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## **The Digitising of Literary and Artistic Works\***

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### 1. Introduction

Digitalisation is changing the landscape of copyright. Digital exploitation is fundamentally different from exploitation in material form. Domestic legislatures have to rebalance the interests within the triangle of (1) authors and performing artists, (2) commercial exploiters (publishers, phonogram producers etc.) and (3) end-users. Digitalisation gives rise to two fundamental concerns: on the one hand, the technical means of copying and distributing works electronically threaten the commercial interests of rightholders and thereby risk affecting the incentive structure of copyright law to the extent that illegal content may be accessed easily on the Internet by consumers, thus reducing the willingness of consumers to pay. This problem may be overcome by the application of technical protection measures and digital-rights-management systems (DRMs) that control access to and use of works in digital form and thereby enable the entertainment industry to migrate from the offline to the online world. On the other hand, legal protection of new digital business methods calls into question on prior decisions by the legislature in the field of copyright. General legal protection of technical protection measures against circumvention, at least today, cannot adequately mirror the complex weighing of interests that is based on rules on exceptions and limitations to copyright protection. In addition, digital marketing will most likely be concentrated on large Internet platforms well-known to consumers. This may increase the dependence of

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\* Session IIIB1. National reports received from: Belgium, C. Thiry; Canada, Y. Gendreau; Croatia, E. Gliha; France, C. Caron; Germany, G. Spindler; Greece, D. Kallinikou; the Netherlands, F.-W. Grosheide; South Africa, L.-A. Tong; United Kingdom, H. MacQueen & C. Waelde; US, H. B. Abrams.

individual authors and performing artists on large commercial exploiters (publishers of music and literary works, former phonogram producers), who, in the future, may well control such platforms.

The technical and economic challenges arising from this new technology need to be faced by all copyright jurisdictions irrespective of whether they belong to the Anglo-Saxon copyright tradition or the continental European *droit d'auteur* tradition. The following report is based on country reports that reflect both traditions. Six of the ten reporting countries belong to the European Union, where Community legislation has largely harmonised copyright law. Another country (Croatia) has applied to become a EU Member State and has to implement EC copyright directives according to an obligation arising from an international agreement with the EC and its Member States.<sup>1</sup>

Most strikingly, international law has defined common features of the law in all states at a very early time. Already in 1996, within the World Intellectual Property Organisation (WIPO), states from all around the world agreed on two treaties, the World Copyright Treaty (WCT) and the World Performances and Phonograms Treaty (WPPT),<sup>2</sup> that were thought to adequately respond to the digital challenge to international copyright law at a time when experts still had a long way to go to understanding all the details and problems digitisation would bring. All of the countries considered in this report, plus the European Community as such, have signed these two treaties. However, the two agreements have only come into force for two of those countries so far, namely the United States and Croatia. Nevertheless, both agreements proved to be very important for legislation in all countries from the very beginning. The United States modified its copyright law in 1998 by adopting the Digital Millennium Copyright Act (DMCA).<sup>3</sup> The European Union reacted similarly with the so-called Information Society Directive.<sup>4</sup> The Directive had to be implemented by EU Member States by 22 December 2002. Whereas Croatia and some Member States considered here, namely Belgium, Germany, Greece, the Netherlands and the United Kingdom, have implemented the Directive, implementation was still pending in France at the time of writing of this report. Canada still has to bring its law in line with the WIPO treaties. Adoption of Bill C-60 of 20 June 2005 was prevented by the dissolution of the Canadian Parliament at the end of 2005.

Three of the following questions are closely linked to the regulatory framework of the WIPO treaties and the European Information Society Directive. These questions relate to

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<sup>1</sup> See Art. 71(2) Stabilisation and Association Agreement of 29 October 2001 between the European Community and its Member States, of the one part, and the Republic of Croatia, of the other part, OJ EC 2005 L 26, p. 3.

<sup>2</sup> Both Treaties were concluded on 20 December 1996. The WCT entered into force on 6 March 2002, the WPPT on 20 March 2002.

<sup>3</sup> Signed by the US President on 28 October 1998.

<sup>4</sup> Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, OJ EC 2001 No. L 167, p. 10.

the recognition of the electronic reproduction right and the making-available right as new exclusive rights (*infra* 2.1), the regime of limitations and exceptions in the digital environment (*infra* 2.2) and legal protection of technical measures and rights-management information as the basis for the application of DRMs and commercial digital exploitation (*infra* 2.4). With regard to limitations and exceptions, the questionnaire presented to the country rapporteurs also asked whether domestic laws would allow an extension of protection by contract law (*infra* 2.3). The remaining four questions relate to problems that were not addressed by the WIPO treaties. Digitisation, especially of older literary works, and their being made available in the form of databases would produce large benefits to consumers. However, publishers may have problems clearing all rights needed from authors who did not think of transferring rights for digital use at a time when such use was unknown. Therefore the questionnaire investigates potential solutions to this problem under domestic laws (*infra* 2.5). The Internet enables rightholders to market their works and detect infringement of works in the digital environment themselves. Therefore, it is quite questionable whether collecting societies are really needed for the administration of digital rights. This is why the questionnaire enquires about the role of collecting societies in administering digital rights (*infra* 2.6). Large-scale infringements of copyright on the Internet occur in the framework of file-sharing networks in particular. Since suing single providers of illegal files (direct infringers) in such networks may be difficult for lack of information and will not promise sufficient effect, rightholders would like to sue the Internet service providers who control such networks and providers of file-sharing software. Whether such persons can be held liable may be questionable under domestic laws. Another problem is whether setting a link to content on another website may cause liability. These issues are discussed under the heading of secondary liability (*infra* 2.7). Infringement on the Internet has potential global scope. Therefore the questionnaire also refers to the dimension of private international law and finally requests information about the principles according to which domestic laws are applied when files are made available by persons in one country to the public worldwide (*infra* 2.8).

## 2. Questions and Analysis of the Answers

### 2.1. Exclusive Rights

#### 2.1.1. Does your law include, as part of the exclusive reproduction right, the right to authorize temporary reproduction, and if so, through an explicit provision or an interpretation on the basis of a non-specific provision?

As background to the answers regarding temporary reproductions, it should be mentioned that the Agreed Statement to Article 1(4) of the WIPO Copyright Treaty (WCT) of 1996 clarifies that the reproduction right also applies in the digital environment and that, in particular, electronic storage constitutes a form of reproduction. This Agreed Statement as well as the explicit inclusion of “temporary” reproductions in Articles 7 and 11 of the WIPO Performances and Phonograms Treaty (WPPT) are reflected in Article 2 of the EC Information Society Directive.<sup>5</sup> In addition, Article 5(1) of that Directive provides for an obligatory exception in respect of specified temporary acts of reproduction.

Accordingly, it is not astonishing that temporary acts of reproduction are covered by the exclusive reproduction right of the author in most European copyright laws. The only exception is Article 13a of the Dutch Copyright Act, which exempts the act of temporary reproduction covered by Article 5(1) of the EC Information Society Directive from the scope of the reproduction right.<sup>6</sup> However, it is not clear from the Dutch country report whether other temporary reproductions than those explicitly exempted from the scope of the reproduction right are covered by that right.

The other European laws (including the one of Croatia) covered by this general report include temporary reproductions within the scope of the reproduction right. Most of them explicitly mention temporary reproductions to be covered (Belgium, Croatia, Germany, Greece and the United Kingdom),<sup>7</sup> be it as a consequence of the implementation of the EC Information Society Directive (Belgium, Croatia, Germany and Greece) or irrespective thereof (the UK has covered temporary acts of reproduction in an explicit provision since 1988). In France, temporary reproductions had already been recognised as being covered by the author’s reproduction right long before the implementation of the EC Information Society

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<sup>5</sup> *Supra* note 4.

<sup>6</sup> The general rapporteur of this part believes that this implementation does not correspond to the contents of the Directive, because a limitation is not of the same legal nature as an exemption from the scope of the right. In particular, limitations under the Directive are also subject to the three-step test in Article 5(5) of the Directive.

<sup>7</sup> Article 1 §1(1) Belgian Copyright Act; Article 19 Croatian Copyright Act; §16 (1) German Copyright Act; Article 3(1)(a) Greek Copyright Act and Section 17(6) Copyright, Designs and Patents Act 1988 (CDPA 1988) of the United Kingdom (UK).

Directive, namely by a judgement of the Supreme Court (“Cour de cassation”) in 1985.<sup>8</sup> The French report also notes that temporary acts of reproduction have explicitly been recognised to be covered by the reproduction right in respect of computer programs.<sup>9</sup>

Also, the Belgian report notes that scholarly writing and case-law had a tendency to consider temporary reproductions to be covered by the author’s reproduction right even before the implementation of the EC Information Society Directive. The Croatian report mentions in addition that the Croatian law includes general provisions on the content of authors’ rights, providing the author with direct and absolute legal power over his or her work – a power which is notionally unlimited and covers every kind of exploitation. At the same, it is subject to general and special limitations on the exercise of authors’ rights. The general provision on the content of authors’ rights is supplemented by specific rights such as the reproduction right as defined in Article 19 of the Croatian Copyright Act. These rights, however, do not limit the content of authors’ rights as laid down in the general provisions. This is different from related rights, where the specific provisions define and also determine the contents of the rights.

Under US law, temporary acts of reproduction are not explicitly mentioned, but their coverage by the reproduction right can be concluded from a combined application of the reproduction right and the definitions of “copies” and “fixation”. Indeed, US courts have interpreted these provisions as covering temporary reproduction.

In Canada, neither the letter of the law nor any judicial interpretation specifies whether or not temporary acts of reproduction are covered by the author’s exclusive reproduction right. The situation is similar in South Africa, although the South African national report argues that it is possible to infer the inclusion of temporary or transient reproductions into the exclusive reproduction right from non-specific provisions of the Copyright Act and the Electronic Communications and Transactions Act 25 of 2002.

To conclude, in the countries bound by the WIPO Treaties of 1996 or EC law, acts of temporary reproduction are covered by the exclusive right of reproduction.<sup>10</sup> In some countries (especially those which have implemented the EC Directive), this has been explicitly stated; in others, this result has been achieved through interpretation by the courts. At least in Continental law countries, the fact that specific wording is not needed in order to interpret the reproduction right as covering temporary reproduction corresponds to the principle that the author is granted an overall exploitation right that principally covers all uses that can be made of the work, including uses by new technologies such as digital ones. In Canada and South Africa, both not yet Contracting States to the WIPO Treaties, the situation is unclear in the absence of specific language of the law and court cases.

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<sup>8</sup> Cass. 1<sup>ère</sup> civ., 15 October 1985, RIDA 1986, no. 129, p. 124.

<sup>9</sup> Article L. 122-6 of the French Code of Intellectual Property. The background to this provision is the EC Computer Program Directive of 1991.

<sup>10</sup> Except in Dutch law, which is in this respect, however, probably in violation of EC law.

2.1.2. Does your law provide, explicitly or on the basis of interpretation, the right of making available works and subject matter of related rights through digital networks? If it is provided explicitly, by which words has it been described?

As a general background to the responses to this question, it should be noted that Article 8 of the WCT (as well as Articles 10 and 14 of the WPPT) establish the right to make available works and other protected subject matter through digital networks, and that these provisions have been implemented at the EC level in Article 3 of the EC Information Society Directive. Accordingly, all European laws include the exclusive right of making available works and the subject matter of the related rights covered by Article 3 of the EC Information Society Directive (performances made by performers, phonograms, films produced by film producers and broadcasts made by broadcasting organisations) through digital networks. Most laws include explicit provisions for both authors' rights and related rights (Belgium, Croatia, Germany, Greece and the United Kingdom),<sup>11</sup> while the Dutch Copyright Act covers the right of making available in respect of authors (as opposed to holders of related rights) only implicitly under the general right of communication to the public, which has to be interpreted to also cover the making-available right. The Belgian and French reports mention that the right of communication to the public (in France: the author's "droit de représentation") has been interpreted by scholarly writing and case-law even before the implementation of the EC Information Society Directive to cover the act of 'making available'.<sup>12</sup>

Those countries which have explicitly implemented the making-available right have taken over, mostly word for word (Germany), the wording of the WCT, the WPPT and Article 3 of the EC Information Society Directive. Accordingly, making a work or other subject matter available to the public is specified by the wording "in such a way that members of the public may access [the work, etc.] from a place and at a time individually chosen by them" or by similar wording. For authors, this right has mostly been implemented as part of the author's broader right of communication (implicitly in the Netherlands; explicitly in Belgium, Germany, Greece and the UK). Under the copyright system (as opposed to the Continental European authors' rights system) to which the UK adheres, such a distinction between authors' rights and related rights does not apply in the same way, but a broad communication right including the making-available right applies not only to authors of works but also to producers of sound recordings and films and to broadcasting organisations.

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<sup>11</sup> Article 1 §1(4) and Articles 35 §§1(3), 39 (4) and 44(1)(b) of the Belgian Copyright Act; Article 30 as well as Articles 125/1/4(5), 133/1/3, 139/1/4, 143/1/6 and, for database makers, 149/1/3 of the Croatian Copyright Act, which also mentions the same rights for publishers of *editio princeps* in Article 146; §19a German Copyright Act as well as §§78 (1) no. 1, 85(1), 1<sup>st</sup> sentence, 87(1) no. 1, 94(1), 1<sup>st</sup> sentence, of the German Copyright Act; Article 3(1)(h) of the Greek Copyright Act as well as Articles 46(2)(h), 47(d), 47(2)(d) and 48(g) of the Greek Copyright Act and Section 20 of the CDPA 1988 of the UK.

<sup>12</sup> The French report refers in particular to established case law since 1996.

In Canada as well, the existing right of authors to communicate their works to the public by telecommunication was already interpreted, by the Copyright Board of Canada in 1999, to cover Internet transmissions. This interpretation was upheld by the Supreme Court of Canada.<sup>13</sup> In the Canadian Bill C-60, an explicit confirmation was provided in respect of authors' rights and the rights of performers and phonogram producers. Also, South Africa has not explicitly included the making-available right in its Copyright Act. Also, unlike in Canada, there is no case law in this respect. The South African report analyses the existing exclusive rights in respect of the different kinds of works as to whether they could be interpreted so as to also cover making available. However, it concludes that the existing rights are inadequate and do not cover the act of making works available.

In the USA, the making-available right has not been taken over explicitly from these Treaties. Also, the existing rights of reproduction, distribution and public performance have not been explicitly amended so as to take into account the making-available right. However, one may conclude from specific exceptions that the making-available right is in principle provided through the existing rights of reproduction, distribution and public performance. This has been confirmed by case law, in particular regarding Napster.

In conclusion, similarly to the reproduction right, the making-available right has been taken over word for word from the EC Information Society Directive into national law in most of the countries bound by it. However, Dutch law and case law in Belgium and France show that explicit mentioning thereof was a clarification rather than the introduction of a new right, thereby corresponding to the above-mentioned principle in Continental law according to which the author enjoys a broad exploitation right that principally covers all major ways of exploitation, including future ones. Interpretation rather than explicit provision has been sufficient also in Canadian law and under US law, which was not amended on the occasion of the adoption of the WIPO Treaties 1996. This shows that in many countries, existing laws are in principle broad enough to cover the new kinds of exploitation, i.e. electronic reproduction and 'making available'. Only in South Africa does such an interpretation seem not so readily possible.

## 2.2. Limitations and Exceptions

### 2.2.1. In which way have digital technologies been taken into account in the drafting of provisions on limitations and exceptions, or in their interpretation?

As with the preceding questions, the general international and EC background should be mentioned also in the context of limitations and exceptions. In particular, the WCT and WPPT

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<sup>13</sup> *SOCAN v. Canadian Association of Internet Providers* (2004) 31 C.P.R. (4<sup>th</sup>) 1 (S.C.C.).

remain rather general by simply establishing three general conditions as the outer limits for any national limitations and exceptions. Article 5 of the EC Information Society Directive, however, lays down a detailed list of permitted limitations and exceptions, most of which are optional; only Article 5(1) of the EC Information Society Directive regarding specific acts of temporary reproduction is mandatory. The optional limitations are, however, limitative in the sense that national laws must not include any broader or additional limitations as compared to those listed in Article 5 of the EC Information Society Directive. In addition, Article 5(5) of that Directive prescribes the application of the three-step test as a supplementary test.<sup>14</sup>

Most European laws in general do not distinguish between digital and analogue uses but are technology-neutral, so that existing limitations and exceptions in principle may also apply to digital uses. However, in particular cases, existing provisions needed to be extended explicitly in order to cover new media or ways of exploitation such as making content available. The mandatory provision regarding temporary acts of reproduction under Article 5(1) of the EC Information Society Directive, which envisages specific electronic reproductions, has mostly been implemented word for word. A limited number of limitations specifically dealing with uses in the digital context have been introduced in a number of laws (for more details see below, 2.2.2 and 2.2.3). The national reports of Belgium, France and Germany specify that existing limitations could be or have been interpreted as covering digital technology. The German report mentions in particular the decision of the Federal Supreme Court (*Bundesgerichtshof, BGH*) regarding electronic press clippings under §49 of the German Copyright Act.<sup>15</sup> It applied this limitation to digital substitutes of press clippings but found a specific balance between authors' rights and the general public interest by limiting this limitation to graphic files and to users inside corporations or governmental bodies; authors have a right to equitable remuneration in respect of this use. Specific limitations in respect of computer programs and databases are the result of the relevant EC Directives.

In Canada, legislation addresses digital uses only in respect of back-up copies of computer programs and their compatibility with particular computers, and through a specific exclusion of Internet retransmission from the general scheme of compulsory licenses regarding retransmissions.<sup>16</sup> Otherwise, the Canadian report only mentions case-law regarding the common carrier exception, which was broadly interpreted in regard of Internet transmissions: only those who may qualify as content providers were found liable for copyright infringement, while all other intermediaries, such as those who operate mirror sites, benefit from the exception.<sup>17</sup> In South Africa, the Copyright Act, which provides for

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<sup>14</sup> The so-called three-step test is laid down in Articles 10 WCT and 16 WPPT.

<sup>15</sup> BGH GRUR 2002, 963.

<sup>16</sup> Sections 30.6 and 31 of the Canadian Copyright Act.

<sup>17</sup> Article 2.4(1)(b) Canadian Copyright Act; *SOCAN v. Canadian Association of Internet Providers*, (2004), 32 C.P.R. (4<sup>th</sup>) (S.C.C.).

specific exceptions under a general principle of “fair dealing”, does not, however, contain any specific provisions for digital technologies, nor has there been any case law in this respect. Only liability of Internet service providers for copyright infringement has been addressed and limited in certain cases in the Electronic Communications and Transactions Act 25 of 2002 (see also under 2.7.1). Similarly to the situation in Canada and South Africa, the US report mentions in particular exemptions from liability of Internet service providers (which will be treated under 2.7.1, below) and the fact that phonogram producers have an exclusive right only for digital audio transmission rather than also for other forms of transmission.

Apart from specific provisions on computer programs and databases, the EC exception for technical/transient reproduction and the liability of Internet service providers (which will be treated under 2.7.1), the general tendency is not to distinguish between digital and analogue uses in respect of limitations, although a number of specific limitations regarding digital uses have been introduced.

#### 2.2.2. In particular, what limitations and exceptions have been provided in respect of the rights of electronic reproduction and making available?

According to Article 5(1) of the EC Information Society Directive, all European laws explicitly provide (or are about to provide)<sup>18</sup> for the respective exception regarding temporary acts of reproduction, which are usually described in the same words as in the Directive, such as in Section 28 A CDPA 1988 of the UK, which specifies the exempted temporary copy as one “which is transient or incidental, which is an integral and an essential part of a technological process, and the sole purpose of which is to enable – (a) a transmission of the work in a network between third parties by an intermediary; or (b) a lawful use of the work; and which has no independent economic significance.”<sup>19</sup> This exception has been implemented into Dutch law not as an exception but as falling outside the scope of the reproduction right.<sup>20</sup>

In addition, existing limitations of the *reproduction right* for purposes of news reporting have been amended so as to explicitly include electronic reproduction, as reported from Croatia, Germany, the Netherlands and the UK.<sup>21</sup> Reproduction for the purposes of education and scientific research have been mentioned in the Dutch, UK and German reports: Article

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<sup>18</sup> The French Governmental Proposal proposes a new Article L.122-5 (6) of the Code of Intellectual Property to cover this exception.

<sup>19</sup> See also Article 21 §3 Belgian Copyright Act, Article 81 Croatian Copyright Act, §44a German Copyright Act, Article 28 B Greek Copyright Act.

<sup>20</sup> Article 13a Dutch Copyright Act; see also above, 2.2.1.

<sup>21</sup> The Croatian law, which was adopted in 2003, from the outset included a general limitation for this purpose in its Article 89; §50 German Copyright Act; Article 15 Dutch Copyright Act and Section 30 CDPA 1988 of the UK, which already applied to all rights of the copyright owner without the need for any further specification.

16 of the Dutch Copyright Act has been amended so as to include digital reproduction for illustration for teaching or scientific research; the classic UK exception of “fair dealing” applies also to non-commercial research and private study; reproductions that are necessary for making content available for permitted educational purposes under §52a(3), referring to §52a(1), of the German Copyright Act<sup>22</sup> have been newly introduced; certain reproductions for personal uses under §53(2) of the German Copyright Act have been limited to the analogue world. In the context of library uses, the Dutch report mentions the newly introduced limitation of access to works in collections of public libraries, museums and archives for the purpose of research or private study.<sup>23</sup> The UK law includes detailed provisions on library uses, which apply generally, and it mentions the Legal Deposit Libraries Act 2003, which extends the obligation to deposit print material with specified libraries in particular to works published on the Internet; it also mentions that this Act has not yet come into force due to still missing regulations. Private reproduction has also been addressed in this context but will be dealt with *infra* 2.2.3. Germany has extended existing limitations regarding uses by businesses such as retail stores for telecommunication and similar devices for purposes of demonstration and repair to cover also electronic data processing.<sup>24</sup> Only the French law and Governmental Proposal do not include any limitation specifically drafted in respect of uses through digital technologies.

In respect of the right of *making available*, existing provisions on news reporting have been explicitly extended to online services in Germany<sup>25</sup> and seem to apply generally under Section 30 CDPA 1988 of the UK, while no specific exception to the right of public communication has been introduced in respect of digital networks.<sup>26</sup> In Germany, an existing limitation in respect of collections for religious or educational purposes such as schoolbooks has been extended to the right of making available.<sup>27</sup> In addition, Germany has extended its limitation in respect of uses of works of fine art and photographs for the purpose of advertising public exhibitions to also cover making available.<sup>28</sup>

Also, a specific limitation of the right of making available has been introduced in Germany for the benefit of educational and research purposes.<sup>29</sup> Since it was controversial (it was mainly opposed by publishers), it will expire by 31 December 2006, unless a new law prolongs its application.<sup>30</sup> This limitation allows the making available only of small works,

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<sup>22</sup> See next paragraph in the context of limitations of the making-available right.

<sup>23</sup> Article 15h Dutch Copyright Act.

<sup>24</sup> §56 German Copyright Act.

<sup>25</sup> §50 German Copyright Act.

<sup>26</sup> The UK National Report only indicates certain exceptions for broadcasting.

<sup>27</sup> §46 German Copyright Act.

<sup>28</sup> §58 German Copyright Act.

<sup>29</sup> §52a German Copyright Act.

<sup>30</sup> §137k German Copyright Act; the current new bill does not include any such prolongation.

small parts of published works and individual articles in newspapers and journals by all kinds of schools, universities and colleges and non-commercial institutions for education and training. The works must be accessible only to the limited circle of participants in the educational event. The same limitation applies with a view to research purposes, although only in respect of parts of published works and limited to non-commercial research. This limitation does not apply to schoolbooks or other works intended to be used for education in schools, nor does it apply to the making available of movies that have been shown in cinemas for up to two years before. As compensation, the law provides for a right of the author to claim equitable remuneration for this use.

The Belgian report also mentions a limitation in favour of individual persons to whom works held by certain cultural or scientific establishments may be made available by means of special terminals accessible in their premises.<sup>31</sup>

Only the French law and Governmental Proposal do not include any limitation specifically drafted in respect of uses through digital technologies.

Canada does not provide for any specific statutory exception for electronic reproduction, nor for making available; the previous Bill C-60 provided for such exceptions regarding educational uses and interlibrary loans as well as incidental acts of reproduction and hosting. The South African Copyright Act also does not provide for any specific limitations regarding electronic reproduction or making available, so that the application of existing limitations to the digital technology will have to be ascertained by interpretation. So far, no case-law exists in this respect. The South African report considers that an application of the general exceptions to electronic reproduction should result in making harmful commercial use an infringement and non-profit use acceptable.<sup>32</sup> The US report mentions provisions on circumvention of technical measures (which will be dealt with under 2.4 below).

To sum up, in general, existing provisions on limitations, for example on news reporting or educational uses, have not been amended with a view to digital uses (Canada, USA, South Africa) or have been extended so as to apply also to electronic reproduction and making available in many cases in Europe. A limited number of specific exceptions and limitations have been introduced in some European countries. Accordingly, it seems that the general tendency is to apply or extend, where needed, the existing limitations to the rights of electronic reproduction and making available and to provide for specific limitations beyond the existing ones in order to cover new situations generated by new technology.

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<sup>31</sup> Article 22 §1, 11<sup>o</sup> Belgian Copyright Act.

<sup>32</sup> South African National Report.

2.2.3. a) In respect of private reproduction, does your law distinguish between analogue and digital reproduction and if so, in which way?

A distinction between analogue and digital private reproduction has been recommended by Recital 38 of the EC Information Society Directive as far as differences between digital and analogue private copying exist. However, it seems that this rather generally worded recital has been followed only in Belgium, Croatia and the Netherlands. Yet, the Belgian report does not state any different consequences of the distinction between a private reproduction made on paper or similar material and one made on any other medium, such as a digital one. Also, the Croatian report states that in respect of strictly private use, as in general, there is no distinction between analogue and digital reproduction; only regarding other personal uses (which are not private ones), there is the following distinction: personal reproductions are permitted by law only where they are analogue, in the form of photocopying, and only if such copies are not intended for or accessible to the public.<sup>33</sup> Only the Netherlands treat analogue and digital private reproductions differently; in particular, digital reproductions (unlike analogue ones, as of yet) for private use are subject to fair compensation, and reproduction at the request of third parties for their private use is allowed in respect of analogue reproductions only.<sup>34</sup>

The overall majority of European countries covered by the general report do not distinguish between analogue and digital reproduction.<sup>35</sup> The same is reported in general (not specifically related to private copying) from the USA. Germany makes such a distinction only in respect of certain permitted uses for personal (rather than private) purposes under §53(2) of the German Copyright Act. Also, where a third party makes a reproduction at the request of someone who needs the copy for private use, such copying is permitted by law only in respect of analogue reproductions if the third party is a commercial reproduction service.<sup>36</sup> It is worth mentioning that the CDPA 1988 of the UK does not provide for an exception for private use in general but only includes a fair-dealing provision regarding private study, and this only for the use of literary, dramatic, musical and artistic works rather than also films, sound recordings and broadcasts.<sup>37</sup>

Under the Canadian law, there is also no general private copying exception, but a private copying regime including a remuneration for musical works, performers' performances and

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<sup>33</sup> Article 82 Croatian Copyright Act; the Croatian National Report also mentions in this context the limitation regarding temporary acts of reproduction dealt with already under 2.2.2 above.

<sup>34</sup> Articles 16b, 16c Dutch Copyright Act, which also mentions specific restrictions on analogue reproductions on paper.

<sup>35</sup> Article L.122-5, 2<sup>o</sup> French Code of Intellectual Property; §53(1) German Copyright Act; Article 18 Greek Copyright Act, which only specifies particular media for equipment for which a remuneration has to be paid, including particular digital reproduction devices; Section 29(1)(C) CDPA 1988 of the UK.

<sup>36</sup> §53(1), 2<sup>nd</sup> sentence, German Copyright Act.

<sup>37</sup> Section 29(1)(C) CDPA 1988 of the UK.

sound recordings that does not distinguish between analogue and digital media.<sup>38</sup> The South African Copyright Act makes no distinction between analogue and digital reproduction in general, not only in respect of private reproduction.

Although analogue and digital uses in general are of a different intensity, and although a distinction of the two regarding private reproduction is recommended by EC law, most EC countries have not seen the need to make such a distinction, nor have the USA, Canada or South Africa. Indeed, the rationale for an exception for private reproduction (where applicable) and for a remuneration right applies equally to analogue and digital private reproduction; where third parties are involved (see the Dutch provision), the use may become more intensive so as to necessitate a differentiation. The situation may change once effective DRMs are employed that would hinder free private use so that the amount of remuneration should then be adapted to the remaining extent of private reproduction being made (see 4.4. below).

2.2.3.b) Does the law explicitly or by interpretation require that the permitted private copy is made from a legally made copy and/or from a copy made available legally?

This question is not explicitly addressed in any copyright act covered by this general report except for the German one. National reports either do not mention this question at all (Netherlands) or simply state that the law does not envisage the case of a lawfully reproduced or communicated source copy (Belgium).<sup>39</sup> The national reports of the UK and South Africa both analyse the “fair dealing” provisions of private study under the respective laws and admit in the end that the situation is unclear; both presume that the “fair dealing” provision for private study could not be invoked if the reproduction was made by a person who knew that the copy itself was illegally made. However, there is no case law on this question in the UK or in South Africa. The Copyright Board of Canada has ruled that “the regime does not address the source of the material copied. There is no requirement in Part VIII that the source copy be a “non-infringing copy”.”<sup>40</sup>

The Croatian report refers to the general rule that every illegal use of a protected subject matter is by law considered as an infringement (Art. 172 CA). It states that, therefore the use of an illegally made copy for an act of permitted private copying “is also an infringement

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<sup>38</sup> Sections 79-88 Canadian Copyright Act.

<sup>39</sup> The Belgian report, such as some others, only refers to the general conditions for a number of exceptions which apply only to lawfully published works (rather than unpublished or unlawfully published works); this aspect is however not dealt with in the question of this report. Also, the Greek report only refers to this condition of lawfully published works rather than legally made or communicated copies of works.

<sup>40</sup> Re Private Copying 2003-2004, *Tariff of levies to be collected by CPPC (2004)*, 28 C.P.R. (4<sup>th</sup>) 417, at 439.

as a matter of law (rather than interpretation only), even if not explicitly stated for private copying.” In France, the question is debated in scholarly writing, but is not regulated by law or clarified by case law. Opinions of scholars in this respect seem to be divided.<sup>41</sup>

The German legislature has introduced a specification in relation to the source of a permitted private reproduction in its most recent amendments to the Copyright Act in 2003.<sup>42</sup> Accordingly, the private reproduction of a work is permitted by law only if it is made from a copy that itself was not obviously made illegally. This amendment intends to address mainly uses in illegal peer-to-peer-systems such as (at the time) Napster.<sup>43</sup> The current bill to further amend the German Copyright Act proposes to further specify that the source from which a private copy is made must also not have been made available to the public illegally.<sup>44</sup>

To summarise, the question of the legality of the source of private reproduction is not addressed or is unclear under most laws. It has been explicitly addressed only in German law with a view to requiring a legal source for permitted private reproduction.

## 2.3. Relation between Limitations and Contracts

### 2.3.1. Is it legally possible to extend the protection by contract thereby undermining limitations and exceptions under the law?

In respect of the European countries, it should be mentioned that the EC Directives on computer programs and databases explicitly provide that permitted limitations under these Directives cannot be overridden by contract. Therefore, national provisions implementing these Directives will not be further mentioned here.<sup>45</sup> It seems that apart from these specific cases, laws of the countries covered by this general report do not give any explicit answer to this question. In addition, some country reports mention that this topic is hardly being discussed (Canada, the United Kingdom). Many reports also mention that no case law exists on this question, at least not in the field of copyright law.

Apart from the above-mentioned specific provisions according to which the limitations must prevail (databases, computer programs), limitations are stated to prevail over contracts

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<sup>41</sup> The French national rapporteur proposes arguments in favour of an interpretation according to which a permitted private reproduction can be made only from a legal source.

<sup>42</sup> §53(1), 1<sup>st</sup> sentence, German Copyright Act.

<sup>43</sup> The explanation in the governmental proposal discussed but rejected such a specification in particular on the grounds that the user cannot easily recognise whether the downloaded copy was illegally made and that such specification would result in a *de facto* exclusive right of private digital reproduction; however, this amendment was inserted at the last minute by the Bundesrat (Second Chamber of the Parliament).

<sup>44</sup> This proposed amendment was considered as necessary in order to achieve the purpose of the earlier provision, namely to prohibit private reproduction when it is done in the context of illegal peer-to-peer networks, because the current version only requires that the source copy was produced, but not necessarily made available illegally.

<sup>45</sup> They are explicitly mentioned by the national reports of Belgium, concerning databases, Croatia, concerning computer programs and databases, and Germany, France and the UK.

in the reports of Croatia and France;<sup>46</sup> the Greek report states that “Greek law has no provisions which would allow parties to extend the protection by contract undermining limitations in the economic right”. Different opinions have been expressed not only in France but also in the UK.<sup>47</sup> The Dutch report states that in principle it is possible for contracts to prevail over limitations but it admits that the opposite might also result from any test case. Belgium mentions only the situations of on-demand uses for which contracts may overrule the exceptions.<sup>48</sup> According to the German report, freedom of contract may prevail in principle, subject to certain conditions under general civil law (regarding in particular standard form contracts).

According to the US report, freedom of contract prevails over limitations and exceptions, as shown by case-law.<sup>49</sup>

The South African report, after stating that this issue remains uncertain, offers an in-depth analysis, in particular against the background of the courts’ application of the principle of *pacta sunt servanda* and their respect for freedom of contract as well as that of common law requirements. Accordingly, it would in principle be possible to contract out of limitations, though subject to the ordinary common-law requirements for validity and enforceability. For example, a contract is unenforceable if it is unfair, because, for instance, its terms are overly oppressive. In any case, for a contract to be unenforceable, its enforcement would have to be contrary to public policy in the light of the circumstances at the time when enforcement is sought.

In sum, apart from explicitly regulated cases on computer programs and databases under EC law, in which limitations cannot be overridden by contract, it may seem astonishing that such a fundamental question in most countries is either hardly discussed, or is unclear or controversial. Only according to US law does freedom of contract clearly and unlimitedly prevail; in Croatia, and possibly France, the opposite is true. In Germany, the situation is to be looked at in a more differentiated way.

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<sup>46</sup> The French National Report, however, mentions the diverging opinion by a leading French scholar.

<sup>47</sup> The national report of the UK mentions an unargued assumption that fair dealing prevails over contract (W. R. Cornish, *Intellectual Property* (5<sup>th</sup> ed. 2003), para. 19.77) and the statement that it is “generally possible to contract out of the permitted acts” in a recent study by Burrell and Coleman.

<sup>48</sup> Article 23<sup>bis</sup> (2) Belgian Copyright Law.

<sup>49</sup> The case referred to in the US National Report deals with the problem of shrink-wrap licences in the first place rather than with copyright issues.

## 2.4. Technical Measures and Rights Management Information

### 2.4.1. Please describe the protection, if any, against circumvention of, and against “secondary” acts related to, technical protection measures, including legal sanctions.

As in the case of most of the previous questions, the background for the legal situation in European countries is the EC Information Society Directive, which, in its Article 6, implements the much more general provisions of Articles 11 WCT and 18 WPPT at the regional level. The EC Directive requires Member States to provide for sanctions regarding the circumvention of effective technological protection measures and against specified secondary acts such as the distribution of devices for the purpose of circumvention, under more detailed conditions.<sup>50</sup> It also requires Member States to provide for measures that enable the beneficiaries of specified limitations to make use of these limitations even in the presence of technological protection measures. While many elements of Article 6 of the EC Information Society Directive are precisely defined, discretion in respect of the implementation exists in particular with respect to the kind and strength of sanctions and the way in which beneficiaries of limitations can benefit therefrom (the latter question will be dealt with under 2.4.3). It should also be mentioned that these provisions do not apply to computer programs, for which the EC Computer Program Directive 1991 contains a much less detailed provision regarding the circumvention of technical measures (Article 7(1)(c)).<sup>51</sup>

Since the European laws closely follow the detailed provisions of Article 6(1)-(3) of the EC Information Society Directive, no further presentation is needed in this respect. However,

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<sup>50</sup> Article 6 EC Information Society Directive reads in its paras. 1-3:

Obligations as to technological measures

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

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

(a) are promoted, advertised or marketed for the purpose of circumvention of, or

(b) have only a limited commercially significant purpose or use other than to circumvent, or

(c) are primarily designed, produced, adapted or performed for the purpose of enabling or facilitating the circumvention of,

any effective technological measures.

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

<sup>51</sup> Some national reports mention the national implementation of this provision (for example the French report, which also reports on a court case based on unfair competition).

there are some differences in respect of the sanctions that apply. The reports of Belgium, Croatia and Germany mention that the sanctions are the same as in the case of infringement of copyright or the relevant related rights.<sup>52</sup> Nearly all laws (including the French Governmental Proposal) provide for both civil and criminal law sanctions; only the Netherlands has decided to apply only civil sanctions, namely injunction, damages, seizure, claim and destruction of technologies etc. in the case of breach of the technical measures. Civil sanctions mentioned in countries providing for both criminal and civil sanctions are injunctions (Belgium, Germany, Greece, the UK), damages (Germany, the UK), removal of the interference (Germany), destruction or abandonment of the infringing items and of the means of production (Germany), delivery up of infringing items (UK), account of profits (UK) and provisional measures *inaudita altera parte* (Greece).

The reports mentioning specific criminal sanctions have made the following indications: fines are between 550 and 550,000 euros in Belgium,<sup>53</sup> a punishment of up to one year (or three years if the offender acts professionally) of imprisonment or the respective fine and, in the case of a violation of §§95(a)(3), 111(a) German Copyright Act, a fine of up to 50,000 euros (Germany), imprisonment of at least one year and a fine of 2,900 to 15,000 euros (Greece)<sup>54</sup> and imprisonment and/or fines according to Section 279 A CDPA 1988 of the UK. In case of recidivism, Belgian law states that the Court may apply a fine of from 550 up to 550,000 euros or imprisonment of three months up to two years and order the definitive or temporary closure of the relevant establishment.<sup>55</sup> In addition, the publication of the judgment (Belgium,<sup>56</sup> Germany<sup>57</sup>), and the delivery up of receipts and confiscated objects to the civil party (Belgium)<sup>58</sup> have been mentioned.

The USA has implemented the WIPO Treaties 1996 and provided for protection against circumvention of access control measures. Civil law sanctions include injunctions, impoundment and destruction of devices or products used in illegal circumvention, damages, attorneys' fees and court costs. In case of willful infringement for purposes of financial gain, criminal penalties of a fine of up to \$500,000 and imprisonment of up to five years, or both, for the first offence apply also; in case of subsequent offences, the fine can be up to \$1 Mio. or the imprisonment up to ten years, or both.

In Canada, Bill C-60 would have provided for protection against circumvention and certain other acts in respect of technical protection measures.<sup>59</sup> South Africa has not yet implemented

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<sup>52</sup> The same is true according to the French Governmental Proposal.

<sup>53</sup> Article 81 Belgian Copyright Act.

<sup>54</sup> Article 66 A Greek Copyright Act.

<sup>55</sup> Article 85 Belgian Copyright Act.

<sup>56</sup> Article 83 Belgian Copyright Act.

<sup>57</sup> §111 German Copyright Act.

<sup>58</sup> Article 86 Belgian Copyright Act.

<sup>59</sup> However, after the dissolution of the Parliament, this bill is no longer current.

the relevant provisions of the WCT and the WPPT, nor is there any case law in respect of circumvention or similar acts regarding technical protection measures. The South African National Report mentions as a possible tool for protection the Electronic Communications and Transactions Act 25 of 2002, which deals in particular with the unauthorised access of information or data, and provides for penalties of a fine or imprisonment for a period not exceeding twelve months regarding unauthorised bypassing of access control measures and unlawful production, distribution and similar acts of devices designed primarily to overcome security measures for the protection of data. It also provides for a fine or imprisonment for a period not exceeding five years in respect of those who use such devices. The attempt to commit any of the mentioned acts or the assistance of someone who commits any of these offences are also offences themselves to which the same penalties apply. However, the national report states that the degree of application of these provisions to circumvention and related acts of technical measures protecting copyright and related rights is unclear. The report also considers it as arguable that a person who causes another person to infringe the copyright by making available a circumvention device in order to infringe a copyright could be liable for infringement of copyright.

2.4.2. Please describe the protection, if any, against manipulation of rights management information and related “secondary” acts, including the legal sanctions.

In the European countries, the background of provisions on rights management information is Article 7 of the EC Information Society Directive, which implements Articles 12 WCT and 19 WPPT.<sup>60</sup> Accordingly, the European laws are closely drafted upon this provision; flexibility again exists mainly in respect of the sanctions to be applied. The approach taken

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<sup>60</sup> The text of Article 7 EC Information Society Directive reads as follows:

Article 7

Obligations concerning rights management information

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

(a) the removal or alteration of any electronic rights management information;

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

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

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

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

by all European countries covered by this general report is to apply the same sanctions as in respect of the circumvention and other sanctioned acts in respect of technological protection measures. Therefore, the reader is referred to 2.4.1 above.

The US law approach is quite similar to the provisions under European law, not least due to the relevant, quite detailed provisions of the WIPO Treaties 1996; in addition to the acts of removal and alteration of rights-management information, and secondary acts, such as distribution of works with manipulated information, US law also prohibits the provision and distribution of false copyright management information. As in Europe, the same sanctions as in respect of the circumvention of technical protection measures are provided.

In Canada, the situation is the same as for technical protection measures: the no longer current Bill C-60 included provisions on this issue. In South Africa, no specific provision has been included in the Copyright Act, but the national rapporteur considers it as possible that the Electronic Communications and Transactions Act 25 of 2002 would apply; however, this has not been tested yet. Section 86(2) of that Act establishes an offence for those who interfere with data in a way that causes the data to be modified, destroyed or otherwise rendered ineffective. If this provision applied to the removal or manipulation of rights management information, the penalty would be a fine or imprisonment for a period not exceeding 12 months, and the attempt to do any of these acts or assisting another person to do them would again result in the commitment of an offence, subject to the same penalties. The national rapporteur also presumes that the removal of a watermark could be regarded as an infringement of moral rights.

In respect of technical protection measures and rights management information, national laws are quite similar where the provisions of the WIPO Treaties 1996 and/or EC law have been implemented. Sanctions are often the same as for copyright infringement and the same

for illegal acts regarding technical protection measures and rights management information. Apart from the Netherlands, which apply only civil sanctions, countries apply both civil and criminal sanctions.

2.4.3. In which way has the conflict between the legal protection in relation to technical protection measures on the one hand and limitations of, or exceptions to rights on the other hand been solved in your law, in particular regarding private reproduction? Have there been any agreements between relevant associations, court cases or factual problems at all in this respect?

In European countries, Article 6(4) of the Information Society Directive has to some extent harmonised this issue. In particular, Member States must provide for mechanisms in favour of the beneficiaries of specified limitations<sup>61</sup> so that they can benefit from these limitations even in the presence of technical protection measures. It has to be stressed that the Directive requires that rightholders themselves must be obliged to ensure that beneficiaries of limitations may benefit therefrom, but does not allow the legalisation of circumvention by such beneficiaries themselves. In respect of private reproduction, Member States may make similar provisions. However, this is not permitted in respect of any of the remaining limitations.<sup>62</sup> Accordingly, a certain flexibility for Member States exists in the decision of whether or not to apply such mechanisms to private reproduction as well, and in terms of the

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<sup>61</sup> These limitations are referred to in Article 6(4) EC Information Society Directive; *see supra* note 60; they concern, for example, reprography, certain reproductions by libraries and similar institutions, ephemeral reproduction by broadcasting organisations, etc.

<sup>62</sup> The text of Article 6(4) reads:

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

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

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

The provisions of the first and second subparagraphs shall not apply to works or other subject-matter made available to the public on agreed contractual terms in such a way that members of the public may access them from a place and at a time individually chosen by them.

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

means by which beneficiaries of the specified limitations shall benefit from the limitations. Therefore, this general report focuses on these latter issues and, for the other issues, refers to the mandatory provisions of the Directive.

In the European countries, quite different approaches have been chosen in order to enable beneficiaries of the specified exceptions and limitations to benefit therefrom. None of them has however been specific about the concrete means to be provided – be it a copy of the work without a technical protection measure, a copy in analogue form, the means to decode the technical measure or other. It probably was wise to leave such details to the practice or the individual cases to be dealt with.

Differences exist in relation to the procedures and mechanisms to be applied by beneficiaries in cases where the right owners do not voluntarily ensure that the beneficiaries of limitations may benefit therefrom, though they are obliged to do so. In Belgium, the interested persons may submit a claim to the competent judge, asking that she declare a violation of the rightholders' obligation and sentence them to take the necessary measures to allow the beneficiaries of limitations to benefit therefrom.<sup>63</sup> Interested persons include the Minister with competence in authors' rights and, under certain conditions, professional or interprofessional groups with a legal personality and associations whose aim is the defence of consumers' interests.<sup>64</sup> In Germany, the refusal of the rightholder to provide the necessary means to the beneficiaries of the limitations has been made a regulatory offence; in addition, an obligation of the rightholder using technical protection measures to indicate his or her contact information together with the work has been provided in order to facilitate any claims by the beneficiaries of the limitations; the withholding of such contact information also constitutes a regulatory offence.<sup>65</sup>

Greece has provided for a mediation procedure: Rightholders and beneficiaries of limitations may request the assistance of one or more mediators to be selected from a certain list. Their recommendations are considered to have been accepted if no party objects within a month from the submission of the recommendation. Otherwise, the dispute is settled by the Court of Appeals of Athens. The French Governmental Proposal also has chosen a solution via mediation, or, if conciliation is not possible, via a decision by the mediators.<sup>66</sup> The United Kingdom has chosen yet another approach: Any beneficiary or class of beneficiaries or representative of a class of such beneficiaries may complain to the competent Secretary of State, who may give directions to the rightholder, who, if he does not comply with these

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<sup>63</sup> Article 87<sup>bis</sup> §1, 1<sup>o</sup> and 3<sup>o</sup> Belgian Copyright Act.

<sup>64</sup> Article 87<sup>bis</sup> §2 Belgian Copyright Act.

<sup>65</sup> §95(d), 111(a) German Copyright Act.

<sup>66</sup> The French National Report also mentions a case so far decided by the first two instances dealing with the situation where a consumer wanted to benefit from the limitation for private reproduction but was hindered by a technical protection measure.

directions, is subject to a civil right of action. The contents of the directions may be the establishment of whether any voluntary measure or agreement subsists or to ensure that the rightholder makes available to the complainant the necessary means to benefit from the limitation. The directions by the Secretary of State may be revoked or modified subsequently.

Only in the Netherlands are rightholders also obliged to ensure that beneficiaries of the limitation regarding private use can benefit therefrom; in the UK, this is also true for the (more limited) exception regarding “private study” (uses for other private purposes are not at all covered by a limitation under UK law). To the contrary, Croatia, Germany and Greece have not included private use in the list of exceptions from which beneficiaries must benefit even in the presence of technical protection measures. An intermediate solution has been found in Belgium, where the law itself does not apply the obligation of rightholders to ensure that beneficiaries of the limitation for private audio- and audiovisual reproduction can benefit therefrom, but it enables the Government to include such private reproduction in the relevant list of exceptions. This has not been done to date. While this latter issue is largely debated in Belgian scholarly writing, a court case has resulted in the statement that the private reproduction is not a right but an exception and that it cannot be the basis of a claim for injunction.

The US report mentions that circumvention is permitted in a number of cases by law, such as in favour of non-profit libraries, archives or educational establishments if it is done for the purpose of deciding whether to acquire a copy of the protected work.<sup>67</sup>

In conclusion, all European countries have provided for different mechanisms in order to ensure that users may benefit from limitations specified in the EC Directive despite technical protection measures; only the Netherlands have provided such mechanisms also for private copying. The USA permits circumvention in a number of cases without specifying any mechanism in favour of users.

Given the fierce scholarly debate on this issue, it is astonishing that it does not seem to play a major role in practice. In fact, the reports of the Netherlands, France, Germany, Greece and the UK explicitly note that no agreements, court cases or other factual developments have arisen in this respect, and no other report mentions any such development (apart from the just-mentioned Belgian case).

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<sup>67</sup> See more examples in 17 USC §1201.

2.4.4. In which way, if at all, does the law or practice take into account the extent to which technical measures preventing private reproduction are in fact employed in respect of the remuneration for private reproduction?

In countries where remuneration rights for private reproduction exist, it has been questioned whether such remuneration should be affected by the factual use of technical protection measures that prevent private reproduction, not least in order to avoid double payment. This problem has not been taken into account in the laws of Croatia, Greece, the Netherlands and the United Kingdom (nor in the French Governmental Proposal, nor in Canada or South Africa). The Belgian law provides in general that the use of technical measures must be taken into account when the remuneration is fixed.<sup>68</sup> Similarly, §13(4) of the German Act on the collective administration of authors' rights requires that the extent of use of technical protection and digital rights management must be taken into account in the context of calculating the remuneration; a new, similar proposal has been made in the current draft (§54(a)(1) as proposed).

Relatively little information may be derived from the national reports regarding the practice of collecting societies in this respect. In Croatia, where the establishment of the remuneration right for private reproduction in practice is being prepared, the possible impact of the use of technical protection measures on the remuneration has been taken into account in the discussions. The matter is also discussed in the United Kingdom in respect of photocopying by educational establishments that subscribe to a photocopying licence while, at the same time, publishers make works available under specific subscription regimes such as Lexis and West Law, so that the establishments pay twice. The French rapporteur reports that the practice does not deal with this issue but is of the view that the use of technical measures should be taken into account when calculating the remuneration for private reproduction. In the Netherlands, the remuneration for private use indeed takes account of the use of technical protection by providing a lower tariff in respect of DVD+R/RWs as compared to DVD-R/RWs because the former offer copyright holders more possibilities for technical protection.<sup>69</sup>

Accordingly, so far, the issue has hardly been taken into account by law and little information is available on the practice by collecting societies. In general, there is a tendency to take account of the extent to which DRMs are employed in the framework of tariffs – this shows also that a phasing-out of private copying levies is not needed at this point, despite what is claimed by the interested hardware industry.

The answers to questions no. 2.1 through no. 2.4 create the impression that digital technologies have not led to the “revolution” announced by many: the main new uses,

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<sup>68</sup> Article 56(9) Belgian Copyright Act.

<sup>69</sup> See the regulation in *Staatscourant* of 19 September 2005, no. 181 p. 16.

electronic reproduction and making available, have mostly been considered to be covered by existing exclusive rights, existing limitations have largely been applied or extended to these rights, further fine-tuning of limitations has been made, as always happens with the advent of new developments, and some of the questions have not even raised discussion in academic circles or in practice. The provisions on technical measures and rights management information have largely followed international and EC law without pointing at major effects or practical concerns so far.

2.5. How are licensing contracts interpreted which were concluded at a time when Internet uses were not yet known? Are there statutory rules or is there case law resulting in an interpretation to which new, then unknown digital uses would not be covered by a non-specific licensing agreement?

At the time of the conclusion of a licensing agreement for the exploitation of copyrights the parties to the contract cannot foresee all possible uses of the future. In the digital era, the publisher of literary works in particular may have a strong interest in making available works in digital form for which he or she acquired the rights at a time when nobody was able to imagine the possibilities of digitalisation. Provided that the licensing agreement does not cover such “unknown uses”, the publisher would still have to acquire the digital reproduction right as well as the making-available right from the author. Given the number of rights to be cleared and considerable uncertainty as to the identity of the actual rightholder, in particular with regard to the digitalisation of journals, such clearing of rights may however turn out to be extremely burdensome, even impossible. In contrast to the legitimate interest of publishers in easily exploiting literary works in digital form, copyright laws may protect authors against the buy-out of their rights and provide for rules of strict interpretation that exclude necessary flexibility. In order to balance the legitimate interests of authors and exploiters, the digital revolution may therefore lead legislatures and courts to reconsider the law relating to licensing previously unknown uses.

According to still-current German law, the author of a work is not able to transfer rights for unknown uses; a contract to this effect is considered to be void under the Copyright Act.<sup>70</sup> The bill of March 2006<sup>71</sup> for the amendment of the Act envisages a fundamental change of this rule.<sup>72</sup> The new law would in principle allow the transfer of rights regarding unknown uses. By enabling the author to revoke such transfer so long as the licensee has not started to use the work in the specific way, the bill however tries to strike an appropriate balance.

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<sup>70</sup> §31(4) German Copyright Act.

<sup>71</sup> Gesetzentwurf der Bundesregierung – Entwurf eines Zweiten Gesetzes zur Änderung des Urheberrechts in der Informationsgesellschaft, <http://www.bmj.bund.de/media/archive/1174.pdf>.

<sup>72</sup> To be implemented as §31a of the revised Copyright Act.

More importantly for the digital world, the author of a work that is part of a compilation of works – like an article included in a journal – may not revoke the transfer of the right against good faith if only exploitation of the entire compilation seems appropriate. Such new rules, however, cannot solve problems arising from older contracts concluded at a time when use in digitised form could not be envisaged. For such cases, the bill proposes a grace period beginning from the entry into force of the revised act during which the author is required to claim his or her rights in formerly unknown uses, covering digital use in particular. Otherwise, the licensee will be authorised to use the work in the specific regard, but has to pay the licensor for such use.

Similar to current German law, Greek law prohibits licensing of unknown use. However, it does not seem that the legislature would react to the problem described above.

Other laws that traditionally protect against a contractual buy-out avoid problems by not prohibiting the licensing of unknown uses as such. French law, for instance, allows express contracting on unknown uses, provided that the contract simultaneously foresees proportional financial participation of the author in the profits arising from such unknown use.

Croatian and Belgian law do not have any provisions relating to unknown uses but protect authors via statutory provisions on the interpretation of contracts. Croatia reaches this result via a rule that limits the transfer of rights to those uses that lie within the purpose of the transaction. In addition, authors in Croatia may request modification of the contract in view of fixing a more equitable remuneration if profits derived from the use of the work turn out to be obviously disproportional to the fee fixed in the contract. In Belgium, the Copyright Act provides for a rule on “strict interpretation”; because of that rule publishers have to seek modification of older licensing contracts so as to include use in digital form.

The four Common Law countries considered, namely Canada, the United States, the United Kingdom and South Africa, as well as the Netherlands, do not have any specific statutory provision of interpretation. In addition, none of them prohibits transfer of rights for unknown uses as such. However, problems of interpretation arise when older licensing contracts need to be interpreted in view of new technological uses. In Canada, it may be presumed that the contract only transfers rights specifically mentioned in the contract. Whether the doctrine of implied licence may lead to different results still needs to be seen. A case before the Canadian Supreme Court, in which journalists claim that they had only agreed upon the dissemination of their articles in printed form and not via electronic databases, is expected to clarify the issue.<sup>73</sup> In a similar situation, a Dutch court<sup>74</sup> held that exploitation was limited to uses that were anticipated at the time of the conclusion of the licensing contract.

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<sup>73</sup> The Ontario Court of Appeal held in favour of the journalists; *see* *Robertson v. Thomson Corp.*, (2004) 34 C.P.R. (4<sup>th</sup>) 161 (Ont. C.A.).

<sup>74</sup> Rb Amsterdam 24 September 1997, AMI 1997, p. 194.

Accordingly, the court held that permission for publication in a newspaper does not imply permission for digital publication. In the United States, general rules of interpretation require consideration of the specific case. In *Random House, Inc. v. Rosetta Books LLC*,<sup>75</sup> the court, in interpreting the contract in a most literal way, held that a contract transferring the right “to print, publish and sell the work in book form” did not include Ebook publishing. In the United Kingdom and South Africa, the law seems somewhat more lenient by interpreting the contract in the light of good faith and fairness given the circumstances at the time when enforcement of the contract is sought. Digital use, according to the South African report, may be included insofar as this corresponds to the parties’ intended consequences. For the United Kingdom, the report states that drafting practice usually takes account of the possibility of future technological development.

It may be concluded that countries that prohibit transfer of rights relating to unknown uses may have to face considerable problems regarding adequate digital exploitation. The most appropriate solution consists in allowing the transfer of rights in unknown uses by safeguarding the financial interests of authors. The laws in countries that do not provide for specific rules on unknown uses may have to face somewhat different problems: general rules of interpretation – based on the concept of freedom of contract – generally tend to limit overbroad transfer of the rights to licensees without sufficient consent by the licensor and protect the interests of authors, but do not respond to the interest of publishers in having a legal framework that allows uncomplicated clearing of digital rights. Germany is the only country considered where the legislature currently addresses the above-mentioned issues and tries to reach satisfactory results.

## 2.6. Collecting Societies

### 2.6.1. Which rights in digital uses are administered by collecting societies in your country?

In the digital environment, rightholders are less dependent on collective administration. Use of the Internet and application of digital-rights-management systems (DRMs) may even enable individual authors to market their works directly to consumers. However, individual authors do not always control all rights necessary for the marketing of music (rights of the composer, of the author of the song text and neighbouring rights of performing artists and phonogram producers). In addition, efficient marketing requires access to well-known Internet platforms that offer an attractive repertoire to commercial users and the public. This is why large institutional rightholders, like the major publishing companies, are much better placed to provide music online. Whether collecting societies can justify their active role in the

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<sup>75</sup> 150 F. Supp. 2d 613 (S.D.N.Y. 2001).

online world will above all depend on their ability to redefine their function. In *droit d'auteur* jurisdictions in particular, a new function may consist in protecting individual authors and performing artists against the digital buy-out to commercial exploiters. This is why it seems important to what extent collecting societies engage nowadays in the administration of digital rights. Legislatures may promote this development by recognising digital rights of remuneration of authors and performing artists that may only be transferred to collecting societies.

Collecting societies seem to be most active in administering digital rights for works of music. Generally, collecting societies offer licences at specified tariffs for different forms of online exploitation, including simulcasting, webcasting, streaming, on-demand services or downloads of telephone ring tones. Administration of such rights necessarily includes searching for infringing acts on the Internet. According to a decision of the European Commission, the contractual practice of the French SACEM according to which a rightholder can only join a contracting society provided that he or she has transferred all online rights to this or another collecting society violates Community competition law.<sup>76</sup> The rightholder must have the option to market the work individually on the Internet. Implicitly, the decision reflects the idea that the Internet provides an efficient means for individual authors to market their rights themselves.

In contrast to works of music, collecting societies do not seem to play such an important role in the field of digital exploitation of literary works. The German VG Wort administers at least rights regarding online publication of texts. In general, administration of digital rights in literary works needs to be distinguished from the administration of “digital works”. The South African DALRO seems to refuse to administer rights in the latter, apparently holding that these works are substantially different from literary works.

Rights of authors are very much affected by the digitalisation of artwork (paintings, sculptures), architecture and photographs. As a consequence, collecting societies specialising in the sector offer licences for making such works available on websites.

#### 2.6.2. Do they employ digital rights management, and if so, in which cases?

According to the country reports for Belgium, Croatia, Canada, Germany, the Netherlands, South Africa and the United Kingdom, collecting societies do not seem to apply DRM systems. In contrast, French collecting societies apply DRMs for the collection of royalties.

The reasons given for the reluctance of collecting societies to use digital rights management are not unanimous. Some reports stress that DRM standards and technology

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<sup>76</sup> See Decision of 12 August 2002, COMP/C2/37.219, *Banghalter & Homem Christo v. SACEM*, <http://europa.eu.int/comm/competition/antitrUST/cases/decisions/37219/fr.pdf> (only French version available).

are not mature enough to be widely used by collecting societies. The UK report indicates that collecting societies do not usually make works available themselves and therefore do not have to use DRM systems. However, the licensing agreements of the collecting societies may require the licensee to use DRM systems to protect against infringement in the digital environment.

Some reports mention that there is no specific legislation on the administration of digital rights by the collecting society.

In general, it is quite obvious that collecting societies still have to find their role with regard to digital rights. Use of DRMs by collecting societies – as can be seen in the case of databases for photographs and works of art – would allow collecting societies to act in markets as providers not only of rights but also of content. Whether such a role can be acquired in the music industry in competition with the operators of already established large music platforms seems less certain.

## 2.7. Secondary Liability

2.7.1. Under what conditions, if at all, and in which way are Internet service providers and software providers liable under secondary liability rules for non-authorized peer-to-peer file-sharing by individual authors?

The entertainment industry, in the fields of music and films in particular, considers so-called peer-to-peer file-sharing systems a major threat to its economic interests. In peer-to-peer networks, users exchange content by communicating directly, based on a special software, without storing such content on a specific server. Banning such systems, by holding the Internet service provider or the software provider liable for copyright infringements, is certainly a more efficient way of combating copyright piracy than identifying and suing individual infringers who may be domiciled anywhere in the world. However, such file-sharing systems may also be used for the legal exchange of content. This is why the question of whether Internet service providers and providers of file-sharing software may be held liable for acts of copyright infringement committed by others has become one of the most disputed issues of modern copyright law.

### - Liability of the software provider

Whereas practice on this topic is lacking in most countries, the recent decision of the US Supreme Court in *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*<sup>77</sup> has attracted major attention worldwide. Given the billions of files shared via the Grokster peer-to-peer network,

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<sup>77</sup> 125 S. Ct. 2764 (2005).

the Supreme Court held that going against Grokster as the software provider would be the only way to enforce the rights in protected works effectively. The Court based its decision on the general common-law principles of contributory and vicarious liability. According to the Court, one infringes contributorily by intentionally inducing or encouraging direct infringement, and one infringes vicariously by profiting from direct infringement while declining to exercise the right to stop or limit it. By actively promoting the use of their software for illegal sharing and copying copyrighted works, the Court concluded, the defendants had to be held liable as both contributory and vicarious infringers.

In principle, national laws seem to be in favour of liability of the person who provides means for the direct infringement of copyright by others. Considerable case law is available in France. In some cases, French courts convicted persons who provided software for illegal purposes. Therefore, it may be expected that French courts would also act against the provider of software used for peer-to-peer file sharing. Similarly, according to Croatian law, a person enabling unauthorised use can be considered as infringing the right.

Also, the law in South Africa is ready to hold liable a person who contributes to the infringing act of someone else. According to the South African Copyright Act, “causing another person” to commit an infringing act results in liability.<sup>78</sup> Courts have recently confirmed such liability in a relevant case.<sup>79</sup>

Whereas US law has to rely on general concepts of common law, the British CDPA 1988 provides for specific copyright liability of a person who “authorises” an infringement.<sup>80</sup> This concept of authorisation of infringement has been applied in a restricted way, requiring some degree of authority and control over the person who actually committed the infringement. Consequently, courts in the UK have rejected such liability in cases in which lawful activity was possible, the provider gave warning to customers against unlawful use and the provider had no control over what customers did with the facility provided. Liability is more likely to be confirmed in cases in which one of these three factors is lacking.

With the leading case internationally, the US, at least for the moment, seem to be most severe vis-à-vis providers of software for peer-to-peer file sharing. Other jurisdictions might follow the US example.

The criteria on secondary copyright liability in Germany seem remarkably close to those in the UK. According to German practice, in a situation in which both legal and illegal direct use is possible, the fact that the software provider cannot technically exclude illegal use strongly argues against secondary liability. German law would only require a provider to inform the user that the software must not be used for illegal purposes. However, the German report also

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<sup>78</sup> Section 23(1) South African Copyright Act.

<sup>79</sup> *Haupt v. Brewers Marketing Intelligence (Pty) Ltd* [2006] SCA 39 (RSA).

<sup>80</sup> Section 16(2) CDPA 1988.

argues that in a case like *Grokster*, in which the software was designed and advertised in order to promote illegal sharing, liability could be confirmed in Germany, based on general tort law.<sup>81</sup>

Another aspect is highlighted by German law. According to that law, a claim for damages requires at least negligent behaviour with regard to the infringement of an individual copyright,<sup>82</sup> whereas injunctions may be justified by mere contributions to direct infringements committed by others.

General practice on secondary liability seems most highly evolved in the UK and Germany. In both countries, specific criteria might be used as an orientation for business strategies that protect software providers against copyright liability.

#### – Internet service providers

With regard to service providers, the European Electronic Commerce Directive of 2000<sup>83</sup> limits the liability of certain groups of Internet providers. The law of the EU Member States taken into account for this report (Belgium, France, Greece, Germany, the Netherlands, the United Kingdom) have correctly implemented these obligations of the Directive. Mere access providers whose service “consists of the transmission in a communication network of information provided by a recipient of the service” may not be held liable by Member States for the transmission of illegal content, according to Art. 12(1) of the Directive. Host providers, who store information at the request of a recipient of the service, may not be held liable, according to Art. 14(1) of the Directive, if the provider does not have actual knowledge of the illegal activity or information and, as regards claims for damages, is not aware of facts or circumstances from which the illegal activity or information is apparent. In addition, in cases in which the host provider has obtained such knowledge or awareness, the provider has to act expeditiously to remove or to disable access to that information.

On this issue European legislation again reflects a distinction between damages and injunctive relief. A host provider may know that the server he or she controls may be used for storage of illegal content. However, this does not cause secondary liability of the provider. Damages may only be claimed if the illegality of the content is apparent and the provider does not remove such known content immediately. In particular, Community law does not provide for a duty to search. However, illegality of the content may become apparent by a claim for an injunction, resulting in a duty to remove that content immediately; otherwise the provider will have to pay damages.

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<sup>81</sup> Citing §826 BGB granting a right to compensation in cases of intentional infliction of damage *contra mores*.

<sup>82</sup> §97(1) German Copyright Act.

<sup>83</sup> Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (‘Directive on electronic commerce’), OJ EC 2000 No. L 178, p. 1.

Privileged treatment of access and host providers is not a specific feature of Community law. US law reaches similar results by using a so-called notice-and-take-down rule introduced by the Digital Millennium Copyright Act of 1998. The service provider has to remove illegal content once he or she gets notice from the copyright holder but may not be held liable otherwise. In contrast, the Canadian Bill C-60 provides for a “notice-to-notice” system, according to which the host provider does not have to remove illegal content himself but has to request the recipient of the service, i.e. the responsible content provider, to do so.

In South Africa, limitation of the liability of Internet service providers is not regulated in copyright law, as in the US, but in the Electronic Communications and Transactions Act of 2002. Whereas access providers are not held liable for the legality of content, limitation of the liability of host providers seems to be modelled on the European Electronic Commerce Directive. In contrast to EC law, the South African Act also contains a provision on linking, according to which an Internet provider who links users to another website will only be held liable according to the standards of the liability of host providers and not of content providers.

However, in the context of file-sharing systems, this rule on host providers only applies in cases in which content is actually stored on the server of the operator of the system but not in a situation like the *Grokster* case, in which files were shared directly using a specific software.

Comparing treatment of Internet service providers (access and host providers) and that of providers of file-sharing software demonstrates rather diverging domestic standards for the two groups of providers. Although both groups may rely on the fact that content providers using the server or the software may also use the facilities for legal activity, hosting content of others is of a more general nature and generally considered beneficial and necessary for the use of the Internet and should therefore be legal in principle. In contrast, offering file-sharing software to customers considerably increases the risk that such software may be used for illegal activity far beyond what would be possible on the Internet without such file-sharing software.

#### 2.7.2. What legal possibilities do rightholders who want to sue individual users of file-sharing networks have in order to identify individual users?

In situations in which Internet service providers and providers of file-sharing software cannot be held liable, protection depends on the ability of the rightholder to identify persons who infringe the right directly.

In some jurisdictions, authors may rely on a claim against the Internet service provider to inform on such a person (the content provider). Such claims can either be derived from specific provisions of the domestic copyright law or specific legislation on electronic commerce or, finally, general principles of law.

The first group of countries includes Croatia, where the Copyright Act<sup>84</sup> contains a very broad obligation of any person with knowledge about a copyright infringement by another to provide this information without delay. A much more limited provision can be found in the German Copyright Act.<sup>85</sup> This provision, introduced in 1990, only covers piracy cases of physical reproduction or dissemination of hard copies. Whereas one court of first instance extended that provision's application to digital reproduction, several appeal courts have rejected such extensive interpretation.

France belongs to the second group of countries. There, the law on the protection of personal data in the digital environment, based on the *loi pour la confiance dans l'économie numérique*, requires service and host providers to store the names of content providers as the recipients of their services. Access to that information depends on an order by French judicial authorities. In 2004, the French Constitutional Council held that this law strikes an appropriate balance between the rights of individuals in the protection of their personal data and the property right of copyright holders.

In some common-law countries, namely the US, the United Kingdom, Canada and South Africa, and it seems also in the Netherlands, courts may order Internet providers to inform on infringers by relying on general procedural principles of discovery (the third group of countries). In the United States, rightholders can bring a "John Doe" lawsuit against an unknown defendant; within this suit, the plaintiff can then apply to the court for a subpoena ordering the Internet provider to impart the identity of the infringer. In Canada, a court rejected such a claim by record companies because the evidence produced was held to be insufficient to examine the users for discovery.<sup>86</sup> Despite this decision, the Canadian rapporteur argues that, in general, Canadian courts favour copyright owners when it comes to balancing privacy concerns with copyright. In the UK, different procedural rules apply in England and Wales than in Scotland and Northern Ireland. In England and Wales, the Civil Procedure Act of 1997 allows the defendant to be asked for information about the source of supplies in cases where there is a strong prima facie case of infringement. In practice, this rule is also used to oblige Internet providers to impart the identity of file-sharers.

General principles of law, which are based on a constitutional-rights concept of access to information, may be relied upon in South Africa, in addition to general discovery rules

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<sup>84</sup> Article 187 Croatian Copyright Act.

<sup>85</sup> §101a German Copyright Act.

<sup>86</sup> *BMG Canada Inc. v. John Doe*, (2004) 32 C.P.R. (4<sup>th</sup>) 64, conf. by (2005) 39 C.P.R. (4<sup>th</sup>) 97 (Fed. C.A.).

applicable within the framework of an infringement suit against the Internet provider, to identify the actual infringer. Specific legislation, namely the Promotion of Access to Information Act (PAIA) of 2000, grants individuals a right to request information even from other private parties, provided that, expressed in general terms, information is needed for the exercise of any private right. However, the other party may refuse information for an extensive list of reasons.

As dominant case law in Germany has made clear so far, specific copyright legislation will not help claimants to get information on the identity of an actual infringer. However, general principles of German civil law, in particular the bona fide rule of §242 BGB, may be applied in order to justify such claims for information.

It has to be stressed that almost all reports specifically emphasise that a claim or an order to inform can only be accepted if the interests of the copyright holder prevail over the interest in protecting personal data. This also seems to be the case in Belgium, where the right to be informed is largely regulated by the law and authorities dealing with the protection of personal data.

It may be concluded that the approaches of domestic legislatures may differ considerably with regard to the legal qualification of a duty to provide information on actual infringers. However, jurisdictions apply largely converging criteria when it comes to the balancing of interests. In cases in which the rightholder can show a prima facie case of infringement, Internet providers would generally be ordered to impart the identity of the direct infringer.

### 2.7.3. Please describe the liability of persons who set links from their own website to another one.

Whether and under which conditions linking can amount to liability is of utmost importance for the workability of the Internet. Linking is a ubiquitous practice in the online world. Liability for the illegality of content on the website to which the user is referred to by a link would force the linking person to permanently monitor the legality of content on the other person's website. Consequently, broad liability has the potential of seriously affecting the workability of the Internet. On the other hand, linking affects the interest of rightholders no less than does actual storage of the same content.

It was mentioned that the EC Electronic Commerce Directive distinguishes between different groups of providers and fixes different thresholds for their liability.<sup>87</sup> However, this Directive does not specifically address the phenomenon of linking. In implementing the Directive, domestic legislatures generally followed that approach by not providing for specific rules on linking. Consequently, the problem of linking has to be dealt with in practice,

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<sup>87</sup> See 2.7.1 above.

which is supposed to rely on general principles of copyright law. Despite the massive use of links, very few cases have gone to the courts so far. In a major case, the German Federal Supreme Court (*BGH*) adopted a very narrow concept of the liability of the person who sets a deep link.<sup>88</sup> According to this decision, even deep links, which bring users directly to content included in complex homepages without going through the entrance page, have to be accepted as a powerful tool of directing users through the Internet and therefore cannot be considered to infringe rights in the content of another homepage. The court would only decide otherwise if the homepage owner explicitly prohibited linking his content. However, the link-setting person may be sued for an injunction after this person has been informed about the illegality of the content on the other website. The German decision seems to have inspired Dutch courts, which have similarly denied a copyright infringement in the form of deep links. According to this view, setting links simply appears as a lawful electronic directory.

However, this generous case law is not followed by all jurisdictions. Some lower French courts seem to have held that the setting of links may lead to secondary liability. Already in 1997, an English court granted interim relief against the setting of a deep link.<sup>89</sup> In 1999, a similar conclusion was reached by a Belgian court. In Belgium, the general view even seems to be that general rules of liability should be applied to the operators of search engines as well; some commentators want to restrict liability for such operators according to the standards of the liability of host providers.

In some countries, including the United States, South Africa, Greece and Croatia, no case law can be found on this topic. Some reports on these countries argue that linking, in particular deep links, may constitute an infringement of copyrights (reports of Greece and Croatia), whereas the South African report reaches more balanced results by applying general principles of liability under domestic law to different factual settings in cases of linking.

According to this overview, liability with regard to linking seems to be an area of largely diverging concepts between countries and even within the European Union. However, such a conclusion may be exaggerated. To the extent that the legislature has left the problem to be solved by court practice, the law can only be developed based on the specific facts of a given case. Accordingly, the “electronic directory” doctrine of the German Federal Supreme Court may be convincing in some cases, but not in others. The latter would be true in a situation in which content stored on the website of another person is integrated in the linking website in such a way that the user does not even suspect that this is not content stored on the website he or she is visiting. A decision by the Canadian Copyright Board of 1999 is in line with this facts-based approach. The Board held that hyperlinks as such constitute electronic directories

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<sup>88</sup> Decision of 17 July 2003, Case I ZR 259/00, [2003] *Neue Juristische Wochenschrift* 3406 = [2003] *Gewerblicher Rechtsschutz und Urheberrecht* 958 – *Paperboy*.

<sup>89</sup> *Shetland Times v. Wills*, 1997 SC 316; 1997 SLT 669; 1997 SCLR 160; [1997] FSR 604; [1997] EMLR 277.

of addresses and therefore do not cause liability. However, the Board also held that if the provider includes a link which automatically transmits musical works to the user without the need for any further action by the end-user, this producer will be held liable for the material to be found at the linked sites. Given this situation, it is certainly best that the European Directive does not deal with linking but has left the issue to “judicial” competition of courts in the Member States.

2.8. Applicable Law: Under what conditions, under statutory rules or case law, is an act of infringement qualified as domestic?

The Internet is independent of national territories. This truism conflicts with the still predominant doctrine of territoriality in the field of copyright. Whereas some countries apply a doctrine of universality with regard to the coming into existence of the copyright, the principle of territoriality is still accepted by these countries when it comes to infringement. According to this principle, US copyright can only be infringed by an act committed in the US and Canadian copyright can only be infringed by an act committed in Canada. In order to be successful in court, the rightholder will have to rely on the copyright law of the country where the infringing act was committed. Therefore, the principle of territoriality is reflected in the conflict-of-laws principle used in applying the law of the country for which protection is sought (*lex loci protectionis*). This last rule is even contained in some statutes, like the Belgian one, on private international law. Some laws considered by the country reports, namely the Dutch and the South African one, however, seem to apply the general tort-conflicts rule of *lex loci delicti commissi* to copyright infringements as well.

Where the right of reproduction is concerned, these rules do not create specific problems. Electronic reproduction will always take place in a specific country, for example the country where the pertinent server is situated. The only problem is that the potential infringer may wilfully choose a country of reproduction with weak copyright protection (forum shopping).

Problems, however, arise with regard to the making-available right. Exclusive application of the law of the country in which a work is made available, i.e., is uploaded, could negatively affect the interests of the rightholders, since, again, this principle would allow forum

shopping. In the similar situation of cross-border broadcasting and satellite transmission, it is held by courts in many jurisdictions that parallel application of the law of the country of the public addressed is mandated (so-called *Bogsch* theory).

In some jurisdictions, courts have begun to apply this *Bogsch* theory to Internet cases. Perhaps the most important decision so far has been handed down in the Canadian *Tariff 22* case.<sup>90</sup> In this case, the Canadian collecting society sued Canadian Internet providers for music downloads made by Canadians from digital platforms operated from abroad. The Canadian Supreme Court affirmed use of the copyright in Canada by applying a real-and-substantial-connection test. In line with this case law, the French *Cour de cassation* decided that French law applies if the relevant website is accessible from French territory.<sup>91</sup> Similarly, a lower German court applied German copyright law to the use of thumbnails as part of a list of hyperlinks stored by the operator of a search engine on a server in the United States.<sup>92</sup> In an Internet case, though outside the scope of copyright, the Scottish Court of Session accepted an action against a cybersquatter situated in Greece for the use of a newspaper title in a number of domain names, but limited the remedies granted to Scottish law and Scotland.<sup>93</sup>

Courts in Croatia seem to have reacted in somewhat different ways to the problem of forum shopping. It has been held that Croatian law always applies to Internet infringements of the copyright of a Croatian citizen by another Croatian citizen irrespective of the place of the server.

The problem of application of the *Bogsch* theory to Internet cases consists in the large number of applicable laws of the countries from which the Internet is accessible. In extreme cases, domestic courts would be required to apply a considerable number of different domestic laws to a single infringement, bringing administration of justice to its limits. However, as the case law demonstrates, plaintiffs have so far only relied upon one domestic law, mostly the *lex fori* of the competent court. Quite rightly, courts accept such actions and apply their domestic law.

Some courts refrain from granting relief – damages in particular – with regard to foreign territory. On referral by a French court, the European Court of Justice decided in a cross-border television case that courts applying a given national law may only grant damages for use of the neighbouring rights of performing artists and phonogram producers in the respective country according to the economic value of that use to be measured in the light of the domestic audience addressed.<sup>94</sup> This decision was based on an interpretation of Art.

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<sup>90</sup> *SOCAN v. Canadian Association of Internet Providers*, (2004) 32 C.P.R. (4<sup>th</sup>) (S.C.C.).

<sup>91</sup> Cass. 1<sup>ère</sup> civ., 11 janvier 2005: *Comm. Com. Electr.* 2005, comm. 37.

<sup>92</sup> Landgericht Hamburg, [2004] *Gewerblicher Rechtsschutz und Urheberrecht – Rechtsprechungs-Report* 313 – *Thumbnails*.

<sup>93</sup> See L. Edwards, *The Scotsman, the Greek, the Mauritian company and the Internet: where on earth do things happen in cyberspace?*, 8 *Edinburgh LR* 99 (2004).

<sup>94</sup> Decision of 14 July 2005, Case C-192/04, *Lagardère Active Broadcast*, [2005] *ECR I-7199*, paras. 50-54.

8(2) of the EC Rental Right Directive<sup>95</sup> obliging the Member States to ensure “equitable remuneration” for the broadcasting of phonograms. The same case was litigated both in France and in Germany. In the latter country, the Federal Supreme Court held that, according to German law, as the law of the country where the terrestrial transmitter was situated, courts may in principle award damages in relation to the total audience reached at home and abroad, but have to deduct what the broadcaster has to pay to the rightholder in the country of reception.<sup>96</sup> The situation is different, however, in the US, where courts would apply US law if only a part of the infringing act had been committed in US territory and would then grant compensation for the damage caused worldwide.

### 3. Conclusions

The introductory part of this report identified two major challenges to the copyright system arising from digitalisation. In conclusion, these challenges may be reviewed in the light of the answers given to the questionnaire.

As to the first challenge, namely the problem that consumers lose willingness to pay for works that are freely accessible on the Internet, it may be concluded that international law, based on the WIPO Treaties of 1996, counteracted this quickly by creating a regulatory framework that after implementation by supranational and national legislatures allows effective control of digitised works by using DRM systems. Some domestic legislatures, like the United States, reacted sooner than others. However, even in countries where adoption of modern rules still needs to take place (*e.g.*, Canada and France), flexible application of existing rules that meet the needs of the new technology may protect rightholders adequately. Nevertheless, the music industry in particular has suffered considerably in recent years because of the digital revolution. This phenomenon, however, is not to be explained by a lack of legal protection but rather by the long-lasting reluctance of the music industry to promote efficient models of digital marketing pro-actively. The WIPO Treaties admittedly did not solve all the problems. In particular, the issue of secondary liability of “indirect” infringers – Internet service providers, providers of file-sharing software or those setting hyperlinks – was left to domestic legislation. The EC Electronic Commerce Directive addresses liability of Internet providers only. In this field, slightly different solutions may evolve in particular so far as liability in situations of linking is concerned.

As to the second challenge, the need to rebalance the interests within the triangle of original rightholders (authors and performing artists), commercial exploiters and the public, our conclusions are much less optimistic. The WIPO treaties of 1996 tried to safeguard the

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<sup>95</sup> Council Directive 92/100/EEC of 19 November 1992 on rental right and lending right and on certain rights related to copyright in the field of intellectual property, OJ EC 1992 L 346, p. 61.

<sup>96</sup> Federal Supreme Court (Bundesgerichtshof) of 7 November 2002, *Sender Felsberg*, 35 IIC 977 (2004).

limitations and exceptions of national law by stipulating that technical protection measures need to be protected only to the extent that these measures do not restrict unlawful acts.<sup>97</sup> However, later developments demonstrated that drawing the line accordingly would be technically most difficult. Therefore, domestic legislation tends to protect technical protection measures more than required by the treaties. In this regard, legal protection of technical protection measures works in favour of those who apply DRM systems. This threat to the public is reinforced by the phenomenon that interaction between application of DRMs and contract law may allow such persons to “create exclusivity” that goes even farther beyond the boundaries defined by the legislature. Despite ongoing public and scholarly discussion, also on the latter issue, national legislatures do not seem to be reacting appropriately. In addition, DRMs are most effectively applied by the holders of large portfolios of rights, whereas original rightholders, the authors and performing artists, are largely disadvantaged. Collecting societies may be considered institutions that could guarantee equitable remuneration to authors and performing artists in the online world. However, collecting societies still need to define their own function with regard to the administration of digital rights.

In the future, major problems might arise because of courts applying their own law with “extraterritorial effect”, i.e., granting injunctions and compensating for worldwide damage, without paying tribute to possibly diverging law in other countries. The WIPO treaties of 1996 did not address this truly international issue. It will be seen whether these treaties will need to be revised in this regard.

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<sup>97</sup> Article 11 WCT; Article 18 WPPT.