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**POSITIVE COPYRIGHT AND OPEN CONTENT LICENCES:  
HOW TO MAKE A MARRIAGE WORK BY EMPOWERING  
AUTHORS TO DISSEMINATE THEIR CREATIONS**

*Maria Lillà Montagnani & Maurizio Borghi*

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## POSITIVE COPYRIGHT AND OPEN CONTENT LICENCES: HOW TO MAKE A MARRIAGE WORK BY EMPOWERING AUTHORS TO DISSEMINATE THEIR CREATIONS

Maria Lillà Montagnani<sup>†</sup> & Maurizio Borghi<sup>\*</sup>

*Positive copyright appears to have been progressively turned away from its normative function of ensuring a fair and efficient transmission of human knowledge. The private sector is seeking to counterbalance this phenomenon by adopting legal tools that expand the public domain of knowledge, such as web-based licences modelled on the "open access" approach. The increasing world-wide preference for Creative Commons licences confirms their aptness to transform copyright law into a tool flexible enough to serve authors' several purposes. Such a spontaneous counterbalance experiences many difficulties though, because of the structure that positive copyright has adopted over the last few years.*

*The current situation is an excellent point from which to look back at how authors used to disseminate their works before the advent of the Internet. From a historical view-point copyright has always accomplished the twin functions of economically rewarding authors and enabling communication of their creations to the public. The latter goal is achieved by means of statutory mechanisms limiting the freedom of contract between authors and their counterparts (intermediaries in a broad sense), in order to enforce the authors' capacity to spread their works. In the current digital environment, however, these mechanisms are not likely to accomplish their original functions.*

*This paper seeks to explore an adjustment that will permit authors to take advantage of all the new means of commercial exploitation and non-commercial dissemination of their works offered by the Internet. Such an adjustment aims also at realigning positive and normative copyright by encompassing the use of open content licensing within the current copyright framework.*

### I. INTRODUCTION

We all know the story: it starts with copyright law challenged by the digital revolution and ends up with, on the one hand, extension and strengthening of copyright law in the digital environment and, on the other, the shrinking of the public domain.

We all know that the digital environment has developed its own resources to counterbalance the enhancement of copyright and to keep producing, distributing and sharing creative works for non-commercial purposes. This occurs via web-based licensing systems, which are still grounded on copyright law but transform it into a tool flexible enough to serve authors' purposes of disseminating and sharing their creations.

Since we all know this story we will not tell it again. Rather, using it as a standpoint, we will look back at when the Internet was not even conceived and consider how authors managed to disseminate their works then. From a historical viewpoint copyright has always managed to reward authors financially and enabled them to share their creations with the public. Although the first function has been the more relevant in both civil and common law countries,

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nevertheless, the former (civil law countries) also introduced statutory mechanisms to a certain extent enforcing authors' capacity to spread their works, and so did, to a more limited extent, the latter (common law countries). Such mechanisms are essentially limitations on the freedom of contract between authors and publishers, and consist either of non-waivable rights, such as the author's right to terminate grants, or of mandatory contractual provisions, such as limitations in scope and length of transfers.

This paper concerns the inability of these mechanisms to keep on accomplishing their original functions in the digital environment, where commercial exploitation and non-commercial dissemination of creative works become separate – and somehow competing – spheres. While commercial exploitation persists in the traditional framework of exclusive licensing managed by intermediaries, non-commercial dissemination tends to minimise intermediation and to adopt the more flexible instrument of web-based licensing.<sup>1</sup> This dichotomy gives many hints for a re-think of the current policy on copyright law. The emerging move towards non-commercial dissemination of creativity via web-based licensing systems,<sup>2</sup> which do not neglect authors' desire for recognition and in some cases remuneration,<sup>3</sup> is not meant to replace the law: nor should it constitute an alternative to copyright. In this context “non-commercial dissemination” of creative contents is no longer a minor and secondary phenomenon within the range of copyright uses, rather, it represents a key factor in the sharing of knowledge and, to some extent, becomes the pillar of a new style of creation and distribution process.<sup>4</sup> Such wide diffusion of open content licensing schemes, coupled with the movement to expand public domain boundaries, may be deemed the symptom of a detachment of “normative” from “positive” law.<sup>5</sup>

In order therefore to realign normative and positive copyright law, as well as to enable copyright to recover its original functions of rewarding creativity *and* of disseminating knowledge, this paper seeks to explore an adjustment that will permit authors to disseminate their works non-commercially *after* the commercial exploitation has already taken place or when it does not occur. This could be achieved by introducing a statutory provision where copyright initial owners can disseminate digital versions of their works for non-commercial purposes – notwithstanding the rights having been transferred to intermediaries – provided that commercial

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<sup>1</sup> While the traditional commercial exploitation has been defined as the “long path”, Internet dissemination by authors themselves has been defined the “short path” (see Marco Ricolfi, *Gestione individuale e gestione collettiva in ambiente digitale*, in MARIA LILLÀ MONTAGNANI AND MAURIZIO BORGHI (EDS.) “PROPRIETÀ DIGITALE”: DIRITTI D'AUTORE, NUOVE TECNOLOGIE E DIGITAL RIGHTS MANAGEMENT, (Egea 2006) at 215). On the emergence of new intermediaries in the Internet-based dissemination see Michel W. Carrol, *Creative Commons and the New Intermediaries*, Villanova University School of Law – Public Law and Legal Theory – Working Paper No. 2005-13 (August 2005), available at < [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=782405](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=782405)> (last visited September 2007).

<sup>2</sup> This phenomenon is sometimes referred to as “social production” of information goods; see an ample survey in YOCHAI BENKLER, *THE WEALTH OF NETWORKS: HOW SOCIAL PRODUCTION TRANSFORMS MARKETS AND FREEDOM* (Yale University Press 2006). The impact of peer production over traditional copyright framework is discussed in Dan Hunter and F. Gregory Lastowka, *Amateur-to-Amateur*, 46 WM. & MARY L. REV. 951 (2004).

<sup>3</sup> See Robert P. Merges, *A New Dynamism in the Public Domain*, 71 U. CHI. L. REV. 183 (2004), analysing non-profit and for-profit initiatives not relying on traditional intellectual property regime.

<sup>4</sup> As widely demonstrated by Y. Benkler (*supra* note 2, at Ch. 3 and 4). In recent statistics 140 million web pages are licensed with Creative Commons, and the website Flickr.com counts 33 million CC licensed photos <[http://wiki.creativecommons.org/License\\_statistics](http://wiki.creativecommons.org/License_statistics)> (last visited September 2007).

<sup>5</sup> We call “normative copyright” what copyright is deemed to be in pursuit of its rationales and principles, and “positive copyright” what copyright actually *is* according to existing laws.

exploitation is not taking place, either because the work has exhausted its initial commercial value or no attempt has in fact been made. The use of such a provision does not terminate the transfer of the right(s) involved. This mechanism, which we will term “Non-Commercial Dissemination Provision” (NCDP), is envisaged as an inalienable and unwaivable right, thereby introducing a limitation in the freedom of copyright contracts.

Consequences of the NCDP are likely to be manifold. Firstly, both authors and intermediaries could be advantaged by synergies deriving from off and on-line exercise of rights, and public domain could be widened to users' benefit. Secondly, the emergence of two separate and conflicting systems would be avoided: the former grounded on traditional intermediaries and devoted to commercial exploitation; the latter consisting of both the “short path” and a licensing system grounded on new intermediaries (web-based licensing), equally devoted to non-commercial dissemination. Thirdly, framing this mechanism in current legal systems would be likely to solve at least part of the problems that open-content licences currently encounter in their adoption. Finally, such a provision might be able to maintain a balance between the private and public interest and to realign “positive” to “normative” copyright law.

The article is divided into two parts.

In the first part we outline the functions “normative copyright” is supposed to meet, and the means that “positive copyright” has so far adopted to perform its functions. We will dwell, in particular, upon limitations on freedom of copyright contract, that is to say, on legal mechanisms introduced in copyright statutes and jurisprudence in order to help authors and artists to disseminate their creations. We will consider criticisms of these mechanisms, with the aim of ascertaining whether and to what extent the NCDP, since it entails a limitation in freedom of copyright contract, can be considered immune to any reviews.

In the second part of the article we deal with open content licences, insofar as they encounter limits to their use within the existing copyright framework. Current proposals for facilitating the adoption of open-content licensing systems will be briefly examined. Finally, the NCDP will be outlined, both with regard to its underlying rationale and to its practical implementation.

## II. PART ONE: HOW COPYRIGHT HAS SO FAR ENABLED AUTHORS TO DISSEMINATE THEIR WORKS

### *A. Commercial and Communication Functions of Copyright Law*

In all legislative traditions, copyright law has always had a twofold function. The first one was to provide an adequate infrastructure for investments. As a matter of fact, products of human creativity do not have *per se* any exchange value, although they can have a great and even immense “utility” value. Once disseminated, such products maintain an exchange value only if their use is controlled and limited by law.<sup>6</sup> The *ius excludendi* instituted by copyright law creates such an exchange value, thus providing a necessary condition for doing business with products of creativity. We can term this capacity of copyright law its “commercial function”.

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<sup>6</sup> This is the well-known problem of what economists call “public goods”. According to a web dictionary of financial terms, these are “a distinctive class of goods which cannot practically be withheld from one consumer without withholding them from all (the ‘non-excludability criterion’) and for which the marginal cost of an additional person consuming them, once they have been produced, is zero (the ‘non-rivalrous consumption’ criterion)”, <<http://www.specialinvestor.com/terms/2658.html>> (last visited February 2007).

Yet this function of copyright law is in turn subservient to a second, more substantial one, namely, that of encouraging the spread of knowledge. This means: enabling knowledge to be spread in order to allow the public at large to access and, to a certain extent, make free use of it. On the one hand, endowment of authors and artists with a certain control over their works even after they are disseminated represents an incentive to release works to the public, since in the absence of such a legal instrument of control authors may have some hesitation in letting their work circulate beyond the sphere of their direct influence. On the other hand, it must be assumed that authors' and artists' primary concern is to let their work circulate as widely as possible.<sup>7</sup> This second function can be termed the "communication function" of copyright.<sup>8</sup>

These two functions may overlap in more than one aspect but they never confuse each other. Historically, the former precedes the latter. Early copyright institutions, such as printing privileges, were designed specifically to permit recoupment of the investment made by publishers, to provide them with a fair margin in order to remunerate authors, and to avoid the unfair competition from other publishers.<sup>9</sup> Basically it was an infrastructure for investment, even if the products of such investment – books, engravings, maps and charts – entailed a more general interest going beyond the specific commercial interest of investors. It was, however, only in the 18<sup>th</sup> century that copyright began to assume the mantle of an instrument "of encouragement of learning", as asserted by the heading of the 1709 Statute of Anne.<sup>10</sup> This understanding became paramount in almost every country, whether of common or civil law tradition. In the 19<sup>th</sup> century, general concerns about dissemination of knowledge, progress of learning, and spread of cultural products shaped all copyright law systems, from Europe to the US, one way or another.<sup>11</sup>

The "communication function" was explicitly acknowledged when copyright lost its original nature of privilege and became a universal right, either because constitutionally asserted (as in the US) or because interpreted as a natural or personhood right (as in most of the civil law countries). Until that time, spreading of knowledge was simply considered as an expected effect of commercialisation of creative works, which in turn was made possible via trade-regulatory means such as copyright.<sup>12</sup> Since the latter was not a "default" right but a gracious privilege granted by the sovereign, many works were published and circulated without any copyright protection.<sup>13</sup> This occurred in many countries in continental Europe until the end of the 18<sup>th</sup> century, but also, to some extent, in the United Kingdom and the US in the 19<sup>th</sup> century. In these two common law countries, formalities of copyrighting a work (registration and deposit), coupled with renewal term provisions (granting an extension after the expiry of the first term

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<sup>7</sup> According to the father of European copyright doctrine, Immanuel Kant, the author must always be understood in the context of an ideal community, and not as a sort of isolated creator (so-called "Romantic author") or, even worse, as a self-interested individual (as in the utilitarian approach). See BERNHARD EDELMAN, *LE SACRE DE L'AUTEUR* (Seuil 2004), and Paul E. Geller "Inquiry into Justice in Copyright Law: Toward a Core Author's Right" in AXEL GOSSERIES, ALAIN MARCIANO, AND ALAIN STROWEL (EDS.), *INTELLECTUAL PROPERTY AND THEORIES OF JUSTICE* (Palgrave MacMillan: 2008).

<sup>8</sup> See Tim Wu, *Copyright's Communications Policy*, 103 MICH. L. REV. 278 (2004), arguing authorship function of copyright versus its communication policy.

<sup>9</sup> Maurizio Borghi "Il diritto d'autore tra regime proprietario e 'interesse pubblico'", in MARIA LILLA MONTAGNANI AND MAURIZIO BORGHİ (EDS.) "PROPRIETÀ DIGITALE": DIRITTI D'AUTORE, NUOVE TECNOLOGIE E DIGITAL RIGHTS MANAGEMENT, (Egea 2006).

<sup>10</sup> An Act for the Encouragement of Learning, 8 Anne c. 19 (1709).

<sup>11</sup> Michael D. Birnhack, *The Idea of Progress in Copyright Law*, 1 BUFFALO IP. L. J. 3 (2001).

<sup>12</sup> Id.

<sup>13</sup> Maurizio Borghi, *supra* note 9, at 8.

only when formally requested), drew *de facto* a line between the commercial and non-commercial uses of works.<sup>14</sup> On the other hand, when copyright laws began to be crafted to comply with both commercial and communication functions, the latter were, as it were, “internalized” in copyright laws. The so-called “idea-expression dichotomy” can be interpreted as the key principle enabling positive copyright to cope with its two functions at the same time: providing infrastructure for investments (protection of expressions) while supporting dissemination of knowledge (no protection of ideas).

### *B. The Rise of Non-commercial Uses in the Digital Environment*

For a long time it has been assumed that the copyright system as such was capable of achieving both commercial and communication functions, and that the more it coped with the former, the more it performed the latter. In other words, it was assumed that making a business out of cultural products assured their widest spread.<sup>15</sup> Yet the accuracy of this assumption has been eroded over the last decades, and it has had thorough discussion in the digital environment where non-commercial forms of dissemination and sharing of knowledge become of primary significance.

The case of an author or artist who is not, or not primarily, interested in a commercial exploitation of her work ought to be discussed first, since it is not an exception but the rule for most works of authorship. Authors and artists having (happily) a source of income – such as school or university-based academics – do not seek primarily to obtain an economic reward from the exploitation of their works, but want their works to be broadly disseminated. How do they normally try to achieve this goal? They can transfer their rights to a subject who is professionally entitled to distribute works: e.g. a commercial publisher or dealer. To the latter, works comprise mainly, if not totally, a commercial interest. It is known that publishers’ or dealers’ main interest is not the work’s wide diffusion but the increase of their revenues. On purely accounting terms, they would prefer revenue of 10.000 euros from the sale of 1.000 copies (at 10 euros each) to revenue of 9.000 euro from the sale of 1.500 copies (at 6 euros each). A publishing contract is therefore likely to bind two subjects with different and possibly conflicting interests.

In the pre-digital world, where means of disseminating works were limited, such divergence of interests could be deemed negligible. Yet this divergence is amplified and leads to actual conflicts when alternative means of dissemination become available. The Internet represents a potential alternative to commercial publishing in distributing works of authorship (and it could be significantly more than potential). Songs, writings, videos can be published in open-access repositories or on personal websites, thus reaching the public in a most direct way, bypassing the intermediary of commercial publishing, the recording and even the motion picture industries. Accordingly, any digitisable work of authorship can reach the public through the “short path” of the direct upload on the web, which in a number of cases can perform a function comparable to

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<sup>14</sup> Lawrence Lessig, *Free(ing) Culture for Remix*, UTAH L. R 961 (2004).

<sup>15</sup> This assumption is expressed, for example, by Paul Goldstein: “The best prescription for connecting authors to their audience is to extend rights into every corner where consumers derive value from literary and artistic works” (PAUL GOLDSTEIN, *COPYRIGHT’S HIGHWAY: FROM GUTENBERG TO THE CELESTIAL JUKEBOX* 236 (Stanford University Press 1994)). For a critique of this statement see Yochai Benkler, *A Political Economy of the Public Domain: Markets in Information Goods Versus the Market-place of Ideas*, in ROCHELLE C. DREYFUSS, DIANE L. ZIMMERMAN, AND HARRY FIRST (EDS.) *EXPANDING THE BOUNDARIES OF INTELLECTUAL PROPERTY* 270 (Oxford University Press 2001).

that of the “long path” offered by traditional industries.<sup>16</sup> It seems therefore that the conflict above-mentioned could be easily avoided: authors and artists sharing with the industry the goal of commercial exploitation would continue to follow the “long path”, whereas authors and artists mainly interested in disseminating their works would be more likely to follow the “short path”. Besides, the latter goal is likely to be achieved by abandonment of exclusive rights or, rather, by use of open-content licences to make rights available, such as the Creative Commons licences and the like.

Things are not, however, so easy. If it is true that the Internet permits a new and unprecedented chance to disseminate works, both for commercial and non-commercial purposes, it is even truer that this chance is not really workable for the majority of authors. To illustrate this point, we can explore three simple examples.

1. A researcher is the author of a scientific paper. Her purpose is to make her paper efficiently available to the scientific community. To achieve this goal she is likely to have many options, going from the “long” to the “short” path. Her research outputs must, however, be available in a form that is: (a) recognisable by the scientific community; and (b) assessable by investors and institutions. The paper must therefore be published by a reliable scientific publisher. Now, although the increasing use of open archives is slowly changing scientific publishing dynamics, commercial publishers and publishers operating with commercial business methods are still broadly dominant.<sup>17</sup> In most cases, commercial scientific publishers issue authors with standard contracts, including non-negotiable, unilaterally-imposed conditions requiring the transfer of publishing rights in both printed and digital format for the whole contractual period.

2. A video-maker shoots a documentary. After she has licensed her rights to a television company, the latter decides not to broadcast the documentary any more. Even in the event that the documentary has exhausted its commercial value, the author could still have an interest in its non-commercial dissemination by, for instance, uploading it on a personal website or video blog. Yet exclusive rights have been assigned to the broadcaster, who is unlikely to renegotiate the terms of the transfer in the absence of incentives to do it. A work that could be available to the public is *de facto* “kidnapped”.

3. A software house employee creates some software in the performance of her tasks or following her employer’s instructions. In the event that the software house decides not to market the product, the developer does not have any legal means to be vested with the right of distributing her creation even for non-commercial purposes. She has rights neither in civil law countries, where the exploitation rights are granted to the employer (unless otherwise agreed) nor in common law countries, where the employer is the initial copyright owner.<sup>18</sup>

These examples suggest that, nowadays, within the framework of the current copyright contract rules – and notwithstanding the counter-movement represented by open-content licences – the conflict between commercial interest and dissemination goal cannot be easily avoided. On the contrary, it is most obvious in those areas where the public interest is stronger, such as

<sup>16</sup> Marco Ricolfi, *supra* note 1, at 215.

<sup>17</sup> *Economic Analysis of Scientific Research Publishing: A Report Commissioned by the Wellcome Trust*, <<http://www.wellcome.ac.uk/assets/wtd003182.pdf>> (2003). See also the recent report commissioned by the European Commission, *Study on the economic and technical evolution of the scientific publication markets in Europe*, Final report, <[http://ec.europa.eu/research/science-society/pdf/scientific-publication-study\\_en.pdf](http://ec.europa.eu/research/science-society/pdf/scientific-publication-study_en.pdf)> (January 2006).

<sup>18</sup> J.A.L. STERLING, *WORLD COPYRIGHT LAW 200-203* (Sweet & Maxwell 2003).

scientific production and research, experimental arts and technical innovation – i.e. domains largely relying on knowledge-sharing.<sup>19</sup>

Moreover, perpetuation of a state of conflict may also damage industries, such as (but not only) scientific publishers, at risk of completely losing their role owing to the increasing adoption of the “short path”.<sup>20</sup> For the majority of traditional intermediaries, a revision of their contractual attitude towards authors should be preferable to entrenchment in their current positions.

Before we explore the solution herein proposed to shape the different interests (commercial exploitation and dissemination of works) into a harmonious whole, it is worth considering the mechanisms currently in force in copyright statutes. Since the commercial and communication functions have always been present – though not as relevant as they currently are – the majority of copyright statutes encompass means to combine them. These means, initially efficient in the context for which they were designed, do not fit the new environment generated by the “digital revolution” and the advent of the Internet.

### C. Limiting the Freedom of Contract Between Authors and Intermediaries

Restrictions on freedom of copyright contract are built into both common and civil law copyright systems, yet encounter differences as to purpose, scope and effectiveness.

The lens through which such restrictions can be read is twofold. On the one hand these limitations can be deemed a defence given to authors against intermediaries in recognition of their weak bargaining position. In this context, the history of freedom of contract and its limitations under copyright law illustrate the attempt to maintain equilibrium between authors and intermediaries.<sup>21</sup> On the other hand restraints on copyright contract parties’ autonomy may be viewed as a guarantee that creative works are effectively disseminated. Thus, limitations on such freedom represent the means through which knowledge is spread and cultural – and social – progress enhanced.

To put it another way, freedom in copyright contracts, coupled with its limitations, would simultaneously perform both the commercial and communication functions of copyright law. In principle the transfer of creators’ rights to intermediaries enables authors and intermediaries to obtain the maximum return from the protected works’ distribution, as well as to effect a wide dissemination of creative works.<sup>22</sup> In practice this occurs less and less often. Firstly, as mentioned earlier, parties to a transfer may have different purposes: the intermediary focused on gaining the maximum return possible, the author interested, instead, on non-commercial dissemination of her work.<sup>23</sup> This conflict of interest – nowadays amplified by the advent of the Internet – can however take place also in the case of traditional works.<sup>24</sup> Moreover, there are other cases when intermediaries may lose interest in distributing certain works. As a matter of fact, intermediaries may be eager to adopt strategies in order to control competition among

<sup>19</sup> Yoachim Benkler, *supra* note 2, at 68.

<sup>20</sup> As predicted in the 2006 EU Report on scientific publishing (*supra* note 17).

<sup>21</sup> P. Bernt Hugenholtz, *The Great Copyright Robbery – Rights Allocation in the Digital Environment*, Paper delivered at the Conference “A Free Information Ecology in a Digital Environment”, NYU School of Law (31 March- 2 April 2000), available at the URL <<http://www.ivir.nl/publications/hugenholtz/thegreatcopyrightrobbery.pdf>> (last visited on September 6 2007).

<sup>22</sup> See Paul Goldstein, *supra* note 15, at 236.

<sup>23</sup> See examples in § 1.2 on scientific publications, videos and computer programs.

<sup>24</sup> See the example in § 1.2 on the number of copies/price relationship in the publishing sector.

similar works by acquiring competitive products' economic rights without the intention of disseminating them but of merely impeding their entry onto the market. Again, the practice of acquiring as many economic rights as possible ("buy-out" practices), in order to have a portfolio from which one can choose what to produce and distribute, may be convenient for big intermediaries, but it also hinders the public's access to a larger quantity of creative works. It seems thus that the advent of the Internet is just the last and most worrisome step away from the idea of a copyright's twofold function: the last step of a process taking place in parallel with the increasing growth of copyright-based economies and the commodification of information.<sup>25</sup>

Among the limitations on freedom of contractual copyright law that are provided by law, the following sections specifically deals with limitations in duration of transfers as they relate more to the NCDP. Restraints in scope will nonetheless be dealt with whenever they enable the copyright communication function. With regard to the restraints on duration, two different approaches emerge. In accordance with the civil law approach, time ceilings are imposed on publishing contracts for literary works, and rights to terminate the contract for non-use are encompassed in all exclusive transfers of rights. On the other hand, the common law approach is less prone to restrain the parties' liberty, and a sole example of limitations of alienability, besides the limited regimes of moral rights, is encompassed in the US Copyright Act.

Although these sets of limitations (herein: "alienability restrictions") may traditionally have been capable of pursuing the goal for which they were introduced, they appear now to be in need of upgrading in order both to fit the current necessities of authors and artists in the new digital environment and to widen the public domain boundaries on the other.

### 1. 'Alienability Restrictions' in Civil Law Countries

Freedom of contract is the rule governing transfers of economic rights, yet continental European copyright laws tend to impose constraints on authors' contractual autonomy as regards both the scope and length of such transfers. The rationale underpinning these limits is to ensure authors' protection during and after they have transferred part or the whole of their (economic) rights for commercial exploitation. Protection during the negotiation of the transfer results in the principle of the *pro autore* interpretation reserved for copyright agreements in almost all civil law countries in acknowledgement of the weak bargaining position that most authors are popularly supposed to hold.<sup>26</sup> Protection after the transfer takes place is needed whenever the

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<sup>25</sup> Copyright commodification is both cause and effect of the freedom to stipulate any copyright contract that the parties please. In other words, we are witnessing a process where the more copyright-based economies become important, the less restraints on freedom to contract are encountered. Such a process is clearly illustrated by the "privatisation" or "contractualisation" of copyright occurring in the digital environment where contractual provisions have become the sole means to regulate relationships between authors, intermediaries, and the public at large. See Niva Elkin-Koren, *Copyright policy and the limits of freedom of contract*, 12 BERKELEY TECHNOLOGY LAW JOURNAL, available at <<http://www.law.berkeley.edu/journals/btlj/articles/vol12/Elkin-Koren/html/reader.html>> (1997); *The privatization of information policy*, 2 ETHICS AND INFORMATION TECHNOLOGY 201-209 (2000); and Yoachim Benkler, *The battle over the institutional ecosystem in the digital environment*, 44 COMMUNICATIONS OF THE ACM 84-90 (2001).

<sup>26</sup> The authors' weak bargaining position seems demonstrated by the practice of adopting unilateral standard form exploitation contracts. See P. Bernt Hugenholtz, Lucie Guibault, *Copyright Contract Law: Towards a Statutory Regulation?*, Study conducted by the commission for the Department of Scientific Research and Documentation Centre (WODC) Ministry of Justice The Netherlands (August 2004), available at <<http://www.ivir.nl/publications/hugenholtz/Summary%2005.08.2004.pdf>> (last visited September 2007). In their study the Authors argue for the introduction in the Dutch Copyright Act of a statutory regulation of contractual copyright which, regarding limitations in scope and duration of transfers, encompasses the principles of: "Limited

intermediaries do not proceed to commercial exploitation of the rights – thereby jeopardizing the work's distribution to the public – and it is sought via time ceilings on transfers of rights and other more effective provisions.

As far as limits on scope are concerned, they can be tailored by two sets of provisions. Firstly, copyright statutes may establish that a transfer involves only those rights specifically mentioned in the agreement, and whose field of exploitation is defined in terms of scope, purpose, place and duration. Secondly, there can be adopted a principle under which transfers are limited to the rights necessary to perform the contract, even though they are not specifically mentioned in the contract ("purpose-of-transfer" rule). In both cases limitations in scope lie in the civil law system's bias against transfers of the whole set of exploitation rights.<sup>27</sup> This attitude is also reflected in the strict interpretation against transferees that is adopted across continental Europe,<sup>28</sup> under which, when doubts arise as to which rights are transferred, the contract must be given the meaning most favourable to the transferor and less favourable to the transferee. Given freedom of contract, however, parties are always in the position where they can either assign or perpetually license full exploitation rights (except for the German copyright system), provided that it is specifically stated in the contract.

As far as limits on duration are concerned, the general principle of contract law applies, under which one party has the right to terminate the contract if the other party has violated her obligations. The majority of civil law copyright statutes therefore give the right to terminate the transfer in the event that the transferee does not exploit the transferred rights, thus rendering the transfer invalid. Conditions under which authors can invoke termination, however, vary in each country. Besides the right to termination, some civil law countries provide year ceilings for specific contracts (mainly publishing contracts) in order to re-entitle the transferor to exploit her work after a given period of time.

In the following paragraphs the copyright regime of three continental European countries will be analysed with regard to termination provisions ("duration restrictions"). Mention will be also made of limitations in scope as far as they affect limitations in length. These restraints deserve examination as they constitute the means through which the communication function of copyright was internalised within the legal infrastructure for investment provided by copyright law. It emerges from the analysis that such mechanisms were capable of ensuring both copyright commercial and communication functions as long as the latter could only be achieved through the former. In this context, the limitations on liberty of copyright contracts provided a second opportunity for creative works to be exploited in the authors' interests (either commercial or non-commercial). The advent of the new technologies and the new means of communications, however, changed the infrastructure in which both functions had been internalised: non-commercial distribution has become more feasible and achievable by the authors themselves, thereby it has become more desired and desirable. Hence, such mechanisms require an upgrade also – and mainly – to enable non-commercial dissemination to take place. In order to achieve this goal, freedom of contract will surrender to copyright policy more than before, and limitations in length will not be overridden by parties' agreement.

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scope of application"; "Obligation of specification"; "Interpretation *pro autore*"; "Right to recover rights in case of non-use"; "Abrogation of the 'Purpose-to-transfer' rule"; and "Termination of the licence in case of bankruptcy".

<sup>27</sup> See Willem Grosheide, *Paradigms in Copyright Law*, in BRAD SHERMAN AND ALAIN STROWEL (EDS.) OF AUTHORS AND ORIGINS: ESSAYS ON COPYRIGHT LAW 203-233 (Oxford University Press 1994).

<sup>28</sup> *Id.* at 66.

## a. In France

The French copyright system is underpinned by the dualistic theory, according to which authors are granted a double set of moral and economic rights to protect their personal and economic interests. While the former are perpetual, inalienable and imprescriptible,<sup>29</sup> the latter are assignable, limited in duration and bear restraints on their transfers.

Provisions regarding alienability restrictions are enshrined in the French Intellectual Property Code,<sup>30</sup> which requires transfers of rights to be detailed in terms of scope, purpose, duration and place. According, therefore, to art. L. 131-3 of the Code, rights other than those specifically mentioned in the agreement cannot be transferred. In the event that this requirement is not fulfilled, the sanction is a nullity clause which can be activated by authors in order to protect their interests.<sup>31</sup> To compensate for such a severe regime, art. L. 132-8 mitigates the above-mentioned principle by introducing a presumption in the publishing contract regulation which favours the sole publishers: in publishing contracts transfers of rights are deemed to be exclusive unless otherwise agreed.

The differences between publishing contracts and other copyright contracts are maintained also in relation to the right to terminate transfers for non-use. In all cases such rights derive from the principle, valid for all transfers, contained in art. L. 131.3(4) under which “[t]he assignee shall undertake by such contract to endeavour to exploit the assigned right in accordance with trade practice”.<sup>32</sup> In respect of publishing contracts, however, art. L. 132-17(2) provides that a publishing contract shall be automatically terminated, upon formal notice by the author fixing a reasonable period of time, if the publisher has not effected the publication of her work, or – in the event that the work has gone out of print – its republication. Such a mechanism seems to be the corollary of the principle in art. L. 132-12 under which “[t]he publisher shall be required to ensure continuous and sustained exploitation and commercial dissemination of the work in accordance with the practices of the trade”. On the other hand, in relation to performance contracts the termination is not awarded as a right since they are not presumed to be exclusive – unless expressly stipulated – and must always detail the number of performances the parties agree on, or be of limited duration. When, however, exclusivity is expressly provided, the validity of the exclusive rights afforded to a playwright may never exceed a five-year ceiling, in order to avoid the entertainment promoter being granted an exploitation monopoly.<sup>33</sup> Furthermore, L. 132-19(3) provides for exclusive performance contracts to be automatically terminated in case of interruption of performances for two consecutive years.<sup>34</sup>

The specific attribution of a right to termination to the sole authors signing a publishing contract is to be linked to the presumption that transfers of rights within publishing contracts are

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<sup>29</sup> On the theory of moral right within the French law on author’s rights see A. LUCAS, H. J. LUCAS, *TRAITÉ DE LA PROPRIÉTÉ LITTÉRAIRE & ARTISTIQUE*, 301-310 (Editions Litec 2001).

<sup>30</sup> Code de la propriété intellectuelle, No. 92-597, of 1 June 1992, as last amended by Order 2001-670 of 25 July 2001.

<sup>31</sup> Lucie Guibault, P. Bernt Hugenholtz, *Study on the Conditions Applicable to Contracts Relating to Intellectual Property in the European Union*, Final Report, Institute for Information Law, Amsterdam, The Netherlands 67 (May 2002), available at <<http://www.ivir.nl/publications/other/contracts.html>> (last visited in September 2007).

<sup>32</sup> An English version of the French Intellectual Legislation on Copyright and Related Rights is available at <[http://www.wipo.int/clea/docs\\_new/en/fr/fr003en.html](http://www.wipo.int/clea/docs_new/en/fr/fr003en.html)>.

<sup>33</sup> For the principles regulating publishing contracts in the French Intellectual Property Code see A. Lucas, H. J. Lucas, *supra* note 29, at 459-501.

<sup>34</sup> *Id.*, at 484-490.

deemed to be exclusive unless otherwise agreed. So the bias towards publishers is counterbalanced by the other parties' right to be re-entitled whenever they are not exploited by the transferees, whereas in performance contracts the right to termination is not needed – as their duration, or number of performances, are required to be determined. Even in this case, when exclusivity is agreed between the parties, automatic termination is provided in case the work is not performed for two years.

b. In Germany

The German copyright system developed under the influence of the monistic theory so that it presents specificities not present in other continental Europe countries (apart from those deriving from the German author's rights system, such as the Austrian regime).<sup>35</sup> Authors are granted a unitary, personal and inalienable right in protection of their personal and intellectual relations with their work. While the economic aspects can be licensed (but never assigned) – and disposed of by testamentary disposition – moral rights cannot be transferred in any way, and they are inherited by the author's heirs. The unitary nature of economic and moral rights implies that they simultaneously cease when the term of protection expires.

The specificity of the German regime does affect copyright contract law on either side by its restrictions on scope and duration. Moreover, freedom in copyright transfers has been recently strengthened by a substantial amendment to contractual copyright law adopted by the German parliament in 2002.<sup>36</sup>

As to scope of contract restrictions, the German Copyright Act<sup>37</sup> does not contain a provision requiring mention of the scope of the transfer with respect to place, time and purpose of use. What is not mentioned in the contract is never supposed to be transferred unless falling into the scope of the transfer according to the "purpose-of-transfer" interpretation rule. In fact, article 31(5) provides that "the scope of the exploitation right shall be determined in accordance with the purpose envisaged in making the grant", and also illustrates the factors to consider in evaluation of the scope of the transfer.<sup>38</sup>

The German Copyright Act encompasses a specific provision on termination of contract for non-use relating to all kinds of transfers except contracts for film production.<sup>39</sup> Article 41 provides that two years after the grant of the right, or delivery of the work, whichever is later, the author can revoke the grant if the holder of an exclusive exploitation right does not exercise such a right or, alternatively, she exercises it insufficiently, thereby causing serious injury to the author's legitimate interests. This shall not apply if non-exercise or insufficient exercise is mainly down to circumstances which the author can reasonably be expected to remedy. The term is shortened to three months in the case of a contribution to a newspaper, six months for a contribution to a periodical appearing at monthly intervals or less, and one year for contributions

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<sup>35</sup> Neil Netanel, *Alienability Restrictions and the Enhancement of Author Autonomy in United States and Continental Copyright Law*, 12 CARDOZO ARTS & ENT. L.J. 21-23; see also Paolo Auteri, *Diritto d'autore*, in P. AUTERI AT AL. DIRITTO INDUSTRIALE – PROPRIETÀ INTELLETTUALE E CONCORRENZA 541 (Giappichelli 2005).

<sup>36</sup> Gesetz zur Stärkung der vertraglichen Stellung von Urbebern und ausübenden Künstlern, BGBl. I, No. 21 1155 (28 March 2002).

<sup>37</sup> Gesetz über Urheberrecht und verwandte Schutzrechte (Urheberrechtsgesetz – UrhG) of 9 September 1965 (BGBl. I S. 1273, last amended by the Gesetz zur Regelung des Urheberrechts in der Informationsgesellschaft of 10 September 2003, BGBl. I S. 1774).

<sup>38</sup> Lucie Guibault, P. Bernt Hugenholtz, *supra* note 31, at 82-83, where further interpretation rules for specific cases are mentioned.

<sup>39</sup> Neil Netanel, *supra* note 35, at 65.

to other periodicals.<sup>40</sup> The right of termination can be exercised upon notification by the author of a period of time adequate to exercise the right, unless it is clear that the transferee will not exercise the right, or there is a refusal to do it, or, finally, this period will jeopardize the author's predominant interests. The German termination right for non-use is not waivable in advance, and limitation of its exercise has a five-year ceiling.

Besides the general principles comprised in the Copyright Act, the German Publishing Act<sup>41</sup> encompasses specific provisions as to termination of publishing contracts. Specifically, article 17 provides the author with the right to rescind the contract when, after an appropriate term, the publisher does not publish a new edition. Article 32 provides the author with the right to rescind when the work is not exploited in the agreed manner. Article 35(1) maintains the rescission right of the author even when the multiplication of copies has started but circumstances unknown at the making of the contract and affecting the author's decision arise.<sup>42</sup>

c. In Italy

The Italian author's rights, described in law no 633/1941<sup>43</sup>, share the same theoretical framework as the French Intellectual Property Code. Restrictions in scope and duration of copyright contracts, however, have many echoes of the German Copyright Act.

In fact, the scope of generic transfers – which, differently from the French system, are deemed lawful – is determined according to article 119(5) under which: “[i]n the absence of the agreement to the contrary, the transfer of one or more of the exploitation rights shall not imply the transfer of other rights which are not necessarily dependent on the right transferred, even if they are included [...] in the same category of exclusive rights”. Although this provision is adopted in relation to publishing contracts, nevertheless its extension to all transfers is widely accepted.<sup>44</sup> When, therefore, a publishing contract has been signed, the rights transferred are those necessary to reproduce and distribute the work but not to communicate it to the public, unless otherwise agreed, since the scope of a publishing contract is simply of reproducing and distributing. The “scope-of-transfer”, instead of the “*pro autore*” rule, is thus adopted, similar to the German system. The bias against transfers of rights as a whole is, however, counterbalanced by article 119(2), according to which, in the absence of a stipulation to the contrary, publishing contracts are presumed to be exclusive, as adopted in the French Intellectual Property Code.

Besides limitations in scope, publishing contracts contain both a time ceiling provision and a right to terminate provision. A twenty-year ceiling is required under article 122, with the exception of contracts related to encyclopedias and dictionaries; sketches, drawings, vignettes, illustrations, photographs and similar works for industrial use; cartographical works; dramatic/musical and symphonic works. Instead, a right to terminate for non-use is encompassed for publishing contracts, contracts related to newspaper and magazine articles, and audiovisual works. Since transfers take place to enable a work's commercial exploitation, amongst the transferee's obligations there is the duty actively to exercise exploitation rights. According to art.127, therefore, the publication or reproduction of the work shall take place within the period laid down in the contract, and such period shall not be more than two years from the date of

<sup>40</sup> Lucie Guibault, P. Bernt Hugenholtz, *supra* note 31, at 85-86.

<sup>41</sup> Gesetz über das Verlagsrecht, of 19 June 1901 (RGBl.I, 2940).

<sup>42</sup> Lucie Guibault, P. Bernt Hugenholtz, *supra* note 31, at 85.

<sup>43</sup> Law No. 633 of April 22, 1941, as last modified by Law Decree no.626 of October 3 2006, consolidated version available at <[http://www.siae.it/bg.asp?click\\_level=1400.0300.0100&link\\_page=bg\\_DA\\_Nazionale.htm](http://www.siae.it/bg.asp?click_level=1400.0300.0100&link_page=bg_DA_Nazionale.htm)>.

<sup>44</sup> Paolo Auteri, *supra* note 35, at 600.

effective delivery to the publisher of the complete and final copy of the work (with the only exception being collective works). If the work is not published within the contractual term (in any case no longer than two years), the author is entitled to require that the contract is terminated and she has the freedom to stipulate a new contract in order to make her work available to the public. For this reason such a rule does not apply when the author transfers her rights with the sole purpose of economic compensation (i.e. in cases of assignments of copyright or contracts whose interpretation shows the author's lack of interest in having her work disseminated). Unlike, however, the German and French rights of termination for non-use, the Italian provision requires the author to exercise her right judicially since neither "notice mechanisms" nor "automatic terminations" have been introduced into Italian copyright contract law.

## 2. 'Alienability Restrictions' in Common Law Countries

It is commonly assumed that restrictions on freedom of contract are typical of civil law countries where legislators tend to assume a more paternalistic approach towards not only authors but all parties in weaker bargaining positions, whereas in common law freedom of contract would be the exclusive norm underpinning contracts in general and copyright contracts in particular.<sup>45</sup> Even though this could be valid in principle – in Anglo-American and Anglo-Saxon copyright, alienability restrictions do fall short compared with the articulated provisions comprised in civil law statutes<sup>46</sup> – nonetheless it must be mentioned that not only the US Copyright Act encompasses a specific termination provision, but also that there is relevant UK case law holding invalid contractual provisions clearly imposed by an intermediary taking advantage of the author's lack of bargaining power.<sup>47</sup>

In the following paragraphs the focus will be mainly on common law provisions dealing with duration restrictions in the US and UK copyright systems. While the former expressly encompasses a termination provision, the latter relies on the law of contract principles.

### a. In the UK

The UK Copyright Design and Patent Act (CDPA)<sup>48</sup> does not encompass any provisions related to length and scope of copyright transfers, nor does it legislate on future forms of exploitation or rule on future works. The rule underpinning copyright contractual regime seems to be the so-called "sanctity of contracts" under which adults freely entering a contract are bound by it. The principles of the laws of contract therefore apply.<sup>49</sup>

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<sup>45</sup> PAUL GOLDSTEIN, *INTERNATIONAL COPYRIGHT: PRINCIPLES, LAW, AND PRACTICE* 216 (Oxford University Press 2001).

<sup>46</sup> Neil Netanel, *supra* note 35, at 13.

<sup>47</sup> PAUL GOLDSTEIN, *supra* note 45, at 217 and note 369.

<sup>48</sup> Copyright, Design and Patent Act 1988, 1988 Chap. 48 as amended by The Legal Deposit Libraries Act 2003, available at <<http://ukpatents.wikispaces.com/Copyright+Designs+and+Patents+Act+1988>>.

<sup>49</sup> Were a restriction on the liberty of copyright contracts to be discovered within the UK copyright regime, it would be a moral right for the system to be examined. In fact, the UK's adherence to the Berne Convention implied the introduction in the CDPA of the inalienable right to be identified as author of a work, to object to derogatory treatment, and to prevent false attribution. Nevertheless, such rights are freely waivable by the authors provided that the waiver is made by instrument in writing and signed by the person giving up the right. Here again waivers do not encounter limitations: they can relate to a specific work or all works of an author, they can deal with existing or future creations; they can be conditional or unconditional, and even subject to revocation. See Lucie Guibault, P. Bernt Hugenholtz, *supra* note 31, at 129.

As already mentioned, even in the absence of express provisions, there are legal decisions dealing with copyright contracts that stifle the author's interests in favour of the intermediaries'. In such cases, the application of the restraint of trade doctrine enables the termination of those contracts binding the author's creativity and production to the intermediary's discretion without any obligation to exploit it.<sup>50</sup> For example, in the case of *Macaulay v A Schroeder Music Publishing*<sup>51</sup>, the court held that a contract unduly restraining the author's creativity for a fixed period of time – without any insurance that his works would be exploited (thereby without any insurance of revenues higher than the low sum agreed) – was voidable, since a clause to permit the author to terminate the agreement had not been inserted. It must, however, be noted that the reason the contract was deemed unfair lay in the author's inability to obtain remuneration for his activity – insofar as his works' exploitation depended on the intermediary – rather than because his creative works were not being disseminated.

b. In the US

Although the Anglo-American copyright law tradition shares the same roots as the UK copyright law, nonetheless there are differences regarding development of the theoretical rationales, and how they have affected the current copyright contract laws.

The main variance lies in the adoption under the US Copyright Act of a termination provision, i.e. the introduction of the inalienable right of terminating transfers of copyright, first introduced in the US with the 1976 Copyright Act. This provision applies to “any work other than a work made for hire” (§ 203), and to the sole transfers executed by the author otherwise than by will. Termination may be effected by the author or her successors, provided they own at least more than one-half of the author's termination interest. In the case of joint works, termination of grant can be executed by the majority of authors, or by the majority of the ownership of authors' interests (§ 203 (a) 1). Inheritance of such right is established in section (a)2. Termination may be effected at any time during a five-year window beginning at the end of the 35th year after the execution of the grant. If the grant covers the right of publication, the window begins at the end of the 35th year from publication or at the end of the 40th year from the execution, whichever term ends earlier. To effect the termination, the author or her successor(s) must serve a notice not fewer than two years and no more than ten years before the date chosen for terminating the grant, which must fall within the above-mentioned five-year window. Thus, for example, a grant executed on April 1, 2006 can be terminated any time between April 1, 2041 and March 31, 2046; but, in order to let the effective date fall into the window, notice must be served between April 1, 2031 and, at the latest, March 31, 2044. This mechanism was introduced *ex novo* with the 1976 Copyright Act: it therefore applies to transfers made after the coming-into-effect of the law (namely, after January 1, 1978). A different scheme applies to transfers made before that date, as specified in section 304 (c) and (d).<sup>52</sup>

The mechanism introduced by the above-mentioned provision is fairly convoluted. As mentioned above, this termination right is inalienable, or, in the terms of the Statute, it “may be effected notwithstanding any agreement to the contrary” (§ 203, 5). In other words, it is a constraint on the author's contractual autonomy. Now, what are the rationales for such limitation on the freedom of contract?

<sup>50</sup> LIONEL BENTLY, BRAD SHERMAN, *INTELLECTUAL PROPERTY LAW 275* (Oxford University Press 2001).

<sup>51</sup> *Macaulay (formerly Instone) v A Schroeder Music Publishing Co Ltd*, 1974 WL 41905 (HL).

<sup>52</sup> See J. COHEN, L. LOREN, R. OKEDIJI, M. O'ROURKE, *COPYRIGHT IN A GLOBAL INFORMATION ECONOMY* 185-188 (Aspen 2002).

A first justification lies in the so-called “second chance” argument that inspired the renewal-term scheme adopted by the US copyright since 1790, and that has characterized most of the common law copyright acts starting from the 1709 Statute of Anne. According to this scheme, the author or her assignee had the right of renewing the terms of copyright after it had expired (14+14 years in the 1790 Act, extended to 28+28 in 1909). This scheme was conceived basically to fulfil two purposes: enabling the exploitation of works with commercial value and permitting authors to have a second and maybe better opportunity to exploit their works after a first transfer of rights.

The latter also underpins the termination provision introduced in the 1976 Act, where a single term (life + 50 years) replaced the previous two-term scheme.<sup>53</sup> By enacting this provision the legislator intended to maintain the “second chance” – or, rather, to re-enforce it – in the amended statute. As pointed out in the 1961 Register’s Report, under the 1909 Act this “second chance” was *de facto* “thwarted” by the common practice of publishers to take advanced assignments of future renewal rights.<sup>54</sup> The termination provision was thus introduced and enforced by a non-waivability clause (§ 203 (5)).

The reason for granting to authors this “second chance”, which is not commonly enjoyed by other owners, lies in the specific features of contracting parties on the one hand and goods exchanged on the other. Unlike other contracts, the one between authors and publishers (in a wide sense) is characterised by a substantial difference in bargaining position. In principle, authors are likely to have weaker bargaining power, either because they are not as skilled as their counterparts in business matters, or because, being pressed for funds or the necessity to publish, they are more willing to undersell their works. Furthermore, the real commercial value of a work is difficult to foresee and to price fairly at the time the contract is signed. It seems reasonable, thus, to enable authors or their successors to renegotiate terms of the assignment, after a given time but before the work falls into the public domain, in order partially to correct this market failure. Yet the termination provision eventually had another *raison d’être*, namely the increasing importance of derivative works in the market-place for literary works, owing to the advent of the motion pictures industry. Since the realisation of a movie can sensibly increase the value of the underlying story, it is (or so it was deemed) fair to enable authors or their successors to regain this value in a further negotiation.

The US Copyright Act does not provide a termination right for the assignee’s non-use of the transferred rights, since authors do not have statutory or common law rights to have their work distributed or communicated to the public. Such a duty can therefore be imposed only by contractual clauses. Even in the absence of such a clause, however, in a number of cases the US courts have held transferees to an implied duty to a reasonable exploitation of the work.<sup>55</sup>

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<sup>53</sup> This shift from one system to another has been interpreted by Lawrence Lessig as an essential change in the US copyright from an “opt-in system” (where authors are requested actively to express their will to have their works copyrighted) to an “opt-out system” (where every work is protected by default, and authors can only express their wish *not* to copyright it). The life + 50 scheme was introduced into the US law in order to comply with the requirements of Berne’s convention. See comments on the decision *Kahle v. Gonzales* 9th cir. (2007) <<http://www.lessig.org/blog/archives/003691.shtml>> (last visited September 2007).

<sup>54</sup> Quoted in Stephen W. Tropp, “*It Had to be Murdered or it Will be Soon*” – 17 U.S.C. § 203 Termination of Transfers: A Call for Legislative Reform, 51 J. COPYRIGHT SOC’Y U.S.A. 797 (2004).

<sup>55</sup> Neil Netanel, *supra* note 35, at 61.

#### *D. Reviewing Restrictions on Contractual Freedom*

Restrictions on authors' contractual freedom have been criticised in many ways, by both scholars and courts, even before the advent of digitisation. These reviews have been conducted following three main perspectives: firstly, the economic impact of alienability restrictions on publishing contracts in general, i.e. regardless of specific statutory provisions; secondly, the relationship between authors and publishers and their bargaining power in the current marketplace; thirdly, the specific incongruities of the statutory provisions and the problems related to their enforcement.

In the following paragraphs each critique will be discussed as far as it relates to the NCDP herein discussed.

##### *1. The Law and Economics Perspective: Termination, Risk-shifting and the Author's Bargaining Position*

A first general critique of alienability restrictions is addressed by law and economics. Regardless of specific statutory provisions, economic analysis points out that introducing compulsory time restrictions in publishing contracts may weaken, instead of enhance, the author's bargaining position: "contrary to intuition, [...] these laws reduce the incentive to create intellectual property by preventing the author or artist from shifting risk to the publisher or dealer".<sup>56</sup> The reasoning is that authors and publishers are characterised by a different propensity to risk. Authors are normally risk-averse, whereas publishers are "risk-neutral because they have a portfolio of books and are corporations whose stakeholders can eliminate firm-specific risk by holding a diversified portfolio".<sup>57</sup> In publishing contracts the author shifts back to the publisher the risk of failure against the transfer of economic rights of exploiting the work. As a result, the author receives a sum of money whose amount depends on the respective bargaining power of each protagonist. In any case, an optimal solution for this exchange can be achieved if the author is enabled to shift the whole risk to the publisher, that is to say, to transfer economic rights for the entire duration of copyright. Any inalienable right to terminate would engender a sub-optimal solution, since at the date the contract could be terminated the work value is no longer uncertain. The period from the re-assignment term to the expiry of copyright is therefore cut off from the risk-shifting negotiated at the beginning. Having less risk to shift back, the author will receive a smaller amount of money in exchange for it.

The question is whether, and to what extent, the NCDP has effects comparable to the right to terminate a copyright contract.

Although different rationales underlie civil law rights to terminate for non-use, on the one hand, and the US termination provision, on the other, equivalence could be affirmed to the extent the work made available by the author exercising the NCDP competes with the commercial version marketed by the intermediary.

Some publishers would consider the two versions as competing, even in presence of a time shifting between them. The exercise of such provision could therefore be deemed *de facto* like the contract termination. A song made available on the Internet in digital format is equivalent to the "original" one distributed under the proprietary regime: on the other hand, however, they are not perfectly comparable insofar as the assignee is still entitled to claim copyright on derivative

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<sup>56</sup> WILLIAM M. LANDES AND RICHARD A. POSNER, *THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY* LAW 38 (Harvard University Press: 2003).

<sup>57</sup> *Id.*

works and on any commercial use of the song. The same consideration can be made with regard to photographs, videos and software. In the case of literary works the equivalence depends on the genre (entertainment, scholarly, etc.) but it is less strong than in the previous cases owing to the relevance of the material medium. At least to some extent, the critique addressed to inalienable rights to terminate also applies to the NCDP.

A further aspect must be considered. Although every author is entitled to use the NCDP, only authors not interested in commercially exploiting their works are likely to use it. There is no reason why an author willing to keep on exploiting her work will make use of the provision – unless the commercial value of her creation is diminished to such an extent that non-commercial dissemination becomes attractive by increasing the opportunities of “visibility”.<sup>58</sup> In this case though, the work made available for non-commercial purposes is no longer competing with the version previously marketed by the intermediary.

Here again a distinction must be made. When rights of economic exploitation are assigned or licensed against royalties, then the author will have fewer incentives to make use of the NCDP insofar as the work still has an economic value. Conversely, when transfers are made against a lump sum, then the author – having already realised the full revenue – will have less hesitation in using the provision. To sum up: the NCDP has effects comparable to the right to terminate only for works whose non-commercial on-line distribution competes with the commercial off-line one, and in the case of lump sum contracts. This effect may result in a general weakening of bargaining power for authors but this is balanced by the acquisition of a new (and for most authors more beneficial) power of disseminating works. Moreover, with regard to scientific publications, such a re-balancing of authors’ powers may enhance the practice of publishing upon contribution by authors (or their institutions), thereby favouring the development of “author-pays” business models.<sup>59</sup>

## 2. *The ‘Legal Paternalism’ Critique*

A further critique applies to the rationale underlying the adoption of alienability restrictions insofar as they aim at empowering authors’ bargaining position. Some scholars have addressed the question whether authors really need such assistance. The postulate under which authors have generally a weak bargaining position does not mirror the current market-place. Authors have literary agencies and lawyers negotiating their assignments: writers’ guilds can impose minimum standards for copyright transfers, which in some cases are very favourable to authors;<sup>60</sup> and many payments are eventually established in the form of royalties, thus removing the uncertainty surrounding future value.

This critique targets more generally a legislative attitude that can be termed “legal paternalism” towards authors.<sup>61</sup> According to this attitude, authors were structurally unable –

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<sup>58</sup> It is worth stressing that non-commercial dissemination does *not* prejudice the exercise of rights such as that of making derivative works. Therefore, non-commercial dissemination can still be used with a commercial aim – for instance, as a “second chance” to draw attention to the work. Examples of commercial uses of non-commercial disseminations are provided by MATTHEW RIMMER, *DIGITAL COPYRIGHT AND THE CONSUMER REVOLUTION: HANDS OFF MY IPOD* (Elgar 2007).

<sup>59</sup> As described in the Report of Wellcome Trust (*supra* note 17).

<sup>60</sup> Kathleen M. Bragg *The Termination of Transfers Provision of the 1976 Copyright Act: Is It Time to Alienate It or to Amend It?* 27 PEPP. L. REV. 769 (1999).

<sup>61</sup> Needless to say, this attitude is more entrenched in the European-continental approach to copyright.

either because inexperienced or because in a weak position – to make the best of their own business. Had this view ever been correct it is unlikely now to be consistent.

The question is whether the NCDP can reflect a “paternalistic approach”. In principle, it is not easy to assess the power authors have to negotiate a NCDP within the copyright contract. Some authors manage to impose Creative Commons licences on their publications, but not all have such bargaining power. The attitude of commercial publishers and dealers towards these authors’ claims is bound to change in the near future, when the use of “open access” approaches in distributing works becomes widespread.<sup>62</sup>

### 3. *The ‘Litigation Improvement’ Critique*

A third criticism relates specifically to the termination provision enacted in the US Copyright Act, and concerns some uncertainties that it engenders.

A challenging problem is to determine who, if anyone, holds the right to terminate. Provided that this right applies to “any work other than a work made for hire” (§ 203), the character of the work involved has to be assessed and, in case of co-authorship, who is legally entitled to exercise the right. Both aspects are potentially puzzling with regard to works combining multiple copyrighted elements, such as collective works, or mixing pre-existing contribution with new (and sometimes hardly definable) inputs. As it has been pointed out, in the US copyright system many of the current multimedia products “may involve hundreds of putative ‘authors’”,<sup>63</sup> and a single sound recording can have “easily a dozen or more potential co-authors”.<sup>64</sup> In these cases it may be arduous to draw a line between authorship and “work for hire” components so as to decide who holds the right to terminate. This problem is particularly striking in sound recordings, where uncertainties on whether such works can qualify as works made for hire looks like leading to a chaotic situation once the termination terms expire.<sup>65</sup> For all these reasons, the termination provision has been termed a “time bomb”<sup>66</sup> or, rather nicely, “permanent employment act for IP litigators”.<sup>67</sup>

These criticisms are not about the justification for the termination provision, but rather its effects. The problems pointed out stem from two grounds: the ambiguity in the “work for hire” doctrine, and the uncertainty in defining who is the “author”. These problems are made more acute because of the strong economic interests at stake. The termination provision, in fact, involves in practice a very small number of “highly successful works”, that is to say, works that still have a significant economic value after 35 years. In the case of sound recordings – which, as we have seen, are the most troublesome – “those works stem from the superstar of the music world”.<sup>68</sup>

The two uncertainties mentioned above (work-for-hire and author’s definition) are specifically referred to in the US copyright system. In the civil law system, however, these uncertainties are less relevant. On the one hand, works falling into the category of “works on

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<sup>62</sup> Jessica Litman, *The Economic of Open Access Law Publishing*, 10 LEWIS & CLARK LAW REVIEW 779 (2006). See also the 2006 EU Report on scientific publishing, *supra* note 17.

<sup>63</sup> Stephen W. Tropp *supra* note 54, at 821.

<sup>64</sup> David Nimmer & Peter S. Menell, *Sounds Recording, Works for Hire, and the Termination-of-Transfers Time Bomb*, 49 J. COPYRIGHT SOC’Y U.S.A. (2001) at 404.

<sup>65</sup> *Id.* at 319.

<sup>66</sup> *Id.* at 387.

<sup>67</sup> Stephen W. Tropp *supra* note 54, at 821.

<sup>68</sup> David Nimmer & Peter S. Menell, *supra* note 64, at 411.

commission” are more easily identified, and in any case their regime tends to be similar to that of works of authorship.<sup>69</sup> On the other hand, authors’ rights and related rights tend to be vested in identified categories of authors and related right holders, so as to make less complex the identification of those entitled to exercise the termination right for non-use. Furthermore, the presence of fewer problems is also traceable to the fact that works for which the right to terminate for non-use is exercised are often not exploited by the transferees because of the low economic value they represent. This is the opposite of the case for which the US provision is likely to be used.<sup>70</sup>

Hence, with regard to the NCDP, both purpose and effects are different from those of the US termination provision: firstly, it does not aim at providing authors with a “second chance” but with the possibility of disseminating their works after a first commercial exploitation; secondly, it has not the effect of legally terminating the transfer of rights. Surely the act of disseminating a work, even though within the limits of non-commercial uses, may at least in some cases clash with the copyright assignee’s or other co-authors’ interests. Since, however, there is no reason for authors of “highly successful works” to exercise the provision, no strong economic interests will probably ever be at stake, thus reducing considerably the grounds for litigation.

### III. PART TWO: HOW COPYRIGHT CAN INTEGRATE OPEN CONTENT LICENCES

#### A. *Where Open Content Licences Cannot Reach*

Besides the traditional criticisms we have mentioned in the last paragraph, it is necessary to point out that the incapacity of “duration restrictions” to perform their role has been increased since the advent of the digital environment and changes in creation and distribution processes initiated. In such an (inadequate) context, the augmented importance of non-commercial dissemination of creative works has led to the development of new web-based systems of licensing which take into account both creativity based on cumulative processes and the wide range of exploitation that authors can currently enjoy.

Although the increasing use of open-content licences has been diffused to enable the copyright communication function still to take place, nonetheless these licences have the unintended consequence that they contribute to the establishment of two separate paths for commercial distribution and non-commercial dissemination. Paths that converge with difficulty on marginal occasions. Furthermore, open-content licensing schemes present several obstacles to a harmonious fit with the current copyright legal framework.

Among the open content licences the most successful example is offered by the GNU-GPL licence that deals with the specific subject matter of software, and is tailored to its special features.<sup>71</sup> The specificity of software, coupled with the cohesion of FLOSS movement around the same licensing schemes, has made it possible to avoid the proliferation of different licensing models,<sup>72</sup> and has gathered together the efforts of upgrading and updating so as to maintain all

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<sup>69</sup> Lucie Guibault, Bernt Hugenholtz, *supra* note 31, at 26.

<sup>70</sup> See *supra* text accompanying notes 67-68.

<sup>71</sup> Literature on the open source model has widely increased over the last decade. See, among many, Lucie Guibault et al., *Study on the Implementation and Effect in Member States’ Laws of Directive 2001/29/EC on the Harmonisation of Certain Aspects of Copyright and Related Rights in the Information Society*, Institute for Information Law University of Amsterdam The Netherlands 150 (February 2007).

<sup>72</sup> Ira V. Heffan, *Copyleft: Licensing Collaborative Works in the Digital Age*, 49 STAN. L. REV 1487 (1997).

the GPL subsequent versions coherent with both the initial purpose and the new developments undertaken.

This phenomenon has proved difficult to imitate when digital content different from software is at stake, because of the multitude of works that fall under the generic term “digital content” and the various purposes that authors of digital works may aim at. The most popular example of open-content licences for digital content is offered by the Creative Commons facility,<sup>73</sup> which seeks to adapt the GPL principles to entertainment contents by providing authors with a flexible tool to spread their works for purposes going from dedication to the public domain to commercial exploitation.<sup>74</sup> Although the Creative Commons movement is experiencing wide diffusion and its licences have been “ported” in more than forty countries, the licence schemes proposed need to fit within every single jurisdiction.<sup>75</sup> This is likely to present compatibility problems in both common and civil law countries. Indeed, while software copyright protection is a single and more recent issue – whose protection is thus partially harmonised across copyright statutes – when digital or digitised works are considered, the differences in the protection that national copyright laws offer to the subject matters they relate to are still wide open (notwithstanding the on-going international and regional harmonisation process) to the extent of compromising the effectiveness of open-content licence’ adoption.

The point to stress with regard to open-content licences is that at present the models available for digital content dissemination are unlikely to succeed in fully restoring the copyright communication function as originally envisaged. As the statutory mechanisms mentioned fail to keep this function alive in the digital environment, similarly, the open- content licences – initially thought to accomplish this goal on their behalf – encounter impediments deriving from the current copyright legal framework. Both common and civil copyright laws have not been amended to encompass such models, or permit commercial and non-commercial exploitations to take place within the same sphere without damaging each other. The NCDP is, however, more likely to succeed in bridging the gap between the two now alternative spheres, and to amplify the use of open access models by enabling authors to walk the non-commercial path once the commercial exploitation has taken place (or does not take place for external reasons).

The criticism so far of open-content licences focuses on the most popular model offered by the Creative Commons. The main critiques concern the shift of power from the hands of intermediaries to the hands of authors and licences’ enforceability against third parties:<sup>76</sup> the intersection with rights management through collecting societies and the definition of non-commercial;<sup>77</sup> and, finally, the incompatibility with exclusive transfers.<sup>78</sup> The latter is the topic herein explored as central to our purpose of demonstrating the need for a NCDP.

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<sup>73</sup> See Lucie Guibault et al., *supra* note 71, at 152.

<sup>74</sup> Mark Fox, Tony Ciro and Nancy Duncan, *Creative Commons: An alternative, Web-Based Copyright System*, 16 ENT. L.R. 111 (2005).

<sup>75</sup> Maria Bogataj Jančič and Hendrik Westhelle, *Freeing Culture’ in Continental Europe: Legal Challenges in Adapting the Creative Commons Licence in Austria, Germany, the Netherlands, and Spain*, WIPO-Turin Course Collection of Research Papers (2004).

<sup>76</sup> Niva Elkin-Koren, *What Contracts Cannot Do: The Limits of Private Ordering in Facilitating a Creative Commons*, 74 FORDHAM L. REV. 375 (2005).

<sup>77</sup> Maria Bogataj Jančič and Hendrik Westhelle, *supra* note 75.

<sup>78</sup> Association Littéraire et Artistique Internationale (ALAI), *Memorandum on Creative Commons Licences*, available at <[www.alai-usa.org/recent\\_developments.htm](http://www.alai-usa.org/recent_developments.htm)> (2006).

### B. Open Content Licences and Exclusive Transfers

Under current copyright statutes authors can transfer their rights by exclusive or non-exclusive licences in both civil and common law systems. The rule tends, however, to be the exclusivity of the transfers unless otherwise agreed. This is expressly stated in most of the continental European copyright acts (such as those of France and Italy), where commercial exploitation rests on exclusive licences unless excluded. In common law countries such a principle is not expressed but implied, owing to the more liberal attitude adopted in interpreting copyright contracts.<sup>79</sup>

It is obvious that once a first exclusive licence has been granted, the right holder cannot stipulate a second licence, even when the former had commercial purpose and the latter pursues non-commercial goals. An author seeking commercial distribution of her work is therefore prevented from disseminating it under a non-commercial licence for the whole period an exclusive licence for commercial exploitation is granted. While this is always the case when commercial exploitation has already taken place and the transfer is still in force, it is not always the case when commercial exploitation has not, and will not, take place for reasons attributable to the intermediary. In the former (the commercial exploitation has already taken place), the author will never be able to adopt an open-content scheme until the transfer expires, even if her interest in having her work distributed becomes non-commercial. In the latter (the commercial exploitation is not taking place as agreed in the transfer), the case appears partially improved where termination rights or equivalent provision are available in national copyright laws. Such rules, however, are not often invoked and applied since they require a high degree of awareness and determination.

On the other hand, even when the licence granted is non-exclusive, the author's position presents a severe drawback in relation to her economic reward for her creative activity. As a matter of fact, the author's purpose of simultaneously proceeding to commercial exploitation via a commercial licence, and non-commercial dissemination via an open content licence, does not realistically consider that the latter makes the work less appealing to the intermediaries that operate the former. Non-exclusive are definitely less interesting – therefore less valuable – than exclusive licences and their value may even decrease when the intermediary fears that her revenues may be hindered by the free availability of a work she is going to acquire the right on, even though availability is in other formats and by other means.

All this implies that the mutual exclusivity between non-exclusive open-content licences and exclusive licences might not present a problem for authors seeking the mere dissemination of their creations (as in the case of “amateurs”, and, partially, academics). Nevertheless it impedes the establishment of an efficient system under which commercial exercise of rights can, *after a given time*, coexist with a non-commercial exercise, and even take advantage of synergies deriving from the use of both channels. It is exactly this problem that the NDCP's implementation would overcome by entitling authors willing to exploit their works non-commercially actually to do it when the circumstances illustrated below are met (§§ 2.4.1 and 2.4.2).

Even though the issue of exclusivity of transfers may appear troublesome enough among those raised by the adoption of open-content licences, it is still much less troublesome than the

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<sup>79</sup> Neil Netanel, *supra* note 35, at 70.

problem arising from the interface between open-content licences and collective management of rights.<sup>80</sup>

We have seen that exclusive licences impede any other exercise of the transferred rights – regardless of the purpose it would have – as long as the transferee holds the right. Transferees are usually entitled to exercise the rights indicated in the agreement or those necessary to the contract purpose, while transfers of the whole of (economic) rights are usually discouraged. There are, however, countries where, if the transferee is a collecting society, this is automatically vested with the whole huddle of rights for which they will negotiate licences with the producers (intermediaries) on the authors' behalf. Such devolution of rights is not only exclusive by law, but it also requires possession of all authors' economic rights, and extends to both commercial and non-commercial exploitation. This was the case, for example, in Italy where, before July 2007, even in the absence of commercial exploitation by any producer, the author (voluntarily) adherent to the Italian collecting society (SIAE) could not have proceeded to exercise her rights non-commercially as this was not permitted under the SIAE's by-law governing the relationship between the society and the authors adherent. Those provisions have, however, been recently amended,<sup>81</sup> and now, according to art. 11 of SIAE's by-law, authors who follow a specific procedure can keep their "making-available" rights. This enables them to licence, on a non-exclusive basis, the exercise of their rights for commercial exploitation through the collecting society, and still disseminate their works on the Internet on a non-commercial basis.<sup>82</sup>

Other countries' authors face the same difficulties experienced by Italian authors before the amendment mentioned above. At least this seems to be the thinking of the Association Littéraire et Artistique Internationale (ALAI) which, in a Memorandum on Creative Commons Licences, warns that: "If the collecting society requires the author to grant it exclusive communication rights, then the author will not be able to enter into a CC licence. ... Also, it should be noted that at least in some countries, collecting societies, according to their by-laws, require that an author entrust *all* of her works to the collection society. Where this is the case, authors cannot have the rights of some of their works exercised by collecting societies and, at the same time, place other of their works under a CC licence. Rather, they are left with the choice only of either having all of their works handled by collecting societies or placing all of their works under a CC licence".<sup>83</sup>

The ALAI's position appears technically incontrovertible unless adjustments similar to the Italian one are envisaged. Moreover, this view seems not only to stifle the adoption of open-content licences, but also to limit the implementation of the provision here proposed. In fact, as long as both commercial and non-commercial exploitation are mandated to a collecting organisation, there seems to be no room to exercise the mechanism envisaged by the NDCP. It must be borne in mind, however, that the NDCP confers an inalienable and unwaivable right to non-commercial exploitation when the specific circumstances detailed below are met. Even when the case is still that envisaged in the ALAI's documents (and no amendments have been adopted), it is therefore unlikely that any by-law could overcome a statutory provision such as the NDCP. It thus emerges again that such provision, by enabling authors to exercise non-

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<sup>80</sup> Id. at 4.

<sup>81</sup> Regolamento Generale della Società Italiana degli Autori ed Editori, approvato dall'Assemblea nella riunione del 13 giugno 2007, available at <[http://www.siae.it/bg.asp?click\\_level=1400.0400.0200&link\\_page=siae\\_regolamento.htm#doc](http://www.siae.it/bg.asp?click_level=1400.0400.0200&link_page=siae_regolamento.htm#doc)>.

<sup>82</sup> Needless to say, both the wide use of Creative Commons licences among Italian authors and the activity of Creative Commons in Italy played a significant role in achieving the amendment.

<sup>83</sup> ALAI, *supra* note 78, at 4.

commercial exploitation, augments the use of open-content licences. In the absence of the NDCP, by-laws of collecting organisations similar to the former Italian one would inhibit authors adherent to the organisation from adopting open-content licences, whereas, in the presence of the NDCP, authors can lawfully exploit their works for non-commercial purposes.

### C. 'Open Access' Policies and Statutory Amendments

Over the last few years some initiatives have been undertaken in order to facilitate the adoption of "open-access" standards in relevant fields of cultural and scientific production where some of the problems mentioned above are not experienced.<sup>84</sup> Private and public research-funding agencies have started to adopt policies to provide free on-line access to articles and papers arising from researches carried out with their funds. According to this policy, scientists and institutions who receive research grants, and who publish the results in a peer-reviewed journal, are committed to deposit a digital copy of that article in an on-line digital library.<sup>85</sup> This issue has also been repeatedly stressed at a political level. In 2004 the British parliament issued a comprehensive document on scientific publishing where, *inter alia*, it was recommended that the deposit of articles in open-access repositories became a condition for receiving funds from governmental agencies.<sup>86</sup> A similar recommendation has been made recently by the European Research Advisory Board of the European Commission, and it has already been implemented by communitarian funding agencies.<sup>87</sup> The system adopted according to these policies usually provides for a minimum time-shift between the first publication in scientific journals and the deposit in open archives.<sup>88</sup> Yet a more radical proposal was launched by an American congressman in June 2003: the so-called "Sabo-Bill" would introduce an amendment to the US

<sup>84</sup> Most of the initiatives are subsequent to the Berlin Declaration on Open Access to Knowledge in the Sciences and Humanities, 22 October 2003 <<http://oa.mpg.de/openaccess-berlin/berlindeclaration.html>>.

<sup>85</sup> This policy was first adopted by the National Institutes of Health (NIH), the largest funder of medical research in the US, in July 2004 (the statement came into effect in May 2005). Shortly afterwards similar statements were announced or implemented by many research-funding agencies (both governmental and non-governmental, e.g. the Wellcome Trust), research institutes and universities in different countries. See M. Dewatripont et al, *Study on the Economic and Technical Evolution of the Scientific Publication Market in Europe* Final report, Commissioned by Directorate-General for Research, European Commission 69 (January 2006) available at <[http://ec.europa.eu/research/science-society/pdf/scientific-publication-study\\_en.pdf](http://ec.europa.eu/research/science-society/pdf/scientific-publication-study_en.pdf)>.

<sup>86</sup> The proposal reads: "We recommend that the Research Councils and other Government funders mandate their funded researchers to deposit a copy of all their articles in their institution's repository within one month of publication or a reasonable period to be agreed following publication, as a condition of their research grant. An exception would need to be made for research findings that are deemed to be commercially sensitive" (House of Commons, Science and Technology Committee, *Scientific Publications: Free for all?*, Tenth Report of Session 2003-04, 102 <<http://www.publications.parliament.uk/pa/cm200304/cmselect/cmsstech/399/399.pdf>>).

<sup>87</sup> "The Commission should strongly encourage all Member States to promote open access publication policies for all their publicly funded research", European Research Advisory Board, *Scientific Publication: Policy on Open Access* Final Report, 12 December 2006 <[http://ec.europa.eu/research/eurab/pdf/eurab\\_scipub\\_report\\_recomm\\_dec06\\_en.pdf](http://ec.europa.eu/research/eurab/pdf/eurab_scipub_report_recomm_dec06_en.pdf)>.

<sup>88</sup> For example, Wellcome Trust binds its grantees to deposit their articles *within six months from publication* in the PubMed Central open archive. See *Wellcome Trust position statement in support of open and unrestricted access to published research*, available at <[http://www.wellcome.ac.uk/doc\\_WTD002766.html](http://www.wellcome.ac.uk/doc_WTD002766.html)> (last visited September 2007).

Code in order “to exclude from copyright protection works resulting from scientific research substantially funded by the Federal Government”.<sup>89</sup>

In the course of the discussion regarding the reform of the German copyright law, the viability of a statutory provision for making available the results of publicly-funded research has been explored.<sup>90</sup> Here a different approach is taken. Rather than making the open-access availability of research results *mandatory* for researchers who receive funds, it is the grant-aided researcher who is vested with the *right* to make her published results available in open-access repositories after the first publication. In the proposed formulation of the provision no mention is made of any “open access” standard, but it is expressly established that the further publication must have “no commercial purpose”. The article would read: “As to scientific essays arising from research and scholarly activity predominantly financed by public funds and published in journals, the author who has transferred his exclusive right of communication shall have the right of making accessible the essay six months after the first publication with any other means, provided they are not finalised to commercial purposes”.<sup>91</sup> In this formulation, the exception to exclusive licensing is narrowly construed in order to cover only a specific category of copyrightable works (“scientific essays” resulting from “predominantly publicly funded” research activities). The statutory term of six months from the first publication should ensure a fair economic return for the commercial intermediary to whom the exclusive right to communicate the essay to the public has been transferred.

Although this statutory provision and the above-mentioned policy recommendations are likely to produce similar effects (in both cases the use of open access standards for spreading scientific knowledge would be improved), the ways wherein they achieve this purpose are more divergent than might appear at first glance. On the one hand, policies recommending that the deposit of articles in open-access archives became a condition for receiving grants (both from governmental and non-governmental sources) rely on a sort of *dirigisme*, whereby authors are mandated to adopt a settled legal behaviour. On the other hand, the drafted statutory provision results show a more neutral attitude towards the use of research results. It simply vests a specific category of authors with a right, without laying down conditions as to its use.

#### *D. Improving Access to Knowledge Through the Enhancement of Authors’ Rights: The ‘Non Commercial Dissemination Provision’ (NCDP)*

The NCDP shares the approach underlying this latter proposal, but is designed differently. In the first place, it is not bound to a specific category of works, namely “scientific” works arising from “funded” research, but it is conceived as a general principle applicable to *every* copyrightable work.<sup>92</sup> In the second place, the time-shift between first publication and second use is not statutorily established but results from a further requirement. Such requirement is the “exhaustion of the commercial value” of the work.

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<sup>89</sup> *Public Access to Science Act* (HR 2613) <<http://thomas.loc.gov/cgi-bin/query/z?c108:H.R.2613>> (emphasis added). This bill, which would raise many doubts as to the compliance with the Berne Convention’s essential requirements (see e.g. art. 2(1)), is no longer on the US political agenda.

<sup>90</sup> Gerd Hansen, *Zugang zu wissenschaftlicher Information – alternative urheberrechtliche Ansätze*, 20 GRUR INT. 378 (2005).

<sup>91</sup> *Id.* at 387.

<sup>92</sup> It is worth pointing out that normative copyright does not, in principle, make any distinction as to the “origins” or the “purpose” of the work. Such a *neutrality* of copyright law is a relevant issue in order to safeguard freedom of expression.

The NCDP relies on the belief that authors and artists are not *per se* inclined to make use of all the exclusive rights copyright law confers on them, and that it is in their interest to facilitate access to their own works whenever the maintenance of full copyrights inhibits it. Moreover, it is based on the idea that the destination of a work is to be decided by its author(s), and that this decision should not, in principle, be delegated to any external “entity” (government, society at large, “public welfare”, etc.). Like the above-mentioned statutory proposal, the NCDP does not limit but on the contrary *enhances* the rights conferred to authors. Yet such enhancement does not strengthen the proprietary regime but rather mitigates it.

In the following sections we will elucidate in detail the functions of the NCDP.

### 1. *Terms of Use of the NCDP*

According to the NCDP, after a first exclusive licence has been granted authors are still entitled to distribute and communicate to the public their works when the following conditions are met:

- 1) Further distributions and communications do not have commercial purposes;
- 2) The work is distributed and communicated as a web digital resource; and
- 3) The work has exhausted its initial commercial value.

*As to 1.* This condition means not only that the work must be distributed for free, but also that only non-commercial uses of the works are allowed. This condition mirrors the clause “Non-Commercial” of the Creative Commons licences, which in its “unported” version reads: “*You may not exercise any of the rights granted to You [...] above in any manner that is primarily intended for or directed toward commercial advantage or private monetary compensation.*”<sup>93</sup> According to this *first condition*, authors having been granted an exclusive licence are still entitled to distribute the same work under any non-exclusive licence, provided that the rights granted with such a licence are not exercised for commercial purposes. Since the exercise of the NCDP does *not* terminate the first exclusive licence, any uses breaching the non-commercial clause still remain under the control of the licensee. Thus, for example, a song distributed under a non-commercial clause can be heard and re-distributed for free, but if a filmmaker decides to use it as a soundtrack in a (commercially distributed) film, she has to obtain authorisation from, and to negotiate the terms of use with, the author(s) or her (their) licensee(s).

*As to 2.* Since the NCDP is designed to cope with the dissemination of knowledge over the Internet, this condition appears obvious. It is, however, important to state it explicitly, in order to avoid a possible conflict between the first commercial use of the work and the second non-commercial dissemination. We must bear in mind that the justification for the NCDP is to improve access to knowledge, and this implies that works for which authors use the provision are made available to the public in the broadest and most efficient way.

*As to 3.* This condition represents the core of the proposal. It is clear that, in order to avoid collision with the first commercial distribution and communication to the public, the non-commercial dissemination must begin after a given time-shift, within which the sale potential of the work has been substantially worked out. In other words, the NCDP can be exerted only when the work no longer has a commercial value that justifies the continuation of the exclusive licence. It is generally known that determining whether a product still has a commercial value is

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<sup>93</sup> See at <<http://creativecommons.org/licenses/by-nc/3.0/legalcode>>.

not an easy task, since it implies taking into account a wide range of factors, and that task is even harder in the case of so-called “cultural products”.<sup>94</sup> We have discussed above the conventional case of books (or plays or songs), which have apparently lost any commercial appeal, which suddenly shoot to the top of the sales figures after being discovered by the film industry. Yet the case of works having fame and commercial success only after a long initial period of obscurity, and even *post mortem auctoris*, is not uncommon. As far as the fate of a work of creativity is unpredictable, one can say that the commercial value of such works is never exhausted, at least potentially, until the expiry of its copyright term. On the other hand, though, only a very small number of works is deemed actually to have a commercial value at the end of copyright terms.<sup>95</sup> Regarding this general situation, we can therefore consider the “commercial value” in a narrow sense as the actual capacity of a work to engender revenues at a given time, regardless of its unknown potential. This seems to be a sufficient criterion to outline the basic condition according to which the NCDP can be executed, since, as repeatedly stressed, the provision does not terminate any previous grant. In the following we draft a tentative test to determining *ex post facto* the exhaustion of commercial value for works of authorship.

## 2. Tentative Test for Determining Whether the Terms of Use Are Met

The first question to be addressed is whether the work is still actually marketed, that is to say, whether it can still be purchased by anyone willing to enjoy it. The fact that a work is no longer available through the usual distribution channels is sound evidence that its commercial value is exhausted, at least provided that the work has no other substantial means of exploitation. This may happen either because the licensee has no other economic rights (for example, she has only the exclusive right to communicate to the public but not that of making derivative works), or because the work is such that it can be exploited only through limited means (for example, a scientific book is not likely to give birth to derivatives). The caution of “other substantial means of exploitation” is particularly relevant for works that are usually distributed through different channels, such as films and, to a growing extent, songs. For such works, the unavailability via the usual distribution channels must be considered in the light of other possible means of exploitation available, even if not used at that moment.

On the other hand, not all works officially “on the market” have commercial value. Publishers can keep titles in their catalogue even if they do not sell a single copy of that book for years. The same occurs for record companies, whose back catalogue can be full of songs which are no longer exploited.<sup>96</sup> The second question to be addressed is therefore whether the work has engendered *substantial revenues* in the last few years. A book selling a handful of copies for two years can be fairly considered as having exhausted its commercial value.

A last relevant point to be stressed is whether, and to what extent, the work has been subsidised. Some commentators have recently turned the spotlight on the scientific publishing industry, where it is customary (at least in some countries)<sup>97</sup> to have books and journals fully, or

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<sup>94</sup> See generally RICHARD E. CAVES, *CREATIVE INDUSTRIES: CONTRACTS BETWEEN ART AND COMMERCE* (Harvard University Press 2000).

<sup>95</sup> William Landes and Richard Posner, *supra* note 56, at 212.

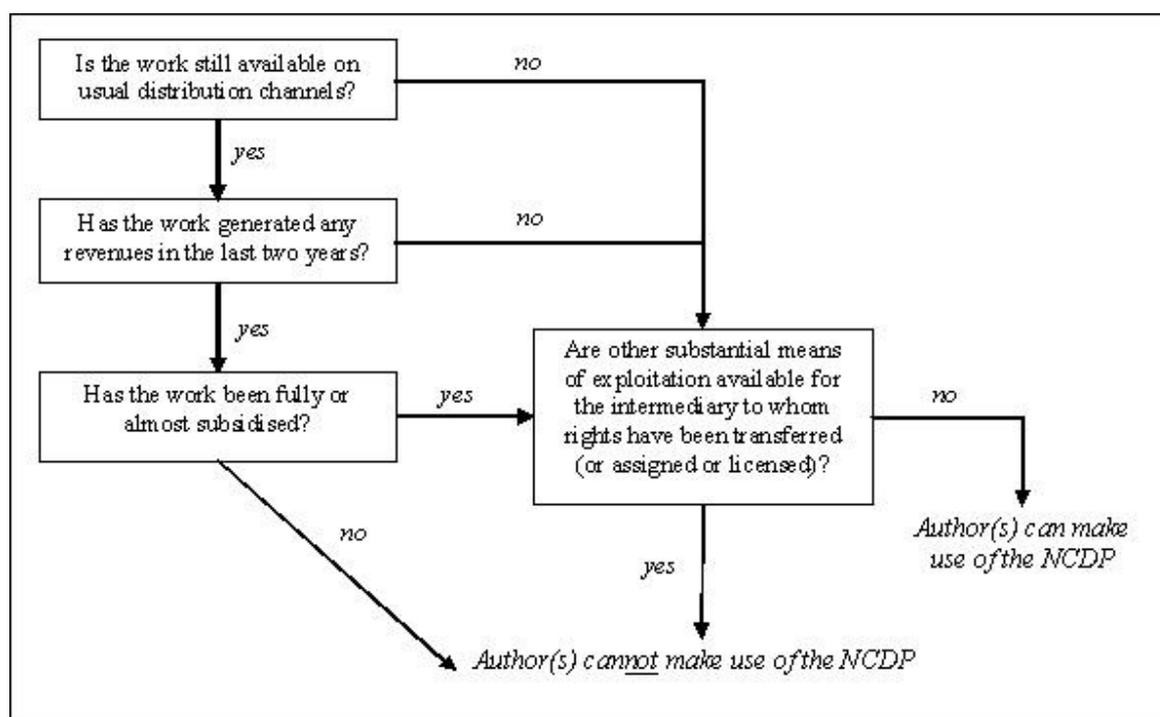
<sup>96</sup> In such cases, though, we should bear in mind that the back catalogue itself, as a whole, represents a commercial asset for the company. Even if a single piece of music “as such” has exhausted any commercial values, it can still have a value as a part of a catalogue. In our test, this use ought to be carefully weighted as an “alternative means of exploitation”.

<sup>97</sup> E.g. Italy.

almost fully, subsidised by authors or their institutions.<sup>98</sup> Similar cases may also occur in other branches of the cultural industries, where authors and artists may be charged for the production and distribution costs of their works when rights have been licensed to intermediaries. In these cases, where the intermediary has recouped her investment even before marketing the work, it is reasonable to make use of the NCDP even when the commercial value is not exhausted, with the only caution that other possible means of exploitation, not covered by the initial funding, may still be (not only theoretically) available.

The flowchart in Figure 1 summarises the proposed test.

FIGURE 1 – TEST FOR ESTABLISHING THE EXHAUSTION OF COMMERCIAL VALUE (FLOWCHART)



### 3. The Enforcement of the NCDP

Hitherto we have considered the NCDP as a statutory norm, i.e. as brand new *conditional* author's right of disseminating works for non-commercial purposes regardless of any licence previously granted. This provision should integrate with the current set of statutory alienability constraints. The scheme adopted in Germany with the termination right for non-use (see above § 3.1.2) can be taken as a basis for shaping such brand new provision aimed not at terminating grants, but rather at re-assigning to authors the right of exploiting their work for non-commercial purposes whenever the work has exhausted its initial commercial value. As statutory provision, the NCDP should read in these terms: *Regardless of any grant, authors shall be entitled to distribute and communicate to the public their works as a web digital resource for non-commercial purposes whenever the exercise of rights granted for commercial purposes no longer*

<sup>98</sup> Chris Armbruster, *Cyberscience and the Knowledge-Based Economy, Open Access and Trade Publishing: from Contradiction to Compatibility with Non-exclusive Copyright Licensing*, (October 2006). Available at SSRN: <<http://ssrn.com/abstract=938119>>.

*engenders substantial revenue.*<sup>99</sup> This right ought to be inalienable and unwaivable. Moreover, this provision should be enforced by amendment of neighbouring statutory provisions and introduction of related conditions:

- 1) A compulsory formal notice to licensees shall be requested. The latter can express disagreement within a statutory given period.
- 2) In case of disagreement, burden of proof shall rest with licensees. In other words, transferees must show evidence that the work *is* engendering revenue.
- 3) Accounting data about the sale of the work must be freely available to the author.

As repeatedly stressed, the execution of the NCDP does not terminate grants. Assignees and licensees will not therefore lose any right they have been previously granted, particularly rights for derivative works, translations and the like. At the same time, an author disseminating her work under a non-commercial provision is entitled to authorise *any* non-commercial use of her work, including making derivative works, translations and so on, provided that the latter are licensed under non-commercial provision in turn. Although the “viral” effect of this licensing may jeopardise transferees’ interests in derivative works, a wider dissemination of works that have exhausted their commercial exploitation may bring alive a new interest in making commercial derivative works which have to be authorised by the right holder.

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<sup>99</sup> The wording “engendering substantial revenues” seems the most appropriate to define statutorily the exhaustion of commercial value.