress has not plainly marked our course, we must be circumspect in construing the scope of rights created by a legislative enactment which never contemplated such a calculus of interests. In doing so, we are guided by Justice Stewart's exposition of the correct approach to ambiguities in the law of copyright:

“The limited scope of the copyright holder's statutory monopoly, like the limited copyright duration required by the Constitution, reflects a balance of competing claims upon the public interest: Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of

promoting broad public availability of literature, music, and the other arts. The immediate effect of our copyright law is to secure a fair return for an 'author's' creative labor. But the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good. 'The sole interest of the United States and the primary object in conferring the monopoly,' this Court has said, 'lie in the general benefits derived by the public from the labors of authors.' When technological change has rendered its literal terms ambiguous, the Copyright Act must be construed in light of this basic purpose."

Copyright protection "subsists ... in original works of authorship fixed in any tangible medium of expression." This protection has never accorded the copyright owner complete control over all possible uses of his work. Rather, the Copyright Act grants the copyright holder "exclusive" rights to use and to authorize the use of his work in five qualified ways, including reproduction of the copyrighted work in copies. All reproductions of the work, however, are not within the exclusive domain of the copyright owner; some are in the public domain. Any individual may reproduce a copyrighted work for a "fair use;" the copyright owner does not possess the exclusive right to such a use.

"Anyone who violates any of the exclusive rights of the copyright owner," that is, anyone who trespasses into his exclusive domain by using or authorizing the use of the copyrighted work in one of the five ways set forth in the statute, "is an infringer of the copyright." Conversely, anyone who is authorized by the copyright owner to use the copyrighted work in a way specified in the statute or who makes a fair use of the work is not an infringer of the copyright with respect to such use.

The Copyright Act provides the owner of a copyright with a potent arsenal of remedies against an infringer of his work, including an injunction to restrain the infringer from violating his rights, the impoundment and destruction of all reproductions of his work made in violation of his rights, a recovery of his actual damages and any additional profits realized by the infringer or a recovery of statutory damages, and attorneys fees.

The two respondents in this case do not seek relief against the Betamax users who have allegedly infringed their copyrights. Moreover, this is not a class action on behalf of all copyright owners who license their works for television broadcast, and respondents have no right to invoke whatever rights other copyright holders may have to bring infringement actions based on Betamax copying of their works. As was made clear by their own evidence, the copying of the respondents' programs represents a small portion of the total use of VTR's. It is, however, the taping of respondents own copyrighted programs that provides them with standing to charge Sony with contributory infringement. To prevail, they have the burden of proving that users of the Betamax have infringed their copyrights and that Sony should be held responsible for that infringement.

III

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

Such circumstances were plainly present in *Kalem Co. v. Harper Brothers*, 222 U.S. 55 (1911), the copyright decision of this Court on which respondents place their principal reliance. In *Kalem*, the Court held that the producer of an unauthorized film dramatization of the copyrighted book *Ben Hur* was liable for his sale of the motion picture to jobbers, who in turn arranged for the commercial exhibition of the film. Justice Holmes, writing for the Court, explained:

"The defendant not only expected but invoked by advertisement the use of its films for dramatic reproduction of the story. That was the most conspicuous purpose for which they could be used, and the one for which especially they were made. If the defendant did not contribute to the infringement it is

impossible to do so except by taking part in the final act. It is liable on principles recognized in every part of the law."

The use for which the item sold in *Kalem* had been "especially" made was, of course, to display the performance that had already been recorded upon it. The producer had personally appropriated the copyright owner's protected work and, as the owner of the tangible medium of expression upon which the protected work was recorded, authorized that use by his sale of the film to jobbers. But that use of the film was not his to authorize: the copyright owner possessed the exclusive right to authorize public performances of his work. Further, the producer personally advertised the unauthorized public performances, dispelling any possible doubt as to the use of the film which he had authorized.

Respondents argue that *Kalem* stands for the proposition that supplying the "means" to accomplish an infringing activity and encouraging that activity through advertisement are sufficient to establish liability for copyright infringement. This argument rests on a gross generalization that cannot withstand scrutiny. The producer in *Kalem* did not merely provide the "means" to accomplish an infringing activity; the producer supplied the work itself, albeit in a new medium of expression. Petitioners in the instant case do not supply Betamax consumers with respondents' works; respondents do. Petitioners supply a piece of equipment that is generally capable of copying the entire range of programs that may be televised: those that are uncopyrighted, those that are copyrighted but may be copied without objection from the copyright holder, and those that the copyright holder would prefer not to have copied. The Betamax can be used to make authorized or unauthorized uses of copyrighted works, but the range of its potential use is much broader than the particular infringing use of the film *Ben Hur* involved in *Kalem*. *Kalem* does not support respondents' novel theory of liability.

Justice Holmes stated that the producer had "contributed" to the infringement of the copyright, and the label "contributory infringement" has been applied in a number of lower court copyright cases involving an ongoing relationship between the direct infringer and the contributory infringer at the time the infringing conduct occurred. In such cases, as in other situations in which the imposition of vicarious liability is manifestly just, the "contributory" infringer was in a position to control the use of copyrighted works by others and had authorized the use without permission from the copyright owner. This case, however, plainly does not fall in that category. The only contact between Sony and the users of the Betamax that is disclosed by this record occurred at the moment of sale. The District Court expressly found that "no employee of Sony, Sonam or DDBI had either direct involvement with the allegedly infringing activity or direct contact with purchasers of Betamax who recorded copyrighted works off-the-air." And it further found that "there was no evidence that any of the copies made by Griffiths or the other individual witnesses in this suit were influenced or encouraged by [Sony's] advertisements."

If vicarious liability is to be imposed on petitioners in this case, it must rest on the fact that they have sold equipment with constructive knowledge of the fact that their customers may use that equipment to make unauthorized copies of copyrighted material. There is no precedent in the law of copyright for the imposition of vicarious liability on such a theory. The closest analogy is provided by the patent law cases to which it is appropriate to refer because of the historic kinship between patent law and copyright law.

In the Patent Code both the concept of infringement and the concept of contributory infringement are expressly defined by statute. The prohibition against contributory infringement is confined to the knowing sale of a component especially made for use in connection with a particular patent. There is no suggestion in the statute that one patentee may object to the sale of a product that might be used in connection with other patents. Moreover, the Act expressly provides that the sale of a "staple article or commodity of commerce suitable for substantial noninfringing use" is not contributory infringement.

When a charge of contributory infringement is predicated entirely on the sale of an article of commerce that is used by the purchaser to infringe a patent, the public interest in access to that article of commerce is necessarily implicated. A finding of contributory infringement does not, of course, remove the article from the market altogether; it does, however, give the patentee effective control

over the sale of that item. Indeed, a finding of contributory infringement is normally the functional equivalent of holding that the disputed article is within the monopoly granted to the patentee.

For that reason, in contributory infringement cases arising under the patent laws the Court has always recognized the critical importance of not allowing the patentee to extend his monopoly beyond the limits of his specific grant. These cases deny the patentee any right to control the distribution of unpatented articles unless they are “unsuited for any commercial noninfringing use.” Unless a commodity “has no use except through practice of the patented method,” the patentee has no right to claim that its distribution constitutes contributory infringement. “To form the basis for contributory infringement the item must almost be uniquely suited as a component of the patented invention.” “[A] sale of an article which though adapted to an infringing use is also adapted to other and lawful uses, is not enough to make the seller a contributory infringer. Such a rule would block the wheels of commerce.”

We recognize there are substantial differences between the patent and copyright laws. But in both areas the contributory infringement doctrine is grounded on the recognition that adequate protection of a monopoly may require the courts to look beyond actual duplication of a device or publication to the products or activities that make such duplication possible. The staple article of commerce doctrine must strike a balance between a copyright holder's legitimate demand for effective – not merely symbolic – protection of the statutory monopoly, and the rights of others freely to engage in substantially unrelated areas of commerce. Accordingly, the sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes. Indeed, it need merely be capable of substantial noninfringing uses.

IV

The question is thus whether the Betamax is capable of commercially significant noninfringing uses. In order to resolve that question, we need not explore *all* the different potential uses of the machine and determine whether or not they would constitute infringement. Rather, we need only consider whether on the basis of the facts as found by the district court a significant number of them would be non-infringing. Moreover, in order to resolve this case we need not give precise content to the question of how much use is commercially significant. For one potential use of the Betamax plainly satisfies this standard, however it is understood: private, noncommercial time-shifting in the home. It does so both (A) because respondents have no right to prevent other copyright holders from authorizing it for their programs, and (B) because the District Court's factual findings reveal that even the unauthorized home time-shifting of respondents' programs is legitimate fair use.

A. Authorized Time Shifting

Each of the respondents owns a large inventory of valuable copyrights, but in the total spectrum of television programming their combined market share is small. The exact percentage is not specified, but it is well below 10%. If they were to prevail, the outcome of this litigation would have a significant impact on both the producers and the viewers of the remaining 90% of the programming in the Nation. No doubt, many other producers share respondents' concern about the possible consequences of unrestricted copying. Nevertheless the findings of the District Court make it clear that time-shifting may enlarge the total viewing audience and that many producers are willing to allow private time-shifting to continue, at least for an experimental time period.

The District Court found:

“Even if it were deemed that home-use recording of copyrighted material constituted infringement, the Betamax could still legally be used to record noncopyrighted material or material whose owners consented to the copying. An injunction would deprive the public of the ability to use the Betamax for this noninfringing off-the-air recording. (...) Defendants introduced considerable testimony at trial about the potential for such copying of sports, religious, educational and other programming. This included testimony from representatives of the Offices of the Commissioners of the National Football, Basketball, Baseball and Hockey Leagues and Associations, the Executive Director of National Religious

Broadcasters and various educational communications agencies. Plaintiffs attack the weight of the testimony offered and also contend that an injunction is warranted because infringing uses outweigh noninfringing uses. (...) Whatever the future percentage of legal versus illegal home-use recording might be, an injunction which seeks to deprive the public of the very tool or article of commerce capable of some noninfringing use would be an extremely harsh remedy, as well as one unprecedented in copyright law."

Although the District Court made these statements in the context of considering the propriety of injunctive relief, the statements constitute a finding that the evidence concerning "sports, religious, educational, and other programming" was sufficient to establish a significant quantity of broadcasting whose copying is now authorized, and a significant potential for future authorized copying. That finding is amply supported by the record. In addition to the religious and sports officials identified explicitly by the District Court, two items in the record deserve specific mention.

First is the testimony of John Kenaston, the station manager of Channel 58, an educational station in Los Angeles affiliated with the Public Broadcasting Service. He explained and authenticated the station's published guide to its programs. For each program, the guide tells whether unlimited home taping is authorized, home taping is authorized subject to certain restrictions (such as erasure within seven days), or home taping is not authorized at all. The Spring 1978 edition of the guide described 107 programs. Sixty-two of those programs or 58% authorize some home taping. Twenty-one of them or almost 20% authorize unrestricted home taping.

Second is the testimony of Fred Rogers, president of the corporation that produces and owns the copyright on *Mr. Rogers' Neighborhood*. The program is carried by more public television stations than any other program. Its audience numbers over 3,000,000 families a day. He testified that he had absolutely no objection to home taping for noncommercial use and expressed the opinion that it is a real service to families to be able to record children's programs and to show them at appropriate times.

If there are millions of owners of VTR's who make copies of televised sports events, religious broadcasts, and educational programs such as *Mister Rogers' Neighborhood*, and if the proprietors of those programs welcome the practice, the business of supplying the equipment that makes such copying feasible should not be stifled simply because the equipment is used by some individuals to make unauthorized reproductions of respondents' works. The respondents do not represent a class composed of all copyright holders. Yet a finding of contributory infringement would inevitably frustrate the interests of broadcasters in reaching the portion of their audience that is available only through time-shifting.

Of course, the fact that other copyright holders may welcome the practice of time-shifting does not mean that respondents should be deemed to have granted a license to copy their programs. Third party conduct would be wholly irrelevant in an action for direct infringement of respondents' copyrights. But in an action for *contributory* infringement against the seller of copying equipment, the copyright holder may not prevail unless the relief that he seeks affects only his programs, or unless he speaks for virtually all copyright holders with an interest in the outcome. In this case, the record makes it perfectly clear that there are many important producers of national and local television programs who find nothing objectionable about the enlargement in the size of the television audience that results from the practice of time-shifting for private home use. The seller of the equipment that expands those producers' audiences cannot be a contributory infringer if, as is true in this case, it has had no direct involvement with any infringing activity.

B. Unauthorized Time-Shifting

Even unauthorized uses of a copyrighted work are not necessarily infringing. An unlicensed use of the copyright is not an infringement unless it conflicts with one of the specific exclusive rights conferred by the copyright statute. Moreover, the definition of exclusive rights in § 106 of the present Act is prefaced by the words "subject to sections 107 through 118." Those sections describe a variety of uses of copyrighted material that "are not infringements of copyright notwithstanding the provisions of § 106." The most pertinent in this case is § 107, the legislative endorsement of the doctrine of "fair use."

That section identifies various factors that enable a Court to apply an “equitable rule of reason” analysis to particular claims of infringement. Although not conclusive, the first factor requires that “the commercial or nonprofit character of an activity” be weighed in any fair use decision.³² If the Betamax were used to make copies for a commercial or profit-making purpose, such use would presumptively be unfair. The contrary presumption is appropriate here, however, because the District Court's findings plainly establish that time-shifting for private home use must be characterized as a noncommercial, nonprofit activity. Moreover, when one considers the nature of a televised copyrighted audiovisual work, and that timeshifting merely enables a viewer to see such a work which he had been invited to witness in its entirety free of charge, the fact that the entire work is reproduced, does not have its ordinary effect of militating against a finding of fair use.

This is not, however, the end of the inquiry because Congress has also directed us to consider “the effect of the use upon the potential market for or value of the copyrighted work.” The purpose of copyright is to create incentives for creative effort. Even copying for noncommercial purposes may impair the copyright holder's ability to obtain the rewards that Congress intended him to have. But a use that has no demonstrable effect upon the potential market for, or the value of, the copyrighted work need not be prohibited in order to protect the author's incentive to create. The prohibition of such noncommercial uses would merely inhibit access to ideas without any countervailing benefit.

Thus, although every commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright, noncommercial uses are a different matter. A challenge to a noncommercial use of a copyrighted work requires proof either that the particular use is harmful, or that if it should become widespread, it would adversely affect the potential market for the copyrighted work. Actual present harm need not be shown; such a requirement would leave the copyright holder with no defense against predictable damage. Nor is it necessary to show with certainty that future harm will result. What is necessary is a showing by a preponderance of the evidence that *some* meaningful likelihood of future harm exists. If the intended use is for commercial gain, that likelihood may be presumed. But if it is for a noncommercial purpose, the likelihood must be demonstrated.

In this case, respondents failed to carry their burden with regard to home time-shifting. The District Court described respondents' evidence as follows:

“Plaintiffs' experts admitted at several points in the trial that the time-shifting without librarying would result in ‘not a great deal of harm.’ Plaintiffs' greatest concern about time-shifting is with ‘a point of important philosophy that transcends even commercial judgment.’ They fear that with any Betamax usage, ‘invisible boundaries’ are passed: ‘the copyright owner has lost control over his program.’”

Later in its opinion, the District Court observed:

“Most of plaintiffs' predictions of harm hinge on speculation about audience viewing patterns and ratings, a measurement system which Sidney Sheinberg, MCA's president, calls a ‘black art’ because of the significant level of imprecision involved in the calculations.”

There was no need for the District Court to say much about past harm. “Plaintiffs have admitted that no actual harm to their copyrights has occurred to date.”

On the question of potential future harm from time-shifting, the District Court offered a more detailed analysis of the evidence. It rejected respondents' “fear that persons ‘watching’ the original telecast of a program will not be measured in the live audience and the ratings and revenues will decrease,” by observing that current measurement technology allows the Betamax audience to be reflected. It rejected respondents' prediction “that live television or movie audiences will decrease as more people watch Betamax tapes as an alternative,” with the observation that “[t]here is no factual basis for [the underlying] assumption.” It rejected respondents' “fear that time-shifting will reduce audiences for telecast reruns,” and concluded instead that “given current market practices, this should aid plaintiffs rather than harm them.” And it declared that respondents' suggestion “that theater or film rental exhibition of a program will suffer because of time-shift recording of that program” “lacks merit”.

After completing that review, the District Court restated its overall conclusion several times, in several different ways:

“Harm from time-shifting is speculative and, at best, minimal. (...) The audience benefits from the time-shifting capability have already been discussed. It is not implausible that benefits could also accrue to plaintiffs, broadcasters, and advertisers, as the Betamax makes it possible for more persons to view their broadcasts. (...) No likelihood of harm was shown at trial, and plaintiffs admitted that there had been no actual harm to date. (...) Testimony at trial suggested that Betamax may require adjustments in marketing strategy, but it did not establish even a likelihood of harm. (...) Television production by plaintiffs today is more profitable than it has ever been, and, in five weeks of trial, there was no concrete evidence to suggest that the Betamax will change the studios' financial picture.”

The District Court's conclusions are buttressed by the fact that to the extent time-shifting expands public access to freely broadcast television programs, it yields societal benefits. Earlier this year, we acknowledged the public interest in making television broadcasting more available. Concededly, that interest is not unlimited. But it supports an interpretation of the concept of “fair use” that requires the copyright holder to demonstrate some likelihood of harm before he may condemn a private act of time-shifting as a violation of federal law.

When these factors are all weighed in the “equitable rule of reason” balance, we must conclude that this record amply supports the District Court's conclusion that home time-shifting is fair use. In light of the findings of the District Court regarding the state of the empirical data, it is clear that the Court of Appeals erred in holding that the statute as presently written bars such conduct.

In summary, the record and findings of the District Court lead us to two conclusions. First, Sony demonstrated a significant likelihood that substantial numbers of copyright holders who license their works for broadcast on free television would not object to having their broadcasts time-shifted by private viewers. And second, respondents failed to demonstrate that time-shifting would cause any likelihood of nonminimal harm to the potential market for, or the value of, their copyrighted works. The Betamax is, therefore, capable of substantial noninfringing uses. Sony's sale of such equipment to the general public does not constitute contributory infringement of respondent's copyrights.

V

“The direction of Art. I is that *Congress* shall have the power to promote the progress of science and the useful arts. When, as here, the Constitution is permissive, the sign of how far Congress has chosen to go can come only from Congress.”

One may search the Copyright Act in vain for any sign that the elected representatives of the millions of people who watch television every day have made it unlawful to copy a program for later viewing at home, or have enacted a flat prohibition against the sale of machines that make such copying possible.

It may well be that Congress will take a fresh look at this new technology, just as it so often has examined other innovations in the past. But it is not our job to apply laws that have not yet been written. Applying the copyright statute, as it now reads, to the facts as they have been developed in this case, the judgment of the Court of Appeals must be reversed.

IT IS SO ORDERED. (...)

CCH Canadian Ltd. v. Law Society of Upper Canada
[2004] 1 S.C.R. 339

THE CHIEF JUSTICE

(...) (3) *The Law Society and Fair Dealing*

47 The Great Library provides a custom photocopy service. Upon receiving a request from a lawyer, law student, member of the judiciary or authorized researcher, the Great Library staff photocopies extracts from legal material within its collection and sends it to the requester. The question is whether this service falls within the fair dealing defence under s. 29 of the *Copyright Act* which provides: “Fair dealing for the purpose of research or private study does not infringe copyright.”

(a) The Law

48 Before reviewing the scope of the fair dealing exception under the *Copyright Act*, it is important to clarify some general considerations about exceptions to copyright infringement. Procedurally, a defendant is required to prove that his or her dealing with a work has been fair; however, the fair dealing exception is perhaps more properly understood as an integral part of the *Copyright Act* than simply a defence. Any act falling within the fair dealing exception will not be an infringement of copyright. The fair dealing exception, like other exceptions in the *Copyright Act*, is a user’s right. In order to maintain the proper balance between the rights of a copyright owner and users’ interests, it must not be interpreted restrictively. As Professor Vaver has explained: “User rights are not just loopholes. Both owner rights and user rights should therefore be given the fair and balanced reading that befits remedial legislation.”

49 As an integral part of the scheme of copyright law, the s. 29 fair dealing exception is always available. Simply put, a library can always attempt to prove that its dealings with a copyrighted work are fair under s. 29 of the *Copyright Act*. It is only if a library were unable to make out the fair dealing exception under s. 29 that it would need to turn to s. 30.2 of the *Copyright Act* to prove that it qualified for the library exemption.

50 In order to show that a dealing was fair under s. 29 of the *Copyright Act*, a defendant must prove: (1) that the dealing was for the purpose of either research or private study and (2) that it was fair.

51 The fair dealing exception under s. 29 is open to those who can show that their dealings with a copyrighted work were for the purpose of research or private study. “Research” must be given a large and liberal interpretation in order to ensure that users’ rights are not unduly constrained. I agree with the Court of Appeal that research is not limited to non-commercial or private contexts. The Court of Appeal correctly noted that “[r]esearch for the purpose of advising clients, giving opinions, arguing cases, preparing briefs and factums is nonetheless research.” Lawyers carrying on the business of law for profit are conducting research within the meaning of s. 29 of the *Copyright Act*.

52 The *Copyright Act* does not define what will be “fair”; whether something is fair is a question of fact and depends on the facts of each case. Lord Denning explained this eloquently in *Hubbard v. Vosper*, [1972] 1 All E.R. 1023 (C.A.):

It is impossible to define what is ‘fair dealing’. It must be a question of degree. You must consider first the number and extent of the quotations and extracts. Are they altogether too many and too long to be fair? Then you must consider the use made of them. If they are used as a basis for comment, criticism or review, that may be a fair dealing. If they are used to convey the same information as the author, for a rival purpose, that may be unfair. Next, you must consider the proportions. To take long extracts and attach short comments may be unfair. But, short extracts and long comments may be fair. Other considerations may come to mind also. But, after all is said and done, it must be a matter of impression. As with fair comment in the law of libel, so with fair dealing in the law of copyright. The tribunal of fact must decide.

53 At the Court of Appeal, Linden J.A. acknowledged that there was no set test for fairness, but outlined a series of factors that could be considered to help assess whether a dealing is fair. Drawing on the decision in *Hubbard, supra*, as well as the doctrine of fair use in the United States, he proposed that the following factors be considered in assessing whether a dealing was fair: (1) the purpose of the dealing; (2) the character of the dealing; (3) the amount of the dealing; (4) alternatives to the dealing; (5) the nature of the work; and (6) the effect of the dealing on the work. Although these considerations will not all arise in every case of fair dealing, this list of factors provides a useful analytical framework to govern determinations of fairness in future cases.

(i) *The Purpose of the Dealing*

54 In Canada, the purpose of the dealing will be fair if it is for one of the allowable purposes under the *Copyright Act*, namely research, private study, criticism, review or news reporting: see ss. 29, 29.1 and 29.2 of the *Copyright Act*. As discussed, these allowable purposes should not be given a restrictive interpretation or this could result in the undue restriction of users' rights. This said, courts should attempt to make an objective assessment of the user/defendant's real purpose or motive in using the copyrighted work. Moreover, as the Court of Appeal explained, some dealings, even if for an allowable purpose, may be more or less fair than others; research done for commercial purposes may not be as fair as research done for charitable purposes.

(ii) *The Character of the Dealing*

55 In assessing the character of a dealing, courts must examine how the works were dealt with. If multiple copies of works are being widely distributed, this will tend to be unfair. If, however, a single copy of a work is used for a specific legitimate purpose, then it may be easier to conclude that it was a fair dealing. If the copy of the work is destroyed after it is used for its specific intended purpose, this may also favour a finding of fairness. It may be relevant to consider the custom or practice in a particular trade or industry to determine whether or not the character of the dealing is fair. For example, the importers and distributors of "study notes" that incorporated large passages from published works attempted to claim that the copies were fair dealings because they were for the purpose of criticism. The court reviewed the ways in which copied works were customarily dealt with in literary criticism textbooks to help it conclude that the study notes were not fair dealings for the purpose of criticism.

(iii) *The Amount of the Dealing*

56 Both the amount of the dealing and importance of the work allegedly infringed should be considered in assessing fairness. If the amount taken from a work is trivial, the fair dealing analysis need not be undertaken at all because the court will have concluded that there was no copyright infringement. As the passage from *Hubbard* indicates, the quantity of the work taken will not be determinative of fairness, but it can help in the determination. It may be possible to deal fairly with a whole work. As Vaver points out, there might be no other way to criticize or review certain types of works such as photographs. The amount taken may also be more or less fair depending on the purpose. For example, for the purpose of research or private study, it may be essential to copy an entire academic article or an entire judicial decision. However, if a work of literature is copied for the purpose of criticism, it will not likely be fair to include a full copy of the work in the critique.

(iv) *Alternatives to the Dealing*

57 Alternatives to dealing with the infringed work may affect the determination of fairness. If there is a non-copyrighted equivalent of the work that could have been used instead of the copyrighted work, this should be considered by the court. I agree with the Court of Appeal that it will also be useful for courts to attempt to determine whether the dealing was reasonably necessary to achieve the ultimate purpose. For example, if a criticism would be equally effective if it did not actually reproduce the copyrighted work it was criticizing, this may weigh against a finding of fairness.

(v) *The Nature of the Work*

58 The nature of the work in question should also be considered by courts assessing whether a dealing is fair. Although certainly not determinative, if a work has not been published, the dealing may be more fair in that its reproduction with acknowledgement could lead to a wider public dissemination of the work – one of the goals of copyright law. If, however, the work in question was confidential, this may tip the scales towards finding that the dealing was unfair.

(vi) *Effect of the Dealing on the Work*

59 Finally, the effect of the dealing on the work is another factor warranting consideration when courts are determining whether a dealing is fair. If the reproduced work is likely to compete with the market of the original work, this may suggest that the dealing is not fair. Although the effect of the dealing on the market of the copyright owner is an important factor, it is neither the only factor nor the most important factor that a court must consider in deciding if the dealing is fair.

60 To conclude, the purpose of the dealing, the character of the dealing, the amount of the dealing, the nature of the work, available alternatives to the dealing and the effect of the dealing on the work are all factors that could help determine whether or not a dealing is fair. These factors may be more or less relevant to assessing the fairness of a dealing depending on the factual context of the allegedly infringing dealing. In some contexts, there may be factors other than those listed here that may help a court decide whether the dealing was fair.

(b) Application of the Law to These Facts

61 In 1996, the Law Society implemented an “Access to the Law Policy” (“Access Policy”) which governs the Great Library’s custom photocopy service and sets limits on the types of requests that will be honoured:

Access to the Law Policy

The Law Society of Upper Canada, with the assistance of the resources of the Great Library, supports the administration of justice and the rule of law in the Province of Ontario. The Great Library’s comprehensive catalogue of primary and secondary legal sources, in print and electronic media, is open to lawyers, articling students, the judiciary and other authorized researchers. Single copies of library materials, required for the purposes of research, review, private study and criticism, as well as use in court, tribunal and government proceedings, may be provided to users of the Great Library.

This service supports users of the Great Library who require access to legal materials while respecting the copyright of the publishers of such materials, in keeping with the fair dealing provisions in Section 27 of the Canadian Copyright Act.

Guidelines to Access

1. *The Access to the Law service provides single copies for specific purposes, identified in advance to library staff.*
2. *The specific purposes are research, review, private study and criticism, as well as use in court, tribunal and government proceedings. Any doubt concerning the legitimacy of the request for these purposes will be referred to the Reference Librarian.*
3. *The individual must identify him/herself and the purpose at the time of making the request. A request form will be completed by library staff, based on information provided by the requesting party.*
4. *As to the amount of copying, discretion must be used. No copies will be made for any purpose other than that specifically set out on the request form. Ordinarily, requests for a copy of one case, one article or one statutory reference will be satisfied as a matter of routine. Requests for substantial copying from secondary sources (e.g. in excess of 5% of the volume or more than two citations from one volume) will be referred to the Reference Librarian and may ultimately be refused.*
5. *This service is provided on a not for profit basis. The fee charged for this service is intended to cover the costs of the Law Society.*

When the Access Policy was introduced, the Law Society specified that it reflected the policy that the Great Library had been following in the past; it did not change the Law Society’s approach to its custom photocopy service.

62 At trial, the Law Society claimed that its custom photocopy service does not infringe copyright because it is a fair dealing within the meaning of s. 29 of the *Copyright Act*. The trial judge held that the fair dealing exception should be strictly construed. He concluded that copying for the custom photocopy service was not for the purpose of either research or study and therefore was not within the ambit of fair dealing. The Court of Appeal rejected the argument that the fair dealing exception should be interpreted restrictively. The majority held that the Law Society could rely on the purposes

of its patrons to prove that its dealings were fair. The Court of Appeal concluded, however, that there was not sufficient evidence to determine whether or not the dealings were fair and, consequently, that the fair dealing exception had not been proven.

63 This raises a preliminary question: is it incumbent on the Law Society to adduce evidence that every patron uses the material provided for in a fair dealing manner or can the Law Society rely on its general practice to establish fair dealing? I conclude that the latter suffices. Section 29 of the *Copyright Act* states that “[f]air dealing for the purpose of research or private study does not infringe copyright.” The language is general. “Dealing” connotes not individual acts, but a practice or system. This comports with the purpose of the fair dealing exception, which is to ensure that users are not unduly restricted in their ability to use and disseminate copyrighted works. Persons or institutions relying on the s. 29 fair dealing exception need only prove that their own dealings with copyrighted works were for the purpose of research or private study and were fair. They may do this either by showing that their own practices and policies were research-based and fair, or by showing that all individual dealings with the materials were in fact research-based and fair.

64 The Law Society’s custom photocopying service is provided for the purpose of research, review and private study. The Law Society’s Access Policy states that “[s]ingle copies of library materials, required for the purposes of research, review, private study and criticism . . . may be provided to users of the Great Library.” When the Great Library staff make copies of the requested cases, statutes, excerpts from legal texts and legal commentary, they do so for the purpose of research. Although the retrieval and photocopying of legal works are not research in and of themselves, they are necessary conditions of research and thus part of the research process. The reproduction of legal works is for the purpose of research in that it is an essential element of the legal research process. There is no other purpose for the copying; the Law Society does not profit from this service. Put simply, its custom photocopy service helps to ensure that legal professionals in Ontario can access the materials necessary to conduct the research required to carry on the practice of law. In sum, the Law Society’s custom photocopy service is an integral part of the legal research process, an allowable purpose under s. 29 of the *Copyright Act*.

65 The evidence also establishes that the dealings were fair, having regard to the factors discussed earlier.

(i) *Purpose of the Dealing*

66 The Access Policy and its safeguards weigh in favour of finding that the dealings were fair. It specifies that individuals requesting copies must identify the purpose of the request for these requests to be honoured, and provides that concerns that a request is not for one of the legitimate purposes under the fair dealing exceptions in the *Copyright Act* are referred to the Reference Librarian. This policy provides reasonable safeguards that the materials are being used for the purpose of research and private study.

(ii) *Character of the Dealing*

67 The character of the Law Society’s dealings with the publishers’ works also supports a finding of fairness. Under the Access Policy, the Law Society provides single copies of works for the specific purposes allowed under the *Copyright Act*. There is no evidence that the Law Society was disseminating multiple copies of works to multiple members of the legal profession. Copying a work for the purpose of research on a specific legal topic is generally a fair dealing.

(iii) *Amount of the Dealing*

68 The Access Policy indicates that the Great Library will exercise its discretion to ensure that the amount of the dealing with copyrighted works will be reasonable. The Access Policy states that the Great Library will typically honour requests for a copy of one case, one article or one statutory reference. It further stipulates that the Reference Librarian will review requests for a copy of more than five percent of a secondary source and that, ultimately, such requests may be refused. This

suggests that the Law Society's dealings with the publishers' works are fair. Although the dealings might not be fair if a specific patron of the Great Library submitted numerous requests for multiple reported judicial decisions from the same reported series over a short period of time, there is no evidence that this has occurred.

(iv) *Alternatives to the Dealing*

69 It is not apparent that there are alternatives to the custom photocopy service employed by the Great Library. As the Court of Appeal points out, the patrons of the custom photocopying service cannot reasonably be expected to always conduct their research on-site at the Great Library. Twenty percent of the requesters live outside the Toronto area; it would be burdensome to expect them to travel to the city each time they wanted to track down a specific legal source. Moreover, because of the heavy demand for the legal collection at the Great Library, researchers are not allowed to borrow materials from the library. If researchers could not request copies of the work or make copies of the works themselves, they would be required to do all of their research and note-taking in the Great Library, something which does not seem reasonable given the volume of research that can often be required on complex legal matters.

70 The availability of a licence is not relevant to deciding whether a dealing has been fair. As discussed, fair dealing is an integral part of the scheme of copyright law in Canada. Any act falling within the fair dealing exception will not infringe copyright. If a copyright owner were allowed to license people to use its work and then point to a person's decision not to obtain a licence as proof that his or her dealings were not fair, this would extend the scope of the owner's monopoly over the use of his or her work in a manner that would not be consistent with the *Copyright Act's* balance between owner's rights and user's interests.

(v) *Nature of the Work*

71 I agree with the Court of Appeal that the nature of the works in question – judicial decisions and other works essential to legal research – suggests that the Law Society's dealings were fair. As Linden J.A. explained: "It is generally in the public interest that access to judicial decisions and other legal resources not be unjustifiably restrained." Moreover, the Access Policy puts reasonable limits on the Great Library's photocopy service. It does not allow all legal works to be copied regardless of the purpose to which they will be put. Requests for copies will be honoured only if the user intends to use the works for the purpose of research, private study, criticism, review or use in legal proceedings. This further supports a finding that the dealings were fair.

(vi) *Effect of the Dealing on the Work*

72 Another consideration is that no evidence was tendered to show that the market for the publishers' works had decreased as a result of these copies having been made. Although the burden of proving fair dealing lies with the Law Society, it lacked access to evidence about the effect of the dealing on the publishers' markets. If there had been evidence that the publishers' markets had been negatively affected by the Law Society's custom photocopying service, it would have been in the publishers' interest to tender it at trial. They did not do so. The only evidence of market impact is that the publishers have continued to produce new reporter series and legal publications during the period of the custom photocopy service's operation.

(vii) *Conclusion*

73 The factors discussed, considered together, suggest that the Law Society's dealings with the publishers' works through its custom photocopy service were research-based and fair. The Access Policy places appropriate limits on the type of copying that the Law Society will do. It states that not all requests will be honoured. If a request does not appear to be for the purpose of research, criticism, review or private study, the copy will not be made. If a question arises as to whether the stated purpose is legitimate, the Reference Librarian will review the matter. The Access Policy limits the amount of work that will be copied, and the Reference Librarian reviews requests that exceed what

might typically be considered reasonable and has the right to refuse to fulfill a request. On these facts, I conclude that the Law Society's dealings with the publishers' works satisfy the fair dealing defence and that the Law Society does not infringe copyright. (...)

Luther R. Campbell, et al., v. Acuff-Rose Music, Inc.

510 U.S. 569 (1994)

Justice SOUTER,

In 1964, Roy Orbison and William Dees wrote a rock ballad called "Oh, Pretty Woman" and assigned their rights in it to respondent Acuff Rose Music, Inc. Acuff Rose registered the song for copyright protection.

Petitioners Luther R. Campbell, Christopher Wongwon, Mark Ross, and David Hobbs, are collectively known as 2 Live Crew, a popular rap music group. In 1989, Campbell wrote a song entitled "Pretty Woman," which he later described in an affidavit as intended, "through comical lyrics, to satirize the original work . . .". On July 5, 1989, 2 Live Crew's manager informed Acuff Rose that 2 Live Crew had written a parody of "Oh, Pretty Woman," that they would afford all credit for ownership and authorship of the original song to Acuff Rose, Dees, and Orbison, and that they were willing to pay a fee for the use they wished to make of it. Enclosed with the letter were a copy of the lyrics and a recording of 2 Live Crew's song. Acuff Rose's agent refused permission, stating that "I am aware of the success enjoyed by 'The 2 Live Crews', but I must inform you that we cannot permit the use of a parody of 'Oh, Pretty Woman.'" Nonetheless, in June or July 1989, 2 Live Crew released records, cassette tapes, and compact discs of "Pretty Woman" in a collection of songs entitled "As Clean As They Wanna Be." The albums and compact discs identify the authors of "Pretty Woman" as Orbison and Dees and its publisher as Acuff Rose.

Almost a year later, after nearly a quarter of a million copies of the recording had been sold, Acuff Rose sued 2 Live Crew and its record company, Luke Skywalker Records, for copyright infringement. The District Court granted summary judgment for 2 Live Crew, reasoning that the commercial purpose of 2 Live Crew's song was no bar to fair use; that 2 Live Crew's version was a parody, which "quickly degenerates into a play on words, substituting predictable lyrics with shocking ones" to show "how bland and banal the Orbison song" is; that 2 Live Crew had taken no more than was necessary to "conjure up" the original in order to parody it; and that it was "extremely unlikely that 2 Live Crew's song could adversely affect the market for the original." The District Court weighed these factors and held that 2 Live Crew's song made fair use of Orbison's original.

The Court of Appeals for the Sixth Circuit reversed and remanded. Although it assumed for the purpose of its opinion that 2 Live Crew's song was a parody of the Orbison original, the Court of Appeals thought the District Court had put too little emphasis on the fact that "every commercial use . . . is presumptively . . . unfair," and it held that "the admittedly commercial nature" of the parody "requires the conclusion" that the first of four factors relevant under the statute weighs against a finding of fair use. Next, the Court of Appeals determined that, by "taking the heart of the original and making it the heart of a new work," 2 Live Crew had, qualitatively, taken too much. Finally, after noting that the effect on the potential market for the original (and the market for derivative works) is "undoubtedly the single most important element of fair use," the Court of Appeals faulted the District Court for "refus[ing] to indulge the presumption" that "harm for purposes of the fair use analysis has been established by the presumption attaching to commercial uses." In sum, the court concluded that its "blatantly commercial purpose . . . prevents this parody from being a fair use."

We granted certiorari, to determine whether 2 Live Crew's commercial parody could be a fair use.

It is uncontested here that 2 Live Crew's song would be an infringement of Acuff Rose's rights in "Oh, Pretty Woman," under the Copyright Act of 1976, 17 U.S.C. § 106, but for a finding of fair use through parody. From the infancy of copyright protection, some opportunity for fair use of copyrighted materials has been thought necessary to fulfill copyright's very purpose, "[t]o promote the Progress of

Science and useful Arts" U. S. Const., Art. I, § 8, cl. 8. [n.5] For as Justice Story explained, "[i]n truth, in literature, in science and in art, there are, and can be, few, if any, things, which in an abstract sense, are strictly new and original throughout. Every book in literature, science and art, borrows, and must necessarily borrow, and use much which was well known and used before." Similarly, Lord Ellenborough expressed the inherent tension in the need simultaneously to protect copyrighted material and to allow others to build upon it when he wrote, "while I shall think myself bound to secure every man in the enjoyment of his copy right, one must not put manacles upon science." In copyright cases brought under the Statute of Anne of 1710, English courts held that in some instances "fair abridgements" would not infringe an author's rights, and although the First Congress enacted our initial copyright statute, Act of May 31, 1790, 1 Stat. 124, without any explicit reference to "fair use," as it later came to be known, the doctrine was recognized by the American courts nonetheless.

In *Folsom v. Marsh*, Justice Story distilled the essence of law and methodology from the earlier cases: "look to the nature and objects of the selections made, the quantity and value of the materials used, and the degree in which the use may prejudice the sale, or diminish the profits, or supersede the objects, of the original work." Thus expressed, fair use remained exclusively judge made doctrine until the passage of the 1976 Copyright Act, in which Story's summary is discernible:

"§ 107. Limitations on exclusive rights: Fair use

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

(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;

(2) the nature of the copyrighted work;

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

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

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

Congress meant § 107 "to restate the present judicial doctrine of fair use, not to change, narrow, or enlarge it in any way" and intended that courts continue the common law tradition of fair use adjudication. The fair use doctrine thus "permits [and requires] courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster."

The task is not to be simplified with bright line rules, for the statute, like the doctrine it recognizes, calls for case by case analysis. The text employs the terms "including" and "such as" in the preamble paragraph to indicate the "illustrative and not limitative" function of the examples given, § 101, which thus provide only general guidance about the sorts of copying that courts and Congress most commonly had found to be fair uses. Nor may the four statutory factors be treated in isolation, one from another. All are to be explored, and the results weighed together, in light of the purposes of copyright.

The first factor in a fair use enquiry is "the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes." § 107(1). This factor draws on Justice Story's formulation, "the nature and objects of the selections made." The enquiry here may be guided by the examples given in the preamble to § 107, looking to whether the use is for criticism, or comment, or news reporting, and the like, see § 107. The central purpose of this investigation is to see, in Justice Story's words, whether the new work merely "supersede[s] the objects" of the original creation, or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message; it asks, in other words, whether and to what extent the new work is "transformative." Although such transformative use is not absolutely necessary for a finding of fair use, the goal of copyright, to promote science and the arts, is generally furthered by the creation of transformative works. Such works thus lie at the heart of the fair use doctrine's guarantee of breathing space within the confines of copyright, and the more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use.

This Court has only once before even considered whether parody may be fair use, and that time issued no opinion because of the Court's equal division. Suffice it to say now that parody has an obvious claim to transformative value, as *Acuff Rose* itself does not deny. Like less ostensibly humorous forms of criticism, it can provide social benefit, by shedding light on an earlier work, and, in the process, creating a new one. We thus line up with the courts that have held that parody, like other comment or criticism, may claim fair use under § 107.

The germ of parody lies in the definition of the Greek *parodeia*, quoted in Judge Nelson's Court of Appeals dissent, as "a song sung alongside another." Modern dictionaries accordingly describe a parody as a "literary or artistic work that imitates the characteristic style of an author or a work for comic effect or ridicule," or as a "composition in prose or verse in which the characteristic turns of thought and phrase in an author or class of authors are imitated in such a way as to make them appear ridiculous." For the purposes of copyright law, the nub of the definitions, and the heart of any parodist's claim to quote from existing material, is the use of some elements of a prior author's composition to create a new one that, at least in part, comments on that author's works. If, on the contrary, the commentary has no critical bearing on the substance or style of the original composition, which the alleged infringer merely uses to get attention or to avoid the drudgery in working up something fresh, the claim to fairness in borrowing from another's work diminishes accordingly (if it does not vanish), and other factors, like the extent of its commerciality, loom larger. Parody needs to mimic an original to make its point, and so has some claim to use the creation of its victim's (or collective victims') imagination, whereas satire can stand on its own two feet and so requires justification for the very act of borrowing.

The fact that parody can claim legitimacy for some appropriation does not, of course, tell either parodist or judge much about where to draw the line. Like a book review quoting the copyrighted material criticized, parody may or may not be fair use, and petitioner's suggestion that any parodic use is presumptively fair has no more justification in law or fact than the equally hopeful claim that any use for news reporting should be presumed fair. The Act has no hint of an evidentiary preference for parodists over their victims, and no workable presumption for parody could take account of the fact that parody often shades into satire when society is lampooned through its creative artifacts, or that a work may contain both parodic and non parodic elements. Accordingly, parody, like any other use, has to work its way through the relevant factors, and be judged case by case, in light of the ends of the copyright law.

Here, the District Court held, and the Court of Appeals assumed, that 2 Live Crew's "Pretty Woman" contains parody, commenting on and criticizing the original work, whatever it may have to say about society at large. As the District Court remarked, the words of 2 Live Crew's song copy the original's first line, but then "quickly degenerat[e] into a play on words, substituting predictable lyrics with shocking ones . . . [that] derisively demonstrat[e] how bland and banal the Orbison song seems to them." Judge Nelson, dissenting below, came to the same conclusion, that the 2 Live Crew song "was clearly intended to ridicule the white bread original" and "reminds us that sexual congress with nameless streetwalkers is not necessarily the stuff of romance and is not necessarily without its consequences. The singers (there are several) have the same thing on their minds as did the lonely man with the nasal voice, but here there is no hint of wine and roses." Although the majority below had difficulty discerning any criticism of the original in 2 Live Crew's song, it assumed for purposes of its opinion that there was some.

We have less difficulty in finding that critical element in 2 Live Crew's song than the Court of Appeals did, although having found it we will not take the further step of evaluating its quality. The threshold question when fair use is raised in defense of parody is whether a parodic character may reasonably be perceived. Whether, going beyond that, parody is in good taste or bad does not and should not matter to fair use. As Justice Holmes explained, "[i]t would be a dangerous undertaking for persons trained only to the law to constitute themselves final judges of the worth of [a work], outside of the narrowest and most obvious limits. At the one extreme some works of genius would be sure to miss appreciation. Their very novelty would make them repulsive until the public had learned the new language in which their author spoke."

While we might not assign a high rank to the parodic element here, we think it fair to say that 2 Live Crew's song reasonably could be perceived as commenting on the original or criticizing it, to some degree. 2 Live Crew juxtaposes the romantic musings of a man whose fantasy comes true, with degrading taunts, a bawdy demand for sex, and a sigh of relief from paternal responsibility. The later words can be taken as a comment on the naivete of the original of an earlier day, as a rejection of its sentiment that ignores the ugliness of street life and the debasement that it signifies. It is this joinder of reference and ridicule that marks off the author's choice of parody from the other types of comment and criticism that traditionally have had acclaim to fair use protection as transformative works.

The Court of Appeals, however, immediately cut short the enquiry into 2 Live Crew's fair use claim by confining its treatment of the first factor essentially to one relevant fact, the commercial nature of the use. The court then inflated the significance of this fact by applying a presumption ostensibly culled from *Sony*, that "every commercial use of copyrighted material is presumptively . . . unfair" In giving virtually dispositive weight to the commercial nature of the parody, the Court of Appeals erred.

The language of the statute makes clear that the commercial or nonprofit educational purpose of a work is only one element of the first factor enquiry into its purpose and character. Section 107(1) uses the term "including" to begin the dependent clause referring to commercial use, and the main clause speaks of a broader investigation into "purpose and character." As we explained in *Harper & Row*, Congress resisted attempts to narrow the ambit of this traditional enquiry by adopting categories of presumptively fair use, and it urged courts to preserve the breadth of their traditionally ample view of the universe of relevant evidence. Accordingly, the mere fact that a use is educational and not for profit does not insulate it from a finding of infringement, any more than the commercial character of a use bars a finding of fairness. If, indeed, commerciality carried presumptive force against a finding of fairness, the presumption would swallow nearly all of the illustrative uses listed in the preamble paragraph of § 107, including news reporting, comment, criticism, teaching, scholarship, and research, since these activities "are generally conducted for profit in this country." Congress could not have intended such a rule, which certainly is not inferable from the common law cases, arising as they did from the world of letters in which Samuel Johnson could pronounce that "[n]o man but a blockhead ever wrote, except for money."

Sony itself called for no hard evidentiary presumption. There, we emphasized the need for a "sensitive balancing of interests," noted that Congress had "eschewed a rigid, bright line approach to fair use," and stated that the commercial or nonprofit educational character of a work is "not conclusive," but rather a fact to be "weighed along with other[s] in fair use decisions." The Court of Appeals's elevation of one sentence from *Sony* to a *per se* rule thus runs as much counter to *Sony* itself as to the long common law tradition of fair use adjudication. Rather, as we explained in *Harper & Row*, *Sony* stands for the proposition that the "fact that a publication was commercial as opposed to nonprofit is a separate factor that tends to weigh against a finding of fair use." But that is all, and the fact that even the force of that tendency will vary with the context is a further reason against elevating commerciality to hard presumptive significance. The use, for example, of a copyrighted work to advertise a product, even in a parody, will be entitled to less indulgence under the first factor of the fair use enquiry, than the sale of a parody for its own sake, let alone one performed a single time by students in school.

The second statutory factor, "the nature of the copyrighted work," § 107(2), draws on Justice Story's expression, the "value of the materials used." This factor calls for recognition that some works are closer to the core of intended copyright protection than others, with the consequence that fair use is more difficult to establish when the former works are copied. We agree with both the District Court and the Court of Appeals that the Orbison original's creative expression for public dissemination falls within the core of the copyright's protective purposes. This fact, however, is not much help in this case, or ever likely to help much in separating the fair use sheep from the infringing goats in a parody case, since parodies almost invariably copy publicly known, expressive works.

The third factor asks whether "the amount and substantiality of the portion used in relation to the copyrighted work as a whole," § 107(3) (or, in Justice Story's words, "the quantity and value of the materials used"), are reasonable in relation to the purpose of the copying. Here, attention turns to the

persuasiveness of a parodist's justification for the particular copying done, and the enquiry will harken back to the first of the statutory factors, for, as in prior cases, we recognize that the extent of permissible copying varies with the purpose and character of the use. The facts bearing on this factor will also tend to address the fourth, by revealing the degree to which the parody may serve as a market substitute for the original or potentially licensed derivatives.

The District Court considered the song's parodic purpose in finding that 2 Live Crew had not helped themselves overmuch. The Court of Appeals disagreed, stating that "[w]hile it may not be inappropriate to find that no more was taken than necessary, the copying was qualitatively substantial. . . . We conclude that taking the heart of the original and making it the heart of a new work was to purloin a substantial portion of the essence of the original."

The Court of Appeals is of course correct that this factor calls for thought not only about the quantity of the materials used, but about their quality and importance, too. In *Harper & Row*, for example, the *Nation* had taken only some 300 words out of President Ford's memoirs, but we signalled the significance of the quotations in finding them to amount to "the heart of the book," the part most likely to be newsworthy and important in licensing serialization. We also agree with the Court of Appeals that whether "a substantial portion of the infringing work was copied verbatim" from the copyrighted work is a relevant question, see *id.*, at 565, for it may reveal a dearth of transformative character or purpose under the first factor, or a greater likelihood of market harm under the fourth; a work composed primarily of an original, particularly its heart, with little added or changed, is more likely to be a merely superseding use, fulfilling demand for the original.

Where we part company with the court below is in applying these guides to parody, and in particular to parody in the song before us. Parody presents a difficult case. Parody's humor, or in any event its comment, necessarily springs from recognizable allusion to its object through distorted imitation. Its art lies in the tension between a known original and its parodic twin. When parody takes aim at a particular original work, the parody must be able to "conjure up" at least enough of that original to make the object of its critical wit recognizable. What makes for this recognition is quotation of the original's most distinctive or memorable features, which the parodist can be sure the audience will know. Once enough has been taken to assure identification, how much more is reasonable will depend, say, on the extent to which the song's overriding purpose and character is to parody the original or, in contrast, the likelihood that the parody may serve as a market substitute for the original. But using some characteristic features cannot be avoided.

We think the Court of Appeals was insufficiently appreciative of parody's need for the recognizable sight or sound when it ruled 2 Live Crew's use unreasonable as a matter of law. It is true, of course, that 2 Live Crew copied the characteristic opening bass riff (or musical phrase) of the original, and true that the words of the first line copy the Orbison lyrics. But if quotation of the opening riff and the first line may be said to go to the "heart" of the original, the heart is also what most readily conjures up the song for parody, and it is the heart at which parody takes aim. Copying does not become excessive in relation to parodic purpose merely because the portion taken was the original's heart. If 2 Live Crew had copied a significantly less memorable part of the original, it is difficult to see how its parodic character would have come through.

This is not, of course, to say that anyone who calls himself a parodist can skim the cream and get away scot free. In parody, as in news reporting, see *Harper & Row*, *supra*, context is everything, and the question of fairness asks what else the parodist did besides go to the heart of the original. It is significant that 2 Live Crew not only copied the first line of the original, but thereafter departed markedly from the Orbison lyrics for its own ends. 2 Live Crew not only copied the bass riff and repeated it, but also produced otherwise distinctive sounds, interposing "scrapier" noise, overlaying the music with solos in different keys, and altering the drum beat. This is not a case, then, where "a substantial portion" of the parody itself is composed of a "verbatim" copying of the original. It is not, that is, a case where the parody is so insubstantial, as compared to the copying, that the third factor must be resolved as a matter of law against the parodists.

Suffice it to say here that, as to the lyrics, we think the Court of Appeals correctly suggested that "no more was taken than necessary," but just for that reason, we fail to see how the copying can be excessive in relation to its parodic purpose, even if the portion taken is the original's "heart." As to the music, we express no opinion whether repetition of the bass riff is excessive copying, and we remand to permit evaluation of the amount taken, in light of the song's parodic purpose and character, its transformative elements, and considerations of the potential for market substitution sketched more fully below.

The fourth fair use factor is "the effect of the use upon the potential market for or value of the copyrighted work." § 107(4). It requires courts to consider not only the extent of market harm caused by the particular actions of the alleged infringer, but also "whether unrestricted and widespread conduct of the sort engaged in by the defendant . . . would result in a substantially adverse impact on the potential market" for the original. The enquiry "must take account not only of harm to the original but also of harm to the market for derivative works."

Since fair use is an affirmative defense, its proponent would have difficulty carrying the burden of demonstrating fair use without favorable evidence about relevant markets. In moving for summary judgment, 2 Live Crew left themselves at just such a disadvantage when they failed to address the effect on the market for rap derivatives, and confined themselves to uncontroverted submissions that there was no likely effect on the market for the original. They did not, however, thereby subject themselves to the evidentiary presumption applied by the Court of Appeals. In assessing the likelihood of significant market harm, the Court of Appeals quoted from language in *Sony* that "[i]f the intended use is for commercial gain, that likelihood may be presumed. But if it is for a noncommercial purpose, the likelihood must be demonstrated." The court reasoned that because "the use of the copyrighted work is wholly commercial, . . . we presume a likelihood of future harm to Acuff Rose exists." In so doing, the court resolved the fourth factor against 2 Live Crew, just as it had the first, by applying a presumption about the effect of commercial use, a presumption which as applied here we hold to be error.

No "presumption" or inference of market harm that might find support in *Sony* is applicable to a case involving something beyond mere duplication for commercial purposes. *Sony's* discussion of a presumption contrasts a context of verbatim copying of the original in its entirety for commercial purposes, with the non commercial context of *Sony* itself (home copying of television programming). In the former circumstances, what *Sony* said simply makes common sense: when a commercial use amounts to mere duplication of the entirety of an original, it clearly "supersede[s] the objects," of the original and serves as a market replacement for it, making it likely that cognizable market harm to the original will occur. But when, on the contrary, the second use is transformative, market substitution is at least less certain, and market harm may not be so readily inferred. Indeed, as to parody pure and simple, it is more likely that the new work will not affect the market for the original in a way cognizable under this factor, that is, by acting as a substitute for it ("supersede[ing] [its] objects"). This is so because the parody and the original usually serve different market functions.

We do not, of course, suggest that a parody may not harm the market at all, but when a lethal parody, like a scathing theater review, kills demand for the original, it does not produce a harm cognizable under the Copyright Act. Because "parody may quite legitimately aim at garroting the original, destroying it commercially as well as artistically," the role of the courts is to distinguish between "[b]iting criticism [that merely] suppresses demand [and] copyright infringement[, which] usurps it."

This distinction between potentially remediable displacement and unremediable disparagement is reflected in the rule that there is no protectable derivative market for criticism. The market for potential derivative uses includes only those that creators of original works would in general develop or license others to develop. Yet the unlikelihood that creators of imaginative works will license critical reviews or lampoons of their own productions removes such uses from the very notion of a potential licensing market. "People ask . . . for criticism, but they only want praise." Thus, to the extent that the opinion below may be read to have considered harm to the market for parodies of "Oh, Pretty Woman," the court erred.

In explaining why the law recognizes no derivative market for critical works, including parody, we have, of course, been speaking of the later work as if it had nothing but a critical aspect (i.e., "parody pure and simple"). But the later work may have a more complex character, with effects not only in the arena of criticism but also in protectable markets for derivative works, too. In that sort of case, the law looks beyond the criticism to the other elements of the work, as it does here. 2 Live Crew's song comprises not only parody but also rap music, and the derivative market for rap music is a proper focus of enquiry. Evidence of substantial harm to it would weigh against a finding of fair use, because the licensing of derivatives is an important economic incentive to the creation of originals. Of course, the only harm to derivatives that need concern us, as discussed above, is the harm of market substitution. The fact that a parody may impair the market for derivative uses by the very effectiveness of its critical commentary is no more relevant under copyright than the like threat to the original market.

Although 2 Live Crew submitted uncontroverted affidavits on the question of market harm to the original, neither they, nor Acuff Rose, introduced evidence or affidavits addressing the likely effect of 2 Live Crew's parodic rap song on the market for a non parody, rap version of "Oh, Pretty Woman." And while Acuff Rose would have us find evidence of a rap market in the very facts that 2 Live Crew recorded a rap parody of "Oh, Pretty Woman" and another rap group sought a license to record a rap derivative, there was no evidence that a potential rap market was harmed in any way by 2 Live Crew's parody, rap version. The fact that 2 Live Crew's parody sold as part of a collection of rap songs says very little about the parody's effect on a market for a rap version of the original, either of the music alone or of the music with its lyrics. The District Court essentially passed on this issue, observing that Acuff Rose is free to record "whatever version of the original it desires"; the Court of Appeals went the other way by erroneous presumption. Contrary to each treatment, it is impossible to deal with the fourth factor except by recognizing that a silent record on an important factor bearing on fair use disentitled the proponent of the defense, 2 Live Crew, to summary judgment. The evidentiary hole will doubtless be plugged on remand.

It was error for the Court of Appeals to conclude that the commercial nature of 2 Live Crew's parody of "Oh, Pretty Woman" rendered it presumptively unfair. No such evidentiary presumption is available to address either the first factor, the character and purpose of the use, or the fourth, market harm, in determining whether a transformative use, such as parody, is a fair one. The court also erred in holding that 2 Live Crew had necessarily copied excessively from the Orbison original, considering the parodic purpose of the use. We therefore reverse the judgment of the Court of Appeals and remand for further proceedings consistent with this opinion.

IT IS SO ORDERED. (...)

Johan Deckmyn and Others v. Helena Vandersteen and Others

JUDGMENT OF THE COURT (Grand Chamber)

3 September 2014

Case C-201/13

(...) Legal context

EU law

3 Recital 3 in the preamble to Directive 2001/29 states:

'The proposed harmonisation will help to implement the four freedoms of the internal market and relates to compliance with the fundamental principles of law and especially of property, including intellectual property, and freedom of expression and the public interest.'

4 Recital 31 in the preamble to that directive states:

'A fair balance of rights and interests between the different categories of rightholders, as well as between the different categories of rightholders and users of protected subject-matter must be safeguarded. ...'

5 Article 5 of that directive, entitled 'Exceptions and limitations', provides in paragraph 3:

*'Member States may provide for exceptions or limitations to the rights provided for in Articles 2 and 3 [entitled respectively "Reproduction right" and "Right of communication to the public of works and right of making available to the public other subject-matter"] in the following cases:
(k) use for the purpose of caricature, parody or pastiche;'*

Belgian law

6 Article 22(1) of the Law of 30 June 1994 on copyright and related rights (*Belgisch Staatsblad* of 27 July 1994, p. 19297) states:

*'Once a work has been lawfully published, its author may not prohibit:
6. caricature, parody and pastiche, observing fair practice;'*

The dispute in the main proceedings and the questions referred for a preliminary ruling

7 Mr Deckmyn is a member of the Vlaams Belang political party, while the object of the Vrijheidsfonds, according to its articles of association, is to support that political party financially and materially, to the exclusion of any profit motive.

8 At the reception held on 9 January 2011 by the City of Ghent (Belgium) to celebrate the New Year, Mr Deckmyn handed out calendars for 2011 in which he is named as the editor. On the cover page of those calendars appeared the drawing at issue.

9 The drawing at issue resembled that appearing on the cover of the *Suske en Wiske* comic book entitled 'De Wilde Weldoener' (which may roughly be translated as 'The Compulsive Benefactor'), which was completed in 1961 by Mr Vandersteen. That drawing is a representation of one of the comic book's main characters wearing a white tunic and throwing coins to people who are trying to pick them up. In the drawing at issue, that character was replaced by the Mayor of the City of Ghent and the people picking up the coins were replaced by people wearing veils and people of colour.

10 Taking the view that the drawing at issue and its communication to the public constituted an infringement of their respective copyrights, Vandersteen and Others brought an action against Mr Deckmyn and the Vrijheidsfonds before the rechtbank van eerste aanleg te Brussel (Court of First Instance, Brussels), which ordered the defendants to cease all use of the drawing, failing which they would have to pay a periodic penalty.

11 Before the referring court hearing the appeal against the decision at first instance, Mr Deckmyn and the Vrijheidsfonds submitted, in particular, that the drawing at issue is a political cartoon which falls within the scope of parody accepted under point (6) of Article 22(1) of the Law of 30 June 1994 on copyright and related rights.

12 Vandersteen and Others dispute that interpretation, since, according to them, parody must meet certain criteria, which are not fulfilled in this case, namely: to fulfil a critical purpose; itself show originality; display humorous traits; seek to ridicule the original work; and not borrow a greater number of formal elements from the original work than is strictly necessary in order to produce the parody. In those circumstances, they also allege that the drawing at issue conveyed a discriminatory message, since the characters who, in the original work, pick up the scattered coins, were replaced in the drawing at issue by people wearing veils and people of colour.

13 In those circumstances, the hof van beroep te Brussel (Court of Appeal, Brussels) decided to stay the proceedings and to refer the following questions to the Court for a preliminary ruling:

- '1. Is the concept of "parody" an autonomous concept of EU law?*
- 2. If so, must a parody satisfy the following conditions or conform to the following characteristics:*
 - display an original character of its own (originality);*
 - display that character in such a manner that the parody cannot reasonably be ascribed to the author of the original work;*
 - seek to be humorous or to mock, regardless of whether any criticism thereby expressed applies to the original work or to something or someone else;*
 - mention the source of the parodied work?*

3. *Must a work satisfy any other conditions or conform to other characteristics in order to be capable of being labelled as a parody?*

The questions referred for a preliminary ruling

The first question

14 It must be noted that the Court has consistently held that it follows from the need for uniform application of EU law and from the principle of equality that the terms of a provision of EU law which makes no express reference to the law of the Member States for the purpose of determining its meaning and scope must normally be given an autonomous and uniform interpretation throughout the European Union, having regard to the context of the provision and the objective pursued by the legislation in question.

15 It is clear from that case-law that the concept of ‘parody’, which appears in a provision of a directive that does not contain any reference to national laws, must be regarded as an autonomous concept of EU law and interpreted uniformly throughout the European Union.

16 That interpretation is not invalidated by the optional nature of the exception mentioned in Article 5(3)(k) of Directive 2001/29. An interpretation according to which Member States that have introduced that exception are free to determine the limits in an unharmonised manner, which may vary from one Member State to another, would be incompatible with the objective of that directive.

17 Accordingly, the answer to the first question is that Article 5(3)(k) of Directive 2001/29 must be interpreted as meaning that the concept of ‘parody’ appearing in that provision is an autonomous concept of EU law.

The second and third questions

18 By its second and third questions, which it is appropriate to examine together, the referring court is asking the Court how the exception for parody, provided for under Article 5(3)(k) of Directive 2001/29, should be understood. In particular, it is asking whether the concept of parody requires certain conditions, which are listed in its second question, to be fulfilled.

19 It should be noted that, since Directive 2001/29 gives no definition at all of the concept of parody, the meaning and scope of that term must, as the Court has consistently held, be determined by considering its usual meaning in everyday language, while also taking into account the context in which it occurs and the purposes of the rules of which it is part.

20 With regard to the usual meaning of the term ‘parody’ in everyday language, it is not disputed, as the Advocate General stated in point 48 of his Opinion, that the essential characteristics of parody are, first, to evoke an existing work while being noticeably different from it, and, secondly, to constitute an expression of humour or mockery.

21 It is not apparent either from the usual meaning of the term ‘parody’ in everyday language, or indeed, as rightly noted by the Belgian Government and the European Commission, from the wording of Article 5(3)(k) of Directive 2001/29, that the concept is subject to the conditions set out by the referring court in its second question, namely: that the parody should display an original character of its own, other than that of displaying noticeable differences with respect to the original parodied work; could reasonably be attributed to a person other than the author of the original work itself; should relate to the original work itself or mention the source of the parodied work.

22 That interpretation is not called into question by the context of Article 5(3)(k) of Directive 2001/29, which lays down an exception to the rights provided for in Articles 2 and 3 of that directive and must, therefore, be interpreted strictly.

23 The interpretation of the concept of parody must, in any event, enable the effectiveness of the exception thereby established to be safeguarded and its purpose to be observed.

24 The fact that Article 5(3)(k) of Directive 2001/29 is an exception does therefore not lead to the scope of that provision being restricted by conditions, such as those set out in paragraph 21 above, which emerge neither from the usual meaning of ‘parody’ in everyday language nor from the wording of that provision.

25 As regards the objective referred to in Article 5(3)(k) of Directive 2001/29, the objectives of that directive in general must be recalled, which include, as is apparent from recital 3 in the preamble to that directive, a harmonisation which will help to implement the four freedoms of the internal market and which relates to observance of the fundamental principles of law and especially of property, including intellectual property, and freedom of expression and the public interest. It is not disputed that parody is an appropriate way to express an opinion.

26 In addition, as stated in recital 31 in the preamble to Directive 2001/29, the exceptions to the rights set out in Articles 2 and 3 of that directive, which are provided for under Article 5 thereof, seek to achieve a ‘fair balance’ between, in particular, the rights and interests of authors on the one hand, and the rights of users of protected subject-matter on the other.

27 It follows that the application, in a particular case, of the exception for parody, within the meaning of Article 5(3)(k) of Directive 2001/29, must strike a fair balance between, on the one hand, the interests and rights of persons referred to in Articles 2 and 3 of that directive, and, on the other, the freedom of expression of the user of a protected work who is relying on the exception for parody, within the meaning of Article 5(3)(k).

28 In order to determine whether, in a particular case, the application of the exception for parody within the meaning of Article 5(3)(k) of Directive 2001/29 preserves that fair balance, all the circumstances of the case must be taken into account.

29 Accordingly, with regard to the dispute before the national court, it should be noted that, according to *Vandersteen and Others*, since, in the drawing at issue, the characters who, in the original work, were picking up the coins were replaced by people wearing veils and people of colour, that drawing conveys a discriminatory message which has the effect of associating the protected work with such a message.

30 If that is indeed the case, which it is for the national court to assess, attention should be drawn to the principle of non-discrimination based on race, colour and ethnic origin, as was specifically defined in Council Directive 2000/43/EC of 29 June 2000 implementing the principle of equal treatment between persons irrespective of racial or ethnic origin, and confirmed, *inter alia*, by Article 21(1) of the Charter of Fundamental Rights of the European Union.

31 In those circumstances, holders of rights provided for in Articles 2 and 3 of Directive 2001/29, such as *Vandersteen and Others*, have, in principle, a legitimate interest in ensuring that the work protected by copyright is not associated with such a message.

32 Accordingly, it is for the national court to determine, in the light of all the circumstances of the case in the main proceedings, whether the application of the exception for parody, within the meaning of Article 5(3)(k) of Directive 2001/29, on the assumption that the drawing at issue fulfils the essential requirements set out in paragraph 20 above, preserves the fair balance referred to in paragraph 27 above.

33 Consequently, the answer to the second and third questions is that Article 5(3)(k) of Directive 2001/29 must be interpreted as meaning that the essential characteristics of parody, are, first, to evoke an existing work, while being noticeably different from it, and secondly, to constitute an expression of humour or mockery. The concept of ‘parody’, within the meaning of that provision, is not subject to the conditions that the parody should display an original character of its own, other than that of

displaying noticeable differences with respect to the original parodied work; that it could reasonably be attributed to a person other than the author of the original work itself; that it should relate to the original work itself or mention the source of the parodied work.

34 However, the application, in a particular case, of the exception for parody, within the meaning of Article 5(3)(k) of Directive 2001/29, must strike a fair balance between, on the one hand, the interests and rights of persons referred to in Articles 2 and 3 of that directive, and, on the other, the freedom of expression of the user of a protected work who is relying on the exception for parody, within the meaning of Article 5(3)(k).

35 It is for the national court to determine, in the light of all the circumstances of the case in the main proceedings, whether the application of the exception for parody, within the meaning of Article 5(3)(k) of Directive 2001/29, on the assumption that the drawing at issue fulfils the essential requirements of parody, preserves that fair balance. (...)

Terry Gilliam et al., v. American Broadcasting Companies, Inc.
538 *F.2d* 14 (1976)

LUMBARD, Circuit Judge,

Plaintiffs, a group of British writers and performers known as "Monty Python," appeal from a denial by Judge Lasker in the Southern District of a preliminary injunction to restrain the American Broadcasting Company (ABC) from broadcasting edited versions of three separate programs originally written and performed by Monty Python for broadcast by the British Broadcasting Corporation (BBC). We agree with Judge Lasker that the appellants have demonstrated that the excising done for ABC impairs the integrity of the original work. We further find that the countervailing injuries that Judge Lasker found might have accrued to ABC as a result of an injunction at a prior date no longer exist. We therefore direct the issuance of a preliminary injunction by the district court.

Since its formation in 1969, the Monty Python group has gained popularity primarily through its thirty-minute television programs created for BBC as part of a comedy series entitled "Monty Python's Flying Circus." In accordance with an agreement between Monty Python and BBC, the group writes and delivers to BBC scripts for use in the television series. This scriptwriters' agreement recites in great detail the procedure to be followed when any alterations are to be made in the script prior to recording of the program. The essence of this section of the agreement is that, while BBC retains final authority to make changes, appellants or their representatives exercise optimum control over the scripts consistent with BBC's authority and only minor changes may be made without prior consultation with the writers. Nothing in the scriptwriters' agreement entitles BBC to alter a program once it has been recorded. The agreement further provides that, subject to the terms therein, the group retains all rights in the script.

Under the agreement, BBC may license the transmission of recordings of the television programs in any overseas territory. The series has been broadcast in this country primarily on non-commercial public broadcasting television stations, although several of the programs have been broadcast on commercial stations in Texas and Nevada. In each instance, the thirty-minute programs have been broadcast as originally recorded and broadcast in England in their entirety and without commercial interruption.

In October 1973, Time-Life Films acquired the right to distribute in the United States certain BBC television programs, including the Monty Python series. Time-Life was permitted to edit the programs only "for insertion of commercials, applicable censorship or governmental . . . rules and regulations, and National Association of Broadcasters and time segment requirements." No similar clause was included in the scriptwriters' agreement between appellants and BBC. Prior to this time, ABC had sought to acquire the right to broadcast excerpts from various Monty Python programs in the spring of 1975, but the group rejected the proposal for such a disjointed format. Thereafter, in July 1975, ABC

agreed with Time-Life to broadcast two ninety- minute specials each comprising three thirty-minute Monty Python programs that had not previously been shown in this country.

Correspondence between representatives of BBC and Monty Python reveals that these parties assumed that ABC would broadcast each of the Monty Python programs "in its entirety." On September 5, 1975, however, the group's British representative inquired of BBC how ABC planned to show the programs in their entirety if approximately 24 minutes of each 90 minute program were to be devoted to commercials. BBC replied on September 12, "we can only reassure you that ABC have decided to run the programmes 'back to back,' and that there is a firm undertaking not to segment them."

ABC broadcast the first of the specials on October 3, 1975. Appellants did not see a tape of the program until late November and were allegedly "appalled" at the discontinuity and "mutilation" that had resulted from the editing done by Time-Life for ABC. Twenty-four minutes of the original 90 minutes of recording had been omitted. Some of the editing had been done in order to make time for commercials; other material had been edited, according to ABC, because the original programs contained offensive or obscene matter.

In early December, Monty Python learned that ABC planned to broadcast the second special on December 26, 1975. The parties began negotiations concerning editing of that program and a delay of the broadcast until Monty Python could view it. These negotiations were futile, however, and on December 15 the group filed this action to enjoin the broadcast and for damages. Following an evidentiary hearing, Judge Lasker found that "the plaintiffs have established an impairment of the integrity of their work" which "caused the film or program . . . to lose its iconoclastic verve." According to Judge Lasker, "the damage that has been caused to the plaintiffs is irreparable by its nature." Nevertheless, the judge denied the motion for the preliminary injunction on the grounds that it was unclear who owned the copyright in the programs produced by BBC from the scripts written by Monty Python; that there was a question of whether Time-Life and BBC were indispensable parties to the litigation; that ABC would suffer significant financial loss if it were enjoined a week before the scheduled broadcast; and that Monty Python had displayed a "somewhat disturbing casualness" in their pursuance of the matter.

Judge Lasker granted Monty Python's request for more limited relief by requiring ABC to broadcast a disclaimer during the December 26 special to the effect that the group dissociated itself from the program because of the editing. A panel of this court, however, granted a stay of that order until this appeal could be heard and permitted ABC to broadcast, at the beginning of the special, only the legend that the program had been edited by ABC. We heard argument on April 13 and, at that time, enjoined ABC from any further broadcast of edited Monty Python programs pending the decision of the court.

I

In determining the availability of injunctive relief at this early stage of the proceedings, Judge Lasker properly considered the harm that would inure to the plaintiffs if the injunction were denied, the harm that defendant would suffer if the injunction were granted, and the likelihood that plaintiffs would ultimately succeed on the merits. We direct the issuance of a preliminary injunction because we find that all these factors weigh in favor of appellants.

There is nothing clearly erroneous in Judge Lasker's conclusion that any injury suffered by appellants as a result of the broadcast of edited versions of their programs was irreparable by its nature. ABC presented the appellants with their first opportunity for broadcast to a nationwide network audience in this country. If ABC adversely misrepresented the quality of Monty Python's work, it is likely that many members of the audience, many of whom, by defendant's admission, were previously unfamiliar with appellants, would not become loyal followers of Monty Python productions. The subsequent injury to appellants' theatrical reputation would imperil their ability to attract the large audience necessary to the success of their venture. Such an injury to professional reputation cannot be measured in monetary terms or recompensed by other relief.

In contrast to the harm that Monty Python would suffer by a denial of the preliminary injunction, Judge Lasker found that ABC's relationship with its affiliates would be impaired by a grant of an injunction within a week of the scheduled December 26 broadcast. The court also found that ABC and its affiliates had advertised the program and had included it in listings of forthcoming television programs that were distributed to the public. Thus a last minute cancellation of the December 26 program, Judge Lasker concluded, would injure defendant financially and in its reputation with the public and its advertisers.

However valid these considerations may have been when the issue before the court was whether a preliminary injunction should immediately precede the broadcast, any injury to ABC is presently more speculative. No rebroadcast of the edited specials has been scheduled and no advertising costs have been incurred for the immediate future. Thus there is no danger that defendant's relations with affiliates or the public will suffer irreparably if subsequent broadcasts of the programs are enjoined pending a disposition of the issues.

We then reach the question whether there is a likelihood that appellants will succeed on the merits. In concluding that there is a likelihood of infringement here, we rely especially on the fact that the editing was substantial, i. e., approximately 27 per cent of the original program was omitted, and the editing contravened contractual provisions that limited the right to edit Monty Python material. It should be emphasized that our discussion of these matters refers only to such facts as have been developed upon the hearing for a preliminary injunction. Modified or contrary findings may become appropriate after a plenary trial.

Judge Lasker denied the preliminary injunction in part because he was unsure of the ownership of the copyright in the recorded program. Appellants first contend that the question of ownership is irrelevant because the recorded program was merely a derivative work taken from the script in which they hold the uncontested copyright. Thus, even if BBC owned the copyright in the recorded program, its use of that work would be limited by the license granted to BBC by Monty Python for use of the underlying script. We agree.

Section 7 of the Copyright Law, 17 U.S.C. s 7, provides in part that "adaptations, arrangements, dramatizations . . . or other versions of . . . copyrighted works when produced with the consent of the proprietor of the copyright in such works . . . shall be regarded as new works subject to copyright . . ." Manifestly, the recorded program falls into this category as a dramatization of the script, and thus the program was itself entitled to copyright protection. However, section 7 limits the copyright protection of the derivative work, as works adapted from previously existing scripts have become known, to the novel additions made to the underlying work, and the derivative work does not affect the "force or validity" of the copyright in the matter from which it is derived. Thus, any ownership by BBC of the copyright in the recorded program would not affect the scope or ownership of the copyright in the underlying script.

Since the copyright in the underlying script survives intact despite the incorporation of that work into a derivative work, one who uses the script, even with the permission of the proprietor of the derivative work, may infringe the underlying copyright.

If the proprietor of the derivative work is licensed by the proprietor of the copyright in the underlying work to vend or distribute the derivative work to third parties, those parties will, of course, suffer no liability for their use of the underlying work consistent with the license to the proprietor of the derivative work. Obviously, it was just this type of arrangement that was contemplated in this instance. The scriptwriters' agreement between Monty Python and BBC specifically permitted the latter to license the transmission of the recordings made by BBC to distributors such as Time-Life for broadcast in overseas territories.

One who obtains permission to use a copyrighted script in the production of a derivative work, however, may not exceed the specific purpose for which permission was granted. Most of the decisions that have reached this conclusion have dealt with the improper extension of the underlying work into media or time, i. e., duration of the license, not covered by the grant of permission to the

derivative work proprietor. Appellants herein do not claim that the broadcast by ABC violated media or time restrictions contained in the license of the script to BBC. Rather, they claim that revisions in the script, and ultimately in the program, could be made only after consultation with Monty Python, and that ABC's broadcast of a program edited after recording and without consultation with Monty Python exceeded the scope of any license that BBC was entitled to grant.

The rationale for finding infringement when a licensee exceeds time or media restrictions on his license the need to allow the proprietor of the underlying copyright to control the method in which his work is presented to the public applies equally to the situation in which a licensee makes an unauthorized use of the underlying work by publishing it in a truncated version. Whether intended to allow greater economic exploitation of the work, as in the media and time cases, or to ensure that the copyright proprietor retains a veto power over revisions desired for the derivative work, the ability of the copyright holder to control his work remains paramount in our copyright law. We find, therefore, that unauthorized editing of the underlying work, if proven, would constitute an infringement of the copyright in that work similar to any other use of a work that exceeded the license granted by the proprietor of the copyright.

If the broadcast of an edited version of the Monty Python program infringed the group's copyright in the script, ABC may obtain no solace from the fact that editing was permitted in the agreements between BBC and Time-Life or Time-Life and ABC. BBC was not entitled to make unilateral changes in the script and was not specifically empowered to alter the recordings once made; Monty Python, moreover, had reserved to itself any rights not granted to BBC. Since a grantor may not convey greater rights than it owns, BBC's permission to allow Time-Life, and hence ABC, to edit appears to have been a nullity.

ABC answers appellants' infringement argument with a series of contentions, none of which seems meritorious at this stage of the litigation. The network asserts that Monty Python's British representative, Jill Foster, knew that ABC planned to exclude much of the original BBC program in the October 3 broadcast. ABC thus contends that by not previously objecting to this procedure, Monty Python ratified BBC's authority to license others to edit the underlying script.

Although the case of *Ilyin v. Avon Publications, Inc.*, 144 F.Supp. 368 (S.D.N.Y.1956), may be broadly read for the proposition that a holder of a derivative copyright may obtain rights in the underlying work through ratification, the conduct necessary to that conclusion has yet to be demonstrated in this case. It is undisputed that appellants did not have actual notice of the cuts in the October 3 broadcast until late November. Even if they are chargeable with the knowledge of their British representative, it is not clear that she had prior notice of the cuts or ratified the omissions, nor did Judge Lasker make any finding on the question. While Foster, on September 5, did question how ABC was to broadcast the entire program if it was going to interpose 24 minutes of commercials, she received assurances from BBC that the programs would not be "segmented." The fact that she knew precisely the length of material that would have to be omitted to allow for commercials does not prove that she ratified the deletions. This is especially true in light of previous assurances that the program would contain the original shows in their entirety. On the present record, it cannot be said that there was any ratification of BBC's grant of editing rights. ABC, of course, is entitled to attempt to prove otherwise during the trial on the merits.

ABC next argues that under the "joint work" theory (...), the script produced by Monty Python and the program recorded by BBC are symbiotic elements of a single production. Therefore, according to ABC, each contributor possesses an undivided ownership of all copyrightable elements in the final work and BBC could thus have licensed use of the script, including editing, written by appellants.

The joint work theory as extended in *Shapiro* has been criticized as inequitable unless "at the time of creation by the first author, the second author's contribution (is envisaged) as an integrated part of a single work," and the first author intends that the final product be a joint work. Furthermore, this court appears to have receded from a broad application of the joint work doctrine where the contract which leads to collaboration between authors indicates that one will retain a superior interest. In the present case, the screenwriters' agreement between Monty Python and BBC provides that the group is to retain

all rights in the script not granted in the agreement and that at some future point the group may license the scripts for use on television to parties other than BBC. These provisions suggest that the parties did not consider themselves joint authors of a single work. This matter is subject to further exploration at the trial, but in the present state of the record, it presents no bar to issuance of a preliminary injunction.

Aside from the question of who owns the relevant copyrights, ABC asserts that the contracts between appellants and BBC permit editing of the programs for commercial television in the United States. ABC argues that the scriptwriters' agreement allows appellants the right to participate in revisions of the script only prior to the recording of the programs, and thus infers that BBC had unrestricted authority to revise after that point. This argument, however, proves too much. A reading of the contract seems to indicate that Monty Python obtained control over editing the script only to ensure control over the program recorded from that script. Since the scriptwriters' agreement explicitly retains for the group all rights not granted by the contract, omission of any terms concerning alterations in the program after recording must be read as reserving to appellants exclusive authority for such revisions.

Finally, ABC contends that appellants must have expected that deletions would be made in the recordings to conform them for use on commercial television in the United States. ABC argues that licensing in the United States implicitly grants a license to insert commercials in a program and to remove offensive or obscene material prior to broadcast. According to the network, appellants should have anticipated that most of the excised material contained scatological references inappropriate for American television and that these scenes would be replaced with commercials, which presumably are more palatable to the American public.

The proof adduced up to this point, however, provides no basis for finding any implied consent to edit. Prior to the ABC broadcasts, Monty Python programs had been broadcast on a regular basis by both commercial and public television stations in this country without interruption or deletion. Indeed, there is no evidence of any prior broadcast of edited Monty Python material in the United States. These facts, combined with the persistent requests for assurances by the group and its representatives that the programs would be shown intact belie the argument that the group knew or should have known that deletions and commercial interruptions were inevitable.

Several of the deletions made for ABC, such as elimination of the words "hell" and "damn," seem inexplicable given today's standard television fare. If, however, ABC honestly determined that the programs were obscene in substantial part, it could have decided not to broadcast the specials at all, or it could have attempted to reconcile its differences with appellants. The network could not, however, free from a claim of infringement, broadcast in a substantially altered form a program incorporating the script over which the group had retained control.

Our resolution of these technical arguments serves to reinforce our initial inclination that the copyright law should be used to recognize the important role of the artist in our society and the need to encourage production and dissemination of artistic works by providing adequate legal protection for one who submits his work to the public. We therefore conclude that there is a substantial likelihood that, after a full trial, appellants will succeed in proving infringement of their copyright by ABC's broadcast of edited versions of Monty Python programs. In reaching this conclusion, however, we need not accept appellants' assertion that any editing whatsoever would constitute infringement. Courts have recognized that licensees are entitled to some small degree of latitude in arranging the licensed work for presentation to the public in a manner consistent with the licensee's style or standards. That privilege, however, does not extend to the degree of editing that occurred here especially in light of contractual provisions that limited the right to edit Monty Python material.

II

It also seems likely that appellants will succeed on the theory that, regardless of the right ABC had to broadcast an edited program, the cuts made constituted an actionable mutilation of Monty Python's work. This cause of action, which seeks redress for deformation of an artist's work, finds its roots in the continental concept of *droit moral*, or moral right, which may generally be summarized as including the right of the artist to have his work attributed to him in the form in which he created it.

American copyright law, as presently written, does not recognize moral rights or provide a cause of action for their violation, since the law seeks to vindicate the economic, rather than the personal, rights of authors. Nevertheless, the economic incentive for artistic and intellectual creation that serves as the foundation for American copyright law, cannot be reconciled with the inability of artists to obtain relief for mutilation or misrepresentation of their work to the public on which the artists are financially dependent. Thus courts have long granted relief for misrepresentation of an artist's work by relying on theories outside the statutory law of copyright, such as contract law, or the tort of unfair competition. Although such decisions are clothed in terms of proprietary right in one's creation, they also properly vindicate the author's personal right to prevent the presentation of his work to the public in a distorted form.

Here, the appellants claim that the editing done for ABC mutilated the original work and that consequently the broadcast of those programs as the creation of Monty Python violated the Lanham Act s 43(a), 15 U.S.C. s 1125(a). This statute, the federal counterpart to state unfair competition laws, has been invoked to prevent misrepresentations that may injure plaintiff's business or personal reputation, even where no registered trademark is concerned. It is sufficient to violate the Act that a representation of a product, although technically true, creates a false impression of the product's origin.

These cases cannot be distinguished from the situation in which a television network broadcasts a program properly designated as having been written and performed by a group, but which has been edited, without the writer's consent, into a form that departs substantially from the original work. "To deform his work is to present him to the public as the creator of a work not his own, and thus makes him subject to criticism for work he has not done." In such a case, it is the writer or performer, rather than the network, who suffers the consequences of the mutilation, for the public will have only the final product by which to evaluate the work. Thus, an allegation that a defendant has presented to the public a " garbled," distorted version of plaintiff's work seeks to redress the very rights sought to be protected by the Lanham Act, 15 U.S.C. s 1125(a), and should be recognized as stating a cause of action under that statute. (...)

During the hearing on the preliminary injunction, Judge Lasker viewed the edited version of the Monty Python program broadcast on December 26 and the original, unedited version. After hearing argument of this appeal, this panel also viewed and compared the two versions. We find that the truncated version at times omitted the climax of the skits to which appellants' rare brand of humor was leading and at other times deleted essential elements in the schematic development of a story line. We therefore agree with Judge Lasker's conclusion that the edited version broadcast by ABC impaired the integrity of appellants' work and represented to the public as the product of appellants what was actually a mere caricature of their talents. We believe that a valid cause of action for such distortion exists and that therefore a preliminary injunction may issue to prevent repetition of the broadcast prior to final determination of the issues.

III

We do not share Judge Lasker's concern about the procedures by which the appellants have pursued this action. The district court indicated agreement with ABC that appellants were guilty of laches in not requesting a preliminary injunction until 11 days prior to the broadcast. Our discussion above, however, suggests that the group did not know and had no reason to believe until late November that editing would take place. Several letters between BBC and Monty Python's representative indicate that appellants believed that the programs would be shown in their entirety. Furthermore, the group did act to prevent offensive editing of the second program immediately after viewing the tape of the first edited program. Thus we find no undue delay in the group's failure to institute this action until they were sufficiently advised regarding the facts necessary to support the action. In any event, ABC has not demonstrated how it was prejudiced by any delay.

Finally, Judge Lasker denied a preliminary injunction because Monty Python had failed to join BBC and Time-Life as indispensable parties. We do not believe that either is an indispensable party. ABC

argues that joinder of both was required because it acted in good faith pursuant to its contractual rights with Time-Life in broadcasting edited versions of the programs, and Time-Life, in turn, relied upon its contract with BBC. Furthermore, ABC argues, BBC must be joined since it owns the copyright in the recorded programs.

Even if BBC owns a copyright relevant to determination of the issues in this case, the formalistic rule that once required all owners of a copyright to be parties to an action for its infringement has given way to equitable considerations. In this case, the equities to be considered under Fed.R.Civ.P. 19(a) strongly favor appellants. Monty Python is relying solely on its copyright in the script and on its rights as an author. No claim is being made that Monty Python has rights derived from the copyright held by another. One of the parties is an English corporation, and any action that appellants, a group of English writers and performers, might have against that potential defendant would be better considered under English law in an English court.

Complete relief for the alleged infringement and mutilation complained of may be accorded between Monty Python and ABC, which alone broadcast the programs in dispute. If ABC is ultimately found liable to appellants, a permanent injunction against future broadcasts and a damage award would satisfy all of appellants' claims. ABC's assertion that failure to join BBC and Time-Life may leave it subject to inconsistent verdicts in a later action against its licensors may be resolved through the process of impleader, which ABC has thus far avoided despite a suggestion from the district court to use that procedure. Finally, neither of the parties considered by ABC to be indispensable has claimed any interest in the subject matter of this litigation.

FOR THESE REASONS WE DIRECT THAT THE DISTRICT COURT ISSUE THE PRELIMINARY INJUNCTION SOUGHT BY THE APPELLANTS.

TEST QUESTIONS

1. Rule of the shorter term

- A) *What are the legal consequences of a simultaneous publication of a book in the US (that currently provides pma 70 years term) and in Canada (pma50)? Compare to Berne Convention Art. 3(4), 5(4)(a) and 7(8)!*
- B) *And what are the legal consequences of a simultaneous publication of a book in the US and any Member State of the European Union)? Compare to EU Copyright Term Directive Art. 7(1)!*

2. Limitations and exceptions

An English speaking country, Knowledgia, plans to join the European Union (EU), and in order to fulfill the basic requirements of the accession, it harmonizes its IP laws with the EU regulations. The new Copyright Act of Knowledgia contains the following rule (“the Exemption”):

“Art. 20(1) Libraries – qualified under Art. 20(2) – are allowed to publicly lend works of authorship, including phonograms, films and computer programs, and are exempt from paying the necessary remuneration to the respective collective rights management association.

Art. 20(2) Qualified libraries under Art. 20(1) mean the Library of Congress, the National Public Library, and the libraries operated by public universities.”

Art 6. of the effective 2006/115/EC directive on rental right and lending right is as follows:

“Article 6 – Derogation from the exclusive public lending right

1. Member States may derogate from the exclusive right (...) of public lending, provided that at least authors obtain remuneration for such lending. (...)
2. Where Member States do not apply the exclusive lending right (...) as regards phonograms, films and computer programs, they shall introduce, at least for authors, a remuneration.
3. Member States may exempt certain categories of establishments from the payment of the remuneration referred to in paragraphs 1 and 2.”

The following facts may be important:

- eight libraries (six university library and the other two specified libraries) fall under the specification of Art. 20(2) of the Knowledgia Copyright Act;
- there are 40 public (including the above eight), and 20 private libraries in Knowledgia;
- the Knowledgian National Statistical Center estimates that the eight exempted libraries have 10.000.000 books, phonograms, films and computer programs in their collections, which is around 40% of the total amount of works in Knowledgian public and private libraries;
- Knowledgia is a member of all the major IP treaties, including the TRIPS Agreement.

Your country’s government plans to request the establishment of a dispute settlement panel under the TRIPS Agreement to discuss whether the Knowledgian Exemption is in accordance with Art. 13 of the TRIPS Agreement, that is, with the three-step test.

Please summarize your arguments whether the Exemption is in accordance with the three-step test or not.